

重慶鋼鐵股份有限公司

Chongqing Iron & Steel Company Limited

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



2023

ANNUAL REPORT

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Documents Available for Inspection	A full text of annual report, containing the signature of the head of the Company and company seal Financial statements, containing signatures of the head of the Company, the person in charge of the accounting function and the person in charge of the accounting department and company seal Original copy of the auditor's report sealed by accounting firm and signed and sealed by certified public accountants Original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by CSRC for information disclosure purpose and on the website of SSE during the Reporting Period Annual reports released through HKEx
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IMPORTANT NOTICE

- I. The board of directors (the "Board"), the board of supervisors, the directors, the supervisors and members of senior management of the Company guarantee the authenticity, accuracy and completeness of the contents of the annual report, in which there are no false representations, misleading statements contained or material omissions, and assume the several and joint responsibilities as well.
- II. All directors of the Company attended the Board meeting.
- III. Ernst & Young Hua Ming LLP has issued a standard and unqualified audit report for the Company.
- IV. Xie Zhixiong, the head of the Company, Zou An, the Chief Financial Officer, and Lei Xiaodan, the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the annual report.
- V. The profit distribution proposal or proposal to transfer capital reserve to share capital for the Reporting Period as passed by the Board meeting
According to the auditing by Ernst & Young Hua Ming LLP, the realized net profit attributable to the parent company for 2023 amounted to RMB-1,511 million, and the unappropriated profit by parent company as of the end of 2023 amounted to RMB-9.166 billion. As the parent company recorded a negative unappropriated profit as at the end of 2023, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2023 pursuant to Article 250 of the Articles of Association.
- VI. Risk warning in respect of forward-looking statements
 Applicable Not applicable
The forward-looking statements set out in this annual report of the Company such as operating plans, future plans and development strategies involve uncertainties and do not constitute the Company's substantial commitment to investors. Investors are advised to be aware of investment risks and make prudent investments.
- VII. Is there any non-operational fund occupancy by the controlling shareholder or its related party?
No
- VIII. Is there any provision of external guarantee by the Company in violation of the stipulated decision-making procedure?
No
- IX. Whether more than half of the directors cannot guarantee the authenticity, accuracy and completeness of the annual report disclosed by the Company
No
- X. Major Risk Warning
Nil
- XI. Others
 Applicable Not applicable

Section I Definitions

I. DEFINITIONS

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

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
China Baowu, Baowu Group	China Baowu Steel Group Corporation Limited
Strategic Emerging Fund	Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership)
Sichuan Desheng, Desheng Group	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.
Changshou Iron & Steel, controlling shareholder	Chongqing Changshou Iron & Steel Company Limited
Company, Chongqing Iron & Steel	Chongqing Iron & Steel Company Limited
Group	Chongqing Iron & Steel Company Limited and its subsidiaries
General Meeting	the general meeting of Chongqing Iron & Steel Company Limited
Board of directors	the board of directors of Chongqing Iron & Steel Company Limited
Board of supervisors	the board of supervisors of Chongqing Iron & Steel Company Limited
Companies Law	the Companies Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Reporting Period	From 1 January 2023 to 31 December 2023
Listing Rules	The Rules Governing the Listing of Securities on HKEx

Section II Company Profile and Major Financial Indicators

I. COMPANY INFORMATION

The Company's Chinese name	Chongqing Iron & Steel Company Limited
Abbreviation of Chinese name	重慶鋼鐵
The Company's English name	Chongqing Iron & Steel Company Limited
Abbreviation of English name	CISC
Legal representative	Xie Zhixiong

II. CONTACT INFORMATION

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

III. BASIC INFORMATION

Registered address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Historical changes in registered address	No. 30 Gangtie Road, Dadukou District, Chongqing No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing
Office address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Postal code of office address	401258
Website	http://www.cqgt.cn
E-mail	ir_601005@baowugroup.com

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Names and websites of media for annual report disclosure	China Securities Journal (https://www.cs.com.cn) Shanghai Securities News (https://www.cnstock.com) Securities Times (http://www.stcn.com) Securities Daily (http://www.zqrb.cn)
Websites of stock exchanges for annual report disclosure	http://www.sse.com.cn (SSE) https://sc.hkex.com.hk (HKEx)
Place for inspection of annual reports	Secretariat of the Board of the Company

V. BASIC INFORMATION ABOUT THE SHARE OF THE COMPANY

Basic information about the share of the Company

Stock type	Relevant Exchange that stock listed on	Stock abbreviation	Stock code	Stock abbreviation before change
A Share	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	N/A
H Share	The Stock Exchange of Hong Kong Limited	Chongqing Iron & Steel	01053	N/A

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	Ernst & Young Hua Ming LLP
	Office address	17/F, Ernst & Young Tower, Oriental Plaza, 1 East Chang'an Avenue, Beijing
	Name of accountants signing-off the report	Chen Xiaoxiang (陳曉祥) and Wang Dan (王丹)

Section II Company Profile and Major Financial Indicators (Continued)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS

i. Key accounting data

Unit: RMB'000 Currency: RMB

Key accounting data	2023	2022	Increase/ decrease from last year (%)	2021
Operating income	39,318,142	36,561,531	7.54	39,849,418
Operating revenue net of business revenue not related to principal business and income lacking commercial substance	39,030,451	36,273,788	7.60	37,466,956
Net profit attributable to shareholders of listed company	-1,494,417	-1,019,409	Not applicable	2,274,395
Net profit attributable to shareholders of listed company, netting non-recurring gains and losses	-1,514,298	-1,086,273	Not applicable	2,453,197
Net cash flow from operating activities	1,022,039	1,470,087	-30.48	5,621,433

	At the end of 2023	At the end of 2022	Increase/ decrease from last year (%)	At the end of 2021
Net assets attributable to shareholders of listed company	19,854,331	21,341,918	-6.97	22,375,211
Total assets	37,357,035	39,364,800	-5.10	42,995,956

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS (CONTINUED)

ii. Key financial indicators

Key financial indicators	2023	2022	Increase/ decrease from last year (%)	2021
Basic earnings per share (RMB/share)	-0.17	-0.11	Not applicable	0.26
Diluted earnings per share (RMB/share)	-0.17	-0.11	Not applicable	0.26
Basic earnings per share, netting extraordinary gains or losses (RMB/ share)	-0.17	-0.12	Not applicable	0.28
Weighted average return on net assets (%)	-7.26	-4.66	Decreased by 2.60 percentage points	10.73
Weighted average return on net assets, netting extraordinary gains or losses (%)	-7.35	-4.97	Decreased by 2.38 percentage points	11.57

Explanation on the key accounting data and financial indicators for the last three years at the end of the Reporting Period

Applicable Not applicable

Section II Company Profile and Major Financial Indicators (Continued)

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

- i. Difference between the net profit and net assets attributable to shareholders of listed companies as disclosed in the financial statements under International Accounting Standards and those under PRC Accounting Standards
- Applicable Not applicable
- ii. Difference between net profit and net assets attributable to shareholders of listed companies as disclosed in the financial statements under overseas accounting standards and those under PRC Accounting Standards
- Applicable Not applicable
- iii. Explanation on the differences between the PRC accounting standards and overseas accounting standards:
- Applicable Not applicable

IX. MAJOR FINANCIAL DATA OF EACH QUARTER OF 2023

Unit: RMB'000 Currency: RMB

	1st Quarter (January– March)	2nd Quarter (April– June)	3rd Quarter (July– September)	4th Quarter (October– December)
Operating income	10,470,409	10,524,422	9,017,979	9,305,332
Net profit attributable to shareholders of listed company	-105,452	-329,288	-157,582	-902,095
Net profit attributable to shareholders of listed company, netting non-recurring gains and losses	-113,661	-333,144	-164,097	-903,396
Net cash flow from operating activities	-1,027,469	1,441,990	71,039	536,479

Explanation on the differences between quarterly data and disclosed regular reporting data

Applicable Not applicable

Section II Company Profile and Major Financial Indicators (Continued)

X. EXTRAORDINARY GAINS OR LOSSES AND AMOUNTS

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Extraordinary gains or losses	Amount for 2023	Note (if applicable)	Amount for 2022	Amount for 2021
Gains or losses on disposal of non-current assets, inclusive of write-off of impairment provision for assets	4,500	Not applicable	-6,803	-185,836
Government grants included in the profit or loss for the period (except for those closely related to the ordinary businesses of the Company, in compliance with the requirements under the State's policies, entitled to enjoy according to certain standards and continuously affecting the profit or loss of the Company)	13,432	Not applicable	55,613	15,115
Gains or losses on fair value changes arising from financial assets and financial liabilities held by non-financial enterprises and gains or losses arising from the disposal of financial assets and financial liabilities, excluding those arising from effective hedging business related to operating activities of the Company	-	Not applicable	24,084	-
Capital occupancy fee from non-financial enterprises recognized through profit or loss	1,433	Not applicable	5,112	1,257
Gains arising from investment costs for acquisition of a subsidiary, an associate and a joint venture by the enterprise being less than its share of fair value of identifiable net assets of the investee on acquisition	-	Not applicable	-	8,210
Gains or losses on debt restructuring	-	Not applicable	-	145,393
Other non-operating income and expenses apart from the above mentioned	4,025	Not applicable	658	-162,941
Less: Effects on income tax			11,800	
Effect on interest of minority shareholders (after tax)	3,508	Not applicable		
Total	19,882	Not applicable	66,864	-178,802

Section II Company Profile and Major Financial Indicators (Continued)

X. EXTRAORDINARY GAINS OR LOSSES AND AMOUNTS (CONTINUED)

Reasons shall be given with respect to the Company classifying the items not listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Issuing Their Securities to the Public – Non-recurring Gain or Loss Items as non-recurring profit and loss items with significant amounts, and classifying the non-recurring profit and loss items listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Issuing Their Securities to the Public – Non-recurring Gain or Loss Items as recurring profit and loss items.

Applicable Not applicable

XI. ITEMS MEASURED AT FAIR VALUE

Applicable Not applicable

Unit: RMB '000 Currency: RMB

Item	Opening balance	Closing balance	Changes in the Reporting Period	Effects on profit for the Reporting Period
Other equity instruments	–	60,364	60,364	–
Receivables financing	799,687	632,329	-167,358	–
Total	799,687	692,693	-106,994	–

XII. OTHERS

Applicable Not applicable

Section II Company Profile and Major Financial Indicators (Continued)

XIII. FINANCIAL HIGHLIGHTS

Unit: RMB '000 Currency: RMB

	2019	2020	2021	2022	2023
Income and profit					
Income	23,477,597	24,489,935	39,849,418	36,561,531	39,318,142
Profit before tax	890,509	624,387	2,262,884	(1,201,895)	(1,744,259)
Taxation	(35,214)	(14,092)	(11,509)	(182,486)	(249,842)
Profit for the year	925,723	638,479	2,274,393	(1,019,409)	(1,494,417)
Attributable to shareholders of the Company	925,723	638,479	2,274,393	(1,019,409)	(1,494,417)
Non-controlling interests	–	–	–	–	–
Earnings per share attributable to shareholders of the Company – Basic (RMB)	0.10	0.07	0.26	(0.11)	(0.17)
Assets and liabilities					
Non-current assets	19,120,443	26,901,448	29,645,294	30,850,578	31,305,047
Current assets	7,855,283	13,048,408	13,350,662	8,514,222	6,051,987
Current liabilities	5,089,715	13,429,248	15,411,421	13,062,530	13,863,584
Non-current liabilities	2,490,008	6,482,141	5,209,326	4,960,353	3,639,120
Net assets	19,396,003	20,038,467	22,375,209	21,341,918	19,854,331
Equity attributable to shareholders of the Company	19,396,003	20,038,467	22,375,209	21,341,918	19,854,331
Non-controlling interests	–	–	–	–	–

Section III Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, taking the “high-end orientation, intelligentisation, greenisation and high efficiency” as direction and the “order-based production, marginal output, profitable income and cash-based profit” as operation guideline, Chongqing Iron & Steel adhered to self-transcendence, and surpassed the overall industry performance in pursuit of excellence. Firmly believing that “all costs can be reduced”, the Company actively responded to the severe situation of the steel industry, and worked hard on internal development following the principle of “thinking of progress in times of danger”, finally ensuring the continuous improvement of main economic and technical indicators.

i. The Company strengthened environmental protection by effectively pushing forward energy conservation and emission reduction

Upholding the management concept of “optimal management, minimum consumption” and “collecting all available secondary energy”, the Company reported 3,955 million kWh of self-generated power throughout the year, an increase of 905 million kWh year on year. Additionally, the self-generation rate of power increased from 76.63% in 2022 to 84.89%, and the gas emission rate decreased to 0.13%. As a result, the Company reduced cost totaling RMB245 million by energy conservation and carbon reduction.

The Company comprehensively promoted the transformation of ultra-low emission of waste gas, completed the organised transformation of the flue gas outlet positioned at sintering machine head and coke oven, becoming the first iron and steel enterprise in Southwest China completing the announcement of clean transportation with ultra-low emission. Moreover, the Company promoted the zero discharge of wastewater in an orderly manner, and made new progress in zero wastewater discharge. The three sets of water treatment systems newly built by the Company are expected to reduce wastewater discharge by approximately 15,000 m³/d.

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- ii. The Company continuously improved its production and manufacturing capability in a benefit-oriented manner

Before ironmaking operation, the Company, centring on the reduction of furnace cost and consumption, optimised the coal and ore distribution structure, and continuously improved the production efficiency of blast furnace. During the year, the Company's utilization coefficient of blast furnace reached 2.718t/m³.d, 0.035t/m³.d higher than 2022. Particularly in March, the utilization coefficient and fuel ratio of 4# blast furnace respectively reached 3.278t/m³.d and 503kg/t.Fe, both setting the best record in the history of the blast furnace, ranking forefront among the same category of blast furnaces. In terms of steelmaking, the principle of the best benefit was followed to promote efficiency improvement and achieve stable operation. The processing cost of slab was RMB484/t overall, and that in November was RMB430/t, the lowest in history; the processing cost of square billet was RMB543/t overall, with that in November and December being the lowest throughout the year (lower than RMB500/t). In terms of steel rolling, lean production was actively advanced to achieve efficient production with low consumption. The annual output of rolled steel reached 9,850,900 tons in total. A number of indicators such as the hot charge ratio of the 1780mm production line and the steel rolling matching ratio of the double high rod production line set the best records in history; particularly, the hot charge ratio in February reached 86.54%, and the steel rolling matching ratio of double high rods in November reached 79.24%, both the best in history.

- iii. Through coordinated planning, the Company made new progress in scientific and technological innovation, with its financing cost reaching a new low

Driven by "improving the technology innovation system and intensifying the development of high-quality products", the Company successfully passed the "High-tech Enterprise" certification in 2023. The Company's structural steel hot-rolled wide-thick steel plates for bridges were recognized as "Golden Cup Quality Products" by the China Iron and Steel Industry Association, and its "Key Laboratory of Steel Purification and Inclusion Control" was recognized as a key laboratory of industry and information technology in Chongqing. The Company intensified benchmarking to identify areas for improvement, continued to track the trend of interest rates in the financial market, integrated the funds needed for operation with the optimal cost, minimised the Company's financial expenses, and effectively realized the cost reduction and efficiency improvement of capital channels. Thanks to this, the Company's financing cost dropped by 14% from the beginning of the year.

II. SITUATION OF THE INDUSTRY WHICH THE COMPANY OPERATED IN DURING THE REPORTING PERIOD

The operation of the iron and steel industry during the period from January to December 2023, is described as follows:

1. According to statistics of the National Bureau of Statistics, during the period from January to December 2023, the output of crude steel was 1,019,081,000 tons, equal to that during the same period last year; the steel output was 1,362,682,000 tons, up 5.2% year on year.
2. According to statistics of the General Administration of Customs, during the period from January to December, the national export of crude steel was 90.26 million tons, increasing by 36.2% year on year, and national import of steel was 7.65 million tons, decreasing by 27.6% year on year.
3. In 2023, under the joint influence of such factors as complex and volatile foreign economic environment and weak domestic demand, China's steel market experienced fluctuation and downturn. The average of China Steel Price Index (CSPI) was 111.60 points, decreasing by 11.07 points or 9.02% year on year. Specifically, the average of the long product index was 115.00 points, decreasing by 13.12 points or 10.24% year on year; the average of the plate index was 111.53 points, decreasing by 9.85 points or 8.12% year on year.
4. According to statistics of the General Administration of Customs, during the period from January to December, the national import of iron ores and ore concretes was 1,179.06 million tons, increasing by 6.6% year on year.

In 2023, the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Natural Resources, the Ministry of Ecology and Environment, the Ministry of Commerce, and the General Administration of Customs jointly issued the Work Plan for Ensuring the Stable Growth of the Iron and Steel Industry. It is clarified in the Work Plan for Ensuring the Stable Growth of the Iron and Steel Industry that, as the basic working principle, we should “adhere to the combination of supply optimisation and demand expansion, adhere to staying firmly rooted in the present while looking ahead to the future, and adhere to the combination of market orientation and government promotion”. According to the aforesaid work plan, during the period from 2023 to 2024, the major objectives of growth of the iron and steel industry should be as follows: In 2023, the dynamic balance of supply and demand of the iron and steel industry shall be maintained, fixed asset investments in the entire industry shall continue growing steadily, economic benefits shall be increased significantly, great efforts shall be made to increase R&D inputs in the industry to 1.5%, and industrial added value shall increase by approximately 3.5%; in 2024, the industry development environment and industrial structure shall be further optimised, the level of high-end, intelligent and green development shall be continuously improved, and the industrial added value shall increase by 4% or above.

III. MAIN BUSINESS PROFILE DURING THE REPORTING PERIOD

The Company, belonging to the manufacturing industry/ferrous metal smelting and rolling processing industry, is mainly engaged in the production and sale of hot rolled sheets, medium plates, rebars, wire rods, billets, steel by-products and coking and coal chemical products, etc. The Company has a production capacity of 10 million tonnes of steel per year and has the following main production lines: 4,100mm wide and thick plate, 2,700mm medium plate, 1,780mm hot rolled sheet, double high rods, high speed wire rods and bar materials.

With rich production lines, the Company is able to provide a diversified portfolio of products. The products include the varieties of medium plates, heavy plates, hot coil and long products. The Company's products are widely applied in various sectors, such as railways, airports, bridges, tunnels, ships, as well as urban high-rise buildings. The products of the Company are mainly sold in Chongqing and southwestern regions, and have met the development demands in north western regional markets. The products are highly recognized in regional markets.

The Company's steel products used in hull structure, boilers and pressure vessels were rewarded the title of "Chinese brand products" and four other products were rewarded the title of "Chongqing's brand products". The Company successively obtained the following titles of honor: national Labor Day certificate, national implementation of performance excellence model advanced enterprises, Chongqing famous trademark, Chongqing quality benefit enterprise and Chongqing contract-abiding and trustworthy Enterprises. In 2023, the Company's hot rolled wide steel plates of structural steel for ships and offshore engineering, and hot rolled wide steel plates of structural steel for bridges were recognized as "Golden-cup Excellent Products" by China Iron and Steel Association, and the Company has successfully established a national advanced unit of metallurgical greening, and was awarded the honorary titles of "Green Steel Development Benchmarking Enterprise" and "Chongqing Environmental Integrity Enterprise".

In 2023, extremely turbulent international situation, sluggish recovery of the global economy, intensified geopolitical risks, and sustained decline in global economic growth resulted in a significant contraction in steel demand. The cost of raw fuel procurement remained at a high level for a relatively long period of time, resulting in a contraction in demand, rising costs, and a continuous decline in steel prices and profits decline in the domestic steel market. The Company's market price difference between the purchase and sales continued to narrow. With "production with orders, production with margins, income with profits, and profits with cash" as the framework to promote the accounting operation, the Company took multiple measures, and various technical and economic indicators continued to set new historical records, and stabilizing the fundamentals of the high-quality development of Chongqing Iron & Steel.

IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

i. Flexible system and mechanism advantage

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

ii. Relative targeted market and logistic advantages

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

iii. Brand advantage

With rich production lines, the Company is able to provide a diversified portfolio of products. The products include the varieties of medium plates, heavy plates, hot coil and long products, which meets the development demands in southwest regional markets and the “San Feng” products are highly recognized in regional markets in southwest regional markets. The Company has established extensive cooperation relationships with various central enterprises such as China State Construction Engineering Chengdu Co, Ltd. (中建科工成都有限公司), China Railway Materials Chengdu Co, Ltd. (中铁物资成都有限公司) and China Communications Materials.

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD

During the reporting period, the Group produced 6.5160 million tonnes of iron, 7.1155 million tonnes of steel and 10.2222 million tonnes of commodity billet, representing year-on-year decrease of 9.88% and 9.63% of iron and steel and a year-on-year increase of 22.53% of commodity billet. The sales volume of commodity billet was 10.2895 million tonnes, representing a year-on-year growth of 22.74%. The operating income was RMB39.318 billion, while the total profit was RMB-1,744 million.

i. Main business analysis

1. Analysis of changes in certain items from Income Statement and Cash Flow Statement

Unit: RMB'000 Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	39,318,142	36,561,531	7.54
Operating cost	40,002,413	36,592,389	9.32
Selling expenses	75,804	74,204	2.16
Administrative expenses	334,986	418,291	-19.92
Financial expenses	242,279	358,905	-32.49
R&D expenses	31,949	24,764	29.01
Net cash flow from operating activities	1,022,039	1,470,087	-30.48
Net cash flow from investing activities	-801,075	-2,111,390	N/A
Net cash flow from financing activities	-2,327,132	-1,253,003	N/A

Reasons for change in financial expenses: The decrease in financial expenses was mainly due to the decrease in the size of interest-bearing liabilities and consolidated finance costs.

Reasons for change in net cash flow from operating activities: The decrease in net cash flow from operating activities was mainly due to the decrease in profit for the current period.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

1. *Analysis of changes in certain items from Income Statement and Cash Flow Statement (Continued)*

Reasons for change in net cash flow from investment activities: The decrease in net cash flow from operating activities was mainly due to the decrease in investment expenditure on fixed assets for current period.

Reasons for change in net cash flow from financing activities: The increase in net cash flow from financing activities was mainly due to decrease in new borrowings for the current period.

Detailed description of the major changes in the Company's business types, profits structure or profits sources in the period

Applicable Not applicable

2. *Revenue and cost analysis*

Applicable Not applicable

In 2023, the Group realized a total profit of RMB-1,744 million, which was mainly due to the following reasons: the selling price of commodity billet amounted to RMB3,638/tonne, representing a year-on-year decrease of 10.13%, and commodity billet achieved an decrease of RMB3,575 million in profit; the sales volume of commodity billet reached 10.2895 million tonnes, representing a year-on-year increase of 22.74%, and achieving an decrease of RMB524 million in profit affected by products structure; the Company continued to promote cost reduction plan, thus key technical and economic indicators continued to improve, resulting in an increase of RMB1,261 million in profit from cost reduction in the aspect of process; ore price rose, prices of coal and, scrap steel fell, resulted in an increase of RMB2,208 million in profit. The Company insisted on reducing all expenses, thus resulting in an increase of RMB198 million in profit; other matters resulted in a decrease of RMB113 million in profit in total; mainly due to the year-on-year decrease of RMB42 million in profit from impairment of assets and a year-on-year decrease of RMB48 million from government grants.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

In 2023, the Group's revenue from main business amounted to RMB39.030 billion, representing a year-on-year increase of 7.60%. In particular, the income from sales of commodity billet products amounted to RMB37.434 billion, representing a year-on-year increase of RMB3,502 million. Firstly, the sales volume of commodity billet was 10.2895 million tonnes, representing a year-on-year increase of 22.74%, resulting in an increase in the sales income of RMB7,077 million; secondly, the sales price of commodity billet was RMB3,638/tonne, representing a year-on-year decrease of 10.13%, resulting in a decrease in the sales income of RMB3,575 million.

Composition of income from main businesses:

Type	2023		2022		Year-on-year Increase in amount (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plate	9,604,212	24.61	11,202,787	30.89	-14.27
Hot rolling	17,998,354	46.11	17,256,980	47.57	4.30
Bars	3,250,795	8.33	1,633,885	4.50	98.96
Double high rods	3,969,804	10.17	2,854,994	7.87	39.05
Profiles	1,371,770	3.51	931,025	2.57	47.34
billets	1,239,556	3.18	52,305	0.14	2269.86
Subtotal	37,434,491	95.91	33,931,976	93.54	10.32
Other	1,595,960	4.09	2,341,812	6.46	-31.85
Total	39,030,451	100.00	36,273,788	100.00	7.60

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

Sales prices of commodity billet:

Item	2023 Sales price (RMB/tonne)	2022 Sales price (RMB/tonne)	Year-on-year growth (%)	Income increase (RMB'000)
Plate	3,941	4,322	-8.82	-928,383
Hot rolling	3,613	3,994	-9.54	-1,898,218
Bars	3,427	3,606	-4.96	-169,782
Double high rods	3,384	3,748	-9.71	-427,008
Profiles	3,632	3,878	-6.34	-92,914
billets	3,338	3,495	-4.49	-58,294
Total of commodity	3,638	4,048	-10.13	-3,574,599

Sales volumes of commodity billet:

Item	Sales volume for 2023 (Ten thousand tonnes)	Sales volume for 2022 (Ten thousand tonnes)	Year-on-year growth (%)	Income increase (RMB'000)
Plate	243.67	259.23	-6.00	-670,192
Hot rolling	498.22	432.09	15.30	2,639,592
Bars	94.85	45.31	109.34	1,786,692
Double high rods	117.31	76.19	53.97	1,541,818
Profiles	37.77	24.00	57.38	533,659
billets	37.13	1.50	2375.33	1,245,545
Total of commodity	1,028.95	838.32	22.74	7,077,114

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(1). Main business by sectors, products and regions and sales model

Unit: RMB'000 Currency: RMB

Main business by sectors

By sectors	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Iron and steel	39,030,451	39,740,404	-1.82	7.60	9.31	Decreased by 1.60 percentage points

Main business by products

By products	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Commodity billet	37,434,491	38,201,837	-2.05	10.32	12.38	Decreased by 1.87 percentage points
Others	1,595,960	1,538,567	-3.60	-31.85	-34.87	Increased by 4.48 percentage points

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(1). Main business by sectors, products and regions and sales model (Continued)

Main business by regions

By regions	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Southwest	31,621,178	32,292,465	-2.12	13.15	14.54	Decreased by 1.24 percentage points
Other regions	7,409,273	7,447,939	-0.52	-11.02	-8.73	Decreased by 2.52 percentage points

Description on main business by sectors, products and regions and sales model

N/A

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(2). Table of production and sales volume analysis

Applicable Not applicable

Main products	Unit	Production		Inventory	Year-on-year	Year-on-year	Year-on-year
		volume	Sales volume		increase/ decrease in production volume (%)	increase/ decrease in sales volume (%)	increase/ decrease in inventory volume (%)
Plate	10,000 tonnes	239.37	243.67	1.17	-6.66	-6.00	-65.79
Hot rolling	10,000 tonnes	494.42	498.22	2.77	15.26	15.30	0.73
Bars	10,000 tonnes	93.46	94.85	0.04	100.04	109.34	-97.22
Double high rods	10,000 tonnes	118.82	117.31	1.79	55.40	53.99	539.29
Profiles	10,000 tonnes	39.02	37.77	1.23	61.51	57.38	232.43
Commodity billets	10,000 tonnes	37.13	37.13	0.00	2,358.94	2,375.33	-100.00

Explanation on production and sales

N/A

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(3). Performance of major procurement contracts and major sales contracts

Applicable Not applicable

(4). Cost analysis table

Unit: RMB'000

By sectors

By sectors	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)	Explanation
Iron and steel	Raw material	33,511,420	84.33	29,071,795	79.97	15.27	N/A
Iron and steel	Energy	1,366,040	3.44	2,021,368	5.56	-32.42	N/A
Iron and steel	Labor and other costs	4,862,944	12.24	5,261,315	14.47	-7.57	N/A

By products

By products	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)	Explanation
Commodity billet	Raw material and energy costs	38,201,837	96.13	33,992,172	93.50	12.38	N/A
Other	Raw material and energy costs	1,538,567	3.87	2,362,306	6.50	-34.87	N/A

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(4). Cost analysis table (Continued)

Other information on cost analysis

N/A

(5). Changes in the scope of consolidation due to changes in equity of major subsidiaries during the Reporting Period

Applicable Not applicable

(6). Significant changes or adjustments to the Company's business, products or services during the Reporting Period

Applicable Not applicable

(7). Major buyers and major suppliers

A. Major customers of the Company

Applicable Not applicable

The sales attributable to the five largest buyers amounted to RMB12,757,820,000, representing 32.45% of the total sales for the year, of which the sales attributable to related parties amounted to RMB5,339,740,000, representing 13.58% of the total sales for the year.

During the Reporting Period, the proportion of sales to a single customer exceeded 50% of the total amount, and there were new customers among the top 5 customers, or the Company relied heavily on few customers for sales

Applicable Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(7). Major buyers and major suppliers (Continued)

B. Major suppliers of the Company

Applicable Not applicable

Purchases from the top five suppliers amounted to RMB11,584,970,000, accounting for 28.96% of the total purchases for the year, of which purchases from related parties amounted to RMB11,584,970,000, accounting for 28.96% of the total purchases for the year.

During the Reporting Period, the proportion of purchases from a single supplier exceeded 50% of the total amount, and there were new suppliers among the top 5 suppliers or the Company relied heavily on few suppliers for purchase

Applicable Not applicable

Other explanation

N/A

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

3. Expenses

Applicable Not applicable

Item	Current period	Corresponding period of last year	Change (%)
Selling expenses	75,804	74,204	2.16
Administrative expenses	334,986	418,291	-19.92
Finance expenses	242,279	358,905	-32.49
R&D expenses	31,949	24,764	29.01

4. R&D investment

(1). Table of R&D investment

Applicable Not applicable

Unit: RMB'000

Expensed R&D investment for the period	1,453,700
Capitalized R&D investment for the period	-
Total R&D investment	1,453,700
Percentage of total R&D investment to operating income (%)	3.70
Percentage of capitalized R&D investment (%)	-

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

4. R&D investment (Continued)

(2). R&D personnel

Applicable Not applicable

Number of R&D personnel of the Company	1,025
Percentage of R&D personnel in the total number of employees of the Company (%)	17.33

Educational structure of R&D personnel

Educational category	Number
Doctoral graduate	2
Master's graduate	61
Undergraduate	478
Junior college	484
High school and below	0

Age Structure of R&D Staff

Age category	Age number
Under 30 years old (exclusive)	246
30–40 years old (including 30 years old, excluding 40 years old)	539
40–50 years old (including 40 years old, excluding 50 years old)	139
50–60 years old (including 50 years old, excluding 60 years old)	101
60 and above	0

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

4. R&D investment (Continued)

(3). Explanation

Applicable Not applicable

In 2023, the Group's total R&D investment in approved projects was RMB1,453,700,484.75, of which RMB31,948,556.02 was included in R&D expenses. The trial products in the course of R&D had been sold externally, and the corresponding cost expenditure of RMB1,421,751,928.73 had been included in operating costs.

(4). Reasons for major changes in the composition of R&D personnel and their impact on the future development of the Company

Applicable Not applicable

5. Cash flow

Applicable Not applicable

Item	2023	2022	Main reasons for changes
Net cash flow from operating activities	1,022,039	1,470,087	Decrease in profit for the current period.
Net cash flow from investing activities	-801,075	-2,111,390	Decrease in fixed assets investment projects.
Net cash flow from financing activities	-2,327,132	-1,253,003	Decrease in new borrowings.
Net increase in cash and cash equivalents	-2,106,168	-1,894,306	–

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

ii. Explanation on material change in profit due to non-principal business

Applicable Not applicable

iii. Analysis of assets and liabilities

Applicable Not applicable

1. Assets and liabilities

Unit: RMB'000

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Cash and bank balances	1,935,398	5.18	3,995,676	10.15	-51.56	Repayment of borrowings
Trade receivables	30,630	0.08	38,789	0.10	-21.03	-
Receivables financing	632,329	1.69	799,687	2.03	-20.93	-
Prepayments	633,937	1.70	845,433	2.15	-25.02	-
Other receivables	19,740	0.05	34,846	0.09	-43.35	Recovery of amount
Inventories	2,621,657	7.02	2,592,757	6.59	1.11	-
Other current assets	178,296	0.48	207,035	0.53	-13.88	-
Long-term equity investments	110,935	0.30	111,123	0.28	-0.17	-
Other equity investments	60,364	0.16	-	-	N/A	Capital injection of Baowu Water
Property, plant and equipment	26,159,118	70.02	26,281,780	66.76	-0.47	-
Construction in progress	1,244,272	3.33	894,155	2.27	39.16	Increase in current projects
Right-of-use assets	310,328	0.83	388,739	0.99	-20.17	-
Intangible assets	2,512,168	6.72	2,514,368	6.39	-0.09	-
Goodwill	328,055	0.88	328,055	0.83	-	-
Long-term expenses to be amortized	-	-	237	-	-100	Completion of the amortization of lease hold improvement expenses
Deferred income tax assets	579,071	1.55	327,989	0.83	76.55	Increase in deductible losses
Other non-current assets	737	-	4,132	0.01	-82.16	Decrease in prepayments for construction
Short-term borrowings	450,331	1.21	1,106,441	2.81	-59.30	Repayment of borrowings
Bills payable	1,938,301	5.19	609,368	1.55	218.08	Increase in bills payment
Trade payables	3,886,777	10.40	3,115,967	7.92	24.74	-

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

iii. Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Contract liabilities	1,893,130	5.07	2,645,569	6.72	-28.44	-
Employee benefits payable	125,720	0.34	144,905	0.37	-13.24	-
Taxes payable	28,301	0.08	22,974	0.06	23.19	-
Other payables	3,046,875	8.16	2,720,897	6.91	11.98	-
Non-current liabilities due within one year	2,252,747	6.03	2,352,484	5.98	-4.24	-
Other current liabilities	241,403	0.65	343,924	0.87	-29.81	-
Long-term borrowings	2,986,945	8.00	2,751,945	6.99	8.54	-
Lease liabilities	183,493	0.49	278,353	0.71	-34.08	Payment of asset leases
Long-term payables	307,779	0.82	1,730,677	4.40	-82.22	Repayment of finance leases
Long-term employee benefits payable	64,994	0.17	107,663	0.27	-39.63	Payment of termination benefits
Estimated liabilities	4,227	0.01	5,540	0.01	-23.70	-
Deferred income	85,732	0.23	79,743	0.20	7.51	-
Deferred income tax liabilities	5,949	0.02	6,431	0.02	-7.49	-

Other explanation

N/A

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

iii. Analysis of assets and liabilities (Continued)

2. Overseas assets

Applicable Not applicable

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

Applicable Not applicable

Item	Carrying balance	Carrying amount	Type of restriction	Restricted situation
Cash and bank balances	103,634	103,634	Deposit and freeze	Bill deposit and freeze
Receivables financing	111,003	111,003	pledge	Pledged notes for billing purposes endorsed/ discounted but not derecognized
Property, plant and equipment	701,737	701,737	pledge	Secured borrowings, sale and leaseback
Intangible assets	280,927	280,927	pledge	Secured borrowings
Total	1,197,301	1,197,301	–	–

4. Other explanation

Applicable Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

iv. Analysis on industry operating information

Applicable Not applicable

In 2023, the iron and steel industry actively adapted to the market, proactively responded to demand, adjusted the product structure, deepened the benchmarking and the exploration of potential, resulting in generally stable production and operation, but also along with a trend of “weakening demand, falling prices, high costs, and declining profits”.

1. Slight increase was recorded in iron and steel output. In 2023, the output of crude steel and steel in China was 1,019,081,000 tonnes and 1,362,682,000 tonnes, respectively, with crude steel output remaining at the same level as the precious year and steel output up 5.2% year-on-year.
2. Iron and steel exports increased and imports decreased. In 2023, China's cumulative exports of steel were 90,260,000 tonnes, up 36.2% year-on-year; the total cumulative imports of steel from January to December were 7,650,000 tonnes, down 27.6% year-on-year.
3. The prices of steel fell significantly. The average of the CSPI was 111.60 points, down 11.07 points, or 9.02% year-on-year. Among them, the average long steel price index was 115.00 points, down 13.12 points, or 10.24% year-on-year; the average of CSPI plate was 111.53 points, down 9.85 points, or 8.12% year-on-year.
4. The imports of ore increased, the price of iron ore showed a trend of rising, then falling and then rising again, generally stronger than the price trend of finished steel products. China's imports of iron ore and its concentrates amounted to 1,179,060,000 tonnes from January to December, up 6.6% year-on-year.

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

iv. Analysis on industry operating information (Continued)

Iron and steel industry operational information analysis

1. Manufacturing and sales of steel material based on processing techniques

Applicable Not applicable

2. Manufacturing and sales of steel material based on forms of finished products

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Types based on forms of finished	Production volume (tonne)		Sales volume (tonne)		Operating income		Operating cost		Gross margin (%)	
	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous
	year	year	year	year	year	year	year	year	year	year
Plates and strips	7,337,884	6,853,942	7,418,889	6,913,239	27,602,566	28,459,767	27,584,371	27,889,315	0.07	2.00
Others	2,884,330	1,488,416	2,870,653	1,469,955	11,427,885	7,814,021	12,156,033	8,465,163	-6.37	-8.33

3. Steel material sales based on sales channels

Applicable Not applicable

4. Manufacturing and sales of special steel products

Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

iv. Analysis on industry operating information (Continued)

5. Supply of iron ore

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Supply source of iron ore	Supply volume (tonne)		Expenditure	
	Current year	Previous year	Current year	Previous year
Self supply	–	–	–	–
Domestic source	2,416,000	1,682,600	2,336,369	1,592,098
Overseas import	12,897,498	11,562,711	11,895,234	9,795,666
Total	15,313,498	13,245,311	14,231,603	11,387,763

6. Supply of scrap steel

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Supply sources of scrap steel	Supply volume (tonne)		Expenditure	
	Current year	Previous year	Current year	Previous year
Self supply	282,244	273,512	783,033	630,013
Domestic source	1,642,669	996,865	4,319,378	3,313,087
Overseas import	–	–	–	–
Total	1,924,913	1,270,377	5,102,411	3,943,100

7. Other explanation

Applicable Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

v. Investment analysis

General analysis of external equity investment

Applicable Not applicable

On 28 December 2022, the Resolution in relation to External Investment and Related Party Transactions was deliberated and approved through voting at the 20th meeting of the ninth session of the board of directors of the Company, pursuant to which, the Company was approved to join hands with seven companies affiliated to China Baowu, the de facto controller of the Company, including Guangdong Zhongnan Iron & Steel Co., Ltd., Baowu Group Echeng Iron and Steel Co., Ltd., Shanxi Taigang Stainless Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd., Xinjiang Bayi Iron & Steel Co., Ltd., Xinjiang Yili Iron & Steel Co., Ltd. and Xinjiang Bagang Nanjiang Steel Baicheng Co., Ltd., to increase capital shares of Baowu Water Technology Limited affiliated to China Baowu. On 30 January 2023, all parties related to the transaction entered into the Capital Increase and Share Enlargement Agreement. Due to the change of the timing of capital contribution, the asset value of the Company's capital contribution to the general capital of Baowu Water on the date of capital contribution has changed from RMB60,679,500 to RMB60,364,500, representing a change of the Company's contribution from 1.339% to 1.334%.

1. Significant equity investment

Applicable Not applicable

2. Significant non-equity investment

Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

v. Investment analysis (Continued)

General analysis of external equity investment (Continued)

3. Financial assets measured at fair value

Applicable Not applicable

Unit: RMB'000 Currency: RMB

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

Securities investment

Applicable Not applicable

Description of securities investment

Applicable Not applicable

Private equity investment

Applicable Not applicable

Derivatives investment

Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

v. Investment analysis (Continued)

General analysis of external equity investment (Continued)

4. The specific progress of major asset restructuring and integration during the Reporting Period

Applicable Not applicable

vi. Major assets and equity disposal

Applicable Not applicable

vii. Analysis of major holding and investees

Applicable Not applicable

Name of subsidiary/investee	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)	Acquisition method	Registered capital (RMB)
Chongqing Iron & Steel Energy Environmental Protection Company Limited (重慶鋼鐵能源環保有限公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Electricity production and sales	100	Acquisition of equity	525,694,938.14
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation and warehouse	100	Acquisition of equity	110,000,000.00
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd.	Changshou District, Chongqing	Changshou District, Chongqing	Comprehensive utilization of waste resources	49	Establishment by capital	100,000,000.00
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. (寶武精成(舟山)礦業科技有限公司)	China (Zhejiang) Pilot Free Trade Zone	China (Zhejiang) Pilot Free Trade Zone	Mining professional and auxiliary activities	19	Establishment by capital	180,000,000.00
Chongqing Baocheng Carbon Co., Ltd.	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing	10	Acquisition of equity	33,333,000.00
Baowu Raw Material Supply Co., Ltd.	Pilot Free Trade Zone, Shanghai	Pilot Free Trade Zone, Shanghai	Trading	8	Establishment by capital	500,000,000.00

viii. Structured entities under the control of the Company

Applicable Not applicable

VI. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

i. Industry competition pattern and development trend

Applicable Not applicable

In 2024, the macroeconomic situation will rebound and improve, but will also be full of challenges. The external environment is still volatile, and the challenges for economic development are no less than last year. The global economic prospects remain bleak and uncertain, and we will continue to face the combined disturbances caused by financial tensions, geopolitical rifts, and the rapid development of generative artificial intelligence. Domestically, the basic trend of economic recovery and long-term improvement remains unchanged, but we need to overcome some unfavorable factors, including insufficient domestic demand, shrinking external demand, and diminishing investment effects. Local government debt risks are accumulating, the supply-demand relationship in the real estate market is undergoing significant changes, and the manufacturing industry's business climate is insufficient. The steel industry still faces a complex and severe situation and efforts must continue to be made to improve the dynamic adaptability between supply and demand.

ii. Development strategy of the Company

Applicable Not applicable

With the mission of “Keeping the national strength of steel alive and build a green and wonderful life” and the development goal of “to create a high-quality green intelligent steel manufacturer with an annual output exceeding 10 million tons”, the Company is committed to building “Beautiful Chongqing Iron & Steel, Pastoral Chongqing Iron & Steel” and becoming a leader in the steel industry in Southwest China and providing steel support for social development.

The Company is located in Southwest China, adjacent to the Yangtze River and enjoys a unique and important geographical location. Based in Chongqing, we will integrate into the construction of Chengdu Chongqing dual-city economic circle, promote the development of the Yangtze River Economic Belt, and facilitate the Western Development Strategy. The Company will strive to become a steel enterprise with sound governance structure, efficient management system with leading production technology, significant economies of scale, cost saving creed, low-carbon and environmental protection, strong ability to respond to changes in the external environment, and the first comprehensive strength and dominant market position in Southwest China. During the fourteenth Five-Year-Plan period, the Company will firmly follow the path of green development, build smart factories with technological innovation, seize opportunities, ride on the momentum, start a new journey of high quality development, and strive to achieve the development goal of high-quality green and intelligent steel enterprise.

VI. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

ii. Development strategy of the Company (Continued)

In the face of a complex and severe external environment, we actively implement the production concept of “fully benchmarking to find differences, vigorously reducing costs and increasing efficiency, achieving ultimate management and minimizing consumption.” We adhere to the principles of “production with orders, production with margins, income with profits, and profits with cash”, to continuously enhance the Company’s ability to withstand market risks.

iii. Business plan

Applicable Not applicable

In 2024, the Company plans to produce 8.49 million tons of iron, 9.9 million tons of steel, and 9.32 million tons of materials, with an operating income of RMB36.7 billion. The Company will continue to be guided by the direction of “advancing to high-end, upgrading to intelligence, transforming to green, and developing efficiently,” strengthen our sense of responsibility and spare no effort in completing the annual business objectives, winning the battle to turn losses into profits, and promoting Chongqing Iron and Steel to become a leader in the steel industry in Southwest China. We will also contribute to Central South Iron and Steel being recognized as a builder of a well-known steel ecosystem and to China Baowu creating a world-class great enterprise.

In 2024, the steel industry situation will still be severe, and the Company will focus on the following areas of work: (1) strengthening safety performance, improving the responsibility system, and enhancing safety management capabilities; (2) focusing on extreme energy efficiency, deepening environmental governance, and promoting sustainable green development; (3) pursuing extreme efficiency, deepening technological innovation, and enhancing product core competitiveness; (4) adhering to change leadership, focusing on the site, and enhancing equipment system capabilities; (5) aiming for the best iron cost and creating the most efficient procurement; (6) building an extremely efficient and highly effective marketing team to promote product structure upgrades; (7) strengthening investment management and promoting environmental protection project construction to strive for green and low-carbon steel enterprises; (8) comprehensively deepening reforms, improving management efficiency, and promoting high-quality development of the Company; (9) focusing on standardized operations to promote grassroots basic management to a higher level; (10) adhering to profit-based management, vigorously reducing costs and increasing efficiency, and effectively improving business performance.

VI. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

iv. Potential risks

Applicable Not applicable

1. The global economic outlook is still uncertain, and the Company's main source of iron ore is imported, which is greatly affected by fluctuations in bulk raw material prices, and is facing certain risks of fuel price fluctuations.

Company response measures: In 2024, the Company will firmly establish the concept of "reducing costs is the primary guarantee against risks," focusing on "resource expansion, structural optimization, pipeline optimization, logistics optimization, and model innovation." According to the "Guidelines for the Application of Internal Control in Enterprises," we will carry out risk identification and evaluation around procurement-related business processes, such as procurement planning, supplier management, procurement and pricing, acceptance and objections, inventory, contract order management, and fund activities. We will focus on supplier management, strengthen the supplier evaluation mechanism in terms of admission evaluation, performance evaluation, and annual review, continuously optimize the supplier team, and focus on achieving quality improvement, efficiency improvement, and direct supply ratio improvement.

2. The complexity, severity, and uncertainty of the current external environment have increased, and the contradictions between supply and demand in the industry have become prominent, resulting in certain operating pressures for the Company.

Company response measures: In 2024, the Company will deepen profit-based management, strictly control investment scale, promote extreme cost and efficiency, implement a new type of management responsibility system, follow the principles of value creation and overall benefit maximization, continue to deepen technological innovation, fully utilize the production, sales, and research platform to jointly develop special steel, focus on improving product quality and technical and economic indicators, respond to market changes dynamically based on its regional positioning, adjust product structure in a timely manner, strengthen procurement and sales coordination, enhance the competitive advantage of differentiated products, increase market share and profitability, and strive to build efficient and refined manufacturing capabilities.

v. Others

Applicable Not applicable

VII. FAILURE OF DISCLOSURE OF THE COMPANY AS PER RULES DUE TO INAPPLICABILITY OR SPECIAL REASONS SUCH AS STATE SECRETS AND BUSINESS SECRETS

Applicable Not applicable

Section IV Corporate Governance

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE

Applicable Not applicable

i. Corporate governance

Operating in strict accordance with the Companies Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant regulations of the CSRC, and relevant requirements of regulatory documents such as the Listing Rules, the Company has established a complete corporate governance system and an effective internal control system.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 (reordered as Appendix C3, effective from 31 December 2023) to the Listing Rules as the code for dealing in securities of the Company by the Directors. All directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2023.

To the best of knowledge of the Board, the Company had complied with the requirements of the Corporate Governance Code, Appendix 14 (reordered as Appendix C1, effective from 31 December 2023) to the Listing Rules during the Reporting Period, and no deviation from the Code has been identified.

As the Company was listed on the SSE and HKEx, it shall comply with the requirements of the Code of Corporate Governance for Listed Companies of the CSRC and the Corporate Governance Code of the Stock Exchange in respect of corporate governance practices besides applicable laws and regulations.

The Company firmly believes that the adherence to good corporate governance principles, the enhancement of the transparency and independence of corporate operation and the establishment of an effective accountability system can help the Company ensure steady development and increase shareholders' value. The Company operates in strict accordance with the requirements of laws and regulations, and has established a complete corporate governance structure and an effective internal control system. During the Reporting Period, the Company's actual governance status had no difference from the requirements of the Code of Corporate Governance for Listed Companies and the Corporate Governance Code.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

i. Corporate governance (Continued)

1. Shareholders and general meetings: The Company convenes general meetings in strict accordance with relevant laws and regulations and the Articles of Association and the Rules of Procedure for General Meetings to review and decide on major matters of the Company, to respond to Shareholders' enquiries and to listen to Shareholders' opinions and suggestions, so as to ensure that the Shareholders exercise their powers and rights in accordance with the law and to safeguard the legitimate rights and interests of all Shareholders.
2. Controlling shareholder and listed company: The Company is completely separate from the controlling shareholder in terms of business, staff, organization and finance. The Company is a self-sustaining entity operating independently. The Company's controlling shareholder exercises shareholder's rights in strict compliance with relevant requirements of the Companies Law and the Articles of Association, without overriding the general meetings to directly or indirectly intervene in the Company's production, operation or important decision-making. At the end of the Reporting Period, none of the Company's capital or assets had been appropriated by its substantial shareholders.
3. Directors and the Board: In accordance with relevant laws and regulations and the Articles of Association, the Company has formulated the Rules of Procedure of the Board of Directors, the Working Regulations of the Strategy Committee of the Board of Directors, the Working Regulations of the Audit Committee of the Board of Directors, the Working Regulations of the Remuneration and Evaluation Committee of the Board, and the Working Regulations of the Nomination Committee of the Board of Directors. The Board thoroughly implements the spirit of the 20th National Congress of the CPC, strictly enforces various regulatory requirements, convenes and holds general meetings and seriously implements the resolutions of the meetings, and fulfills the corresponding review and approval procedures in respect of major matters within its authority. The Board fully grasps the strategic positioning of the Company, continuously strengthens its core competitiveness, fully implements the concept of innovative development, strengthens compliance building and value enhancement, improves risk prevention and control capabilities and internal control building, standardizes and optimizes corporate governance, promotes the Company's high-quality development, and safeguards the interests of the Company and its shareholders as a whole. Special committees of the Board separately convene meetings in light of their respective duties, and put forward advice and recommendations regarding the Company's business plan, financial reporting, effectiveness of internal control, remuneration policy for director and senior management, board structure, and qualification of candidate for director and senior management, to effectively promote the standardized operation and scientific decision-making of the board of directors.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

i. Corporate governance (Continued)

On 31 December 2023, the Board of the Company was comprised of nine members, including three independent directors, two of whom are professional accountants. The board of directors has four special committees, namely the Strategy Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee. The composition of all such special committees is in compliance with relevant requirements.

4. The Board of supervisors of the Company complies with the laws and regulations, adheres to the principles of objectivity, impartiality and diligence, earnestly implements the supervisory requirements, carries out supervisory inspections in accordance with the laws and regulations, and continuously enhances the effectiveness of supervision, promotes the establishment and standardized operation of the Company's corporate governance, and safeguards the legitimate rights and interests of the Company and its shareholders. The Board of supervisors convenes meetings of the Board of supervisors in accordance with the law, carefully reviews resolutions and issues opinions, carries out daily supervision in a solid manner, continues to supervise the performance of the Board, its members and senior management, strengthens the supervision of major issues and financial supervision, and supervises, inspects and issues opinions on the Company's regular operation, financial situation, the selection of the accounting firm, connected transactions and internal control construction, etc. in accordance with the law. As of 31 December 2023, the Company's board of supervisors was comprised of five members, including two employee supervisors. The composition of the board of supervisors was in compliance with relevant requirements.
5. Information disclosure and transparency: The Company strictly implements the systems related to information disclosure, specifies the person responsible for information disclosure, continuously improves the quality of information disclosure, and treats all investors fairly to ensure that investors have an equal right to know, and have a true, accurate, complete and timely understanding of the Company's information. In 2023, the Company continuously maintained standardized information disclosure, without failing to disclose any information that shall be disclosed.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

i. Corporate governance (Continued)

6. Building of the internal control system: In 2023, in order to implement the Basic Standards of Corporate Internal Control and relevant supporting guidelines, further strengthen and standardize the Company's internal control, and ensure the legal and complaint operation and asset safety of the Company as well as the authenticity and completeness of the Company's financial reports and other relevant information, the Company, on the basis of comprehensive control, paid attention to important business and high-risk areas, control of key expenses and costs, key business processes, and allocation of important factor resources, improved the decision-making system for major matters, and ensured mutual constraints and checks and balances in such aspects as governance structure, institutional setup, power and responsibility allocation and business procedure to effectively play the important role of the internal control system in foundation consolidation and risk prevention and control. Additionally, taking the five elements of the internal control framework, namely control environment, risk assessment, control activity, information and communication and supervision in enterprise operation and management activities, as the basis and criterion, the Company analyzed and assessed the Company's risks and internal control at all levels to provide a holistic framework system for the Company's internal control management. Moreover, the Company combed internal control procedures involving main business of the Company to improve and strengthen the Company's internal control management, formulated risk identification and assessment standards to gradually refine the Company's risk points and management means in combination with such factors as company scale, industry characteristic, risk appetite and risk tolerance, organised risk identification and assessment and formulated risk lists following the five categories of standards of "very low, low, medium, high, and very high" from such aspects as impact on financial amount loss, impact on customers, impact on employee turnover, impact on key operating indicators and risk outburst speed, and based on the information about production, purchase and sale, investment, financing and finance, regularly carried out operation analysis by factor analysis, comparative analysis and trend analysis methods to identify existing problems, find out the causes and make improvements in a timely manner.
7. Insider registration management: In accordance with relevant requirements, the Company has formulated the Information Insider Management System. During the Reporting Period, the Company effectively managed confidentiality, registration and filing of insider information and insiders strictly as stipulated, without experiencing any inside information leakage or insider transaction.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice

This section is prepared in accordance with relevant requirements of the Corporate Governance Code and the Corporate Governance Report of the HKEx.

Taking corporate governance as part of value creation, the Company has always been committed to improving its corporate governance to demonstrate the fulfilment of commitments made by the board of directors and senior management in terms of corporate governance, maintain the transparency and accountability to shareholders, and create the maximum value for all shareholders.

As at 31 December 2023, the Company had well practices the corporate governance principles and all the code provisions (if applicable, including most of the recommended best practices) (the Corporate Governance Code) set out in Appendix 14 (reordered as Appendix C1, effective from 31 December 2023) to the Listing Rules.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

1. Securities dealings by directors and supervisors

1.1 Directors' and supervisors' interests in the shares of the Company or associated corporation

As at 31 December 2023, the interests and short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the Securities and Futures Ordinance (“SFO”)) of the directors, supervisors and senior management members in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporation	Capacity	Nature of interest	Total number of shares held (share)	Percentage of number of A Shares of the Company (%)	Percentage of total share capital of the Company (%)	Class of share
Zou An	The Company	Director, Senior Vice President, Chief Financial Officer, Secretary to the Board, General Legal Counsel	Beneficial interest	1,684,600 (Long position)	0.0201	0.0189	A share
Xia Tong	The Company	Employee Supervisor	Beneficial interest	534,100 (Long position)	0.064	0.006	A share
Lei Yougao	The Company	Employee Supervisor	Beneficial interest	430,000 (Long position)	0.005	0.0048	A share
Xie Chao	The Company	Senior Vice President	Beneficial interest	1,057,400 (Long position)	0.0126	0.0119	A share

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

1. *Securities dealings by directors and supervisors (Continued)*

1.1 Directors' and supervisors' interests in the shares of the Company or associated corporation (Continued)

Save as disclosed above, as at 31 December 2023, none of the directors, supervisors or their respective associates had any interest in the shares of the Company or its associated corporations.

During the year of 2023, none of the Company's directors or supervisors or their spouses or children aged below 18 was granted by the Company the right to subscribe for the Company's shares.

At no time during the year of 2023 was the Company, its fellow subsidiaries or its parent company a party to any important contract in relation to the Company's business in which a director or supervisor of the Company had material interests, either directly or indirectly.

None of the Company, its fellow subsidiaries or its parent company was a party to any arrangement in 2023 whereby a director or supervisor of the Company may obtain benefits by acquiring shares or debentures of the Company or any other body corporate.

1.2 Service contracts of directors and supervisors

The directors and supervisors of the Company respectively entered into service contracts valid to the 2023 annual general meeting of the Company. There were neither terms regarding compensation for termination of service prior to the expiry of the service contracts nor terms regarding compensation for no renewal of service upon the expiry of such service contracts.

1.3 Directors' and supervisors' interests in the contracts

The Company did not enter into any important contract (except service contracts) in which a director or supervisor of the Company is enabled to have any material interest or is substantially interested, whether directly or indirectly, and there was no such contract subsisting at the end of the Reporting Period or at any time during the Reporting Period.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

1. *Securities dealings by directors and supervisors (Continued)*

1.4 Model Code for securities transactions by directors and supervisors

The Company takes the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (reordered as Appendix C3, effective from 31 December 2023) to the Listing Rules and the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof issued by the CSRC as the code for securities transactions by its directors, supervisors, and senior management. Upon specific enquiries with all directors and supervisors, the Company confirmed that all its directors and supervisors had complied with the requirements of the above code and rules concerning the securities transactions by directors as at the date hereof.

1.5 Independence of Independent Non-executive Directors

The Company received annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that the three independent non-executive directors are independent.

2. *Board*

2.1 Composition of the Board

For details, please refer to “Section IV. IV. i.” of this report.

2.2 Number of board meetings during the financial year

For details, please refer to “Section IV. V” of this report.

2.3 Directors’ attendance of the Board meetings and general meetings

For details, please refer to “Section IV. VI. i.” of this report.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

2. Board (Continued)

2.4 Division of responsibilities between the Board and the management

The board of directors is collectively responsible for the Company's management and operation under the leadership of its chairman. The Board formulates the Company's overall strategy, sets the Company's business direction and financial performance target, and ensures the establishment and implementation of the Company's framework and procedures for corporate governance. The Board reports the Company's performance and business to the Company's shareholders. The Board is the Company's final decision-making organ on matters not subject to approval by shareholders pursuant to the Company's Articles of Association, the Listing Rules or other applicable laws and regulations.

The management takes charge of the Company's business operation and implements policies formulated by the Board. The management shall report work to the Board, and make decisions on matters stipulated by the Executive Committee or seek prior approval of the Executive Committee before making commitments on behalf of the Company. The Executive Committee monitors the management's performance according to the Company's corporate goals, missions and business plans which are determined and approved by the board of directors from time to time.

2.5 The Company strictly complied with relevant provisions under Rule 3.10(1) and (2) and Rule 3.10(A) of the Listing Rules during the Reporting Period.

2.6 The Company strictly complied with the provisions under Rule 3.13 of the Listing Rules during the Reporting Period.

2.7 There is no disclosable connected relationship between members of the board of directors of the Company.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

2. Board (Continued)

2.8 Particulars of directors and senior management training

During the Reporting Period, all directors received training prescribed by applicable laws and regulatory regulations. In addition, some directors also attended training related to their profession or business to enhance their management capability. All new directors had fully understood the laws and rules related to their duty performance before taking office.

Records of Performance Training for Directors of the Company in 2023

No.	Name of director	Period of training	Hours of training	Training institution(s)	Training contents
1	Xie Zhixiong	01.03-01.10	3.5	Association of Listed Companies in Chongqing	Training for directors, supervisors and senior management in 2022 (I) Interpretation related to Anti-monopoly Law and the anti-monopoly compliance management of listed companies (II) Practice of Merger, Acquisition and Reorganisation of Listed Companies (III) Case exchange of new financial instruments standards and new revenue standards
		11.20-12.18	4	Association of Listed Companies in Chongqing	Special training for chairman, general manager and chairman of the supervisory committee of listed companies
2	Song De An	01.03-01.10	3.5	Association of Listed Companies in Chongqing	Training for directors, supervisors and senior management in 2022 (I) Interpretation related to Anti-monopoly Law and the anti-monopoly compliance management of listed companies (II) Practice of Merger, Acquisition and Reorganisation of Listed Companies (III) Case exchange of new financial instruments standards and new revenue standards
		9.2	3	Association of Listed Companies in Chongqing	Special training on independent directorship system

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

2. Board (Continued)

2.8 Particulars of directors and senior management training (Continued)

No.	Name of director	Period of training	Hours of training	Training institution(s)	Training contents
3	Lai Xiaomin	01.03-01.10	3.5	Association of Listed Companies in Chongqing	Training for directors, supervisors and senior management in 2022 (I) Interpretation related to Anti-monopoly Law and the anti-monopoly compliance management of listed companies (II) Practice of Merger, Acquisition and Reorganisation of Listed Companies (III) Case exchange of new financial instruments standards and new revenue standards
4	Meng Wenwang	01.03-01.10	3.5	Association of Listed Companies in Chongqing	Training for directors, supervisors and senior management in 2022 (I) Interpretation related to Anti-monopoly Law and the anti-monopoly compliance management of listed companies (II) Practice of Merger, Acquisition and Reorganisation of Listed Companies (III) Case exchange of new financial instruments standards and new revenue standards
		11.20-12.18	4	Association of Listed Companies in Chongqing	Special training for chairman, general manager and chairman of the supervisory committee of listed companies
5	Zou An	01.03-01.10	3.5	Association of Listed Companies in Chongqing	Training for directors, supervisors and senior management in 2022 (I) Interpretation related to Anti-monopoly Law and the anti-monopoly compliance management of listed companies (II) Practice of Merger, Acquisition and Reorganisation of Listed Companies (III) Case exchange of new financial instruments standards and new revenue standards
		2.28	2	SASAC of the State Council	Symposium on improving the quality of listed companies and promoting listing by central enterprises
		5.5	8	Legal and Compliance Department of ZNGF (中南股份法務與合規部)	The first phase of legal training activities in 2023
		9.2	3	Association of Listed Companies in Chongqing	Special training on independent directorship system
		11.30-12.01	16	Shanghai Stock Exchange	The 8th follow-up training for the secretary to the board of directors of listed companies in 2023

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

2. Board (Continued)

2.8 Particulars of directors and senior management training (Continued)

No.	Name of director	Period of training	Hours of training	Training institution(s)	Training contents
6	Zhou Ping	01.03-01.10	3.5	Association of Listed Companies in Chongqing	Training for directors, supervisors and senior management in 2022 (I) Interpretation related to Anti-monopoly Law and the anti-monopoly compliance management of listed companies (II) Practice of Merger, Acquisition and Reorganisation of Listed Companies (III) Case exchange of new financial instruments standards and new revenue standards
		9.2	3	Association of Listed Companies in Chongqing	Special training on independent directorship system
7	Sheng Xuejun	01.03-01.10	3.5	Association of Listed Companies in Chongqing	Training for directors, supervisors and senior management in 2022 (I) Interpretation related to Anti-monopoly Law and the anti-monopoly compliance management of listed companies (II) Practice of Merger, Acquisition and Reorganisation of Listed Companies (III) Case exchange of new financial instruments standards and new revenue standards
		11.9-11.10	16	Shanghai Stock Exchange	The 4th follow-up training for the independent directors of listed companies in 2023
8	Zhang Jinruo	01.03-01.10	3.5	Association of Listed Companies in Chongqing	Training for directors, supervisors and senior management in 2022 (I) Interpretation related to Anti-monopoly Law and the anti-monopoly compliance management of listed companies (II) Practice of Merger, Acquisition and Reorganisation of Listed Companies (III) Case exchange of new financial instruments standards and new revenue standards*
		11.9-11.10	16	Shanghai Stock Exchange	The 4th follow-up training for the independent directors of listed companies in 2023

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

2. Board (Continued)

2.8 Particulars of directors and senior management training (Continued)

No.	Name of director	Period of training	Hours of training	Training institution(s)	Training contents
9	Guo Jiebin	01.03-01.10	3.5	Association of Listed Companies in Chongqing	*Training for directors, supervisors and senior management in 2022 (I) Interpretation related to Anti-monopoly Law and the anti-monopoly compliance management of listed companies (II) Practice of Merger, Acquisition and Reorganisation of Listed Companies (III) Case exchange of new financial instruments standards and new revenue standards"
		11.27-12.04	16	Shanghai Stock Exchange	The 6th follow-up training for the independent directors of listed companies in 2023
10	Lin Changchun	5.19-6.8	Video	-	The 3rd initial training for directors, supervisors and senior executives of listed companies in 2023
		11.08	3	Association of Listed Companies in Chongqing	Special training on independent directorship system

2.9 Board diversity policy

Fully recognizing the benefits of Board diversity, the Company has always sought to enhance the effectiveness of the board of directors and maintain the highest level of corporate governance. In determining the appointment of directors, the Company believes that Board diversity can be achieved through consideration of a number of factors, including but not limited to skills, regional and industrial experience, cultural and educational background, race, gender, age, service term and other factors that the board of directors deems applicable.

The Nomination Committee assumes the principal responsibility for studying and making recommendations on the selection of directors and relevant selection criteria and procedures, and will fully consider the Board diversity policy in performing its duties.

The Nomination Committee considers that the current composition of the board of directors is in line with the actual conditions of the Company. The board of directors of the Company will formulate the Board diversity policy according to its own business model. In line with the Board diversity policy, the Company expects to elect new female directors in August 2024, with the relevant resolution to be considered at the annual general meeting.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

2. Board (Continued)

2.9 Board diversity policy (Continued)

The number of male employees of the Group was 4,964, accounting for approximately 83.92% of the total number of employees, and the number of female employees was 951, accounting for approximately 16.08% of the total number of employees. The Group's recruitment strategy is to recruit the right people for the right positions and to achieve diversity among all employees (including senior management) in terms of gender, age, cultural and educational background, professional experience, skills and knowledge. As at 31 December 2023, the number of female employees of the Group accounted for approximately 16.08% of the total number of employees and gender diversity has been achieved.

2.10 Access to independent views by Directors

The Company has put in place mechanisms to ensure that the Board is provided with independent views and opinions, including but not limited to:

- (i) participation of non-executive Directors (including independent non-executive Directors) in Board meetings and/or Board committees (including meetings of the Strategy Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee) to provide independent views, recommendations and judgements on important issues relating to the Company;
- (ii) The independence of all independent non-executive Directors is assessed annually by the Nomination Committee in accordance with the requirements of the Listing Rules; and
- (iii) for any independent non-executive Director who has served for more than nine years, the Nomination Committee further assesses his or her role as an independent non-executive Director to ensure that he or she meets the relevant independence requirements.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

3. *Chairman and president*

Elected and removed by a majority vote of all directors, the chairman serves for a term of three years, and is eligible for re-election. The chairman is responsible for the day-to-day work of the Board.

The president takes charge of the day-to-day production and operation. The general manager is appointed by the Board for a term of three years and is eligible for re-election.

The roles of chairman and president of the Company were performed by different individuals.

4. *Non-executive director*

Non-executive directors of the Company serve for a term of three years and are eligible for re-election.

5. *Committees under the Board*

5.1 Functions of special committees

(1) Primary responsibilities of the Strategy Committee

- 1) To study the strategic plan for long-term development of the Company and give suggestions.
- 2) To study the operation plans and investment plans of the Company which are required by the Articles of Association to be approved by the Board and give suggestions.
- 3) To study material acquisition or external investments which are required by the Articles of Association to be proposed or approved by the Board and give suggestions.
- 4) To study other significant events which may influence the Company's development and give suggestions.
- 5) To inspect the execution of the above matters.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

- (1) Primary responsibilities of the Strategy Committee (Continued)
 - 6) To handle other matters authorised by the Board.
 - 7) According to the regulatory regulations of domestic and overseas listing places, the Strategic Development Committee is also responsible for the Company's environmental, social and corporate governance (ESG), and responsible to provide relevant suggestions to the board of directors.
- (2) Primary responsibilities of the Audit Committee
 - 1) To supervise and evaluate the work of external auditors.
 - 2) To supervise and evaluate internal audit work.
 - 3) To review and comment on the financial statements of the Company.
 - 4) To assess the effectiveness of internal controls.
 - 5) To coordinate the communication between the management, internal audit department and related departments and external auditors.
 - 6) To report measures that are deemed necessary or matters to be improved to the Board, and make recommendations thereon.
 - 7) To handle other matters authorised by the laws and regulations, the Articles of Association and the Board of the Company.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(3) Primary responsibilities of the Remuneration and Evaluation Committee

- 1) To propose remuneration policies for all directors and senior management, and formulate procedures for such policies.
- 2) To propose the remuneration plan or proposal based on the main scope of work, duties, importance of positions of directors and senior management, and the remuneration standard of social related positions, including but not limited to: performance evaluation standards, procedures, and main evaluation system, levels and payment methods of remuneration, main schemes and systems for rewards and penalties, etc.
- 3) To study the evaluation standards for directors and the senior management, organise the performance evaluation of directors and the senior management, review the duty performance by directors and the senior management based on the achieving status of the Company's business goals, and conduct annual performance evaluation of directors and the senior management while providing relevant suggestions; the Company may also entrust any third party to conduct performance evaluation.
- 4) To supervise the implementation of the remuneration system for the Company's directors and senior management, and provide relevant suggestions.
- 5) To handle other matters authorised by the board of directors.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(4) Primary responsibilities of the Nomination Committee

- 1) To review the structure, member number and composition of the board of directors (including skills, knowledge and experience, and promotion of the diversification of gender, social and racial backgrounds, cognition and personal strengths) at least annually, and provide suggestions to the board of directors in respect of proposed changes of the board of directors for corporate strategy of the Company based on the actual situation of the Company in such aspects as shareholding structure, asset size, strategic planning and operating activity.
- 2) To study the criteria and procedures for selecting directors and the senior management such as General Manager, and provide relevant suggestions to the board of directors.
- 3) To select competent candidates of directors and the senior management such as General Manager.
- 4) To review and provide suggestions for candidates of directors and the senior management such as General Manager.
- 5) To evaluate the independence of independent non-executive directors.
- 6) To review the Board diversity policy and recommend any changes to the board of directors in this regard; review the progress regularly with reference to all measurable goals set by the board of directors in terms of board diversity.
- 7) To handle other matters authorised by the Board.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

5. Committees under the Board (Continued)

5.2 Composition of all special committees (as of 31 December 2023)

Strategy Committee	Audit Committee	Nomination Committee	Remuneration and Evaluation Committee
Xie Zhixiong*	<i>Zhang Jinruo*</i>	<i>Sheng Xuejun*</i>	<i>Guo Jiebin*</i>
Song De An	Zhou Ping	Song De An	Song De An
Meng Wenwang	<i>Sheng Xuejun</i>	<i>Zhang Jinruo</i>	<i>Sheng Xuejun</i>
Lin Changchun	<i>Guo Jiebin</i>	<i>Guo Jiebin</i>	<i>Zhang Jinruo</i>
Zou An			
Zhou Ping			

Note: *Chairman of special committees, names in italic letters are independent non-executive directors.

5.3 Work of special committees

For details, please refer to “Section IV. VII” of this report.

6. Remuneration of auditors

For details, please refer to “Section VI. VI” of this report.

7. Company secretary

During the Reporting Period, the Company engaged Ms. Chiu Hoi Shan as the Company Secretary.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

8. Shareholders' rights

8.1 Shareholders' right to convene an extraordinary general meeting

In accordance with the Companies Law, the Articles of Association stipulates that: Shareholders individually or collectively holding more than 10% of the Company's shares are entitled to request, in writing, the Board to hold an extraordinary general meeting. The Board shall, in accordance with laws, regulations and the Articles of Association, give a written feedback indicating its consent or objection to the holding of an extraordinary general meeting within 10 days upon receipt of the request.

If the Board agrees to hold an extraordinary general meeting, it shall issue a notice on holding the general meeting within 5 days after making corresponding decision, and shall obtain the consent of relevant shareholders in case of any change to the original request.

If the Board disagrees to hold an extraordinary general meeting or fails to give any feedback within 10 days upon receipt of the request, shareholders individually or collectively holding more than 10% of the Company's shares have the right to request, in writing, the board of supervisors to hold the extraordinary general meeting.

If the board of supervisors agrees to the request to hold an extraordinary general meeting, it shall issue a notice on holding the general meeting within 5 days upon receipt of the request, and shall seek the consent of relevant shareholders in case of any change to the original request.

Failure of the board of supervisors to give the notice on holding a general meeting within the prescribed time limit shall be deemed as failure of the board of supervisors to convene and preside over the general meeting, and shareholder(s) individually or collectively holding 10% or more of the Company's shares for more than 90 consecutive days may independently convene and preside over the meeting.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

8. Shareholders' rights (Continued)

8.2 Enquiry procedure and available information

You may obtain the following information according to relevant provisions of the Company's Articles of Association:

- (1) You may obtain the Articles of Association after paying corresponding cost.
- (2) You may consult and copy the following information after paying reasonable expenses:
 - 1) All parts of the register of shareholders;
 - 2) Personal information of the Company's directors, supervisors and senior management such as General Manager, including: (a) current and previous name and alias; (b) principal address (residence); (c) nationality; (d) full-time and all other part-time jobs and titles; (e) identity document and number thereof;
 - 3) Counterfoil of corporate bonds;
 - 4) Resolutions of the Board meetings;
 - 5) Resolutions of meetings of the board of supervisors;
 - 6) Share capital of the Company;
 - 7) Reports showing the total nominal value and number of each class of shares repurchased by the Company since the end of the previous financial year, the maximum and minimum repurchase prices as well as the aggregate amount paid by the Company;
 - 8) Minutes of general meetings.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

8. Shareholders' rights (Continued)

8.3 Procedure for proposing a proposal

Shareholders individually or collectively holding more than 3% of the Company's shares may propose an interim proposal and submit the same in writing to the board of directors 10 days prior to a general meeting; the board of directors shall notify other shareholders within 2 days upon receipt of the proposal, and submit the proposal to the general meeting for deliberation. The content of the interim proposal shall fall within the authority of the general meeting, with clear topics and specific resolutions therein.

Existence of any significant deviation of the Company's corporate governance from laws, administrative regulations or CSRC provisions on the governance of listed companies, and explanation of the reason(s) for any such deviation

Applicable Not applicable

9. Investor relation

On 28 June 2023, the Company held the 2022 Annual General Meeting, at which the Resolution on the Amendments to the Articles of Association and Its Appendices was approved, making amendments to the Articles of Association and its appendices. For details, please refer to the circular dated 30 May 2023 of the Company.

The Company makes accurate and complete data disclosure of any discloseable and material matters on the websites designated by the relevant regulatory authorities on a timely basis in accordance with the disclosure requirements of the Listing Rules in order to safeguard shareholders' right to know and their right to participate.

Section IV Corporate Governance (Continued)

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

ii. Corporate governance practice (Continued)

9. Investor relation (Continued)

The Company has a dedicated department responsible for maintaining investor relations and maintaining open and continuous communication with investors. Information is disclosed in accordance with regulatory rules, and communication with investors is conducted through SSE e-interactive, IR mailboxes, investor hotlines, results presentation and investor exchanges, exchanging on a total of 171 production and operation related issues to convey the Company's value. In order to promote a good relationship between the Company and its investors as well as to enhance the transparency of its corporate operations, the Company promotes the development strategy of the Company through publicity on its external website, WeChat official account and Weixin Channel, etc., and guides the public and investors to pay continuous attention to the development of the Company. During the Reporting Period, the Company reviewed the implementation and effectiveness of its shareholders' communication policy, and based on the feedback from various investors through the aforesaid channels, the Company considers that its shareholders' communication policy is effective.

II. SPECIFIC MEASURES TAKEN BY THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER OF THE COMPANY TO ENSURE THE COMPANY'S INDEPENDENCE IN SUCH ASPECTS AS ASSET, PERSONNEL, FINANCE, ORGANISATION AND BUSINESS, AS WELL AS SOLUTIONS ADOPTED IN RESPONSE TO THE IMPACT ON THE COMPANY'S INDEPENDENCE, WORK PROGRESS, AND FOLLOW-UP WORK PLANS

Applicable Not applicable

For details, please refer to "Section VI. I. i." of this report.

Engagement of the controlling shareholder, the de facto controller or any other unit under their control in a business identical to or similar with any business of the Company, impact of horizontal competition or major changes to horizontal competition on the Company, resolution measures taken, resolution progress, and follow-up resolution plans

Applicable Not applicable

For details, please refer to "Section VI. I. i." of this report.

Section IV Corporate Governance (Continued)

III. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions	Resolutions
2022 Annual General Meeting	28 June 2023	Announcement of Resolutions of the 2022 Annual General Meeting (Announcement No.: 2023-017) published on the official website of SSE (http://www.sse.com.cn)	29 June 2023	Considering and passing: <ol style="list-style-type: none">1. The report of the board of directors for the year 20222. The report of the supervisory committee for the year 20223. The final financial accounts report for the year 20224. The 2022 annual report (full text and summary)5. The profit distribution plan for the year 20226. The proposal on the annual plan for the year 20237. The proposal for the appointment of accounting firm of the Company for the year 20238. The proposal on the election of Mr. Lin Changchun as a director of the ninth session of the board of directors9. The proposal on the amendments to the Articles of Association and its appendices

Section IV Corporate Governance (Continued)

III. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions	Resolutions
2023 First Extraordinary General Meeting	28 December 2023	Announcement of Resolutions of the 2023 First Extraordinary General Meeting (Announcement No.: 2023-036) published on the official website of SSE (http://www.sse.com.cn)	29 December 2023	Considering and passing: 1. Resolution in relation to the entering into of the 2024-2026 Service and Supply Agreement and the continuing connected transactions (including the annual caps) with China Baowu 2. Resolution in relation to the entering into of the 2024-2026 Financial Service Agreement and the connected transactions with Baowu Group Finance Co., Ltd.

Preferred shareholders with restored voting rights request convening extraordinary general meetings

Applicable Not applicable

Explanation on general meeting

Applicable Not applicable

Section IV Corporate Governance (Continued)

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration

Applicable Not applicable

Unit: share

Name	Title	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding		Increase/Decrease in shareholding during the year	Reason for changes in shareholding	Reporting Period (RMB)	Total remuneration before tax received from the Company during the Reporting Period	Whether received remuneration from the related parties of the Company
						at the beginning of the year	at the end of the year					
Xie Zhixiong	Chairman (Note 1)	M	51	12 August 2021	30 June 2024	0	0	0		1,630,784.88	No	
Song De An	Vice Chairman	M	58	21 May 2019	30 June 2024	0	0	0		0	Yes	
Meng Wenwang	Director & President (Note 2)	M	50	21 November 2022	30 June 2024	0	0	0		1,551,633.14	No	
Lin Changchun	Director	M		28 June 2023	30 June 2024	0	0	0		0	Yes	
Zou An	Director, Senior Vice President, Chief Financial Officer, Secretary to the Board, General Counsel (Note 3)	M	49	15 January 2020	30 June 2024	1,684,600	1,684,600	0		1,314,029.3	No	
Zhou Ping	Director	M	49	9 July 2020	30 June 2024	0	0	0		0	Yes	
Sheng Xuejun	Independent director	M	54	12 August 2021	30 June 2024	0	0	0		180,000	No	
Zhang Jinruo	Independent director	M	43	12 August 2021	30 June 2024	0	0	0		180,000	No	
Guo Jiebin	Independent director	M	43	12 August 2021	30 June 2024	0	0	0		180,000	No	
Wu Xiaoping	Chairman of the board of supervisors	M	48	9 July 2020	30 June 2024	0	0	0		0	Yes	
Li Huaidong	Supervisor	M	50	12 August 2021	30 June 2024	0	0	0		0	Yes	
Zhu Xing'an	Supervisor	M	49	12 August 2021	30 June 2024	0	0	0		0	Yes	
Xia Tong	Employee Supervisor	M	58	30 June 2023	30 June 2024	534,100	534,100	0		199,644.26	No	
Lei Yougao	Employee Supervisor	M	58	30 June 2023	30 June 2024	430,000	430,000	0		248,595.3	No	
Xie Chao	Senior Vice President	M	42	1 January 2020	30 June 2024	1,057,400				1,230,577.66	No	
Zhao Shiqing	Senior Vice President	M	43	20 November 2023	30 June 2024	0	0	0		184,243.92	No	
Lai Xiaomin	Resigned Director	M	51	12 August 2021	20 March 2023	0	0	0		0	Yes	
Yao Xiaochu	Resigned Employee Supervisor	M	57	5 August 2022	30 June 2023	919,400				541,206.36	No	
Zhou Yaping	Resigned Employee Supervisor	M	60	15 May 2018	30 June 2023	755,400				459,010.82	No	
Zhang Yongzhong	Resigned Senior Vice President	M	52	30 December 2020	14 August 2023	0	0	0		639,995.2	No	
Total	/	/	/	/	/				/	8,539,720.84	/	

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

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

Notes: Remunerations for the Company's incumbent and resigned directors, supervisors and senior management are remunerations actually received by them during their tenures of such positions in the Company in the Reporting Period. The expiry dates of the term of office of the incumbent directors, supervisors and senior management of the Company are estimated dates, subject to the date of the annual general meeting of the Company for 2023.

Note 1: Commencing date of the tenure of Mr. Xie Zhixiong as a Director was 12 August 2021, commencing date of the tenure as the Chairman was 21 November 2022.

Note 2: Commencing date of the tenure of Mr. Meng Wenwang as the President was 21 November 2022, commencing date of the tenure as a director was 15 December 2022.

Note 3: Commencing date of the tenure of Mr. Zou An as a Senior Vice President was 15 January 2020, and commencing date of the tenure as the Chief Financial Officer was 27 March 2020; commencing date of the tenure as a Director was 9 July 2020; commencing date of the tenure as the Secretary to the Board was 11 June 2021, and commencing date of the tenure as the General Counsel was 18 March 2022.

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Xie Zhixiong	<p>Born in April 1972, Xie Zhixiong is a senior engineer. He currently serves the Chairman and Secretary of the Party Committee of the Company, Director and general manager of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司). Mr. Xie has successively served as the head of the technical department and the head of the production and technical division of the Sixth Rolling Mill, the head of the steel rolling division and the chief engineer of steel rolling of the Smelting and Rolling Mill, the deputy head of the special steel business department, the deputy head and deputy general manager of the product sales department of the marketing centre, the deputy head and head of the manufacturing management department, the officer of the technical research centre, the vice president, the senior vice president (in charge), a director, the president and the deputy secretary to the Party committee of SGIS Songshan Co., Ltd. (廣東韶鋼松山股份有限公司). He is now the president and deputy secretary to the Party committee of the Company. Mr. Xie graduated from Central South University of Technology (中南工業大學) in 1993 with a major in metal materials engineering.</p>
Song De An	<p>Born in February 1965, Song De An is a senior economist. He obtained an EMBA degree from PBC School of Finance, Tsinghua University (清華大學五道口金融學院). He currently serves as the vice chairman of the Company, the chairman of the board of directors of Sichuan Desheng Group (四川德勝集團). The Sichuan Desheng Group, which was founded in 1997 by Mr. Song, has been developed into a Top 500 Global Enterprises in China enjoying synergic development of three core businesses including financial capital, cultural tourism as well as vanadium, titanium, iron and steel. Mr. Song had served as a deputy to the People's Congress of Sichuan, a standing member of the 10th session of the Executive Committee of Sichuan Federation of Industry and Commerce, a standing member of the 6th and 7th session of Leshan Municipal Committee of the CPPCC, a standing member of the 6th session of Leshan Federation of Industry and Commerce, the vice chairman of the Chamber of Commerce and the vice-chairman of Leshan Charity Federation. He had been granted the titles of "Outstanding Entrepreneur of Yunnan Province", "Outstanding Private Entrepreneurs of Leshan City", "Outstanding Private Entrepreneurs of Sichuan Province", "Builder of the 2nd Session of Sichuan Outstanding Builders of Socialism with Chinese Characteristics" and many other awards.</p>

Section IV Corporate Governance (Continued)

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Meng Wenwang	Born in October 1973, Meng Wenwang is a senior engineer. He currently serves as a director, the president and deputy secretary to the Party committee of the Company. Mr. Meng served as the assistant to the director of the hot rolling mill of Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司) ("Baosteel") and the director of the production and technology office; the deputy director of the heavy plate department, the director of the production and technology office, and the secretary to the Party branch of Baosteel; the secretary of the Party committee, the director of heavy plate plant, the head of the heavy plate department of Baosteel. He is now the deputy secretary of the Party committee, secretary of the disciplinary committee and chairman of the labour union of the Company. Mr. Meng graduated from the School of Metallurgy and Materials Engineering of Chongqing University in 1996, majoring in metal pressure processing, and obtained a master's degree in business administration from Northeastern University in 2006.
Lin Changchun	Born in August 1976, is an accountant, and currently serves as a vice president and head of the operation and finance department, and general counsel of Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司). Mr. Lin was served as the secretary to the board of directors of Baosteel Chemical and the general manager of Ouyeel Chemical Operation Centre, an executive director of Baosteel Chemical International, the chairman of Ouyeel Huagongbao, the secretary to the board of directors of Baowu Carbon Material and the general manager of Ouyeel Chemical Operation Centre, an executive director of Baosteel Chemical International, the chairman of Ouyeel Huagongbao, the deputy general manager of Shanghai Baosteel Stainless Steel Co., Ltd. (上海寶鋼不銹鋼有限公司), Baosteel Special Steel Co., Ltd. (寶鋼特鋼有限公司) and Baosteel Stainless Steel Co., Ltd. (寶鋼不銹鋼有限公司), the chief financial officer of Shanghai Baodi Shangshi City Development Co., Ltd. (上海寶地上實產城發展有限公司), the deputy general manager of Baowu Logistics Property Co., Ltd. (寶武物流資產有限公司), the senior vice president of Baowu Group Echeng Iron & Steel Co., Ltd. (寶武集團鄂城鋼鐵有限公司), and served as the non-executive director of Da Ming International Holdings Limited (stock code: 1090) from June 2019 to June 2021. Mr. Lin graduated from the Management School of Wuhan University majoring in chrematistics in 1998, and obtained a bachelor's degree in management.

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Zou An	<p>Born in November 1974, Zou An is a senior accountant. He is currently a director, senior vice president, chief financial officer, secretary to the Board, general counsel and a member of the Party committee of the Company. Mr. Zou successively served as the director of accounting and taxation of the finance department, director of budget management, senior manager of performance evaluation of Baosteel Group, the director of the development, operation and finance department, assistant to president (acting), vice president and director of the operation and finance department of Baosteel Group, and the deputy general manager of Baowu Group Environmental Resources Technology Co., Ltd. (寶武集團環境資源科技有限公司). Mr. Zou graduated from the East China University of Metallurgy (華東冶金學院) in 1996, majoring in accounting, and then obtained a master's degree in finance from Fudan University.</p>
Zhou Ping	<p>Born in December 1974, Zhou Ping is a senior engineer. He currently serves as a director of the Company, a director and deputy general manager of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司), and the chairman of Sichuan Desheng Group Vanadium & Titanium Co., Ltd. (四川德勝集團鈦有限公司). Mr. Zhou has extensive experience in engineering management, management and operation of steel enterprises (including mines). He successively served as assistant to general manager and technical transformation commander of Yunnan Chuxiong Desheng Iron and Steel Company (雲南楚雄德勝鋼鐵公司); technical transformation commander, general manager and chairman of Tengchong Mining Co., Ltd. (騰沖礦業有限公司) and technical transformation commander and general manager of Qinggangping Mining Co., Ltd. (青槓坪礦業有限公司); assistant to general manager and technical transformation commander of Sichuan Desheng Group Iron and Steel Co., Ltd. (四川德勝集團鋼鐵有限公司), general manager and executive director of Sichuan Desheng Machinery Manufacturing Co., Ltd. (四川德勝機械制造有限公司), general manager of Sichuan Desheng Group Iron and Steel Co., Ltd., and general manager of Sichuan Desheng Group Vanadium & Titanium Co., Ltd. Mr. Zhou graduated from Leshan Industrial School (樂山市工業學校) with a major in machinery manufacturing and processing in July 1994, and he holds a master's degree in business administration from Southwestern University of Finance and Economics and is currently studying an EMBA degree in Cheung Kong Graduate School of Business (長江商學院).</p>

Section IV Corporate Governance (Continued)

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Sheng Xuejun	Born in August 1969, Mr. Sheng is currently an independent director of the Company, a professor and a doctoral tutor of Southwest University of Political Science and Law, and also serves as an expert of the Standing Committee of the Chongqing Municipal People's Congress and the Municipal Government's legislative consultation, an expert of the Intermediate People's Court of Shenzhen Municipality and the Fifth Intermediate People's Court of Chongqing Municipality, as well as an independent director of Chongqing Department Store Co. Ltd. (重慶百貨大樓股份有限公司), Chongqing Brewery Co. Ltd. (重慶啤酒股份有限公司), Chongqing Zaisheng Technology Company Limited (重慶再升科技股份有限公司). Mr. Sheng served as the vice chairman of the degree committee of Southwest University of Political Science and Law, the Dean of the School of Economic Law, and the vice president and Judge of the Second Civil Trial Division of the Supreme People's Court. Mr. Sheng was awarded the second prize for Outstanding Achievements in Chinese Law and the second prize for State-Level Teaching Achievements.
Zhang Jinruo	Born in August 1980, Zhang Jinruo is a certified public accountant (non-practising member), currently serves as an independent director of the Company, and a professor, the head of the accounting department, and secretary to the Party branch of Chongqing University, as well as an external supervisor of Chongqing Rural Commercial Bank, an independent director of Chongqing Zhenbao Science and Technology Company Limited (重慶臻寶科技股份有限公司) and an adjunct professor of the Accounting Development Research Centre of Xiamen University. Mr. Zhang was a lecturer and associate professor at Chongqing University. Mr. Zhang mainly concentrates on research on financial accounting standards, corporate finance, and taxation. Mr. Zhang has published more than forty papers in well-known academic journals both at home and abroad, and has published several academic books. He was selected into the National High-end Accounting Talent Training Project (academic) project, and served in the first batch of accounting consulting experts of Chongqing Finance Bureau and was Chongqing outstanding scholar and teacher (accounting). Mr. Zhang obtained his master's degree in accounting from Xiamen University in 2005 and his doctorate in accounting from Xiamen University in 2008.

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Guo Jiebin	<p>Born in July 1980, Guo Jiebin is a member of the Hong Kong Institute of Certified Public Accountants, an independent director of the Company, and deputy general manager and chief financial officer of Shandong Innovation Group Co., Ltd. (山東創新集團有限公司). Mr. Guo was an audit manager, senior audit manager and partner of KPMG and KPMG Huazhen LLP (special general partnership), a director, deputy general manager and chief financial officer of Jiaozuo Wanfang Aluminum Company Limited (焦作萬方鋁業股份有限公司), and a director of Jiaozuo Coal Group Zhao Gu (Xinxiang) Energy Company Limited (焦作煤業集團趙固(新鄉)能源有限責任公司). Mr. Guo has extensive experience in accounting theory and practice, and corporate management. Mr. Guo obtained a bachelor's degree in Business Administration with honours from the Chinese University of Hong Kong in 2002.</p>
Wu Xiaoping	<p>Born in May 1975, Wu Xiaoping is a certified public accountant, currently serves as the chairperson of the board of supervisors of the Company, a supervisor of Chongqing Changshou Iron & Steel Company Limited, as well as the chief financial officer of Sichuan Desheng Group Vanadium & Titanium Co., Ltd. (四川德勝集團鈮鈦有限公司). Mr. Wu has extensive experience in financial management, auditing and operation of iron and steel enterprises. He successively worked in Yibin Dongsheng Real Estate Development Company (宜賓東升房地產開發公司), Sichuan Huaqiang Certified Public Accountants (四川華強會計師事務所) and Sichuan Desheng Group Vanadium & Titanium Co., Ltd. Mr. Wu graduated from Sichuan Grain Economics School (四川省糧食經濟學校) in July 1995 majoring in marketing. He also obtained a college degree in accounting from Southwest University of Finance and Economics and subsequently obtained a master's degree in business administration from Hong Kong Finance and Economics College, and is currently studying for an EMBA at China Europe International Business School.</p>

Section IV Corporate Governance (Continued)

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Li Huaidong	<p>Born in September 1973, Li Huaidong is a senior economist and policy advisor, and currently serves as supervisor of the Company. Mr. Li is a member of the Party committee of Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司), a senior vice president of Guangdong Zhongnan Iron & Steel Co., Ltd. (廣東中南鋼鐵股份有限公司), the chairman of Guangdong Baoliandi International Operation Management Co., Ltd. (廣東寶聯迪國際運營管理有限公司), and Guangzhou Zhongnan City and Industry Development Co., Ltd. (廣州中南產城發展有限公司). Mr. Li successively served as the head of the office secretary section of Shaoguan Iron and Steel Company (韶關鋼鐵公司), the deputy director of the secretary office of the board of directors of Shaogang Songshan (韶鋼松山), the deputy director of the human resources department, the deputy director (in charge), director of the human resources department (party committee organization department), the deputy dean of the human resources development and management institute (in charge), a member of the disciplinary committee, an employee supervisor, the director of the operation improvement department of Shaoguan Iron and Steel (韶關鋼鐵) and the director of the general management department of Baote Shaoguan (寶特韶關), the director of the operation improvement department of Shaogang Songshan (韶鋼松山), the vice president and secretary to the board of directors of Shaoguan Iron and Steel (韶關鋼鐵), vice president, secretary to the board of directors, head of the management innovation department, head of the legal affairs and compliance department, director of deepening reform office, director of business development centre, and head of the investment planning department of Baowu Group Zhongnan Steel Co., Ltd. Mr. Li graduated from Department of Iron and Steel Metallurgy, Northeastern University in 1995 with a major in steel metallurgy.</p>
Zhu Xing'an	<p>Born in July 1974, is a senior engineer, currently serves as a Supervisor of the Company, vice president and head of manufacturing management department, director of technical research center and director of inspection center of Guangdong Zhongnan Iron & Steel Co., Ltd. (廣東中南鋼鐵股份有限公司). Mr. Zhu successively served as the head of the quality inspection station and secretary to Party branch of the Bar Steel Mill, the secretary to Party general branch and deputy plant manager of the wire mill of the bar steel product operation department of the steel pipe and bar steel business unit, the officer of the production technology room, assistant to the director and deputy director of the bar steel product operation department of the steel pipe and bar steel business unit of Baoshan Iron & Steel Co., Ltd., and the person in charge of the long material project of the command in Yancheng. He was the deputy plant manager of the Smelting and Rolling Mill of SGIS Songshan Co., Ltd. (廣東韶鋼松山股份有限公司) as well as the deputy director of the business development centre, and deputy head of the investment planning department of Baowu Group Zhongnan Steel Co., Ltd. Mr. Zhu graduated from Northeastern University in 1997 with a major in thermal engineering and later obtained a master's degree in materials engineering from Northeastern University.</p>

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Xia Tong	Born in January 1965, is a senior engineer and currently serves as a commissioner in the administration and management department of the Company. Mr. Xia successively served as the chairman of the supervisory committee, secretary of the discipline committee, deputy secretary of the discipline committee, chairman of the labor union and vice chairman of the labor union of Chongqing Iron & Steel Company Limited. Mr. Xia graduated from Chongqing University with a degree in automation in 1987, and subsequently obtained a master's degree in engineering from Chongqing University.
Lei Yougao	Born in July 1965, is a senior engineer and currently serves as a commissioner in the administration and management department of the Company. Mr. Lei successively served as the head of the manufacturing management department, head of the operation improvement department, secretary of the party committee of the ironmaking plant, secretary of the discipline committee and chairman of the labor union of Chongqing Iron & Steel Company Limited. Mr. Lei graduated from Chongqing University with a degree in chemical metallurgy in 1987, and subsequently obtained a master's degree in business administration from Chongqing University.

Section IV Corporate Governance (Continued)

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Xie Chao	<p>Born in September 1981, Xie Chao is a member of Communist Party of China, an engineer and currently serves as a senior vice president and a member of the Party committee of Chongqing Iron & Steel Company Limited. Mr. Xie successively served as the secretary to the Party branch and director of the steel mill, director of the rolling mill and head of the marketing department in Sichuan Desheng Group Vanadium & Titanium Co., Ltd., general manager of Sichuan Jinde Investment Co., Ltd. (四川金德投資有限責任公司), general manager of Chongqing Deqin Investment Co., Ltd. (重慶德欽投資有限公司), head of the marketing department and the purchase and supply department in Sichuan Desheng Group Vanadium & Titanium Co., Ltd (四川德勝集團鈮鈦有限公司), executive deputy general manager and head of the marketing department in Sichuan Desheng Supply Chain Management Co., Ltd. (四川德勝供應鏈管理有限公司), an executive director and general manager of Sichuan Jiaye Investment and Development Co., Ltd. (四川佳業投資發展有限公司) and deputy general manager and secretary to the Party's branch of the purchase, supply and marketing department of Sichuan Desheng Group Vanadium & Titanium Co., Ltd. Mr. Xie graduated from Chongqing University of Science & Technology majoring in metallurgy in 2000, and later obtained a graduate degree in finance from Hong Kong Finance & Economics College.</p>
Zhao Shiqing	<p>Born in August 1980, is a senior engineer and is currently the Senior Vice President and a member of the party committee of the Company. Mr. Zhao once served as the secretary of the party committee, executive director and general manager of Chongqing Qianxin Energy Environmental Protection Company Limited (重慶千信能源環保有限公司); the secretary to the party branch, chairman of the board of directors and general manager of Chongqing Qianxin New Energy Co., Ltd. (重慶千信新能源有限公司); the head of the ironmaking plant of Chongqing Iron & Steel Company Limited and Vice President of the Company; the director of each of the operation and management center and the technical research center, the head of each of the technical research institute, the safety supervision department and the energy and environmental protection department, respectively and vice president of Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司); from June 2018 to June 2020, Mr. Zhao worked as a temporary deputy director in the Economic and Information Technology Commission of Changshou District, Chongqing. Mr. Zhao graduated from Chongqing University of Science and Technology (重慶科技學院), majoring in ironmaking in 2003 and obtained a doctorate in engineering as a metallurgical engineering major from Chongqing University in 2022.</p>

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- i. Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Other information

Applicable Not applicable

1. Changes in directors

- (1) The Company received a written resignation report from Mr. Lai Xiaomin, a director, on 20 March 2023. Mr. Lai Xiaomin tendered his resignation to the 9th session of the Board of the Company as a director and a member of the Strategy Committee under the Board due to work reallocation.
- (2) At the 2022 annual general meeting of the Company held on 28 June 2023, Mr. Lin Changchun was elected as a director of the 9th session of the Board. Mr. Lin Changchun has obtained the legal opinions mentioned in Article 3.09D of the Listing Rules on 14 June 2023. Mr. Lin Changchun has confirmed that he understands his responsibilities as a director of the Company.

2. Changes in supervisors

- (1) On 30 June 2023, the Company received written resignation reports from Mr. Yao Xiaohu and Mr. Zhou Yaping. Mr. Yao Xiaohu resigned from his position as the Supervisor Representing Staff due to work reallocation; and Mr. Zhou Yaping resigned from his position as the Supervisor Representing Staff due to reaching the statutory retirement age.
- (2) The Company held the 15th joint meeting of the first Workers and Employees' Congress on 30 June 2023 and elected Mr. Xia Tong and Mr. Lei Yougao as the Supervisors Representing Staff for the same term of office as the 9th session of the Board of Supervisors.

3. Changes in senior management

- (1) On 14 August 2023, the Company received a written resignation letter from Mr. Zhang Yongzhong. Due to work reallocation, Mr. Zhang Yongzhong resigned as a senior vice president.
- (2) At the 31st meeting of the 9th session of the Board of the Company held on 20 November 2023, Mr. Zhao Shiqing was appointed as the senior vice president of the Company.

Section IV Corporate Governance (Continued)

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

- ii. Positions by directors, supervisors and senior management currently holding office or having resigned during the Reporting Period

1. *Positions held at shareholders*

Applicable Not applicable

Name	Name of shareholder entity	Position held at the shareholders	Starting date of the tenure	Ending date of the tenure
Xie Zhixiong	Chongqing Changshou Iron & Steel Company Limited	Director, general manager	December 2022	/
Zhou Ping	Chongqing Changshou Iron & Steel Company Limited	Director	June 2021	/
Zhou Ping	Chongqing Changshou Iron & Steel Company Limited	Deputy general manager	November 2020	/
Wu Xiaoping	Chongqing Changshou Iron & Steel Company Limited	Supervisor	November 2020	/
Positions held at shareholders	Nil			

Section IV Corporate Governance (Continued)

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

ii. Positions by directors, supervisors and senior management currently holding office or having resigned during the Reporting Period (Continued)

2. *Positions held at other entities*

Applicable Not applicable

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Song De An	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.	Chairman of the Board	August 1997	/
Lin Changchun	Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司)	Vice president and director of the operation and finance department, general counsel	December 2022	/
Lin Changchun	Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司)	Chief compliance officer	June 2023	/
Zhou Ping	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.	Chairman	February 2016	/
Wu Xiaoping	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.	Financial controller	January 2016	/
Li Huaidong	Guangdong Baoliandi International Operation Management Co., Ltd.	Chairman	December 2020	/
Li Huaidong	Guangzhou Zhongnan City and Industry Development Co., Ltd.	Executive director	September 2022	/
Li Huaidong	Baowu Group Zhongnan Steel Co., Ltd.	Member of the Party committee	November 2022	/
Li Huaidong	Guangdong Zhongnan Iron & Steel Co., Ltd.	Senior Vice President	December 2022	/

Section IV Corporate Governance (Continued)

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

ii. Positions by directors, supervisors and senior management currently holding office or having resigned during the Reporting Period (Continued)

2. Positions held at other entities (Continued)

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Zhu Xing'an	Guangdong Zhongnan Iron & Steel Co., Ltd. (廣東中南鋼鐵股份有限公司)	Vice president and head of manufacturing management department, director of technical research center, director of inspection center	October 2023	/
Sheng Xuejun	Southwest University of Political Science and Law	Teaching assistant, lecturer, associate professor, professor	April 1995	/
Sheng Xuejun	Chongqing Department Store Co. Ltd. (重慶百貨大樓股份有限公司)	Independent director	October 2020	/
Sheng Xuejun	Chongqing Brewery Co. Ltd. (重慶啤酒股份有限公司)	Independent director	May 2022	/
Sheng Xuejun	Chongqing Zaisheng Technology Company Limited (重慶再升科技股份有限公司)	Independent director	April 2023	/
Zhang Jinruo	Chongqing University	Professor	September 2014	/
Zhang Jinruo	Chongqing University	Head of Accounting Department, Secretary of Party Branch	November 2018	/
Zhang Jinruo	Chongqing Rural Commercial Bank	External supervisor	October 2020	/
Zhang Jinruo	Chongqing Zhenbao Science and Technology Company Limited (重慶臻寶科技股份有限公司)	Independent director	December 2023	/
Guo Jiebin	Shandong Innovation Group Co., Ltd.	Deputy general manager and chief financial officer	November 2022	/

Positions held at other entities

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

iii. Remunerations of directors, supervisor and senior management

Applicable Not applicable

Procedure for determining remunerations of directors, supervisors and senior management

The Remuneration and Evaluation Committee under the Board of the Company expresses its opinions on the remuneration plan for directors, supervisors and senior management. The remuneration plan for senior management is approved and implemented by the board of directors of the Company. The remuneration plan for directors and supervisors shall be approved at the Company's general meeting for implementation after having been considered and passed by the Company's board of directors and board of supervisors.

Whether a director recuses himself from the Board's discussion of his remuneration

No

The specific circumstances under which the Remuneration and Evaluation Committee or the special meeting of independent directors has issued recommendations on matters relating to the remuneration of directors, supervisors and senior management

(1) On 30 March 2023, the third meeting of the Remuneration and Evaluation Committee of the ninth session of the board of directors reviewed the 2022 Report on the Implementation of Remuneration for Directors, Supervisors, and Senior Management Personnel which set out the remuneration plan for directors, supervisors, and senior management as well as the actual payout, and agreed to submit it to the board of directors for review.

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

iii. Remunerations of directors, supervisor and senior management (Continued)

- (2) On 31 July 2023, the fourth meeting of the Remuneration and Evaluation Committee of the ninth session of the board of directors was held in the form of written signature, at which the Proposal on Signing the 2023 Business Performance Responsibility Letter for Management Members was earnestly reviewed and it was considered that the signing of the business performance responsibility letter and the implementation of the tenure system and contractual management of the management will be conducive to the establishment and improvement of market-oriented operating mechanism and better promotion of the improvement in the overall operating results of the Company, and agreed to submit it to the board of directors for review.
- (3) On 29 August 2023, the fifth meeting of the Remuneration and Evaluation Committee of the ninth session of the board of directors reviewed the Proposal on Performance Assessment and Remuneration Cashing for 2022 for Management Members, and agreed to submit it to the board of directors for review.

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

iii. Remunerations of directors, supervisor and senior management (Continued)

Basis for determining remunerations of directors, supervisors and senior management

- (1) On 12 August 2021, the Company held the 2021 second extraordinary general meeting, at which the Resolution on the Remunerations of the Members of the Ninth session of the Board of Directors and Board of Supervisors was considered and passed, which reads as follows: 1) A Director does not receive remuneration for his/her serving as a director, but receives remuneration based on his/her position and duties and responsibilities in the Company. The annual remuneration consists of basic salary, performance salary and allowances, as follows: a. basic salary: RMB600,000 to 800,000/year (before tax) b. performance salary: the performance salary is a floating salary, which is determined based on the achievement of the annual performance indicators and other factors. c. allowances: allowances are implemented in accordance with the Company's relevant systems. 2) The annual fixed allowance for each of the independent non-executive directors is RMB180,000 per person (before tax). 3) A supervisor does not receive remuneration for his/her serving as a supervisor, but receives remuneration based on his/her position in the Company. 4) To guarantee the normal performance of the Company's directors, supervisors and senior management, and authorize the Company's management to handle matters related to the purchase of liability insurance.

Section IV Corporate Governance (Continued)

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

iii. Remunerations of directors, supervisor and senior management (Continued)

- (2) In 2021, under the Plan on the Remuneration of Senior Management 2021–2023 and the Resolution on Promoting the Tenure System and Contractual Management for Managers approved by the Company's board of directors, it was stressed that the Company's operating performance is consistent with personal interests, reflecting the spirit of co-creation and sharing. The Company entered into the Performance Responsibility Letter of 2021–2023 Term/Annual Management Members of Chongqing Iron & Steel Company Limited with Senior Management to implement the management concept of taking performance as the first evaluation standard and carry out annual and tenure business performance assessment for management members in accordance with the contract, cash remuneration and implement appointments according to the assessment results, and practice incentives for senior management.

Remunerations payable to directors, supervisors and senior management

For directors and supervisors who receive remuneration from corporate shareholders or other connected entities during this year, their annual remuneration shall be determined by the corporate shareholders or other connected entities. Remunerations payable to directors, supervisors and senior management amounted to RMB8,539,720.84.

Total remunerations actually received by all directors, supervisors and senior management at the end of the Reporting Period

RMB8,539,720.84

IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

iv. Changes in directors, supervisors and senior management of the Company

Applicable Not applicable

Name	Position	Change	Change
Lai Xiaomin	Director	Resigned	Work reallocation
Lin Changchun	Director	Election	Election at the general meeting
Yao Xiaohu	Supervisor Representing Staff	Resigned	Work reallocation
Zhou Yaping	Supervisor Representing Staff	Resigned	Reaching the statutory retirement age
Xia Tong	Supervisor Representing Staff	Election	Joint Meeting of Workers and Employees' Congress
Lei Yougao	Supervisor Representing Staff	Election	Joint Meeting of Workers and Employees' Congress
Zhang Yongzhong	Senior Vice President	Resigned	Work reallocation
Zhao Shiqing	Senior Vice President	Appointment	Appointment by the Board

v. Punishments imposed by securities regulatory authorities in the last three years

Applicable Not applicable

vi. Others

Applicable Not applicable

Section IV Corporate Governance (Continued)

V. INFORMATION ABOUT THE MEETINGS OF THE BOARD OF DIRECTORS HELD DURING THE REPORTING PERIOD

Meeting	Date	Resolutions
The 21st meeting of the 9th session of the Board	6 March 2023	Proposals deliberated on and approved after voting: <ol style="list-style-type: none">1. Report on Comprehensive Risk Management for 20222. Final Report on the Management of Rule of Law Central Enterprises and Compliance for 20223. Proposal on Application for Comprehensive Credit Facility from Financial Institutions4. Proposal on Absorption and Merger of a Wholly-owned Subsidiary
The 22nd meeting of the 9th session of the Board	17 March 2023	Proposal deliberated on and approved after voting: Proposal on the Public Listing and Transfer of Equity Interests in Gangcheng Logistics
The 23rd meeting of the 9th session of the Board	20 March 2023	Proposal deliberated on and approved after voting: Proposal on the Public Listing and Transfer of Equity Interests in Xiamen Shipbuilding Industry

Section IV Corporate Governance (Continued)

V. INFORMATION ABOUT THE MEETINGS OF THE BOARD OF DIRECTORS HELD DURING THE REPORTING PERIOD (CONTINUED)

Meeting	Date	Resolutions
The 24th meeting of the 9th session of the Board	30 March 2023	<p>Proposals deliberated on and approved after voting:</p> <ol style="list-style-type: none"> 1. Proposal on the Provision for Asset Impairment and Asset Disposal in 2022 2. Report on Final Financial Accounts for the Year 2022 3. 2022 Annual Report (Full Text and Summary) 4. Profit Distribution Plan for the Year 2022 5. Risk Assessment Report on Deposits, Loans and other Financial Business with Baowu Group Finance Co., Ltd. 6. Report of the Board of Directors for the Year 2022 7. Self-assessment Report on Internal Control in 2022 8. 2022 Report on Environment, Society and Governance 9. Report on Implementation of Remuneration for Directors, Supervisors and Senior Management in 2022 10. Proposal on External Donations in 2023 11. Proposal on the Plan for the Year 2023 12. Proposal on the Government's Acquisition of Some of the Idle Buildings of the Company 13. Proposal on the Election of Mr. Lin Changchun as a Director of the Ninth Session of the Board 14. Proposal on Adjustment to the Members of the Strategy Committee under the Board of Directors
The 25th meeting of the 9th session of the Board	27 April 2023	<p>Proposal deliberated on and approved after voting: 2023 First Quarterly Report</p>
The 26th meeting of the 9th session of the Board	18 May 2023	<p>Proposals deliberated on and approved after voting:</p> <ol style="list-style-type: none"> 1. Proposal on Formulation of the Measures for the Management of Financial Derivatives and the Contingency Plan for the Disposal of Risks in the Financial Derivatives Business 2. Proposal on Amendments to the Articles of Association and its Appendices 3. Proposal on Appointment of Accounting Firm for the Company for the Year 2023 4. Proposal on Convening of the Annual General Meeting of the Company for the Year 2022 5. Proposal on Fixed Assets Investment Projects Plan for the Year 2023

Section IV Corporate Governance (Continued)

V. INFORMATION ABOUT THE MEETINGS OF THE BOARD OF DIRECTORS HELD DURING THE REPORTING PERIOD (CONTINUED)

Meeting	Date	Resolutions
The 27th meeting of the 9th session of the Board	31 July 2023	Proposal deliberated on and approved after voting: Proposal on Signing the 2023 Business Performance Responsibility Letter for Management Members
The 28th meeting of the 9th session of the Board	30 August 2023	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> 2023 Interim Report (Full Text and Summary) Risk Assessment Report on Deposits, Loans and other Financial Business with Baowu Group Finance Co., Ltd. Proposal on Amendments to the Compliance Management Measures Proposal on Performance Assessment and Remuneration Cashing for 2022 for Management Members
The 29th meeting of the 9th session of the Board	27 October 2023	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> 2023 Third Quarterly Report Proposal on Interim Adjustment to the Fixed Assets Investment Projects Plan for the Year 2023
The 30th meeting of the 9th session of the Board	10 November 2023	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on Enter into the Service and Supply Agreement with China Baowu for the Years from 2024 to 2026 and the Continuing Connected Transactions (including the Annual Caps) Proposal on Entering into the Financial Service Agreement with Baowu Group Finance Co., Ltd. for the Years from 2024 to 2026 and the Related Party Transactions Risk Assessment Report on Deposits, Loans and other Financial Business with Baowu Group Finance Co., Ltd. Proposal on Convening the Extraordinary General Meeting
The 31st meeting of the 9th session of the Board	20 November 2023	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on Appointment of Senior Vice President Proposal on Amendments to the Independent Directorship System, the Work Regulations of the Audit Committee of the Board of Directors, the Work Regulations of the Nomination Committee of the Board of Directors, and the Work Regulations of the Salary and Remuneration Review Committee of the Board of Directors

Section IV Corporate Governance (Continued)

VI. DUTY PERFORMANCE OF DIRECTORS

i. Directors' attendance of Board meetings and general meetings

Name of director	Independent director or not	Number of Board meetings	Attendance of Board meetings				Whether failed to attend 2 consecutive meetings in person		Attendance of general meetings
			Attendance in person	Attendance via communication	Attendance by proxy	Absence	Number of general meetings attended		
Xie Zhixiong	No	11	11	7	0	0	No	2	
Song De An	No	11	10	9	1	0	No	0	
Meng Wenwang	No	11	11	7	0	0	No	2	
Lin Changchun	No	5	5	4	0	0	No	0	
Zou An	No	11	11	7	0	0	No	2	
Zhou Ping	No	11	11	9	0	0	No	0	
Sheng Xuejun	Yes	11	11	9	0	0	No	1	
Zhang Jinruo	Yes	11	11	9	0	0	No	0	
Guo Jiebin	Yes	11	11	9	0	0	No	0	
Lai Xiaomin	No	3	3	3	0	0	No	0	

Explanations on failure to attend 2 consecutive Board meetings in person

Applicable Not applicable

Number of Board meetings during the year	11
Including: number of physical meetings	2
Number of virtual meetings	7
Number of meetings by both physical and virtual means	2

Section IV Corporate Governance (Continued)

VI. DUTY PERFORMANCE OF DIRECTORS (CONTINUED)

ii. Objections raised by independent directors in respect of relevant matters of the Company

Applicable Not applicable

iii. Others

Applicable Not applicable

VII. SPECIAL COMMITTEES UNDER THE BOARD

Applicable Not applicable

(1). Membership of special committees under the Board

Category	Name
Audit Committee	Zhang Jinruo, Zhou Ping, Sheng Xuejun, Guo Jiebin
Nomination Committee	Sheng Xuejun, Song De An, Zhang Jinruo, Guo Jiebin
Remuneration and Evaluation Committee	Guo Jiebin, Song De An, Sheng Xuejun, Zhang Jinruo
Strategy Committee	Xie Zhixiong, Song De An, Meng Wenwang, Lin Changchun, Zou An, Zhou Ping

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(2). During the Reporting Period, the Audit Committee held six meetings

Date	Content of meetings	Important comments and suggestions	Other performance of duties
30 March 2023	The 10th meeting of the Audit Committee of the ninth session of the Board of Directors heard and exchanged views on the 2022 Annual Communication Report on Audit Results Issued by Ernst & Young Hua Ming LLP (Special General Partnership) to the Audit Committee of the Board of Directors, and the 2022 Annual Internal Audit Summary and 2023 Annual Internal Audit Plan, and considered the Proposal on Provision for Asset Impairment and Asset Disposal in 2022, the 2022 Annual Final Account Report, the 2022 Annual Report (Full Text and Abstract), the 2022 Annual Profit Distribution Plan, the 2022 Annual Self-assessment Report on Internal Control, and the Proposal on 2023 Annual Plan.	The Audit Committee of the Board of Directors earnestly heard relevant reports and fully communicated with representatives of the concerned audit institution(s) and the Company on matters considered at the meeting. The Audit Committee of the Board of Directors earnestly reviewed the Company's 2022 periodic financial reports, concluding that the Company's 2022 regular financial accounting statements are all prepared in accordance with the requirements of the Accounting Standard for Business Enterprises, comply with the requirements of relevant departments of the Ministry of Finance and the China Securities Regulatory Commission ("CSRC"), and sufficiently reflect the Company's financial position, operating results and cash flow. The Audit Committee agreed with the Company's self-assessment report on internal control, believing that the Company has established a relatively complete internal control system and standardised business procedures, and its internal control is generally effective without any material defect in the internal control of financial reporting or non-financial reporting. The Audit Committee of the Board of Directors agreed to submit the Proposal on Accrual of Provision for Asset Impairment and Asset Disposal in 2022, the 2022 Annual Final Account Report, the 2022 Annual Report (Full Text and Abstract), the 2022 Annual Profit Distribution Plan, the 2022 Annual Self-assessment Report on Internal Control, and the Proposal on 2023 Annual Plan to the Board of Directors for consideration.	/
27 April 2023	The 11th meeting of the Audit Committee of the ninth session of the Board of Directors considered the 2023 First Quarterly Report.	The content and format of the Company's 2023 First Quarterly Report comply with relevant provisions of the CSRC, the Shanghai Stock Exchange, and the Hong Kong Stock Exchange. The 2023 First Quarterly Report can authentically reflect the Company's financial position and operating results during the Reporting Period, and no information in the report is found inconsistent with the reality. The Audit Committee of the Board of Directors agreed on the 2023 First Quarterly Report and agreed to submit it to the Board of Directors for consideration.	/

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(2). During the Reporting Period, the Audit Committee held six meetings (Continued)

Date	Content of meetings	Important comments and suggestions	Other performance of duties
18 May 2023	The 12th meeting of the Audit Committee of the ninth session of the Board of Directors considered the Proposal on Appointment of the Audit and Accounting Firm of the Company for 2023.	Following the practicing standards of independence, objectivity and fairness, Ernst & Young Hua Ming LLP (Special General Partnership) implemented the integrated audit for 2022 in strict accordance with the Auditing Standards for Chinese Certified Public Accountants and relevant provisions of the Enterprise Internal Control Audit Guidance. the audit time is sufficient, and the audit personnel are reasonably allocated with good professional ethics, professional competence and rich experience; the audited financial statements of the Company can fully reflect the Company's financial position and the effectiveness of the Company's internal controls over financial reporting as at 31 December 2022, as well as the Company's operating results and cash flows in 2022; the audit conclusions are in line with the actual situation of the Company without harming the interests of the Company or its shareholders; the audit fee is reasonable. The Company implemented invited tendering for the appointment of audit and accounting firm in 2023, with Ernst & Young Hua Ming LLP being the first bid winner. The Audit Committee of the Board of Directors recommended the reappointment of Ernst & Young Hua Ming LLP as the accounting firm for the Company in 2023, and submitted such recommendation to the Board of Directors for consideration.	/
29 August 2023	The 13th meeting of the Audit Committee of the ninth session of the Board of Directors heard the Inspection Report on the Company's Important Matters and Fund Transactions in the First Half of 2023, and considered and approved the 2023 Semiannual Report (Full Text and Abstract).	The content and format of the Company's 2023 Semiannual Report comply with relevant provisions of the CSRC, the Shanghai Stock Exchange, and the Hong Kong Stock Exchange. The 2023 Semiannual Report can authentically reflect the Company's financial position and operating results during the Reporting Period, and no information in the report is found with any false record, misleading statement or major omission. The Audit Committee of the Board of Directors agreed on the 2023 Semiannual Report (Full Text and Abstract) and agreed to submit it to the Board of Directors for consideration.	/
27 October 2023	The 14th meeting of the Audit Committee of the ninth session of the Board of Directors considered the 2023 Third Quarterly Report.	The content and format of the Company's 2023 Third Quarterly Report comply with relevant provisions of the CSRC, the Shanghai Stock Exchange, and the Hong Kong Stock Exchange. The 2023 Third Quarterly Report can authentically reflect the Company's financial position and operating results during the Reporting Period, and no information in the report is found with any false record, misleading statement or major omission. The Audit Committee of the Board of Directors agreed on the 2023 Third Quarterly Report and agreed to submit it to the Board of Directors for consideration.	/

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(2). During the Reporting Period, the Audit Committee held six meetings (Continued)

Date	Content of meetings	Important comments and suggestions	Other performance of duties
10 November 2023	The 15th meeting of the Audit Committee of the ninth session of the Board of Directors considered the Proposal on Conclusion of the 2024–2026 Service and Supply Agreement and Continuing Related Party Transactions (Including the Annual Cap thereunder) between the Company and China Baowu, and the Proposal on Conclusion of the 2024–2026 Financial Service Agreement and Related Party Transactions between the Company and Baowu Group Finance Co., Ltd.	The conclusion of the Service and Supply Agreement between the Company and China Baowu Iron and Steel Group Co., Ltd. is conducive to the stability and continuity of the Company's future production. Related party transactions were concluded by appropriate, reasonable and fair pricing methods upon arm's length negotiation following the principle of equality and fairness, which is fair and reasonable for the overall interests of the Company and its shareholders. Related party transactions did not impact the Company's business independence or harm the interests of the Company or its shareholders (including minority shareholders), and would thus not adversely affect the Company's operation. The Audit Committee of the Board of Directors agreed on the Proposal on Conclusion of the 2024 – 2026 Service and Supply Agreement and Continuing Related Party Transactions (Including the Annual Cap thereunder) between the Company and China Baowu and agreed to submit it to the Board of Directors for consideration. With good credit status and performance capability, Baowu Group Finance Co., Ltd. is qualified to engage in financial services. The financial business cooperation between the Company and Baowu Group Finance Co., Ltd. can help the Company expand financing channels, optimise financial management, improve funds use efficiency, and reduce financing costs and financing risks, thus meeting the needs of the Company's operation and development. Following the principles of voluntariness, equality, good faith and fairness, the transaction matters were concluded upon equal negotiation in accordance with general commercial terms, which is fair and reasonable without harming the interests of the Company or its shareholders or affecting the independence of the Company. The Audit Committee of the Board of Directors agreed on the Proposal on Conclusion of the 2024–2026 Financial Service Agreement and Related Party Transactions between the Company and Baowu Group Finance Co., Ltd. and agreed to submit it to the Board of Directors for consideration.	/

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(3). During the Reporting Period, the Strategy Committee held three meetings

Date	Content of meetings	Important comments and suggestions	Other performance of duties
30 March 2023	The third meeting of the Strategy Committee of the ninth session of the board of directors reviewed and approved the 2022 Environmental, Social and Governance Report	The Strategy Committee of the board of directors recognized the achievements of the Company in the areas of green intelligence, innovation drive and ESG management and agreed to submit the 2022 Environmental, Social and Governance Report to the board of directors for review.	/
18 May 2023	The fourth meeting of the Strategy Committee of the ninth session of the board of directors reviewed and approved the 2023 Proposal on Fixed Assets Investment Project Plan	The Strategy Committee of the board of directors was of the view that the fixed assets investment project plan of the Company for 2023 is in line with the requirements for environmentally friendly ultra-low emission enterprises and the development needs of building a digital and intelligent CIS, and agreed to submit the 2023 Proposal on Fixed Assets Investment Project Plan to the board of directors for review.	/
27 October 2023	The fifth meeting of the Strategy Committee of the ninth session of the board of directors reviewed and approved the Proposal on Interim Adjustment to the Fixed Assets Investment Projects Plan for the Year 2023	In the face of the complex macroeconomic environment and the severe situation of the iron and steel industry, the Strategy Committee of the board of directors considered that the Company has adhered to the investment positioning of seeking survival and adjusted the fixed assets investment projects plan for 2023 in light of the production and operation of the Company, which will be conducive to the stable development of production and operation. It agreed to submit the Proposal on Interim Adjustment to the Fixed Assets Investment Projects Plan for the Year 2023 to the board of directors for review.	/

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(4). During the Reporting Period, the Nomination Committee held two meetings

Date	Content of meetings	Important comments and suggestions	Other performance of duties
30 March 2023	The fourth meeting of the Nomination Committee of the ninth session of the board of directors reviewed and approved the Proposal on the Election of Mr. Lin Changchun as a Director of the Ninth Session of the Board	The Nomination Committee of the board of directors considered that Mr. Lin Changchun had the required educational background, professional knowledge and skills, management experience, and currently sound physical condition to meet the requirements of the position he applied for. He also possessed the corresponding qualifications and conditions to exercise his authority. He was not banned from the market by the CSRC during the ban period, and not publicly condemned or criticized by the CSRC. The Committee agreed to elect Mr. Lin Changchun as a candidate for director of the ninth session of the board of directors, and submitted the proposal to the board of directors for review.	/
20 November 2023	The fifth meeting of the Nomination Committee of the ninth session of the board of directors reviewed and approved the Proposal on the Appointment of Senior Vice President of the Company	The Nomination Committee of the board of directors considered that Mr. Zhao Shiqing, a candidate for Senior Vice President of the Company, had the required educational background, professional knowledge and skills, management experience, and currently sound physical condition to meet the requirements of the position he applied for. He also possessed the corresponding qualifications and conditions to exercise his authority. He was not identified to be prohibited from serving as the Senior Vice President of the Company, not banned from the market by the CSRC during the ban period, and not publicly condemned or criticized by the CSRC. The Committee agreed to appoint Mr. Zhao Shiqing as the Senior Vice President of the Company by the board of directors, and submitted the Proposal on Appointment of Senior Vice President of the Company to the board of directors for review.	/

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

- (5). During the Reporting Period, the Remuneration and Evaluation Committee held three meetings

Date	Content of meetings	Important comments and suggestions	Other performance of duties
30 March 2023	The third meeting of the Remuneration and Evaluation Committee of the ninth board of directors reviewed and approved the 2022 Report on the Implementation of Remuneration for Directors, Supervisors, and Senior Management Personnel.	The members of the Remuneration and Evaluation Committee of the board of directors communicated and exchanged ideas on the remuneration plan for directors, supervisors, and senior management, as well as the actual distribution of remuneration for directors, supervisors, and senior management in 2022. They agreed to submit the 2022 Report on the Implementation of Compensation for Directors, Supervisors, and Senior Management Personnel to the board of directors for review.	/
31 July 2023	The fourth meeting of the Remuneration and Evaluation Committee of the ninth session of the board of directors reviewed and approved the Proposal on Signing the 2023 Business Performance Responsibility Letter for Management Members.	The Remuneration and Evaluation Committee of the board of directors considered that, in accordance with the relevant requirements, the Company, taking into consideration the production and operation targets for 2023, organisational performance evaluation indicators, key tasks and other indicators, entered into appointment agreements for the positions of members of the management for the period from 2021 to 2023 and business performance responsibility letters for the term from 2021 to 2023 with the President, and business performance responsibility letters for management members for the year 2023 with members of the management, and implemented the tenure system and contracting management for the management, which will be conducive to the establishment and improvement of market-oriented operation mechanism and better promotion of the improvement in the overall operating results of the Company. The Committee agreed to submit the Proposal on Signing the 2023 Business Performance Responsibility Letter for Management Members to the board of directors for review.	/

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

- (5). During the Reporting Period, the Remuneration and Evaluation Committee held three meetings (Continued)

Date	Content of meetings	Important comments and suggestions	Other performance of duties
29 August 2023	The fifth meeting of the Remuneration and Evaluation Committee of the ninth session of the board of directors reviewed and approved the Proposal on Performance Assessment and Remuneration Cashing for 2022 for Management Members	The Remuneration and Evaluation Committee of the board of directors considered the actual payout of remuneration to the members of the Company's management team for 2022 was in line with the established compensation design plan and agreed to submit the Proposal on Performance Assessment and Remuneration Cashing for 2022 for Management Members to the board of directors for review.	/

- (6). The specific circumstances of the objection

Applicable Not applicable

VIII. EXPLANATION ON THE RISKS OF THE COMPANY FOUND BY THE BOARD OF SUPERVISORS

Applicable Not applicable

The board of supervisors had no objection to the matters relating to supervision during the Reporting Period.

IX. EMPLOYEES OF THE PATENT COMPANY AND MAJOR SUBSIDIARIES DURING THE REPORTING PERIOD

i. Employees

Number of in-service employees of the Parent Company	5,762
Number of in-service employees of major subsidiaries	153
Total number of in-service employees	5,915
Number of retired employees for whom the Parent Company and major subsidiaries need to bear certain expenses	468

Structure of profession

Type of profession	Number of people
Production staff	4,661
Sales staff	72
Technical staff	845
Finance staff	46
Administrative staff	291
Total	5,915

Educational background

Education level	Number of people
Doctor's degree	3
Master's degree	110
Undergraduate	1,100
Junior college	2,060
Polytechnic school level and below	2,642
Total	5,915

IX. EMPLOYEES OF THE PATENT COMPANY AND MAJOR SUBSIDIARIES DURING THE REPORTING PERIOD (CONTINUED)

ii. Remuneration policy

Applicable Not applicable

Employees' remuneration refers to payments the Company makes to employees in cash for their work. Currently, employees' remuneration mainly comprises base salary, subsidies and allowances (including middle-and night-shift allowances, lunch fees, high temperature allowance) and bonus.

The Company determines the system, method and level of remuneration payment within the budgeted total amount of salary based on the Company's economic benefits and status as well as appraisal results.

The Company implements a minimum salary system, and provides a remuneration of not lower than the minimum salary standard prescribed by Chongqing municipal government for employees who offer normal labour in legitimate working time (including the trial period, probationary period and inspection period).

In relation to item 3(18) "Staff remuneration" in the financial notes section of this report, the Group has no forfeited contributions under the defined contribution plan (i.e. contributions that are withdrawn by employees from the plan before the contributions are vested in them and are handled by the employer on behalf of the employees). As at 31 December 2023, no forfeited contributions under the defined contribution plan are available for the Group to reduce the level of existing contributions.

iii. Training program

Applicable Not applicable

Chongqing Iron & Steel adheres to the strategy of strengthening the enterprise with talents, and has formulated an annual training implementation plan around the high-quality development plan and the three-year capacity enhancement target of human resources, and further strengthened the construction of the three talents teams and promoted the quality enhancement of the whole staff through the combination of self-training and external training.

According to the requirements of the Company's production and operation development and key work, 46,926 people were trained in the form of self-organized classes, benchmarking, network training, specialized outbound training, instructor-led apprenticeships and training by competitions, etc., with a per capita training of 139.4 hours, focusing on the management talents, technical and business talents and technical talents. Training indicators such as the implementation rate of the training program, the holding of certificates for special operations, and the recognition of skill levels have all achieved the target value of the annual plan.

iv. Outsourcing

Applicable Not applicable

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

i. Formulation, implementation and adjustment of cash dividend distribution policies

Applicable Not applicable

The Articles of Association laid out detailed requirements on the basic principles, forms and conditions for profit distribution, the consideration and deliberation procedures, as well as decision-making mechanism in respect of the profit distribution plan and adjustment to profit distribution policies.

According to the auditing by Ernst & Young Hua Ming LLP, the realized net profit attributable to the parent company for 2023 amounted to RMB-1,511 million, and the unappropriated profit by parent company as at the end of 2023 amounted to RMB-9.166 billion. As the parent company recorded a negative unappropriated profit as at the end of 2023, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2023 pursuant to Article 250 of the Articles of Association.

ii. Special explanation on cash dividend policy

Applicable Not applicable

iii. If the Company records profits and the parent company records a positive distributable profit during the Reporting Period but there is no plan for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in detail

Applicable Not applicable

iv. Profit distribution and transfer of capital reserve to share capital during the Reporting Period

Applicable Not applicable

XI. DISTRIBUTABLE RESERVES

As of 31 December 2023, there is no distributable reserves of the Company (the unappropriated profit as at the end of 2023 amounted to RMB-9,166 million, which was not qualified for distribution in accordance with the Articles of Association).

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

- i. Relevant incentive events disclosed in provisional announcements but without subsequent development or changes during implementation

Applicable Not applicable

- ii. Incentive events not disclosed in provisional announcements or with subsequent development

Equity incentive

Applicable Not applicable

Other explanation

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

Other incentives

Applicable Not applicable

- iii. Equity incentives granted to Director and senior management during the Reporting Period

Applicable Not applicable

XII. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

- iv. Establishment and implementation of senior management appraisal and incentive mechanisms during the Reporting Period

Applicable Not applicable

In 2023, under the Plan on the Remuneration of Senior Management 2021–2023 and the Resolution on Promoting the Tenure System and Contractual Management for Managers approved by the Company's board of directors, it was stressed that the Company's operating performance is consistent with personal interests, reflecting the spirit of co-creation and sharing. The Company entered into the Performance Responsibility Letter of 2021–2023 Term/Annual Management Members of Chongqing Iron & Steel Company Limited with Senior Management to implement the management concept of taking performance as the first evaluation standard and carry out annual and tenure business performance assessment for management members in accordance with the contract, cash remuneration and implement appointments according to the assessment results, and practice incentives for senior management.

In 2023, the Remuneration and Evaluation Committee under the Board agreed to the Report on the Implementation of the Remuneration for Directors, Supervisors and Senior Management in 2022, the Proposal on Signing the 2023 Business Performance Responsibility Letter for Management Members, the Proposal on Performance Assessment and Remuneration Cashing for 2022 for Management Members and submitted them to the Board for consideration, which were considered and approved by the Board.

XIII. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

Applicable Not applicable

In 2023, the Company effectively implemented the Basic Standards for Enterprise Internal Control and supporting guidelines, and clarified the basic elements of the internal control system, as well as the division of responsibilities and business requirements. Oriented by risk prevention, the Company, in combination with corporate governance structure, industry characteristics, risk appetite and risk tolerance, comprehensively reviewed the scientific design and implementation effectiveness of the existing internal control system, and identified risk points in different business processes as well as converted audit results into management effectiveness in different professional fields. In 2023, the Company revised 138 rules and regulations in combination with its organisational structure, division of rights and responsibilities, and adjustments to business procedures. In addition, the Company newly added 33 rules and regulations to cover as many as functions and responsibilities, and abolished 124 rules and regulations based on the reduction and consolidation of systems not applicable to the actual production and operation situation. Currently, the Company has 687 rules and regulations in effect, with its internal control system becoming more market-oriented and standardised.

The effectiveness of the internal control of the Company for the year ended 31 December 2023 (the “reference date of internal control evaluation report”) was evaluated in accordance with the requirements of the Basic Standards for Internal Control of Companies and the corresponding guidance and other regulatory requirements concerning internal control (the “corporate internal control standard system”), taking into account internal control system and evaluation methods of the Company and based on the day-to-day monitoring and special supervision of internal control. According to the identification of material defects in the internal control of financial reporting of the Company, as at the reference date of internal control evaluation report, no material defects were found in the internal control of financial reporting. The Company has maintained efficient internal control of financial reporting in all material respects in accordance with the requirements of the corporate internal control standard system and relevant regulations. According to the identification of material defects in the internal control of non-financial reporting, as at the reference date of internal control evaluation report, no material defects were found in the internal control of non-financial reporting of the Company. For details, please refer to the 2023 Annual Evaluation Report on Internal Control issued by the Company on 29 March 2024.

Explanation on material defects regarding the internal control during the Reporting Period

Applicable Not applicable

Section IV Corporate Governance (Continued)

XIV. MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD

Applicable Not applicable

In 2023, the Company continued to implement a unified centralized management policy for the business decision-making, financial management, and personnel management of two subsidiaries, Chongqing Iron & Steel Energy Environmental Protection Company Limited and Chongqing Xin Gang Chang Long Logistics Company Limited, thus promoting the standardized operation and healthy development of the Company, and improving overall operational efficiency and risk resistance ability.

During the Reporting Period, in order to more scientifically and reasonably control participating enterprises, effectively prevent and resolve the risks of managing participating enterprises, the Company formulated the Management Measures for Participating Companies, Management Measures for Long-term Equity Investment, and amended Management Measures for Post-evaluation of Equity Investment Projects, improving its management model for subsidiaries.

XV. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

Applicable Not applicable

Ernst & Young Hua Ming LLP conducted an audit on the effectiveness of the Company's internal control over financial statements as at 31 December 2023 in accordance with Enterprise Internal Control Audit Guidance and relevant requirements from the practising guidance of the China Institute of Certified Public Accountants and the audit view is as follows: The Company maintained effective internal control on financial statements in all material aspects as at 31 December 2023 according to the Basic Standards of Corporate Internal Control and relevant requirements.

For details, see the 2023 Internal Control Audit Report disclosed by the Company on 29 March 2024.

Whether to disclose the audit report on internal control: Yes

Type of opinion on the Audit Report of Internal Control: Standard and unqualified opinion

XVI. SELF-EXAMINATION AND RECTIFICATION ON SPECIAL ACTIONS REGARDING GOVERNANCE OF LISTED COMPANY

Nil

XVII. OTHERS

Applicable Not applicable

Section V Environmental and Social Responsibility

I. ENVIRONMENTAL INFORMATION

Have environmental protection-related mechanisms been established?	Yes
Funds invested in environmental protection during this Reporting Period (Unit: RMB0'000)	149,788

i. Explanation on the performance of environmental protection of companies and their key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department

Applicable Not applicable

1. Pollutant discharging

Applicable Not applicable

The Company has strictly implemented the Management Policies for Pollutant Discharge Permits, comprehensively conducted self-monitoring and information publication, and discharged pollutants with relevant certificates in a legal and compliant manner. Meanwhile, it has implemented pollutant reduction and discharging control by strengthening the operation and management of environmental protection facilities. The total volume of pollutants discharged throughout 2023 did not exceed the total permitted indicator. The major pollutants discharged by the Company are as follows:

No.	Major pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm ³)	Total emissions (tonnes)	Pollutant emission standards implemented	Approved total emissions	Are there excessive emissions
1	Particulate matter	Continuous	10	Goods transportation	Less than the Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	438.1	Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	Nil	No
2	Particulate matter	Continuous	41	Coking	Less than the Emission Standard for Pollutants for Coking Chemical Industry GB16171-2012	865	Emission Standard for Pollutants for Coking Chemical Industry GB16171-2012	Nil	No
3	Sulphur dioxide	Continuous				659.63	Nil	Nil	No
4	Nitrogen oxides	Continuous				1162.3	Nil	Nil	No
5	Particulate matter	Continuous	20	Sintering	Less than the Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	1710.3	Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	Nil	No

Section V Environmental and Social Responsibility (Continued)

I. ENVIRONMENTAL INFORMATION (CONTINUED)

- i. Explanation on the performance of environmental protection of companies and their key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)

1. Pollutant discharging (Continued)

No.	Major pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm ³)	Total emissions (tonnes)	Pollutant emission standards implemented	Approved total emissions	Are there excessive emissions
6	Sulphur dioxide	Continuous				594.025		Nil	No
7	Nitrogen oxides	Continuous				2,450.58		Nil	No
8	Particulate matter	Continuous	36	Ironmaking	Less than the Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	1,014.5	Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	Nil	No
9	Sulphur dioxide	Continuous				591.171		Nil	No
10	Nitrogen oxides	Continuous				1,001.22		Nil	No
11	Particulate matter	Continuous	21	Steelmaking	Less than the Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	1,102.6	Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	Nil	No
12	Particulate matter	Continuous	11	Steel Rolling	Less than the Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012	443	Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012	Nil	No
13	Sulphur dioxide	Continuous				767.3		Nil	No
14	Nitrogen oxides	Continuous				992		Nil	No
15	COD	Continuous	1	Central wastewater treatment station	Less than the Emission Standard of Water Pollutant for Iron and Steel Industry GB13456-2012	109.578	Emission Standard of Water Pollutant for Iron and Steel Industry GB13456-2012	Nil	No
16	Ammonia nitrogen	Continuous				7.764		Nil	No
17	Total	Particulate matter: 5,600.5 tonnes, sulphur dioxide: 2,759.13 tonnes, nitrogen oxides: 5,792.1 tonnes, COD: 109.578 tonnes, and ammonia nitrogen: 7.764 tonnes							
18	Permitted discharge volume approved by discharge permits	Particulate matter: 15,167.3144 tonnes, sulphur dioxide: 7,774.523 tonnes, nitrogen oxides: 14,871.436 tonnes, COD: 481.991 tonnes, and ammonia nitrogen: 48.199 tonnes							

I. ENVIRONMENTAL INFORMATION (CONTINUED)

- i. Explanation on the performance of environmental protection of companies and their key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)

2. *Construction and operation of pollution control facilities*

Applicable Not applicable

Chongqing Iron & Steel has built 13 sets of wastewater treatment facilities in total, with six sets in the Department of Energy and Environmental Protection, one set in the Iron Works, two sets in the Steel Works, and four sets in the Steel Rolling Plant. The environmental protection facilities for water treatment maintain synchronous operation, shutdown and maintenance with production facilities. Currently, a set of water treatment facility for turbid circulating water regarding medium plate in the Steel Rolling Plant has shut down, while the residual 12 sets are still under normal operation. The Company has been equipped with supporting waste gas treatment facilities in strict accordance with environmental regulations. At present, the Company has 119 sets of waste gas and dust treatment facilities, and 147 exhaust cylinders. During the year, the Company strengthened the daily management and control of waste gas facilities, clarified responsible subjects, and ensured synchronous operation and maintenance of the environmental protection facilities for waste gas treatment and the main production facilities, as well as timely repair of abnormalities or failures, thus ensuring normal operation of these environmental protection facilities.

The Company continued to implement the standardised transformation of ultra-low emission of waste gas. At present, the Company has already completed the construction of such projects as the sintering flue gas denitrification project, the desulphurisation and denitrification of coke oven flue gas, the desulphurisation and denitrification of surplus flue gas for power generation, the closure of Shed B1 of the stock ground, the dust removal of Iron Works 2BF, and the dust removal transformation of coke ovens in the Steel Works. The disposal system for disorganised emission around coke ovens, and the newly added dust removal systems for coal loading and coke pushing are under construction, and all the existing pollution control facilities are under normal operation and maintain stable and qualified emission. By 2023, Chongqing Iron & Steel had built 81 sets of online monitoring systems for waste gas pollution sources, including 46 sets of outlets of waste gas, 35 sets of inlets for desulfurisation and denitrification procedures, 13 sets of online wastewater monitoring systems, 29 sets of air micro-stations, and 42 sets of video surveillance facilities for environmental protection, achieving full coverage of the factory area and ensuring real-time monitoring and early warning of environmental protection in the factory area.

I. ENVIRONMENTAL INFORMATION (CONTINUED)

- i. Explanation on the performance of environmental protection of companies and their key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)

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

Applicable Not applicable

In 2023, the Company completed the environmental protection completion and acceptance of the Raw Material No. 2 Berth Upgrading Project, the new rainwater reuse project, the new 110kV power station for wire rods, and the supporting 110kV power station for No. 2 and No. 3 sintering desulfurization.

4. *Environmental Emergency Plan*

Applicable Not applicable

In order to implement the requirements of laws and regulations on strengthening the environmental protection of enterprises promulgated by the central and local governments and establish a sound environmental risk prevention system, and in accordance with the approach of “prevention is first” and the principle of “unified command, being unhurried in the face of danger, buying time for emergencies, reduction of hazards”, the Company has completed the 2023 emergency drill for environmental emergencies in Changshou District in cooperation with the government of Changshou District and the Bureau of Ecology and Environment of Changshou District.

5. *Self-monitoring program on environmental protection*

Applicable Not applicable

In order to regulate the self-monitoring and information disclosure and consciously fulfil legal obligations and social responsibilities, the Company formulated the Measures for Environmental Monitoring Management and the Self-monitoring Program on Environmental Protection in 2023, according to the requirements of the Measures for Self-monitoring and Information Disclosure by the Enterprises Subject to Intensive Monitoring and Control of the State (Trial Implementation) and the General Rules for Technical Guidance on Self-monitoring of Pollutant Discharging Organisations. Moreover, it organised the routine monitoring covering water, gas, soil and noise in accordance with the monitoring program to ensure that the environmental risks of the Company's plants are controllable. The Self-monitoring Program on Environmental Protection in 2023 was filed with the ecology and environment bureau. The Company has carried out its self-monitoring and information disclosure in accordance with such program in 2023.

I. ENVIRONMENTAL INFORMATION (CONTINUED)

- i. Explanation on the performance of environmental protection of companies and their key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)

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

Applicable Not applicable

On 11 October 2023, Chongqing Changshou District Ecological and Environmental Protection Comprehensive Law Enforcement Sub-branch imposed an administrative penalty of RMB77,375 for the failure of Chongqing Iron & Steel's automatic monitoring and control equipment of the stack emission outlet of the coke oven to be networked with the department in charge of the ecological and environmental protection. Rectification has been completed and the case is closed.

7. *Other environmental information required to be disclosed*

Applicable Not applicable

- ii. Explanation on environmental protection of companies beyond the classification of key pollutant discharging entity

Applicable Not applicable

I. ENVIRONMENTAL INFORMATION (CONTINUED)

iii. Relevant information conducive to ecological protection, pollution control and fulfilment of environmental responsibilities

Applicable Not applicable

In 2023, Chongqing Iron & Steel undertook the planning and indicator tasks as required by superior departments, prepared the Company's three-year capability improvement plan and the Environmental Protection Plan for "Great Protection of the Yangtze River in 2023", and organised various units to sign the Energy Conservation and Environmental Protection Target Responsibility Statement to promote their performance of their entity responsibilities for environmental protection. The Company revised and improved its environmental protection policies and relevant management methods and standards to improve the operation capability of its environmental protection management system.

The Company organised the publicity and implementation of the green urban steel factory indicator system, improved the responsibility system for green index improvement, and actively created a waste-free steel factory featuring "ultra-low emission of waste gas, zero waste water discharge, and no solid waste leaving the factory", in an effort to avoid negative impacts on the natural ecological environment and prevent environmental pollution incidents, thus contributing to the harmonious coexistence with surrounding ecological environment and the conservation of biodiversity. The Company promoted the building of AAA industrial scenic spots. With the score of its annual green index increasing from 74 points in 2022 to 76 points in 2023, the Company won such honorary titles as "Green Development Benchmark Steel Enterprise" and "Chongqing Environmental Protection Credit Enterprise".

iv. Measures taken to reduce carbon emissions and their results during this Reporting Period

Were carbon reduction measures taken?	Yes
Decrease in carbon dioxide equivalence (unit: tonne)	62,418
Types of carbon reduction measures (e.g., the application of clean energy in power generation, the use of carbon reduction technologies in production, and the R&D and production of new products for carbon reduction)	In order to improve the utilization efficiency of waste heat resources, the coal gas release rate was 0.18% in 2023, a decrease of 2.39% from 2022, resulting in an increase of 101 million kW in electricity generation and a reduction of 57,950 tons of carbon. 12 energy-saving and emission reduction projects were implemented, with 8 projects under construction, 1 completed project, and an expected reduction of 4,469 tons of carbon. In total, 62,418 tons of carbon were reduced in 2023.

I. ENVIRONMENTAL INFORMATION (CONTINUED)

- iv. Measures taken to reduce carbon emissions and their results during this Reporting Period (Continued)

Specific explanation

Applicable Not applicable

During the Reporting Period, the Company further implemented the “6C” carbon reduction initiative (carbon reduction by planning, carbon reduction by efficiency, carbon reduction by process, carbon reduction by technology, carbon reduction by greenness, and carbon reduction by chain circle), and actively created energy efficiency benchmarks for key processes. The annual energy consumption of the 5-6# coke oven process and the energy consumption of the converter process in December reached the benchmark level; the annual self-generated power reached 3,955 million kWh, and the self-generation rate of power reached 84.89%, both reaching a record high, making the Company the first iron & steel enterprise in Southwest China completing the announcement of clean transportation with ultra-low emission. According to the standards issued by Chongqing government for accounting and reporting greenhouse gas emissions, the predicted amount of greenhouse gas emission intensity of the Company was 1.5t/t steel, and the total greenhouse gas emissions were about 15.82 million tons (including those produced by Chongqing Iron & Steel Energy Environmental Protection Company Limited), basically achieving the goal of carbon peaking.

II. SOCIAL RESPONSIBILITY WORK

- i. Were the corporate social responsibility report, the sustainable development report, or the report on environment, society and governance disclosed separately?

Applicable Not applicable

For details, see the 2023 Environmental, Social and Governance Report published by the Company on 29 March.

II. SOCIAL RESPONSIBILITY WORK (CONTINUED)

ii. Specific information on social responsibility work

Applicable Not applicable

External donations and charity projects	Quantity/ content	Explanation
Total input (RMB'0,000) Including: Fund (RMB'0,000)	60	Donated RMB500,000 to Tianxing Village, Jiangnan Street, Changshou District, Chongqing City, for the construction of beautiful villages and road facilities; donated RMB100,000 to the Chongqing Education Foundation, which will be used for the "Information Classroom" multi-media teaching equipment project for schools in rural revitalization areas and counties in Chongqing.
Supplies worth (RMB'0,000)	/	/
Number of people helped	/	/

Specific explanation

Applicable Not applicable

III. CONSOLIDATION AND EXPANSION OF ACHIEVEMENTS IN POVERTY ALLEVIATION AND RURAL REVITALIZATION

Applicable Not applicable

Projects of poverty alleviation and rural revitalisation	Quantity/ content	Explanation
Total input (<i>RMB'0,000</i>)	264.4	
Including: Fund (<i>RMB'0,000</i>)	264.4	
Supplies worth (<i>RMB'0,000</i>)		
Number of people helped		
Assistance methods (e.g., industry-, employment-, and education-based poverty alleviation)	Industry-based poverty alleviation	The Company assisted China Baowu in consolidating and expanding the results of poverty alleviation and rural revitalisation of Guangnan County, Yunnan Province, by purchasing local agricultural and by-product products twice worth RMB2,644,000.

Specific explanation

Applicable Not applicable

Section VI Significant Events

I. FULFILMENT OF COMMITMENTS

1. Commitments of the Company's de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period

Applicable Not applicable

Background	Commitment type	Commitment party	Contents	Time of commitment	Deadline for performance (Y/N)	Term of commitment	Prompt and strict performance (Y/N)
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Commitments made in acquisition reports or equity change reports	To solve the horizontal competition	China Baowu	1. In view of the overlap of some business of Baoshan Iron & Steel Co., Ltd. ("Baosteel"), WISCO Echeng Steel Company Limited ("Echeng Steel") and Chongqing Iron & Steel upon completion of the acquisition, in accordance with the requirements of current laws and regulations and relevant policies, China Baowu will, within five years from the date of this commitment letter or within a shorter period of time, and in accordance with the requirements of the relevant securities regulatory authorities and subject to the applicable laws and regulations and relevant regulatory rules at that time, steadily promote the integration of relevant business to solve the problem of the horizontal competition by comprehensively using multiple methods, such as asset reorganisation, business adjustment and entrusted management, based on the principle of facilitating the development of the listed company and safeguarding the interests of shareholders, minority shareholders in particular.	16 September 2020	No	/	Yes
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The aforesaid solutions include, but are not limited to:

- (1) Asset reorganisation: To gradually sort out and reorganise the assets of the overlapping business of Baosteel, Echeng Steel and Chongqing Iron & Steel by way of asset purchase at cash consideration, share issuance consideration or other methods as permitted by relevant laws and regulations, or by way of asset purchase, asset swap, asset transfer or other feasible reorganisation methods, so as to eliminate the overlapping of some business;

Section VI Significant Events (Continued)

I. FULFILMENT OF COMMITMENTS (CONTINUED)

1. Commitments of the Company's de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

Background	Commitment type	Commitment party	Contents	Time of commitment	Deadline for performance (Y/N)	Term of commitment	Prompt and strict performance (Y/N)
			<p>(2) Business adjustment: To sort out the business boundaries of Baosteel, Echeng Steel and Chongqing Iron & Steel, and to try its best to achieve differentiated operations among the three listed companies. For example, business differentiation can be realized in different ways, such as asset trading and business division, including but not limited to differentiation in terms of business composition, product grade, application areas and customer groups;</p> <p>(3) Entrusted management: One party entrusts the decision-making and management rights related to the operations of certain relevant assets of the overlapping business to the other party for unified management through the signing of an entrustment agreement;</p> <p>(4) Other feasible solutions within the scope permitted by laws and regulations and relevant policies.</p> <p>The implementation of the above solutions is subject to the fulfilment of the necessary procedures for consideration by listed companies and approval by the securities regulatory authorities and relevant competent authorities in accordance with relevant laws and regulations.</p>				
			<p>2. The company has not yet formulated specific implementation plans or time schedule for solving the overlapping business among Baosteel, Echeng Steel and Chongqing Iron & Steel. It will fulfil its information disclosure obligations in accordance with the relevant laws and regulations in a timely manner after specific feasible plans are formulated;</p>				

Section VI Significant Events (Continued)

I. FULFILMENT OF COMMITMENTS (CONTINUED)

1. Commitments of the Company's de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

Background	Commitment type	Commitment party	Contents	Time of commitment	Deadline for performance (Y/N)	Term of commitment	Prompt and strict performance (Y/N)
			<p>3. In addition to the above, when the company or its subsidiaries are offered business opportunities that may compete with the business of Chongqing Iron & Steel, the company will try its best to give Chongqing Iron & Steel the right of priority to develop such opportunities and the right of first acquisition of the projects, promote the price of the relevant transactions to be fair and reasonable, and take the commercial practices followed for conducting normal commercial transactions with independent third parties as its pricing basis;</p> <p>4. The company undertakes to strictly comply with the laws and regulations as well as the provisions of the Articles of Association of the company and its relevant management policies and not to use its position as an indirect controlling shareholder of the listed company to seek unjustified benefits which may further impair the rights and interests of other shareholders of the listed company;</p> <p>5. The above commitments shall remain in force during the period when China Baowu has de facto control over Chongqing Iron & Steel.</p>				

Section VI Significant Events (Continued)

I. FULFILMENT OF COMMITMENTS (CONTINUED)

1. Commitments of the Company's de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

Background	Commitment type	Commitment party	Contents	Time of commitment	Deadline for performance (Y/N)	Term of commitment	Prompt and strict performance (Y/N)
	To solve the horizontal competition	Strategic Emerging Fund	<ol style="list-style-type: none"> During the period when Strategic Emerging Fund and China Baowu are acting in concert and China Baowu has de facto control over Chongqing Iron & Steel, Strategic Emerging Fund will not take advantage of China Baowu's control over the listed company to obtain unjustified benefits and will not prejudice the legitimate interests of the listed company and other shareholders; After the completion of change in equity, Strategic Emerging Fund will reasonably integrate the business development direction of its wholly-owned and holding subsidiaries and other enterprises under its de facto control in accordance with the main business development characteristics of each enterprise, and avoid itself and enterprises under its control from engaging in business that is in substantial horizontal competition with the main business of Chongqing Iron & Steel; If, during the period when Strategic Emerging Fund and China Baowu are acting in concert and China Baowu has de facto control over Chongqing Iron & Steel, Strategic Emerging Fund and the enterprises under its control obtain business opportunities that may constitute horizontal competition with the listed company, Strategic Emerging Fund will facilitate the transfer of such business opportunities to the listed company. If such business opportunities are not yet available for transfer to the listed company, or if for other reasons the listed company is temporarily unable to obtain such business opportunities, the listed company shall have the right to request the Strategic Emerging Fund to adopt other means permitted by laws, regulations and the CSRC to solve the problem. 	16 September 2020	No	/	Yes

Section VI Significant Events (Continued)

I. FULFILMENT OF COMMITMENTS (CONTINUED)

1. Commitments of the Company's de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

Background	Commitment type	Commitment party	Contents	Time of commitment	Deadline for performance (Y/N)	Term of commitment	Prompt and strict performance (Y/N)
	To solve the horizontal competition	Changshou Iron & Steel	<ol style="list-style-type: none"> As of 1 December 2017, Changshou Iron & Steel has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron & Steel. During the period when Chongqing Iron & Steel is the controlling shareholder of Chongqing Iron & Steel, if Chongqing Iron & Steel obtains a business opportunity of engaging in the same business as Chongqing Iron & Steel, Changshou Iron & Steel shall concede the business opportunity to Chongqing Iron & Steel and can invest only after Chongqing Iron & Steel has given up such business opportunity. ("Engaged/engaging in" refers to any situations in which the business is conducted directly or indirectly through a controlling entity, excluding minority equity investments that do not generate a controlling position.) 	1 December 2017	No	/	Yes

Section VI Significant Events (Continued)

I. FULFILMENT OF COMMITMENTS (CONTINUED)

1. Commitments of the Company's de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

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

Section VI Significant Events (Continued)

I. FULFILMENT OF COMMITMENTS (CONTINUED)

1. Commitments of the Company's de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

Background	Commitment type	Commitment party	Contents	Time of commitment	Deadline for performance (Y/N)	Term of commitment	Prompt and strict performance (Y/N)
	To solve related party transactions	Strategic Emerging Fund	<ol style="list-style-type: none"> The Strategic Emerging Fund will ensure the business independence and asset integrity of Chongqing Iron & Steel, as well as independent and integral production, supply and marketing system and other auxiliary and supporting systems. Strategic Emerging Fund and the enterprises under its control will not seek the priority to conclude transactions with Chongqing Iron & Steel and its subsidiaries by utilizing the concerted action relationship between Strategic Emerging Fund and China Baowu and China Baowu's control over Chongqing Iron & Steel. Strategic Emerging Fund and the enterprises under its control will avoid and reduce unnecessary transactions with Chongqing Iron & Steel and its subsidiaries. In the case of indeed necessary and unavoidable transactions, Strategic Emerging Fund and the enterprises under its control and Chongqing Iron & Steel and its subsidiaries shall enter into an agreement by following the principles of justice, fairness, and valuable consideration, according to law, perform legal procedures, and in accordance with the requirements of laws, regulations and regulatory documents and the provisions of the <i>Articles of Association of Chongqing Iron & Steel</i>, perform the obligation of information disclosure according to law and related procedures for internal decision-making and reporting for approval, and undertake to neither conduct transactions with Chongqing Iron & Steel and its subsidiaries on unfair terms as compared with market prices, nor engage in activities impairing the legitimate interest of Chongqing Iron & Steel and its shareholders by utilizing such transactions. In case of violation of any of the above commitments, Strategic Emerging Fund will undertake the liability according to law and compensate Chongqing Iron & Steel for loss caused thereby. 	16 September 2020	No	/	Yes

Section VI Significant Events (Continued)

I. FULFILMENT OF COMMITMENTS (CONTINUED)

1. Commitments of the Company's de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

Background	Commitment type	Commitment party	Contents	Time of commitment	Deadline for performance (Y/N)	Term of commitment	Prompt and strict performance (Y/N)
	To solve related party transactions	Changshou Iron & Steel	<ol style="list-style-type: none"> After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, Changshou Iron & Steel will, in strict accordance with the requirements of laws and regulations such as the Companies Law and the relevant provisions of the <i>Articles of Association of Chongqing Iron & Steel</i>, exercise the rights of shareholders, or urge the directors nominated by Changshou Iron & Steel to exercise the rights of directors according to law and to fulfil the obligation to abstain from voting when the general meeting and the board of directors vote on the related party transactions involving Changshou Iron & Steel. After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, for the possible related party transactions arising from reasonable reasons, Changshou Iron & Steel will, according to applicable laws and regulations and on the principles of justice and equity, sign agreements according to law, perform relevant procedures, and perform its obligation of information disclosure in a timely manner, so as to ensure that such transactions will not harm the legitimate rights and interests of Chongqing Iron & Steel and other shareholders. 	1 December 2017	No	/	Yes

Section VI Significant Events (Continued)

I. FULFILMENT OF COMMITMENTS (CONTINUED)

1. Commitments of the Company's de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

Background	Commitment type	Commitment party	Contents	Time of commitment	Deadline for performance (Y/N)	Term of commitment	Prompt and strict performance (Y/N)
	Others	China Baowu and Strategic Emerging Fund	<p>1. China Baowu and its concerted party, Strategic Emerging Fund, undertake to maintain separation from Chongqing Iron & Steel in terms of assets, personnel, finance, organisation and business, and to strictly comply with the relevant provisions of the CSRC regarding the independence of listed companies, and not to use their controlling position to violate the regulated operation procedures of Chongqing Iron & Steel, interfere with the operating decisions of Chongqing Iron & Steel or harm the legitimate interests of Chongqing Iron & Steel and other shareholders. The promisees and other subsidiaries under their control guarantee that they will not misappropriate the funds of Chongqing Iron & Steel and its subsidiaries under its control in any way.</p> <p>2. The above commitments shall remain in force during the period when China Baowu has control over Chongqing Iron & Steel and Strategic Emerging Fund is acting in concert with China Baowu. In the event of any loss to Chongqing Iron & Steel as a result of the failure to perform the above undertakings by the promisees, the promisees will bear the corresponding liability for compensation.</p>	16 September 2020	No	/	Yes
	Others	Changshou Iron & Steel	During the period when Changshou Iron & Steel holds the shares of Chongqing Iron & Steel, Changshou Iron & Steel will, in strict compliance with the rules of the CSRC, stock exchanges, as well as those of the management policies of Chongqing Iron & Steel such as the Articles of Association, exercise the shareholders' rights and fulfil the shareholders' obligations in the same manner as other shareholders. Changshou Iron & Steel will not seek improper interests by using the position of shareholders but respect the independence of Chongqing Iron & Steel in terms of its personnel, assets, business, finance, and organisation.	1 December 2017	No	/	Yes

I. FULFILMENT OF COMMITMENTS (CONTINUED)

2. Explanation of whether the Company fulfilled its profits forecast in relation to assets or projects, if there is any profits forecast in relation to the Company's assets or projects, and if the Reporting Period is within the profits forecast period and the reasons therefor

Fulfilled Not Fulfilled Not applicable

3. Performance of result commitment and its impact on goodwill impairment test

Applicable Not applicable

II. APPROPRIATION OF NON-OPERATING FUNDS BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THIS REPORTING PERIOD

Applicable Not applicable

III. NON-COMPLIANCE GUARANTEE

Applicable Not applicable

IV. EXPLANATION FROM THE BOARD OF DIRECTORS OF THE COMPANY FOR THE “NON-STANDARD AUDIT OPINION REPORT” ISSUED BY THE ACCOUNTING FIRM

Applicable Not applicable

V. THE COMPANY'S ANALYSIS AND EXPLANATION OF THE REASONS FOR AND IMPACT OF CHANGES ON ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS

1. The Company's analysis and explanation of the reasons for and impact of changes on accounting policy and accounting estimates

Applicable Not applicable

According to the *Interpretation No. 16 of the Accounting Standards for Business Enterprises* released in 2022, the provisions on the exemption from the initial recognition of deferred income tax shall not apply to a single transaction that is not a business combination and affects neither accounting profit nor taxable income (or deductible losses) upon the occurrence thereof, where the initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences of equal amounts. For taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities in respect of the Group's lease transactions in which lease liabilities are initially recognized on the lease inception date and included in the right-of-use assets, corresponding deferred income tax liabilities and deferred income tax assets shall be recognized since 1 January 2023, before which no deferred income tax is required to be recognized. The above transactions occurring between the beginning of the earliest period presented in the in the financial statements and the date of the change in accounting policy have no material impact on the Group's opening retained earnings.

2. The Company's analysis of the cause and impact of correction of material errors of accounting

Applicable Not applicable

3. Communication with the previous accounting firm

Applicable Not applicable

4. Approval procedures and other explanation

Applicable Not applicable

Section VI Significant Events (Continued)

VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Unit: RMB0'000 Currency: RMB

Current

Name of the domestic accounting firm	Ernst & Young Hua Ming LLP
Remuneration of the domestic accounting firm	228
Term of service of the domestic accounting firm	6
Names of the certified public accountants of the domestic accounting firm	Chen Xiaoxiang (陳曉祥) and Wang Dan (王丹)
Cumulative term of service of the certified public accountants of the domestic accounting firm	Chen Xiaoxiang 1 year, Wang Dan 4 years

	Name	Remuneration
Accounting firm for audit of internal control	Ernst & Young Hua Ming LLP	60

Explanations for appointment and removal of accounting firms

Applicable Not applicable

The 26th meeting of the ninth session of the Board of Directors and the 15th meeting of the ninth session of the Supervisory Committee of the Company were held on 18 May 2023, and the 2022 Annual General Meeting was convened on 28 June 2023, at which the Proposal on Appointment of Accounting Firm for the Company for the Year 2023 was considered and approved. The Company engaged Ernst & Young Hua Ming LLP as the Company's financial and internal control auditor for the year 2023 through the way of tendering, and the audit fee for the year 2023 was RMB2.88 million (tax inclusive, including subsidiaries), of which RMB2.28 million was for financial audit fee and RMB0.6 million was for internal control audit fee, representing a year-on-year decrease of 18.41% as compared with 2022.

Explanations for change of the accounting firm during the auditing period

Applicable Not applicable

Explanation for the decrease of 20% or more (inclusive) in the audit fee as compared with that of the previous year

Applicable Not applicable

Section VI Significant Events (Continued)

VII. RISKS OF DELISTING

1. Reason for risk warning of delisting

Applicable Not applicable

2. Measures taken by the Company to cancel the suspension of listing

Applicable Not applicable

3. Statuses and causes of termination of listing

Applicable Not applicable

VIII. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable Not applicable

IX. MATERIAL LITIGATION AND ARBITRATION

Material litigations and arbitrations occur during the year No material litigations and arbitrations occur during the year

X. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS FOR SUSPECTED UNLAWFULNESS AND RECTIFICATION MEASURES

Applicable Not applicable

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

Applicable Not applicable

XII. MATERIAL CONNECTED TRANSACTIONS

i. Related party transactions related to day-to-day operation

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

Applicable Not applicable

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

Applicable Not applicable

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

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

i. Related party transactions related to day-to-day operation (Continued)

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

In view of the enlarged production scale of the Company and the increase of China Baowu's demand, the Company intended to enter into the *Supplemental Service and Supply Agreement* with China Baowu, which agreed that the item “pig iron” shall be added to the products sold by the Group to China Baowu Group, and the total amount from provision of services and/or materials by the Group to China Baowu Group shall not exceed RMB2,537.1 million for the period from the effective date of the Original Agreement to 31 March 2021. Except for the changes aforesaid, other terms under the Original Agreement remain unchanged. On 29 January 2021, the Resolution in relation to the Entering into of the *Service and Supply Agreement and its Supplemental Agreement between the Company and China Baowu and the Continuing Connected Transactions (including the Proposed Cap thereunder)* was considered and approved at the 33rd Meeting of the eighth session of the Board of the Company, and on the same day, the Company entered into the *Supplemental Service and Supply Agreement* with China Baowu. For details, please refer to the *Announcement on the Progress of Continuing Related Party Transactions* (Announcement No.: 2021-008) disclosed by the Company on 30 January 2021.

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

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

i. Related party transactions related to day-to-day operation (Continued)

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

In view of the Company's adoption of the innovated business models and China Baowu's professionalized integration, the supplementation of types and amount of transactions regarding the products sold by the Group for China Baowu Group, and the increase of the total amount from provision of raw materials, production materials and/or services by the Group to China Baowu Group agreed in the Original Agreement for the period from 2022 to 2023 shall be conducted. On 8 July 2022, the *Resolution in relation to the Entering into of the Supplemental Service and Supply Agreement between the Company and China Baowu and the Continuing Connected Transactions (including the Proposed Cap thereunder)* was considered and approved at the 15th Meeting of the ninth session of the board of directors of the Company, pursuant to which, the Company was approved to enter into the Supplemental Agreement with China Baowu. On the same day, the two parties entered into the Supplemental Agreement. For details, please refer to the *Announcement on the Progress of 2021–2023 Continuing Connected Transactions (Announcement No.: 2022-022)* disclosed by the Company on 9 July 2022.

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

Type of related party transaction	Pricing principle	Transaction amount (Unit: RMB'000)
Procurement of goods and acceptance of services	Market price	16,922,243
Sale of goods	Market price	7,790,519

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

i. Related party transactions related to day-to-day operation (Continued)

3. Events not disclosed in provisional announcements

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Guangdong Guangwu Zhongnan Construction Materials Group	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	2,651,593	7.08	/	/	/
Shanghai Ouyeel Material Technology Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	2,688,146	7.18	/	/	/
Shanghai Ouyeel Supply Chain Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	798,052	2.13	/	/	/
Chongqing Baocheng Carbon Co., Ltd.	Other related party	Sale of goods	Sale of goods, energy and rendering of services	With reference to the market price	/	490,792	1.25	/	/	/
Xingang International Trade Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	473,474	1.26	/	/	/
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd.	Other related party	Sale of goods	Sale of goods and energy	With reference to the market price	/	306,454	0.80	/	/	/
Baowu Water Technology Limited	Other related party	Sale of goods	Sale of energy and rendering of services	With reference to the market price	/	133,287	7.08	/	/	/
Baowu Group Echeng Iron and Steel Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	105,839	0.28	/	/	/
Guangdong Guangwu Materials Co., Ltd.* (廣東廣物物資有限公司)	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	52,708	0.14	/	/	/
WISCO Jiangbei Cold-formed Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	48,854	0.13	/	/	/
Guangdong Zhongnan Iron & Steel Co., Ltd.	Other related party	Sale of goods	Sale of goods and rendering of services	With reference to the market price	/	15,104	0.04	/	/	/
Guangdong Building Materials Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	11,821	0.03	/	/	/
Baosteel Chemical (Zhangjiagang Free Trade Zone) International Trade Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	5,798	0.02	/	/	/
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	4,878	0.01	/	/	/
Baowu Heavy Industry Co., Ltd.	Other related party	Sale of goods	Sale of goods and rendering of services	With reference to the market price	/	2,406	0.01	/	/	/

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

i. Related party transactions related to day-to-day operation (Continued)

3. Events not disclosed in provisional announcements (Continued)

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Dongguan Baosteel Special Steel Processing & Distribution Co., Ltd.* (東莞寶鋼特殊鋼加工配送有限公司)	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	1,176	-	/	/	/
Others	Other related party	Sale of goods	Sale of goods, energy and rendering of services	With reference to the market price	/	137	-	/	/	/
Baosteel Resources (International) Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	4,468,131	13.42	/	/	/
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	2,522,409	7.58	/	/	/
Shanghai Baoding Energy Co., Ltd.	Other related party	Purchase of goods	Purchase of raw materials and receipt of services	With reference to the market price	/	1,720,207	4.33	/	/	/
Ouyeel Industrial Products Co., Ltd.	Other related party	Purchase of goods	Procurement of materials, equipment and spare parts	With reference to the market price	/	1,542,414	84.39	/	/	/
Ma Steel International Trade & Economic Corporation	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	1,331,806	4.00	/	/	/
Baowu Raw Material Supply Co., Ltd.* (寶武原料供應有限公司)	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	1,185,215	3.56	/	/	/
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	726,381	2.18	/	/	/
Baosteel Engineering & Technology Group Co., Ltd.	Other related party	Purchase of goods	Engineering construction, receipt of services and procurement of materials, equipment and spare parts	With reference to the market price	/	869,379	10.49	/	/	/
Shanghai Ouyeel Logistics Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	317,389	4.92	/	/	/
Baowu Water Technology Limited	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	314,449	4.87	/	/	/
Shanghai Baosight Software Co., Ltd.	Other related party	Purchase of goods	Engineering construction, procurement of materials, equipment and spare parts and receipt of services	With reference to the market price	/	307,332	3.71	/	/	/

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

i. Related party transactions related to day-to-day operation (Continued)

3. Events not disclosed in provisional announcements (Continued)

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Ouyeel Blockchain Finance and Metal Recycling Resources Co., Ltd.	Other related party	Purchase of goods	Procurement of steel scrap	With reference to the market price	/	177,678	0.53	/	/	/
Baowu Equipment Intelligent Technology Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of materials, equipment and spare parts and engineering construction	With reference to the market price	/	168,103	2.03	/	/	/
Wisco Resources Group Ezhou Pellets Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	167,515	0.5	/	/	/
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials and receipt of services	With reference to the market price	/	150,373	0.38	/	/	/
Baowu Group Echeng Iron and Steel Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	130,673	0.39	/	/	/
Guangdong Building Materials Co., Ltd.	Other related party	Purchase of goods	Procurement of steel scrap	With reference to the market price	/	120,706	0.36	/	/	/
Ouyeel Blockchain Finance (Hubei) and Metal Recycling Resources Co., Ltd.	Other related party	Purchase of goods	Procurement of steel scrap	With reference to the market price	/	71,622	0.22	/	/	/
Baowu Heavy Industry Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	70,212	1.09	/	/	/
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd.	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	67,652	1.05	/	/	/
Yichang Yimei City Mineral Resources Recycling Co., Ltd.	Other related party	Purchase of goods	Procurement of steel scrap	With reference to the market price	/	62,394	0.19	/	/	/
Guangdong Shaogang Engineering Technology Co., Ltd.	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	55,166	0.85	/	/	/
Ouyeel Blockchain Finance (Shaoguan) and Metal Recycling Resources Co., Ltd.	Other related party	Purchase of goods	Procurement of steel scrap	With reference to the market price	/	54,889	0.16	/	/	/
Baoshan Iron and Steel Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	42,676	0.66	/	/	/
Ouyeel Blockchain Finance (Sichuan) and Metal Recycling Resources Co., Ltd.	Other related party	Purchase of goods	Procurement of steel scrap	With reference to the market price	/	37,415	0.11	/	/	/

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

i. Related party transactions related to day-to-day operation (Continued)

3. Events not disclosed in provisional announcements (Continued)

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Shanghai Baosteel Shipping Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	35,142	0.54	/	/	/
Sinosteel International Freight Zhejiang Co., Ltd.* (中鋼國際貨運浙江有限責任公司)	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	32,038	0.50	/	/	/
Taicang Wugang Terminal Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	26,411	0.41	/	/	/
Ouyeel Industrial Products Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	21,436	0.33	/	/	/
Baosteel Development Co. Ltd.	Other related party	Receipt of services	Engineering construction and receipt of services	With reference to the market price	/	17,582	0.27	/	/	/
Guangdong Kunlun Information Technology Co., Ltd.	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	15,436	0.24	/	/	/
Guangdong Baodi Nanhua Industrial Development Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	13,534	0.21	/	/	/
Masteel Chengxing Metal Resources Co. Ltd.	Other related party	Purchase of goods	Procurement of steel scrap	With reference to the market price	/	12,908	0.04	/	/	/
Zhejiang Zhoushan Wugang Wharf Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	12,122	0.19	/	/	/
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	11,067	0.17	/	/	/
Wuhan Yangguang Industrial Co., Ltd.* (武漢揚光實業有限公司)	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	8,201	0.02	/	/	/
Shanghai Baosteel Xinyue Talent Technology Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	6,935	0.11	/	/	/
Shanghai Baosteel Construction Engineering Technology Co., Ltd.* (上海寶鋼建築工程科技有限公司)	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	5,422	0.08	/	/	/
HwaBao Securities Co. Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	4,057	0.01	/	/	/
Baowu Group Zhongnan Steel Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	2,923	0.05	/	/	/
Shanghai Baosteel Engineering Consulting Co., Ltd.	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	2,768	0.04	/	/	/

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

i. Related party transactions related to day-to-day operation (Continued)

3. Events not disclosed in provisional announcements (Continued)

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Ouyeel Cloud Commerce Corporation Limited	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	2,548	0.04	/	/	/
Sinosteel Xi'an Heavy Machinery Co., Ltd.* (中鋼集團西安重機有限公司)	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	1,853	0.03	/	/	/
Wuhan Engineering Institute	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	1,598	0.02	/	/	/
Baowu Industry Education Integration Development (Shanghai) Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	1,297	0.02	/	/	/
Others	Other related party	Purchase of goods	Engineering construction, receipt of services and procurement of materials, equipment and spare parts	With reference to the market price	/	4,779	0.06	/	/	/
Total				/	/	24,712,762		/	/	/
Particulars of substantial sales return					Nil					
Explanation on related party transactions					They enabled the Company to obtain stable and reliable service supply at a reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output					

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

ii. Connected transactions related to acquisition of assets or acquisition or disposal of equity interests

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

Applicable Not applicable

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

Applicable Not applicable

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

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

Applicable Not applicable

iii. Material connected transactions related to joint external investment

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

Applicable Not applicable

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

iii. Material connected transactions related to joint external investment (Continued)

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

Applicable Not applicable

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

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

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

iv. Claims and liabilities between related parties

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

Applicable Not applicable

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

Applicable Not applicable

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

v. Financial business between the Company and related financial companies, financial companies controlled by the Company and related parties

Applicable Not applicable

1. *Deposit business*

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Related parties	Connected relationship	Maximum daily deposit limit	Deposit interest rate range	Opening balance	Amount incurred for the period		Closing balance
					Total amount deposited during the period	Total amount withdrawn during the period	
Baowu Group Finance Co., Ltd.	Other related party	-	0.30%-1.65%	1,228,168	12,368,115	12,994,800	601,483
Total	/	/	/	1,228,168	12,368,115	12,994,800	601,483

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

- v. Financial business between the Company and related financial companies, financial companies controlled by the Company and related parties (Continued)

2. *Money lending business*

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Related parties	Connected relationship	Credit line	Loan interest rate range	Opening balance	Amount incurred for the period		Closing balance
					Total amount of loans during the period	Total amount of repaid loans during the period	
Baowu Group Finance Co., Ltd.	Other related party	1,000,000	2.30%	-	250,000	-	250,000
Total	/	/	/	-	250,000	-	250,000

3. *Credit granting business or other financial services*

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Related parties	Connected relationship	Business type	Gross amount	Actual amount incurred
Baowu Group Finance Co., Ltd.	Other related party	Comprehensive credit facilities	2,000,000	324,068

4. *Other explanation*

Applicable Not applicable

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

vi. Others

Applicable Not applicable

vii. Annual review by independent non-executive directors and auditors

The Company's independent non-executive directors reviewed the continuing connected transactions of the Company in the Reporting Period, and confirmed that the transactions were:

- 1) entered into in the ordinary course of business of the Company;
- 2) carried out in accordance with normal commercial terms; and
- 3) carried out pursuant to the agreements of relevant transactions, the terms of which are fair and reasonable, and in the interests of shareholders of the Company as a whole.

Ernst & Young Hua Ming LLP, the Company's auditor, was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 (Revised)-Assurance Engagements Other than Audits or Reviews of Historical Financial Information, with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young Hua Ming LLP has issued an unqualified conclusions in respect of the continuing connected transactions disclosed by the Company in accordance with 14A.56 of the Listing Rules.

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

i. Custody, contracting and leasing affairs

1. Custody

Applicable Not applicable

2. Contracting

Applicable Not applicable

Section VI Significant Events (Continued)

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

i. Custody, contracting and leasing affairs (Continued)

3. Leasing (Continued)

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Name of lessor	Name of lessee	Details of leased assets	Amount of leased assets	Lease inception date	Lease termination date	Rental income	Determination basis for lease income	Effect of gain on lease on the Company	Related party transaction or not	Connected relationship
Chongqing Iron & Steel (Group) Co., Ltd.	Chongqing Iron & Steel Company Limited	Equipment	/	1 January 2021	31 December 2025	146,018	Contract	Impact on costs and expenses	No	Others

Description of leases

N/A

ii. Guarantees

Applicable Not applicable

iii. Entrusted cash assets management

1. Entrusted wealth management

(1) Overview of entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(2) Individual cases of entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(3) Provision for impairment of entrusted wealth management

Applicable Not applicable

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

iii. Entrusted cash assets management (Continued)

2. *Entrusted loans*

(1) Overview of entrusted loans

Applicable Not applicable

Others

Applicable Not applicable

(2) Individual cases of entrusted loans

Applicable Not applicable

Others

Applicable Not applicable

(3) Provision for impairment of entrusted loans

Applicable Not applicable

3. *Others*

Applicable Not applicable

iv. Other material contracts

Applicable Not applicable

XIV. USE OF THE PROCEEDS

Applicable Not applicable

Section VI Significant Events (Continued)

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS

Applicable Not applicable

(I) Relevant disclosures made according to the Listing Rules on the HKEx

1. *Compliance of Corporate Governance Code*

To the best knowledge of the Board, the Company has complied with the requirements of the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the Reporting Period, and no deviation from the code has been identified.

2. *Model Code for securities transactions by directors*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 (reordered as Appendix C3, effective from 31 December 2023) to the Listing Rules as the code for dealing in securities of the Company by the Directors. All directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2023.

3. *Purchase, sale and redemption of listed shares of the Company*

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

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

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

5. *Audit Committee*

The Audit Committee of the Company consists of three independent non-executive Directors and one non-executive Director, namely Mr. Zhang Jinruo, Mr. Sheng Xuejun, Mr. Guo Jiebin and Mr. Zhou Ping. Mr. Zhang Jinruo is the chairman of the Audit Committee.

The annual report of the Company for 2023 had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (CONTINUED)

(I) Relevant disclosures made according to the Listing Rules on the HKEx (Continued)

6. Interests or short positions

As at 31 December 2023, the interests and short positions possessed or, pursuant to relevant provisions of the *Securities and Futures Ordinance* ("SFO"), assumed or deemed to be possessed by the Company's directors, supervisors and senior management in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part 15 of the SFO) that shall be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or be notified to the Company and the Hong Kong Stock Exchange pursuant to the *Listing Rules and the Model Code for Securities Transactions by Directors of Listed Companies*, are as follows:

Name	The Company/ associated corporation	Capacity	Nature of interest	Total number of shares held <i>(share)</i>	Percentage of number of A Shares of the Company <i>(%)</i>	Percentage of total share capital of the Company <i>(%)</i>	Class of share
Zou An	The Company	Director, Senior Vice President, Chief Financial Officer, Secretary to the Board, General Legal Counsel	Beneficial interest	1,684,600 (Long position)	0.0201	0.0189	A share
Xia Tong	The Company	Supervisor Representing Staff	Beneficial interest	534,100 (Long position)	0.064	0.006	A share
Lei Yougao	The Company	Supervisor Representing Staff	Beneficial interest	430,000 (Long position)	0.005	0.0048	A share
Xie Chao	The Company	Senior Vice President	Beneficial interest	1,057,400 (Long position)	0.0126	0.0119	A share

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (CONTINUED)

(I) Relevant disclosures made according to the Listing Rules on the HKEx (Continued)

7. *Pre-emptive rights*

There are no provisions for pre-emptive rights under the *Articles of Association* and the relevant laws of the People's Republic of China which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

8. *Public float of H shares*

As of the date hereof, to the best knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules.

9. *Marketability market value*

Based on the available information to the Company, as at 31 December 2023, the circulating market capitalization of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$0.73)) was approximately HK\$393 million and the circulating market capitalization of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB1.39)) was approximately RMB11,649 million.

10. *Final dividend*

The Company's profit distribution policies are set out in detail in the *Articles of Association*, which provides the principles, forms and conditions of distribution, the justification procedures for distribution schemes and decision-making mechanisms, as well as policy adjustments. When determining profit distribution (including dividend payment) and distribution proportion, the Company will follow several major principles including the continuity and stability of profit distribution policies, paying full attention to the reasonable investment return for investors, and considering the long-term interests of the Company, sustainable development and the interests of all shareholders as a whole, and the Board will prepare the proposal for profit distribution according to the operating situations and development of the Company, then submit it to the general meetings for approval. Please refer to the profit distribution policies set out in the *Articles of Association* for more details.

The Company has not set any predetermined dividend distribution proportion or dividend distribution ratio, and the distribution and the amount of dividend will be determined by the Board's discretion as aforesaid.

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (CONTINUED)

(I) Relevant disclosures made according to the Listing Rules on the HKEx (Continued)

10. Final dividend (Continued)

According to the auditing by Ernst & Young Hua Ming LLP, the realized net profit attributable to the parent company for 2023 amounted to RMB-1,511 million, and the unappropriated profit by parent company as at the end of 2023 amounted to RMB-9,166 million. As the parent company recorded a negative unappropriated profit as at the end of 2023, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2023 pursuant to Article 250 of the Articles of Association.

(II) Related party transaction

The following related party transactions constitute connected transactions under Chapter 14A of the Listing Rules and the Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

1. External investment and related party transaction

On 28 December 2022, the 20th meeting of the ninth Board of Directors approved the *Proposal on External Investment and Related Party Transaction*, agreeing to, for purpose of share subscription, increase capital to Baowu Water Technology Co., Ltd. ("Baowu Water"), a subsidiary of China Baowu (actual controller of the Company), together with other relevant subsidiaries of China Baowu such as Guangdong Zhongnan Iron & Steel Co., Ltd., WISCO Echeng Steel Company Limited, Shanxi Taigang Stainless Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd., Xinjiang Bayi Iron & Steel Co., Ltd., Xinjiang Yili Iron & Steel Co., Ltd., and Xinjiang Bagang Nanjiang Steel Baicheng Co., Ltd. On 30 January 2023, all parties concerned concluded an *Agreement on Share Subscription by Capital Increase*. Due to the change in the time of capital contribution, the value of the asset(s) invested by the Company changed from the original RMB60,679,500 to RMB60,364,500 on the date of capital contribution, and after capital increase, the Company's shareholding ratio in Baowu Water changed from the original 1.339% to 1.334%. For details, please refer to the *Announcement on Progress in External investment and Related Party Transactions* (Announcement No.: 2023-002) disclosed by the Company on 31 January 2023.

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (CONTINUED)

(II) Related party transaction (Continued)

2. Continuing related party transaction during the period from 2024 to 2026

In order to ensure the stable and continuous running of the production and operation of the Company, on 10 November 2023, the 30th meeting of the ninth Board of Directors approved the *Proposal on Conclusion of the 2024–2026 Service and Supply Agreement and Continuing Related Party Transactions (Including the Annual Cap thereunder) between the Company and China Baowu*, with Lin Changchun, the related director, withdrawing from voting. As agreed in the *Service and Supply Agreement*, the total amount of the materials and/or services provided by the Company and its subsidiaries (the “Group”) to China Baowu and its subsidiaries (“China Baowu Group”) during the period from 1 January 2024 to 31 December 2026 shall not exceed RMB30.10 billion, and that of materials and/or services provided by China Baowu Group to the Group during the same period shall not exceed RMB102.33 billion. The Company and China Baowu concluded the *Service and Supply Agreement* on the same date. For details, please refer to the *Announcement on Continuing Related Party Transactions during the Period from 2024 to 2026* (announcement No.: 2023-029) disclosed by the Company on 11 November 2023.

The above-mentioned related party transactions were considered and approved at the first extraordinary general meeting of the Company in 2023 held on 28 December 2023.

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (CONTINUED)

(II) Related party transaction (Continued)

3. *Financial service agreement and related party transaction*

On 10 November 2023, the 30th meeting of the ninth Board of Directors approved the *Proposal on Conclusion of the 2024–2026 Financial Service Agreement and Related Party Transactions between the Company and Baowu Group Finance Co., Ltd., with the Financial Service Agreement* being concluded on the same date. The *Financial Service Agreement* agrees that: (1) For settlement services, during the term of validity of the agreement, the annual service fee paid to Baowu Finance Co., Ltd. for providing settlement services to the Company and its subsidiaries shall not exceed RMB200,000 (excluding acceptance fee, settlement handling fee, L/C issuance fee and other fees charged by the concerned bank on behalf). (2) During the term of validity of the deposit service agreement, the maximum daily deposit balance of the Company in Baowu Finance Co., Ltd. shall not exceed RMB2 billion in principle. (3) During the term of validity of the credit service agreement, the maximum daily credit limit provided by Baowu Finance Co., Ltd. to the Company and its subsidiaries shall be RMB2 billion. Both parties shall separately sign an agreement on special matters concerning credit services. (4) During the term of validity of the agreement on other financial services, the annual service fee paid to Baowu Finance Co., Ltd. for providing other financial services to the Company and its subsidiaries shall not exceed RMB1 million (excluding acceptance fee, settlement handling fee, L/C issuance fee and other fees charged by the concerned bank on behalf).

The above-mentioned related party transactions were considered and approved at the first extraordinary general meeting of the Company in 2023 held on 28 December 2023.

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (CONTINUED)

(III) Appointment of accounting firm

The Company held the 26th meeting of the ninth Board of Directors and the 15th meeting of the ninth Board of Supervisors on 18 May 2023, and the 2022 annual general meeting on 28 June 2023, at which the *Proposal on the Appointment of the Audit and Accounting Firm of the Company for 2023* was considered and approved. By way of tender, the Company appointed Ernst & Young Hua Ming LLP (Special General Partnership) as its auditor for financial and internal control in 2023. The tax-inclusive annual remuneration for audit services provided by the aforesaid auditor was RMB2.88 million in total (including the amount incurred by subsidiaries), with RMB2.28 million for financial audit and RMB600,000 for internal control audit, 18.41% lower than that in 2022 calculated by the same statistical criteria. For details, please refer to the *Proposal on Appointment of the Audit and Accounting Firm of the Company for 2023* (announcement No.: 2023-013) disclosed by the Company on 19 May 2023.

The Company held the 2022 annual general meeting on 28 June 2023, at which the *Proposal on the Appointment of the Audit and Accounting Firm of the Company for 2023* was considered and approved.

(IV) Changes in directors, employee supervisors and senior vice presidents

1. On 20 March 2023, the Company received a written resignation tendered by Mr. Lai Xiaomin, a director of the Company. Due to work adjustment, Mr. Lai Xiaomin tendered his resignation to the ninth Board of Directors as a director and a member of the Strategy Committee of the Board of Directors. For details, please refer to the *Announcement on Director Resignation* (announcement No.: 2023-005) disclosed by the Company on 21 March 2023.

On 28 June 2023, the 2022 annual general meeting of the Company considered and approved the *Proposal on Election of Mr. Lin Changchun as a Director of the Ninth Board of Directors*. For details, please refer to the *Announcement on Resolutions of the 2022 Annual General Meeting* (announcement No.: 2023-017) disclosed by the Company on 29 June 2023.

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (CONTINUED)

(IV) Changes in directors, employee supervisors and senior vice presidents (Continued)

2. On 30 June 2023, the Company received a written resignation respectively tendered by Mr. Yao Xiaohu and Mr. Zhou Yaping, both employee representative supervisors of the Company. Due to work adjustment, Mr. Yao Xiaohu resigned as an employee representative supervisor of the ninth Board of Supervisors of the Company while continuing to serve as deputy secretary of the Party Committee, secretary of the Discipline Inspection Committee and chairman of the Labor Union of the Company; Mr. Zhou Yaping resigned as an employee representative supervisor of the ninth Board of Supervisors of the Company for reaching the statutory retirement age, who would no longer hold any position in the Company upon resignation. On the same date, the Company held the 23rd joint meeting of the first session of staff congress, where Mr. Xia Tong and Mr. Lei Yougao were elected as employee representative supervisors of the ninth Board of Supervisors of the Company, whose term of office is the same as that of the ninth Board of Supervisors of the Company. For details, please refer to the *Announcement on Changes in Employee Representative Supervisors* (announcement No.: 2023-018) disclosed by the Company on 1 July 2023.
3. On 14 August 2023, the Board of Directors of the Company received a written resignation tendered by Mr. Zhang Yongzhong, a senior vice president of the Company. Due to work adjustment, Mr. Zhang Yongzhong resigned as a senior vice president of the Company, who would no longer hold any position in the Company upon resignation. For details, please refer to the *Announcement on Resignation of Senior Vice Presidents of the Company* (announcement No.: 2023-021) disclosed by the Company on 15 August 2023.

On 20 November 2023, the Company held the 31st meeting of the ninth session of the Board of Directors in writing, at which the *Proposal on Appointment of Senior Vice Presidents* was considered and approved, and according to the president' nomination, Mr. Zhao Shiqing was appointed by the Board of Directors as a senior vice president of the Company. For details, please refer to the *Announcement on Appointment of Senior Vice Presidents of the Company* (announcement No.: 2023-033) disclosed by the Company on 21 November 2023.

Section VII Movement of Shares and the Particulars of Shareholders

I. MOVEMENT OF SHARES

i. Statements of movement of shares

1. Statements of movement of shares

There was no change in the total number of shares and the share capital structure of the Company during the Reporting Period.

2. Explanation on movement of shares

Applicable Not applicable

3. Impact on financial indicators such as earnings per share and net assets per share from change in shares within the latest year and latest period (if applicable)

Applicable Not applicable

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

Applicable Not applicable

ii. Information on changes in lock-up shares

Applicable Not applicable

II. ISSUE AND LISTING OF SECURITIES

i. Issue of securities during the Reporting Period

Applicable Not applicable

Details for the issue of securities during the Reporting Period (details of bonds with different interest rates within the duration to be specified separately):

Applicable Not applicable

ii. Change in the total number of shares, shareholding structure and the structure of assets and liabilities of the Company

Applicable Not applicable

iii. Shareholdings held by employees

Applicable Not applicable

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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

i. Number of shareholders

As of the end of the Reporting Period, the total number of ordinary shareholders (accounts)	168,503
At the end of the month before the annual report disclosure, the total number of ordinary shareholders (accounts)	166,725
As of the end of the Reporting Period, the total number of preferred shareholders with restored voting rights (accounts)	0
At the end of the month before the annual report disclosure, the total number of preferred shareholders with restored voting rights (accounts)	0

ii. Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period

Unit: shares

Shareholdings of the top ten shareholders (excluding lending of shares through refinancing)

Name of shareholder (full name)	Changes during the Reporting Period	Period-end number of stock	Ratio (%)	Number of restricted stock held	Pledged, marked or frozen Stock status	Quantity	Nature of shareholders
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED	483,920	533,065,141	5.98	0	Unknown	-	Foreign legal person
Chongqing Qianxin Group Co., Ltd.	0	427,195,760	4.79	0	Pledged	427,190,070	State-owned legal person
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.24	0	Nil	0	State-owned legal person
Chongqing Guochuang Investment and Management Co., Ltd.	0	278,288,059	3.12	0	Nil	0	State-owned legal person
Bank of Chongqing Co., Ltd.	0	226,042,920	2.53	0	Nil	0	State-owned legal person
Baowu Group Zhongnan Steel Co., Ltd.	0	224,831,743	2.52	0	Nil	0	State-owned legal person
Industrial Bank Co., Ltd. Chongqing Branch	0	219,633,096	2.46	0	Nil	0	Unknown
Agricultural Bank of China Limited Chongqing Branch	0	216,403,628	2.43	0	Nil	0	State-owned legal person
China Shipbuilding Industry Complete Logistics Co., Ltd.	0	211,461,370	2.37	0	Nil	0	State-owned legal person

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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

- ii. Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period (Continued)

Shareholdings of Top Ten Shareholders without Trading Limitations

Name of shareholder	Number of unrestricted circulating shares held	Types and quantities of shares	
		Type	Quantity
Chongqing Changshou Iron & Steel Company Limited	2,096,981,600	RMB denominated ordinary shares	2,096,981,600
HKSCC NOMINEES LIMITED	533,065,141	Overseas listed foreign shares	533,065,141
Chongqing Qianxin Group Co., Ltd.	427,195,760	RMB denominated ordinary shares	427,195,760
Chongqing Rural Commercial Bank Co., Ltd.	289,268,939	RMB denominated ordinary shares	289,268,939
Chongqing Guochuang Investment and Management Co., Ltd.	278,288,059	RMB denominated ordinary shares	278,288,059
Bank of Chongqing Co., Ltd.	226,042,920	RMB denominated ordinary shares	226,042,920
Baowu Group Zhongnan Steel Co., Ltd.	224,831,743	RMB denominated ordinary shares	224,831,743
Industrial Bank Co., Ltd. Chongqing Branch	219,633,096	RMB denominated ordinary shares	219,633,096
Agricultural Bank of China Limited Chongqing Branch	216,403,628	RMB denominated ordinary shares	216,403,628
China Shipbuilding Industry Complete Logistics Co., Ltd.	211,461,370	RMB denominated ordinary shares	211,461,370

Description of accounts designated for share repurchase among the top ten shareholders

N/A

Description of the entrusting /being entrusted voting rights or waiving voting rights of the above shareholders

N/A

The above shareholders' connected relationship or concerted action

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

Preferred shareholders with restored voting rights and their shareholding

N/A

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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

- ii. Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period (Continued)

Participation of Top Ten Shareholders in Lending of Shares in the Refinancing Business

Applicable Not applicable

Changes in the Top Ten Shareholders from the Previous Period

Applicable Not applicable

Shareholdings and Trading Limitations of Top Ten Shareholders with Trading Limitations

Applicable Not applicable

- iii. Strategic investors or ordinary legal persons who became top ten shareholders due to placing of new shares

Applicable Not applicable

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

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

i. Controlling shareholder

1 Legal person

Applicable Not applicable

Name Chongqing Changshou Iron & Steel Company Limited

Principal or legal representative Li Shiping

Date of establishment 12 October 2017

Principal operations Licensed projects: Terminal operation; import and export of goods and technology (for projects that require legal approval, business activities can only be conducted after obtaining approval from relevant departments; specific business projects shall be subject to the approval documents or licenses from relevant departments). General projects: Engaging in technology development, technology transfer, technical services, and technical management consulting in the fields of steel, metallurgy, mineral resources, coal, chemicals, power, and transportation; sales of steel raw materials; storage services (excluding hazardous goods storage); leasing of own property and equipment; enterprise management and consulting services (except for projects that require legal approval, business activities can be conducted independently according to the business licence(s)).

Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period Nil

Other explanation Nil

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

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

i. Controlling shareholder (Continued)

2 *Natural persons*

Applicable Not applicable

3 *No special explanation regarding the controlling shareholder*

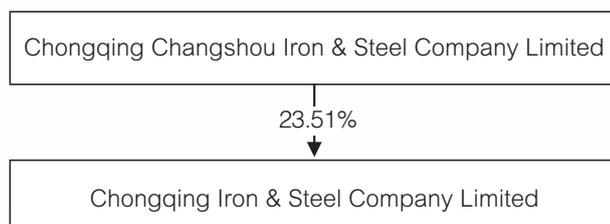
Applicable Not applicable

4 *Explanation of the change in controlling shareholders during the Reporting Period*

Applicable Not applicable

5 *Chart of equity and the controlling relationship between the Company and the controlling shareholder*

Applicable Not applicable



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

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

ii. De facto controller (Continued)

1 Legal person (Continued)

Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period

As of 31 December 2023, China Baowu directly or indirectly holds more than 5% of the shares in the following listed companies: 62.71% equity interests in Baoshan Iron & Steel Co., Ltd., 49.82% equity interests in Shanghai Baosight Software Co., Ltd., 51.94% equity interests in Maanshan Iron & Steel Company Limited, 49.62% equity interests in Xinjiang Bayi Iron& Steel Co., Ltd., 52.95% equity interests in Guangdong Zhongnan Iron & Steel Co., Ltd., 60.52% equity interests in Shanghai Baosteel Packaging Co., Ltd., 63.07% equity interests in Shanxi Taigang Stainless Steel Co., Ltd., 20.86% equity interests in Tibet Mineral Development Co., Ltd., 45.42% equity interests in Xinyu Iron& Steel Co., Ltd., 27.64% equity interests in Chongqing Iron & Steel Company Limited, 48.65% equity interests in Sinosteel Engineering & Technology Co., Ltd., 41.34% equity interests in Sinosteel Luonai Technology Company Limited* (中鋼洛耐科技股份有限公司) and 32.85% equity interests in Sinosteel Tianyuan Company Limited* (中鋼天源股份有限公司), 16.28% equity interests in DaMing International Holdings Limited, 10.18% equity interests in Beijing Shougang Co., Ltd., 14.06% equity interests in China Pacific Insurance (Group) Co., Ltd., 21.53% equity interests in Baowu Magnesium Technology Co., Ltd* (寶武鎂業科技股份有限公司), 14.17% equity interests in New China Life Insurance Company Limited, 10.23% equity interests in Shanxi Securities Co., Ltd., and 8.29% equity interests in Shanghai Rural Commercial Bank Co., Ltd.

Other explanation

Nil

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

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

ii. De facto controller (Continued)

2 *Natural persons*

Applicable Not applicable

3 *No special explanation regarding the de facto controller*

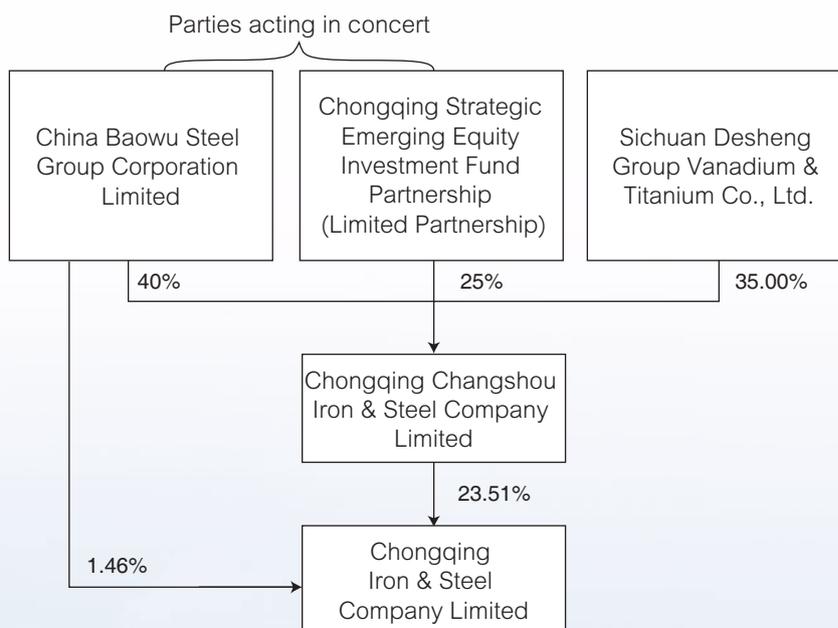
Applicable Not applicable

4 *Index and date of changes in de facto controller during the Reporting Period*

Applicable Not applicable

5 *Chart of equity and the controlling relationship between the Company and the actual controllers*

Applicable Not applicable



IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

ii. De facto controller (Continued)

6 *Control of the Company by the de facto controller by way of trust or other means of asset management*

Applicable Not applicable

iii. Other explanation regarding the controlling shareholder and the de facto controller

Applicable Not applicable

V. THE ACCUMULATED NUMBER OF PLEDGED SHARES OF THE CONTROLLING SHAREHOLDER OR THE LARGEST SHAREHOLDER OF THE COMPANY AND ITS PERSONS ACTING IN CONCERT ACCOUNT FOR MORE THAN 80% OF THE COMPANY'S SHARES HELD BY THEM

Applicable Not applicable

VI. OTHER CORPORATE SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR ABOVE

Applicable Not applicable

VII. EXPLANATION ON REDUCED SHAREHOLDING

Applicable Not applicable

VIII. THE DETAILED IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Applicable Not applicable

Section VIII Related Information of Preferred Shares

Applicable Not applicable

Section IX Relevant Information on Bond

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

Applicable Not applicable

i. Corporate bonds

Applicable Not applicable

ii. Company bonds

Applicable Not applicable

iii. Debt financing instruments of non-financial enterprises in inter-bank bond market

Applicable Not applicable

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

Unit: RMB'000 Currency: RMB

Name of bond	Abbreviated name	Stock code	Issue date	Value date	Due date	Balance of bonds	Interest rate (%)	Principal and interest payment method	Trading venue	Suitability arrangements for investors (if any)	Trading mechanism	Risk of delisting from trading
Chongqing Iron & Steel Company Limited 2020 First Tranche of Medium-term Notes (Type 2)	20 Chongqing Iron & Steel MTN001B	102000391	19 March 2020	19 March 2020	19 March 2023	-	5.13	The payment of interest on a yearly basis and the repayment of the principal amount at the end of the loan term.	National Interbank Bond Market	N/A	Interbank bond market trading mechanism	No

The measures taken by the Company in response to the risk of its bonds being delisted from trading

Applicable Not applicable

Overdue unpaid bonds

Applicable Not applicable

Bond interest payment and redemption situation during the Reporting Period

Applicable Not applicable

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

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

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

Applicable Not applicable

On 21 May 2019, Chongqing Iron & Steel Company Limited (the “Company”) held its 2018 annual general meeting, during which the *Proposal for Granting a General Mandate to the Board of Directors to Issue Debt Financing Instruments* was considered and approved. The Company was authorized to apply to the National Association of Financial Market Institutional Investors (the “NAFMII”) for new registration and issuance of debt financing instruments for non-financial enterprises in the inter-bank market (the “Debt Financing Instruments”), including but not limited to medium-term notes and short-term financing bonds. For relevant details, please refer to the *Announcement of Resolutions Passed at the 8th Meeting of the Eighth Session of the Board* (Announcement No.: 2019-006), the *Announcement on Grant of General Mandate to the Board to Issue Debt Financing Instruments* (Announcement No.: 2019-009) disclosed by the Company on 29 March 2019, and the *Announcement of Resolutions Passed at the 2018 Annual General Meeting, 2019 First Class Meeting of A Shareholders, and 2019 First Class Meeting of H Shareholders* (Announcement No.: 2019-017) disclosed on 22 May 2019.

On 2 March 2020, the Company has received the *Notice of Acceptance of Registration* (Zhong Shi Xie Zhu [2020] No. MTN106) issued by the NAFMII stating that the registration of medium-term notes of the Company has been accepted. The registered amount was RMB1 billion and such registered amount will be effective for two years commencing from the date of issue of the notice. For details, please refer to the *Announcement on the Acceptance of Registration of Medium-Term Notes* (Announcement No.: 2020-004) disclosed by the Company on 3 March 2020.

From 17 to 18 March 2020, the Company issued the 2020 first tranche of medium-term notes with a principal amount of RMB1 billion and the proceeds raised were fully received on 19 March 2020. For details, please refer to the *Announcement on the Issuance Results of 2020 First Tranche of Medium-Term Notes* (Announcement No.: 2020-008) disclosed by the Company on 20 March 2020.

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

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

2. Information on the trigger and implementation of issuer or investor option articles and investor protection articles (Continued)

In accordance with the provisions on the investor's put option in the *Chongqing Iron & Steel Company Limited 2020 First Tranche of Medium-term Notes Offering Circular*, the Company's 2020 first tranche of medium-term notes (Type 1) (Bond abbreviation: 20 Chongqing Iron & Steel MTN001A; Bond code 102000390.IB) underwent investor put registration from 29 January 2022 to 18 February 2022. The put result announcement is as follows:

- (1) Basic information and interest rate adjustment of debt financing instruments for the period
 - 1) Issuer: Chongqing Iron & Steel Company Limited
 - 2) Name of bond: Chongqing Iron & Steel Company Limited 2020 First Tranche of Medium-term Notes (Type 1)
 - 3) Abbreviated name: 20 Chongqing Iron & Steel MTN001A
 - 4) Bond code: 102000390.IB
 - 5) Issuance size: RMB500 million
 - 6) Maturity: for a period of 2 + 1 year, with the issuer's option to adjust the coupon rate and the investors' option to sell back at the end of the second year
 - 7) Coupon rate: 4.64%, fixed for the first two years of the medium-term notes' duration period. At the end of the second year of the term of the medium-term notes, the issuer may choose to adjust the coupon rate, and the coupon rate for the next year will be the adjusted coupon rate, which will remain unchanged within the first year after the duration period of the medium-term notes.

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

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

2. Information on the trigger and implementation of issuer or investor option articles and investor protection articles (Continued)

- (1) Basic information and interest rate adjustment of debt financing instruments for the period (Continued)
 - 8) Value date: The interest of the medium-term notes accrues from 19 March 2020.
 - 9) Interest payment date: March 19th of each year during the duration period is the interest payment date. If investors exercise their put option, the interest payment date for the put portion of the medium-term notes is March 19 2022. In case of statutory holidays or rest days, it shall be postponed to the first working day thereafter.
 - 10) Payment date: 19 March 2023, if the investors exercise the option to sell back the bonds, the payment date of the principal of the sale back of part of the directional debt financing instruments will be 19 March 2022 (if it falls on a statutory holiday or rest day, it will be postponed to the first working day thereafter, during which no interest will be accrued).
 - 11) Interest rate adjustment for this period: At the end of the second year of the medium-term notes' duration, the issuer exercises the option to adjust the coupon rate, and the coupon rate for the last year (from 19 March 2022, to 19 March 2023) of the medium-term notes' duration is adjusted to 2.60%.

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

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

2. Information on the trigger and implementation of issuer or investor option articles and investor protection articles (Continued)

- (2) Results of the put option for the medium-term notes
 - 1) Announcement date of adjustment of coupon rate by the issuer: 29 January 2022
 - 2) Sale back declaration date: 29 January 2022 to 18 February 2022
 - 3) Sale back price (RMB/par value in hundred): RMB100
 - 4) Sale back exercise date: 19 March 2022 (if it falls on a statutory holiday, it shall be postponed to the first working day thereafter)
 - 5) Total amount of sale back: RMB500 million
 - 6) Outstanding sale back amount: RMB0
 - 7) Amount of interest payable: RMB23.2 million
 - 8) Total principal and interest payable: RMB523.2 million

On 21 March 2022, the Company completed the sale back and interest payment of the “20 Chongqing Iron & Steel MTN001A” medium-term notes.

Section IX Relevant Information on Bond (Continued)

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

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

2. Information on the trigger and implementation of issuer or investor option articles and investor protection articles (Continued)

(2) Results of the put option for the medium-term notes (Continued)

To ensure the smooth redemption of Chongqing Iron & Steel's 2020 first tranche of medium-term notes (Type 2) (Bond name: 20 Chongqing Iron & Steel MTN001B; Bond code: 102000391) and enable investors to receive their redemption funds promptly, the Company issued a *Redemption Announcement for 2020 First Tranche of Medium-term Notes (Type 2)* on 13 March 2023. The relevant matters are announced as follows:

(1) Basic information of the bonds

- 1) Issuer: Chongqing Iron & Steel Company Limited
- 2) Name of bond: Chongqing Iron & Steel Company Limited 2020 First Tranche of Medium-term Notes (Type 2)
- 3) Abbreviated name: 20 Chongqing Iron & Steel MTN001B
- 4) Bond code: 102000391
- 5) Total issuance: RMB500 million
- 6) Bond interest rate for the current interest period: 5.13%
- 7) Bond term: three years
- 8) Redemption date: 19 March 2023 (Delayed until the first business day following a statutory holiday)

Section IX Relevant Information on Bond (Continued)

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

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

2. Information on the trigger and implementation of issuer or investor option articles and investor protection articles (Continued)

(2) Results of the put option for the medium-term notes (Continued)

(2) Redemption method

In the case of bonds held in custody at the Shanghai Clearing House, the issuer will transfer the redemption funds to the designated collection account of the Shanghai Clearing House before the specified time. Subsequently, the Shanghai Clearing House will transfer the funds to the designated bank accounts of the bondholders on the redemption date. Should the bond redemption date coincide with a statutory holiday, the fund transfer time will be postponed accordingly. In the event that bondholders alter their fund transfer path, they must promptly notify the Interbank Market Clearing House Co., Ltd. of the revised path prior to redemption. If bondholders do not receive their funds on time due to failure to inform the Interbank Market Clearing House Co., Ltd. of changes to their fund transfer path in a timely manner, the issuer and the Interbank Market Clearing House Co., Ltd. shall not be responsible for any resulting losses.

On 20 March 2023, the Company completed the redemption of the “20 Chongqing Iron & Steel MTN001B” medium-term notes. With this, the Company’s 2020 first tranche of medium-term notes have been fully redeemed.

3. Intermediaries providing services for bond issuance and duration business

Name of intermediary	Office address	Name of accountants signing-off the report	Associates	Telephone
CITIC Securities Company Limited	22/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	Ai Wei, Wang Dan	Song Yilan, Kou Zhibo, Zhang Baole	010-60837524

Changes in the above intermediaries

Applicable Not applicable

Section IX Relevant Information on Bond (Continued)

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

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

4. Use of proceeds at the end of the Reporting Period

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Name of bond	Total amount of funds raised	Amount utilized	Amount unutilized	Operation of special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the intended use, utilization plan and other agreements in the prospectus
Chongqing Iron & Steel Company Limited 2020 First Tranche of Medium-term Notes (Type two)	500,000	500,000	-	-	-	Yes

Progress and operating efficiency of use of proceeds in construction projects

Applicable Not applicable

Change in use of proceeds from the above bonds during the Reporting Period

Applicable Not applicable

Other explanation

Applicable Not applicable

5. Information on the adjustment to credit rating results

Applicable Not applicable

Other explanation

Applicable Not applicable

Section IX Relevant Information on Bond (Continued)

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

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

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

Applicable Not applicable

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

Applicable Not applicable

iv. Loss in consolidated statements of the Company for the Reporting Period exceeds 10% of the net assets at the end of last year

Applicable Not applicable

v. Maturity of interest-bearing debts other than bonds during the end of the Reporting Period

Applicable Not applicable

vi. Impact on the rights and interests of bond investors due to violation of laws and regulations, the Articles of Association, the management system for information disclosure and the agreements or commitments in the bond prospectus during the Reporting Period

Applicable Not applicable

Section IX Relevant Information on Bond (Continued)

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

vii. Accounting data and financial indicators in the latest two years for the Company during the end of the Reporting Period

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Major indicators	2023	2022	Change from the same period of last year to this period (%)	Reasons
Net profit after deducting non-recurring profit or loss	-1,514,298	-1,086,273	N/A	Decrease in net profit
Current ratio	0.44	0.65	-32.31	Decrease in cash and bank balances
Quick Ratio	0.25	0.45	-44.44	Decrease in cash and bank balances
Gearing Ratio (%)	46.85	45.78	Increased by 1.07 percentage points	-
Debt-to-EBITDA ratio	0.03	0.06	-50.00	Decrease in profits
Interest coverage (times)	-5.50	-3.04	N/A	Decrease in profits
Cash interest coverage (times)	4.81	5.94	-19.02	-
EBITDA interest coverage (times)	0.81	1.90	-57.37	Decrease in profits
Loan repayment ratio (%)	100.00	100.00	0.00	-
Interest payment ratio (%)	100.00	100.00	0.00	-

II. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

Applicable Not applicable

AUDITOR'S REPORT



Ernst and Young Hua Ming (2024) Shen Zi No. 70032805_D01
Chongqing Iron & Steel Company Limited

To the shareholders of Chongqing Iron & Steel Company Limited

I. OPINION

We have audited the financial statements of Chongqing Iron & Steel Company Limited, which comprise the consolidated and company statements of financial position as of 31 December 2023, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of Chongqing Iron & Steel Company Limited present fairly, in all material respects, the consolidated and company's financial position of Chongqing Iron & Steel Company Limited as of 31 December 2023, and the consolidated and company's financial performance and cash flows for 2023 in accordance with Accounting Standards for Business Enterprises.

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 Chongqing Iron & Steel Company Limited 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

Section X Financial Report (Continued)

III. KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report, including in relation to these 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 the basis for our audit opinion on the accompanying financial statements.

Key audit matters:

How our audit addressed the matter:

Recognition of Revenue

In 2023, the total revenue amounted to RMB39,318,142,482.09 in the consolidated financial statements, including the sales revenue of steel billets and steel products amounted to RMB37,434,491,096.25, which is 95.21% of the total revenue in the consolidated financial statements. The total revenue amounted to RMB39,321,812,509.51 in the company financial statements, including the sales revenue of steel billets and steel products amounted to RMB37,434,491,096.25, which is 95.20% of the total revenue in the company financial statements.

In the light of significant impact of the sales revenue of steel billets and steel products to financial statements, and obvious fluctuation of prices of steel billets and steel products, we regarded the recognition of revenue as a key audit matter.

Please refer to Note III.20, Note V.39 and Note XIII. 4 to the financial statements for disclosures on the recognition of revenue.

The audit procedures include the following:

- 1) Understood and tested the design and operation of the internal control of recognition of revenue;
- 2) Implemented analytical review procedures to analyze the changes in sales revenue, unit sales price and gross profit margin;
- 3) Selected and inspected sales contracts with focus on the key clauses of transferring the rights of products, assessed whether the revenue recognition policy was complied with the related regulations of Accounting Standards for Business Enterprises;
- 4) Selected transaction samples of sales to check purchase orders, good delivery notes, sales invoices and collection records;
- 5) Implemented cut-off tests to the sales transactions before and after balances sheet date;
- 6) Selected customers to sending confirmation for transaction amount, and balances of accounts receivable or contract liabilities;
- 7) Checked the disclosure in relation to revenue.

III. KEY AUDIT MATTERS (CONTINUED)

Key audit matters:	How our audit addressed the matter:
<p><i>Recognition of Deferred Tax Assets</i></p>	
<p>As of 31 December 2023, deferred tax assets of RMB579,070,890.11 were recognized in the consolidated financial statements for deductible temporary differences and deductible tax losses; deferred tax assets of RMB545,759,646.12 were recognized in the company financial statements for deductible temporary differences and deductible tax losses.</p>	<p>The audit procedures including the following:</p>
<p>The management recognized the deferred tax assets to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and deductible tax losses can be utilized. Significant management assumptions are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.</p>	<ol style="list-style-type: none"> 1) Obtained the tax settlement report, and checked the deductible temporary differences and deductible tax losses acknowledged by the tax authorities; 2) Reviewed the profit forecast projection approved by the management, compared the historical operating results, trend, and future operation, assessed the key data and assumptions adopted in the forecast of future taxable profits, reviewed the adjustment between profit forecast and future taxable profits; 3) Assessed the tax status and relative assumptions with tax experts' assistance; 4) Checked the disclosures in relation to the deferred tax assets.
<p>The amount of recognized deferred tax assets are significant, and management needs to apply significant estimation and assumptions, so we regarded the recognition of deferred tax assets as a key audit matter.</p>	
<p>Please refer to Note III.23 and Note V.16 to the financial statements for disclosures on the deferred tax assets.</p>	

Section X Financial Report (Continued)

IV. OTHER INFORMATION

The management of Chongqing Iron & Steel Company Limited is responsible for the 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 consolidated 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 is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designs, performs and maintains the internal control as the management determines is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Chongqing Iron & Steel Company Limited'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 the management either intends to liquidate Chongqing Iron & Steel Company Limited's or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Chongqing Iron & Steel Company Limited'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 judgement 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 the management.
- (4) Conclude on the appropriateness of the 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 Chongqing Iron & Steel Company Limited'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 Chongqing Iron & Steel Company Limited 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.

Section X Financial Report (Continued)

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Chongqing Iron & Steel Company Limited 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: Chen Xiaoxiang
(*Engagement partner*)

Chinese Certified Public Accountant: Wang Dan

Beijing, the People's Republic of China
March 28, 2024

Consolidated Statement of Financial Position

31 December 2023 (Renminbi yuan)

Assets	Note V	31 December 2023	31 December 2022
Current assets			
Cash and bank balances	1	1,935,398,455.91	3,995,675,679.90
Including: Funds deposited to finance companies		601,483,019.17	1,228,168,091.66
Trade receivables	2	30,630,026.22	38,789,243.44
Receivables financing	3	632,329,098.48	799,686,555.46
Prepayments	4	633,937,474.09	845,432,996.80
Other receivables	5	19,739,557.29	34,846,186.58
Inventories	6	2,621,656,663.14	2,592,756,838.00
Other current assets	7	178,296,028.42	207,034,907.16
Total current assets		6,051,987,303.55	8,514,222,407.34
Non-current assets			
Long-term equity investments	8	110,934,705.02	111,123,058.00
Other equity investments	9	60,364,499.70	–
Property, plant and equipment	10	26,159,118,216.83	26,281,780,445.68
Construction in progress	11	1,244,271,745.73	894,154,698.17
Right-of-use assets	12	310,328,158.14	388,738,725.76
Intangible assets	13	2,512,167,799.59	2,514,367,788.86
Goodwill	14	328,054,770.34	328,054,770.34
Long-term prepaid expenses	15	–	237,486.45
Deferred tax assets	16	579,070,890.11	327,989,203.45
Other non-current assets	17	736,593.65	4,131,818.97
Total non-current assets		31,305,047,379.11	30,850,577,995.68
Total assets		37,357,034,682.66	39,364,800,403.02

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

Consolidated Statement of Financial Position (Continued)

31 December 2023 (Renminbi yuan)

Liabilities and shareholders' equity	Note V	31 December 2023	31 December 2022
Current liabilities			
Short-term borrowings	19	450,330,519.49	1,106,441,170.84
Notes payable	20	1,938,301,405.71	609,367,940.00
Trade payables	21	3,886,777,138.43	3,115,966,628.22
Contract liabilities	22	1,893,130,130.08	2,645,569,472.47
Employee benefits payable	23	125,719,847.89	144,905,310.06
Taxes payable	24	28,300,986.53	22,974,352.75
Other payables	25	3,046,874,537.02	2,720,896,934.96
Non-current liabilities due within one year	26	2,252,746,756.99	2,352,484,115.99
Other current liabilities		241,402,787.45	343,924,031.42
Total current liabilities		13,863,584,109.59	13,062,529,956.71
Non-current liabilities			
Long-term borrowings	27	2,986,945,100.00	2,751,945,100.00
Lease liabilities	28	183,493,200.13	278,352,825.03
Long-term payables	29	307,779,167.09	1,730,677,459.72
Long-term employee benefits payable	30	64,993,865.63	107,663,455.08
Provision	31	4,226,982.76	5,540,444.09
Deferred income	32	85,732,350.43	79,742,929.39
Deferred tax liabilities	16	5,948,955.06	6,430,532.64
Total non-current liabilities		3,639,119,621.10	4,960,352,745.95
Total liabilities		17,502,703,730.69	18,022,882,702.66
Shareholders' equity			
Share capital	33	8,918,602,267.00	8,918,602,267.00
Capital reserves	34	19,282,146,606.55	19,282,146,606.55
Other comprehensive income	35	1,585,194.71	(2,664,805.29)
Special reserves	36	13,954,677.59	7,374,566.33
Surplus reserves	37	607,300,662.40	606,990,553.42
Accumulated losses	38	(8,969,258,456.28)	(7,470,531,487.65)
Total shareholders' equity		19,854,330,951.97	21,341,917,700.36
Total liabilities and shareholders' equity		37,357,034,682.66	39,364,800,403.02

The financial statements have been signed by:

Legal Representative:
Xie Zhi Xiong

Chief accountant:
Zou An

Head of the accounting department:
Lei Xiao Dan

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

Consolidated Income Statement

For the year ended 31 December 2023 (Renminbi yuan)

	Note V	2023	2022
Revenue	39	39,318,142,482.09	36,561,531,209.23
Less: Cost of sales	39	40,002,413,070.34	36,592,389,251.37
Taxes and surcharges	40	171,555,511.59	148,265,437.33
Distribution and selling expenses	41	75,803,809.64	74,204,262.56
General and administrative expenses	42	334,986,340.60	418,291,225.05
Research and development costs	43	31,948,556.02	24,763,704.07
Finance expenses	44	242,278,984.70	358,904,759.89
Including: Interest expenses		268,419,752.20	297,357,722.61
Interest income		47,286,994.74	58,831,730.38
Add: Other income	45	59,935,721.46	96,402,921.87
Investment income	46	7,380,890.39	32,670,179.29
Including: Income from investments in associates and joint ventures		6,611,137.98	8,586,343.64
Credit impairment losses	47	–	9,483,591.39
Impairment losses on assets	48	(303,326,699.55)	(250,697,833.74)
Gain on disposal of assets	49	12,625,015.26	1,675,134.36
Operating profit/(loss)		(1,764,228,863.24)	(1,165,753,437.87)
Add: Non-operating income	50	7,516,375.71	2,522,782.84
Less: Non-operating expenses	51	(12,453,853.76)	38,664,472.89
Total profit/(loss)		(1,744,258,633.77)	(1,201,895,127.92)
Less: Income tax expenses	52	(249,841,735.24)	(182,485,773.58)
Net profit/(loss)		(1,494,416,898.53)	(1,019,409,354.34)
Breakdown by continuity of operations			
Net profit from continuing operations		(1,494,416,898.53)	(1,019,409,354.34)
Breakdown by attributable interests			
Net profit/(loss) attributable to shareholders of the parent		(1,494,416,898.53)	(1,019,409,354.34)
Non-controlling interests		–	–

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

Consolidated Income Statement (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

	Note V	2023	2022
Other comprehensive income after tax		250,038.88	(2,664,805.29)
Other comprehensive income after tax attributable to shareholders of the parent	35	250,038.88	(2,664,805.29)
Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of the net defined benefit liability		–	1,585,194.71
Changes in fair value of other equity investments		250,038.88	(4,250,000.00)
Other comprehensive income after tax attributable to non-controlling interests		–	–
Total comprehensive income/(loss)		(1,494,166,859.65)	(1,022,074,159.63)
Including:			
Total comprehensive income attributable to shareholders of the parent		(1,494,166,859.65)	(1,022,074,159.63)
Total comprehensive income attributable to non-controlling interests		–	–
Earnings/(loss) per share:	53		
Basic		(0.17)	(0.11)
Diluted		(0.17)	(0.11)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023 (Renminbi yuan)

2023

	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Total shareholders' equity
I. Opening balances of the current year	8,918,602,267.00	19,282,146,606.55	(2,664,805.29)	7,374,566.33	606,990,553.42	(7,470,531,487.65)	21,341,917,700.36
II. Changes in the current year							
(I) Total comprehensive income/(loss)	-	-	250,038.88	-	-	(1,494,416,898.53)	(1,494,166,859.65)
(II) Profit distribution							
1. Appropriation to surplus reserves	-	-	-	-	310,108.98	(310,108.98)	-
(III) Transfer within equity							
1. Transfer of other comprehensive income to retained earnings	-	-	3,999,961.12	-	-	(3,999,961.12)	-
(IV) Special reserve							
1. Amount established during the year	-	-	-	69,531,928.45	-	-	69,531,928.45
2. Amount utilized during the year	-	-	-	(62,951,817.19)	-	-	(62,951,817.19)
III. Closing balance for the year	8,918,602,267.00	19,282,146,606.55	1,585,194.71	13,954,677.59	607,300,662.40	(8,969,258,456.28)	19,854,330,951.97

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

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

2022

	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Total shareholders' equity
I. Opening balances of the current year	8,918,602,267.00	19,282,146,606.55	-	18,593,416.55	606,990,553.42	(6,451,122,133.31)	22,375,210,710.21
II. Changes in the current year							
(I) Total comprehensive income/(loss)	-	-	(2,664,805.29)	-	-	(1,019,409,354.34)	(1,022,074,159.63)
(II) Special reserve							
1. Amount established during the year	-	-	-	55,971,177.10	-	-	55,971,177.10
2. Amount utilized during the year	-	-	-	(67,190,027.32)	-	-	(67,190,027.32)
III. Closing balance for the year	8,918,602,267.00	19,282,146,606.55	(2,664,805.29)	7,374,566.33	606,990,553.42	(7,470,531,487.65)	21,341,917,700.36

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023 (Renminbi yuan)

	Note V	2023	2022
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		50,788,348,438.44	39,071,555,618.70
Receipts of taxes refunds		61,802,578.01	16,923,780.52
Other cash received relating to operating activities	54	224,194,735.92	197,862,313.90
Sub-total of cash inflows from operating activities		51,074,345,752.37	39,286,341,713.12
Cash paid for purchase of goods and services		48,169,812,475.25	35,557,135,538.78
Cash paid to and on behalf of employees		1,341,207,795.37	1,524,884,039.14
Cash paid for all types of taxes		393,321,914.51	450,085,368.00
Other cash paid relating to operating activities	54	147,965,016.03	284,149,708.37
Sub-total of cash outflows from operating activities		50,052,307,201.16	37,816,254,654.29
Net cash flows from operating activities	55	1,022,038,551.21	1,470,087,058.83
II. Cash flows from investing activities:			
Cash received from disposal of investments		–	600,000,000.00
Cash received from return on investments		7,496,137.74	28,606,919.90
Proceeds from disposal of items of property, plant and equipment		6,737,712.05	1,675,134.34
Net cash received from disposal of subsidiaries and other business units		1,073,144.51	–
Sub-total of cash inflows from investing activities		15,306,994.30	630,282,054.24
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets		816,381,606.15	2,692,771,888.13
Cash paid for acquisition of investments		–	48,900,000.00
Sub-total of cash outflows from investing activities		816,381,606.15	2,741,671,888.13
Net cash flows from investing activities		(801,074,611.85)	(2,111,389,833.89)

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

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

	Note V	2023	2022
III. Cash flows from financing activities:			
Cash received from borrowings		2,450,118,019.46	3,908,109,238.28
Sub-total of cash inflows from financing activities		2,450,118,019.46	3,908,109,238.28
Cash repayments of borrowings		2,562,355,799.63	4,028,011,234.83
Cash paid for distribution of dividends and profits, or interest expenses		247,796,655.21	299,675,308.17
Other cash paid relating to financing activities	54	1,967,097,860.10	833,425,219.48
Sub-total of cash outflows from financing activities		4,777,250,314.94	5,161,111,762.48
Net cash flows from financing activities		(2,327,132,295.48)	(1,253,002,524.20)
IV. Effect of changes in exchange rate on cash and cash equivalents			
		-	-
V. Net increase/(decrease) in cash and cash equivalents			
		(2,106,168,356.12)	(1,894,305,299.26)
Add: Cash and cash equivalents at the beginning of the year		3,937,932,833.28	5,832,238,132.54
VI. Cash and cash equivalents at the end of the year	55	1,831,764,477.16	3,937,932,833.28

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

Statement of Financial Position of the Company

31 December 2023 (Renminbi yuan)

Assets	Note XIII	31 December 2023	31 December 2022
Current assets:			
Cash and bank balances		1,932,761,844.24	3,994,801,171.12
Including: Funds deposited to finance companies		601,483,019.17	1,228,168,091.66
Trade receivables	1	82,672,548.13	181,294,862.78
Receivables financing		631,829,098.48	799,686,555.46
Prepayments		630,098,874.50	839,401,303.56
Other receivables	2	105,159,938.75	133,345,845.02
Inventories		2,608,142,027.73	2,574,096,616.38
Other current assets		158,929,714.60	189,302,364.07
Total current assets		6,149,594,046.43	8,711,928,718.39
Non-current assets:			
Long-term equity investments	3	1,103,222,699.70	1,103,411,052.68
Other equity investments		60,364,499.70	–
Property, plant and equipment		25,206,384,607.09	25,255,209,027.99
Construction in progress		1,240,904,345.23	894,154,698.17
Right-of-use assets		310,328,158.14	388,738,725.76
Intangible assets		2,448,410,130.65	2,443,935,942.71
Long-term prepaid expenses		–	237,486.45
Deferred tax assets		545,759,646.12	292,699,314.69
Other non-current assets		736,593.65	4,131,818.97
Total non-current assets		30,916,110,680.28	30,382,518,067.42
Total assets		37,065,704,726.71	39,094,446,785.81

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

Statement of Financial Position of the Company (Continued)

31 December 2023 (Renminbi yuan)

Liabilities and shareholders' equity	31 December 2023	31 December 2022
Current liabilities:		
Short-term borrowings	450,330,519.49	1,106,441,170.84
Notes payable	1,938,301,405.71	609,367,940.00
Trade payables	3,851,876,789.66	3,100,744,371.99
Contract liabilities	1,893,124,713.20	2,645,569,472.47
Employee benefits payable	124,602,850.64	140,976,377.94
Taxes payable	21,451,669.84	16,713,145.35
Other payables	3,014,378,772.11	2,670,230,920.49
Non-current liabilities due within one year	2,252,746,756.99	2,352,484,115.99
Other current liabilities	241,402,083.26	343,924,031.42
Total current liabilities	13,788,215,560.90	12,986,451,546.49
Non-current liabilities:		
Long-term borrowings	2,986,945,100.00	2,751,945,100.00
Lease liabilities	183,493,200.13	278,352,825.03
Long-term payables	307,779,167.09	1,730,677,459.72
Long-term employee benefits payable	64,780,458.09	106,550,937.54
Provision	4,226,982.76	5,540,444.09
Deferred income	85,732,350.43	79,742,929.39
Total non-current liabilities	3,632,957,258.50	4,952,809,695.77
Total liabilities	17,421,172,819.40	17,939,261,242.26
Shareholders' equity:		
Share capital	8,918,602,267.00	8,918,602,267.00
Capital reserves	19,313,089,864.55	19,313,089,864.55
Other comprehensive income	1,585,194.71	(2,664,805.29)
Special reserves	-	-
Surplus reserves	577,012,986.42	577,012,986.42
Accumulated losses	(9,165,758,405.37)	(7,650,854,769.13)
Total shareholders' equity	19,644,531,907.31	21,155,185,543.55
Total liabilities and shareholders' equity	37,065,704,726.71	39,094,446,785.81

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

Income Statement of the Company

For the year ended 31 December 2023 (Renminbi yuan)

	Note XIII	2023	2022
Revenue	4	39,321,812,509.51	36,619,144,893.87
Less: Cost of sales	4	39,999,098,446.33	36,669,817,001.21
Taxes and surcharges		162,027,678.90	135,387,209.21
Distribution and selling expenses		75,803,809.64	74,204,262.56
General and administrative expenses		324,396,285.15	402,541,220.85
Research and development costs		29,432,637.79	21,736,831.31
Finance expenses		242,279,714.83	352,739,893.72
Including: Interest expenses		268,419,752.20	291,139,887.16
Interest income		47,274,596.05	58,721,783.30
Add: Other income		19,700,208.44	54,955,686.52
Investment income	5	7,380,890.39	32,670,179.29
Including: Income from investments in associates and joint ventures		6,611,137.98	8,586,343.64
Credit impairment losses		–	9,529,661.39
Impairment losses on assets		(301,117,341.53)	(243,548,875.27)
Gain on disposal of assets		12,625,015.26	1,675,134.36
Operating profit/(loss)		(1,772,637,290.57)	(1,181,999,738.70)
Add: Non-operating income		4,362,034.15	2,447,963.21
Less: Non-operating expenses		(3,561,249.87)	28,593,755.95
Total profit/(loss)		(1,764,714,006.55)	(1,208,145,531.44)
Less: Income tax expenses		(253,810,331.43)	(170,457,155.77)
Net profit/(loss)		(1,510,903,675.12)	(1,037,688,375.67)
Including: Net profit from continuing operations		(1,510,903,675.12)	(1,037,688,375.67)
Other comprehensive income after tax		250,038.88	(2,664,805.29)
Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of the net defined benefit liability		–	1,585,194.71
Changes in fair value of other equity investments		250,038.88	(4,250,000.00)
Total comprehensive income/(loss)		(1,510,653,636.24)	(1,040,353,180.96)

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

Statement of changes in Equity of the Company

For the year ended 31 December 2023 (Renminbi yuan)

	2023						Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	
I. Opening balances of the current year	8,918,602,267.00	19,313,089,864.55	(2,664,805.29)	-	577,012,986.42	(7,650,854,769.13)	21,155,185,543.55
II. Changes in the current year							
(I) Total comprehensive income/(loss)	-	-	250,038.88	-	-	(1,510,903,675.12)	(1,510,653,636.24)
(II) Transfer within equity							
1. Transfer of other comprehensive income to retained earnings	-	-	3,999,961.12	-	-	(3,999,961.12)	
(III) Special reserve							
1. Amount established during the year	-	-	-	58,746,722.97	-	-	58,746,722.97
2. Amount utilized during the year	-	-	-	(58,746,722.97)	-	-	(58,746,722.97)
III. Closing balance for the year	8,918,602,267.00	19,313,089,864.55	1,585,194.71	-	577,012,986.42	(9,165,758,405.37)	19,644,531,907.31

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

Statement of changes in Equity of the Company (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

	2022						
	Share capital	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Total shareholders' equity
I. Opening balances of the current year	8,918,602,267.00	19,313,089,864.55	-	13,365,206.21	577,012,986.42	(6,613,166,393.46)	22,208,903,930.72
II. Changes in the current year							
(I) Total comprehensive income/(loss)	-	-	(2,664,805.29)	-	-	(1,037,688,375.67)	(1,040,353,180.96)
(II) Special reserve							
1. Amount established during the year	-	-	-	50,374,773.41	-	-	50,374,773.41
2. Amount utilized during the year	-	-	-	(63,739,979.62)	-	-	(63,739,979.62)
III. Closing balance for the year	8,918,602,267.00	19,313,089,864.55	(2,664,805.29)	-	577,012,986.42	(7,650,854,769.13)	21,155,185,543.55

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

Statement of Cash Flows of the Company

For the year ended 31 December 2023 (Renminbi yuan)

	2023	2022
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	50,775,383,942.34	39,072,101,834.79
Other cash received relating to operating activities	220,531,463.17	196,846,659.11
Sub-total of cash inflows from operating activities	50,995,915,405.51	39,268,948,493.90
Cash paid for purchase of goods and services	48,202,142,768.76	35,915,449,260.45
Cash paid to and on behalf of employees	1,300,255,047.39	1,468,655,818.80
Cash paid for all types of taxes	340,425,243.05	378,661,745.24
Other cash paid relating to operating activities	142,839,053.36	241,432,300.08
Sub-total of cash outflows from operating activities	49,985,662,112.56	38,004,199,124.57
Net cash flows from operating activities	1,010,253,292.95	1,264,749,369.33
II. Cash flows from investing activities:		
Cash received from disposal of investments	–	600,000,000.00
Cash received from return on investments	7,496,137.74	28,606,919.90
Proceeds from disposal of items of property, plant and equipment	6,737,712.05	1,675,134.34
Net cash received from disposal of subsidiaries and other business units	1,073,144.51	–
Sub-total of cash inflows from investing activities	15,306,994.30	630,282,054.24
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	806,358,450.78	2,681,464,733.47
Cash paid for investments	–	48,900,000.00
Sub-total of cash outflows from investing activities	806,358,450.78	2,730,364,733.47
Net cash flows from investing activities	(791,051,456.48)	(2,100,082,679.23)

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

Statement of Cash Flows of the Company (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

	2023	2022
III. Cash flows from financing activities:		
Cash received from borrowings	2,450,118,019.46	3,908,109,238.28
Sub-total of cash inflows from financing activities	2,450,118,019.46	3,908,109,238.28
Cash repayments of borrowings	2,562,355,799.63	4,028,011,234.83
Cash paid for distribution of dividends and profits, or interest expenses	247,796,655.21	293,448,792.15
Other cash paid relating to financing activities	1,967,097,860.10	646,371,992.48
Sub-total of cash outflows from financing activities	4,777,250,314.94	4,967,832,019.46
Net cash flows from financing activities	(2,327,132,295.48)	(1,059,722,781.18)
IV. Effect of changes in exchange rate on cash and cash equivalents	-	-
V. Net increase/(decrease) in cash and cash equivalents	(2,107,930,459.01)	(1,895,056,091.08)
Add: Cash and cash equivalents at the beginning of the year	3,937,058,324.50	5,832,114,415.58
VI. Cash and cash equivalents at the end of the year	1,829,127,865.49	3,937,058,324.50

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

Notes to Financial Statements

For the year ended 31 December 2023 (Renminbi yuan)

I BASIC INFORMATION ON THE COMPANY

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

Pursuant to the reorganization plan, 2,096,981,600 shares of the Company held by CISG were transferred to Chongqing Changshou Iron and Steel Co., Ltd. (重慶長壽鋼鐵有限公司, “Changshou Iron & Steel”) on 27 December 2017, and the share transfer procedures were completed with China Securities Depository and Clearing Corporation Limited. Subsequent to the completion of the share transfer, Changshou Iron & Steel holds 2,096,981,600 shares of the Company, with a shareholding percentage of 23.51%, and became the controlling shareholder of the Company. China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司, Baowu Group”) is the parent company of Changshou Iron & Steel. Baowu Group and its other subsidiaries held 368,330,344 ordinary shares of the Company with a shareholding percentage of 4.13%. As of 31 December 2023, Baowu Group directly and indirectly held 2,465,311,944 ordinary shares of the Company, with a shareholding percentage of 27.64%.

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

These financial statements were approved by the Board of Directors of the Company on 28 March 2024. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

II PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” promulgated by the Ministry of Finance of the People’s Republic of China (the “MOF”) and the specific accounting standards, implementation guidance, interpretations and other relevant regulations subsequently announced and revised (collectively “CAS”). In addition, the financial statements have also presented financial information disclosure in accordance with “Rules for the Preparation of Information Disclosure by Companies with Publicly Issued Securities No. 15 – General Provisions for Financial Reporting”

The financial statements are presented on a going concern basis.

As of 31 December 2023, the Group’s current liabilities exceeded current assets by RMB7,811,596,806.04. The Board of Directors of the Company has considered the following sources of funds available to the Group:

- 1) The Group’s expected net cash inflows from operating activities in the next 12 months;
- 2) As of the date of approval and issuance of the financial statements, the credit limit from banks and other financial institutions that have been obtained but not yet used by the Group are RMB9,736 million, of which RMB5,882 million needs to be renewed within the next 12 months at the end of the reporting period. The Board of Directors of the Company is satisfied based on past experience and good reputation that the available credit limit can be re-approved upon expiration.

After the assessment, the Board of Directors of the Company believes that the Group has sufficient resources to continue as a going concern for a foreseeable future period of not less than 12 months from the end of the reporting period, and therefore the financial statements have been prepared on a going concern basis.

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

1. Statement of compliance

The financial statements have been prepared in accordance with CAS, and present truly and completely the financial position of the Group and the Company as of 31 December 2023 and the results of their operations and cash flows for the year ended 31 December 2023.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

2. Accounting period

The accounting year of the Group is a calendar year, i.e., from 1 January to 31 December of each year.

3. Functional currency

The Group's functional and presentation currency is Renminbi ("RMB"). The currency unit is RMB Yuan, unless otherwise stated.

4. Determination method and selection basis of materiality criteria

Materiality Criteria	
Significant construction in progress	Investment budget \geq RMB500 million

5. Business combination

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

Business combinations involving entities under common control

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

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

5. Business combination (Continued)

Business combination not involving entities under common control

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

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date. Goodwill is initially recognized and measured at cost, being the excess of the cost of the combination over the Group's interest in the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the cost of the combination is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If after that reassessment, the cost of the combination is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognizes the remaining difference in profit or loss.

6. Consolidated financial statements

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company (such as an enterprise, a deemed separate entity, or a structured entity controlled by the Company). An investor controls an investee if and only if the investor has all the following: 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 the accounting policies or the accounting period of a subsidiary are different from those of the Company, necessary adjustments are made to the subsidiary's financial statements based on the Company's own accounting policies or accounting period in preparing the consolidated financial statements. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Where the loss for the current period attributable to non-controlling interests of a subsidiary exceeds the non-controlling interests of the opening balance of equity of the subsidiary, the excess shall still be allocated against the non-controlling interests.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Consolidated financial statements (Continued)

For subsidiaries acquired through business combinations not involving entities under common control, the financial performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair value of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

The Group reassesses whether or not it controls an investee if any change in facts and circumstances indicates that there are changes to one or more of the three elements of control.

A change in the non-controlling interests, without a loss of control, is accounted for as an equity transaction.

7. Cash and cash equivalents

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Foreign currency transactions

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded, on initial recognition in the functional currency using the spot exchange rates prevailing at the dates of transactions. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognized in profit or loss, with the exception of those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalized in accordance with the guidance for capitalization of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate on initial recognition, and the amount denominated in the functional currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognized in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

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

9. Financial instruments

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Recognition and derecognition

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's account and consolidated statements of financial position) when:

- (1) the rights to receive cash flows from the financial asset have expired; or
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full to a third party under a "pass-through" arrangement; and either has transferred substantially all the risks and rewards of the financial asset, or has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has waived the control of the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Regular way purchases and sales of financial assets are recognized and derecognized using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that under contracts whose terms require delivery within the time frame period generally established by regulation or convention in the marketplace concerned. The trade date is the date that the Group committed to purchase or sell a financial asset.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at amortized cost, financial assets at fair value through other comprehensive income. All affected related financial assets will be reclassified only if the Group changes its business model for managing financial assets.

Financial assets are measured at fair value on initial recognition, but trade receivables or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income, relevant transaction costs are included in their initial recognition amounts.

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

Debt instrument investments measured at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met: the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income of such financial assets is recognized using the effective interest method. Gains and losses are recognized in current profit or loss when the asset is derecognized, modified or impaired.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Debt investments at fair value through other comprehensive income

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income is recognized using the effective interest method. The interest income, impairment losses and foreign exchange revaluation are recognized in profit or loss. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Equity investments at fair value through other comprehensive income

The Group can elect to classify irrevocably its equity investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income (excluding the dividend income explicitly recovered as part of the investment cost) is recognized in profit or loss. Subsequent changes in the fair value are included in other comprehensive income, and no provision for impairment is made. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.

Classification and measurement of financial liabilities

Except for financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, the Group's financial liabilities are, on initial recognition, classified into financial liabilities measured at amortized cost, relevant transaction costs are directly recognized in profit or loss, and transaction costs relating to financial liabilities measured at amortized cost are included in the initial recognition amounts. The subsequent measurement of financial liabilities depends on their classification. After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Impairment of financial instruments

Based on the expected credit losses (“ECLs”), the Group recognizes an allowance for ECLs for the financial assets measured at amortized cost, debt investments at fair value through other comprehensive income.

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach to recognize a loss allowance based on lifetime ECLs.

Except for financial assets which apply the simplified approach as mentioned above, other financial assets, the Group assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the amortized cost and the effective interest rate. At the balance sheet date, if the Group only has financial instruments with lower credit risk, the Group assumes that the credit risk of the financial instrument has not increased significantly since initial recognition.

The Group assesses ECLs on financial instruments on an individual basis and on a portfolio basis. The Group has considered the credit risk characteristics of different customers, assessed the expected credit losses of trade receivables and other receivables on the basis of common risk characteristics and aging combination, and determined the aging according to the billing date. The Group assesses ECLs individually, except for financial instruments for which the Group assesses ECLs in combination.

The disclosure of the criteria for judging significant increase in credit risk, the definition of credit-impaired assets, please refer to VIII. 2.

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Impairment of financial instruments (Continued)

The Group directly reduces the carrying amount of financial assets when the Group no longer reasonably expects that the contractual cash flow of such financial assets may be fully or partially recoverable.

Offsetting of financial instruments

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

Transfer of financial assets

A financial asset is derecognized when the Group has transferred substantially all the risks and rewards of the financial asset to the transferee. A financial asset is not derecognized when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognizes the financial asset and recognizes the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognize the financial asset to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability.

10. Inventories

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

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase, costs of processing and other expenditures. The actual cost of inventories upon delivery is calculated using the weighted-average method. Turnover materials include low value consumables and packing materials, which are on the amortization in stages/immediate write-off basis.

The Groups adopts the perpetual inventory system.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Inventories (Continued)

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. Provision for decline in value of inventories can be determined on an individual basis.

11. Long-term equity investments

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

Long-term equity investments are initially measured at initial investment cost upon acquisition. For a long-term equity investment obtained through a business combination under common control, the initial investment cost shall be the share of the book value of the owner's equity of the merged party obtained in the consolidated financial statements of the ultimate controlling party on the combination date; The difference between the initial investment cost and the book value of the merger consideration shall be adjusted to the capital reserve (if it is insufficient to offset, the retained earnings shall be offset); For a long-term equity investment acquired through a business combination not under common control, the combination cost shall be taken as the initial investment cost (if a business combination not under common control is achieved step by step through multiple transactions, the sum of the book value of the equity investment held by the acquiree before the acquisition date and the newly increased investment cost on the acquisition date shall be taken as the initial investment cost). For a long-term equity investment other than a long-term equity investment formed by a business combination, the initial investment cost shall be determined according to the following methods: for a long-term equity investment obtained by paying cash, the actual purchase price paid and the expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investment shall be regarded as the initial investment cost; For those obtained by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

The long-term equity investment that the company can control the investee is accounted by cost method in individual financial statements of the company. 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 number of the investor's returns.

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. Cash dividends or profit distributions declared by the investee are recognized as investment income in profit or loss.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

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

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the 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 of long-term equity investments are 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, upon acquisition of the long-term equity investment, its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognizes its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits or losses, except for those from dispensing or selling businesses constituted by assets, based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its associates and joint ventures, attributable to the investing party according to its entitled ratio (but impairment losses for assets arising from internal transactions shall be recognized in full). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognized to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit distributions) and includes the corresponding adjustments in the shareholders' equity.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Property, plant and equipment

PPE are 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. Subsequent expenditures incurred for PPE that meet the recognition criteria shall be included in the cost of the PPE, and the carrying amount of the component of the PPE that are replaced shall be derecognized. Otherwise, such expenditures are recognized in profit or loss as incurred.

PPE are initially measured at cost. The cost of a purchased PPE comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

Depreciation of PPE is calculated using the straight-line method. The useful lives, estimated net residual value rates and annual depreciation rates of each category of the PPE are as follows:

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

Where parts of PPE have different useful lives or provide benefits to the Group in different patterns, different depreciation rates and methods are applied.

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

13. Construction in progress

The cost of construction in progress is determined according to the actual expenditures incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalized before the construction is ready for its intended use, and other relevant expenditures.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Construction in progress (Continued)

Construction in progress is transferred to PPE when the asset is ready for its intended use:

Criteria for transferring to PPE	
Plant and buildings	Actual start of use or completion of acceptance of physical handover
Machinery and other equipment	Start thermal load test run or complete acceptance physical handover
Transportation vehicles	Completion of acceptance physical handover

14. Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The amounts of other borrowing costs incurred are recognized as an expense in the period in which they are incurred.

The capitalization of borrowing costs commences only when the expenditures for the asset and the borrowing costs have been incurred, and the activities that are necessary to acquire, construct or produce the asset for its intended use or sale have been undertaken.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced gets ready for its intended use or sale. Any borrowing costs subsequently incurred are recognized in profit or loss.

During the capitalization period, the amount of interest eligible for capitalization for each accounting period shall be determined as follows: where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalization is the actual interest costs 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 generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalization is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognized as an expense in profit or loss until the acquisition, construction or production is resumed.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Intangible assets

Intangible assets are amortized on a straight-line basis over their useful lives as follows:

	Useful life	Recognition basis
land use right	50 years	Term of land use right
Patent and non-patented technologies	3-4 years	Shorter of patent term or expected useful life
Software	5-10 years	Expected useful life

The Group classifies the expenditures on an internal research and development project into expenditure during the research phase and expenditure during the development phase. Expenditure on the research phase is recognized in profit or loss as incurred. Expenditure during the development phase is capitalized only when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable economic benefits (among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset); (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognized in profit or loss when incurred.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Impairment of assets

Except for inventories, deferred tax assets and financial assets, the Group determines the impairment of assets according to the following method:

The Group assesses whether an indication of impairment exists at the end of each reporting period, and performed impairment test on estimation of the asset's recoverable amount if such indications exist. Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired.

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. The Group estimates its recoverable amount on 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. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in the carrying amount is treated as an impairment loss and recognized in profit or loss. A provision for impairment loss of the asset is recognized accordingly.

For the purpose of impairment testing, goodwill is reasonably allocated, from the acquisition date, to each of the related asset groups or sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or a set of asset groups that is expected to benefit from the synergies of the business combination and shall not be larger than a operating segment determined by the Group.

When comparing the book amount and recoverable amount of an asset group or combination of asset groups that contain goodwill, if the book value of the asset group or sets of assets groups is higher than its recoverable amount, the impairment loss is firstly allocated to reduce the book value of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the book value of each asset (other than goodwill) in the group.

Once the above impairment loss is recognized, it cannot be reversed in subsequent accounting periods.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Long-term prepaid expenses

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

Amortization period	
Leasehold improvements	The shorter period of the lease term and the economic service life of the leased assets

18. Payroll and employee benefits payable

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for services rendered by employees or for termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits

During an accounting period when employees render services to the entity, the amount of short-term employee benefits actually incurred should be recognized as a liability and be recognized in profit or loss for the current period or in cost of related assets.

Post-employment benefits (defined contribution plan)

The employees of the Group participate in pension insurance and unemployment insurance managed by the local government, as well as enterprise annuity, and corresponding expenditures are included in relevant asset costs or current profits and losses when incurred.

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

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Payroll and employee benefits payable (Continued)

Post-employment benefits (defined benefit plan)

Past service costs are recognized in profit or loss at the earlier of the date of the plan amendment and the date that the Group recognizes restructuring-related costs or termination benefits.

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

Termination benefits

The Company provides termination benefits to employees and recognizes an employee benefits liability for termination benefits, with a corresponding charge to profit or loss, at the earlier of when the Company can no longer withdraw the offer of those benefits resulting from an employment termination plan or a curtailment proposal and when the Company recognize costs involving the payment of termination benefits.

19. Provisions

Except for contingent consideration and contingent liabilities assumed in a business combination not involving enterprises under common control, obligations related to contingencies are present obligations assumed by the Group, the performance of which is likely to result in an outflow of economic benefits from the Group, and the relevant amounts can be measured reliably, the Group recognizes them as estimated liabilities.

Provisions are initially measured in accordance with the best estimate of the expenditure required to fulfil the relevant present obligation, after taking into account factors such as risks, uncertainties and time value of money related to contingencies. The carrying amount of the provision is reviewed at the balance sheet date and appropriately adjusted to reflect the current best estimate.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Revenue from contracts with customers

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

Contracts for the sale of goods

Contracts for the sale of goods between the Group and customers generally include commitments to transfer steel products, billets, transportation services, etc. The specific commitments vary depending on the agreement with the customer, because the customer can benefit from the above goods or services separately or together with other readily available resources, and there is no significant integration, significant modification or customization or high correlation between the above goods or services, The Group regards them as distinct goods and constitutes separate performance obligations.

The amount of consideration to which the Group expects to be entitled as a result of the transfer of goods to a customer is determined as the transaction price in accordance with the terms of the contract and in combination with past business practices. Some contracts of the Group stipulate that when customers purchase more than a certain quantity of goods, they can enjoy a certain discount, which directly offsets the amount payable by customers when purchasing goods in the current period. The Group makes the best estimate of the discount based on the most likely amount, and the transaction price after the estimated discount is included in the transaction price to the extent that the cumulative recognized revenue is highly unlikely to be significantly reversed when the relevant uncertainty is eliminated, and re-estimates it at each balance sheet date.

The Group fulfills its performance obligations by delivering steel products, billets and other commodities to customers. The revenue is recognized based on the following indicators, which include: a present right to payment for goods, the transfer of significant risks and rewards of ownership of goods, the transfer of legal title to goods, the transfer of physical possession of goods, the customer's acceptance of goods. Contracts for the sale of steel products and billets between the Group and its customers generally include performance obligations for transportation services, which the Group recognizes as performance obligations over time and revenue in accordance with the progress of performance.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Revenue from contracts with customers (Continued)

Contracts for the sale of goods (Continued)

For the mineral trading business, the Group considers the legal form of the contract and the relevant facts and circumstances (the primary responsibility for the transfer of the goods to the customer, the inventory risk assumed before or after the transfer of the goods, whether it has the right to determine the price of the traded goods on its own), and believes that the Group can direct the use of the goods and obtain almost all the economic benefits therefrom before the transfer of the goods to the customer, and has control of the goods, It is therefore the principal and recognizes revenue based on the total consideration received or receivable when the goods are delivered to the customer for acceptance.

Sales of energy contracts

The Group fulfills its performance obligations by delivering gas, electricity and other energy to customers. Revenue is recognized at the time when the energy passes through the valves and ports. The revenue is measured according to the measurement data of the metering device agreed in the contract and the transaction price.

For the business of transferring energy such as electricity, the Group considers the legal form of the contract and relevant facts and circumstances (the main responsibility for transferring the goods to the customer, the inventory risk assumed before or after the transfer of the goods, whether it has the right to determine the price of the transaction goods independently, etc.), and believes that the Group has not obtained control of the goods before transferring the goods to the customer, It is essentially an agency sales business (that is, assisting upstream suppliers to find downstream customers to facilitate transactions and collect agency fees); The Group, as an agent, recognizes revenue at the point in time when the energy passes through the valve in accordance with the agency fee to which it is expected to be entitled, the amount of which is determined on the basis of the net amount of the total consideration received or receivable after deducting the amount payable to other related parties.

Royalty income

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Contract liabilities

The Group presents its contract liabilities depending on the relationship between the satisfaction of its performance obligations and customer's payment in the statements of financial position.

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 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.

22. Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. 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 transfer of a non-monetary asset, it is measured at fair value; if fair value cannot be reliably determined, it is measured at a nominal amount.

The government documents stipulate that the long-term assets used for acquisition and construction or formed in other ways are regarded as the government grants related to assets; if the government documents are not clear, it shall judge on the basis of the basic conditions necessary for obtaining the grants, and the government grants related to assets are regarded as the government grants based on the long-term assets formed by acquisition and construction or other ways. In addition, other government grants are those related to income.

Government grants related to income shall be accounted for accordingly as follows: those to be used as compensation for future expenses or losses shall be recognized as deferred income and recorded in profit or loss over the period when the related expenses or losses are recognized; those to be used as compensation for related expenses or losses already incurred shall be recognized directly in profit or loss.

A government grant relating to an asset is recognized as deferred income and included in profit or loss over different accounting periods within the useful life of the related asset on a reasonable and systematic basis (however, a government grant measured at a nominal amount is recognized directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Deferred tax

For temporary differences between the carrying amounts of assets or liabilities and their tax base at the balance sheet date, and 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 is provided using the balance sheet liability method.

Deferred tax liabilities are recognized for taxable temporary differences except:

- (1) when the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences, and the initially recognized assets and liabilities do not result in taxable temporary differences and deductible temporary differences of the same amount;
- (2) in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax losses and any unused tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilized, except:

- (1) when the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and the initially recognized assets and liabilities do not lead to taxable temporary difference and deductible temporary difference of the same amount;
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries and associates, it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized in the future.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Deferred tax (Continued)

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefit of deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities, and the 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 settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered.

24. Leases

The Group assesses at contract inception whether a 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 lessee

The Group recognizes the use right assets and lease liabilities for lease except for the short-term leases.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Leases (Continued)

As lessee (Continued)

Right-of-use assets

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

Lease liabilities

At the commencement date of the lease period, the Group recognizes the present value of outstanding lease payments as a lease liability, excluding short-term leases and leases of low-value assets. Lease payments include fixed payments and in-substance fixed lease payments after deduction of lease incentives, variable lease payments depending on indexes or ratios, payments expected to be made based on residual value guarantee, and also include the exercise price of the purchase option or payments to exercise the option to terminate the lease (provided that the Group is reasonably certain that the option will be exercised or that the lease period reflects that the Group will exercise the option to terminate the lease).

In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. The Group calculates the interest expense of the lease liability during each period of the lease term in accordance with the constant periodic rate of interest and recognizes it in profit and loss for the current period, except otherwise stipulated in the cost of related assets. 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Leases (Continued)

As lessee (Continued)

Lease liabilities (Continued)

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. In addition, the Group remeasures the lease liability at the present value of revised lease payments upon a change in any of the following: in-substance fixed payments, the amounts expected to be payable under residual value guarantees, the index or rate used to determine lease payments, or the assessment or exercise of the purchase option, the renewal option or the option to terminate the lease.

Short-term leases

The Group shall, on the commencement date of the lease term, regard any lease for a period not exceeding 12 months and without a purchase option as a short-term lease; The Group's short-term lease option for machinery does not recognize the right-of-use assets and lease liabilities. The related asset costs or current profit or loss should be recorded based on a straight-line basis over the lease term.

As 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.

As lessor of an operating lease

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Leases (Continued)

Sale and leaseback transactions

The Group applies the requirements in Note III.20 to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As lessee

If the asset transfer in the sales and leaseback transactions is a sale, the Group, as the lessee, measures the right-of-use assets formed by the sales and leaseback according to the part of the carrying amount of the original assets related to the right-of-use obtained by leaseback, and only recognizes the relevant gains or losses on the rights transferred to the lessor; if the asset transfer in the sales and leaseback transactions is not a sale, the Group, as the lessee, continues to recognize the transferred asset and a financial liability equal to the transfer income. The financial liability is accounted for in accordance with Note III.9.

25. Safety production funds

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserves. When using, it is necessary to distinguish whether fixed assets are formed and deal with them separately: if it belongs to expense expenditure, special reserves shall be directly offset; when the expenditures incurred relate to fixed assets, they shall be recognized in the cost of fixed assets, which will be recognized when it is ready for use. The same amount as the expenditure will be offset against the special reserves and recorded as accumulated depreciation equivalent at the same time.

26. Fair value measurements

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Fair value measurements (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 inputs – inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; Level 3 inputs – unobservable inputs for the asset or liability.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at each balance sheet date.

27. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the book value of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of a separate performance obligation

Usually, the Group includes two promises to transfer goods or services in contracts with customers for steel products and billet selling business, including transferring steel products and billet, transportation services and other goods or services in the contract signed with the customer. Since customers can benefit from each of the two promised goods or services either on its own or together with other readily available resources, and the Group's promise to transfer each of the above goods or services can be separately identifiable from other promises within the context of the contract. The two promises to transfer goods or services constitute separate performance obligations.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Business model

The classification of financial assets at initial recognition is dependent on the Group's business model for managing the assets. Factors considered by the Group in judging the business model include enterprise evaluation, the method of reporting the results of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contractual cash flows, the Company is required to analyze and exercise judgement in respect of the reasons, timing, frequency and values of any disposals prior to maturity of the financial assets.

Characteristics of contractual cash flows

The classification of financial assets at initial recognition is dependent on the financial asset's contractual cash flow characteristics. Judgement is required to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding, including when assessing the modification of the time value of money, the judgement on whether there is any significant difference from the benchmark cash flow, and whether the fair value of the prepayment features is insignificant for financial assets with prepayment features, etc.

Estimation uncertainty

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The Group is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

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

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

Impairment of goodwill

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique. This valuation requires the Group to determine the comparable listed companies, select the price multiple, and make estimates about the discount for illiquidity, and hence they are subject to uncertainty.

deferred tax assets

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

Provision for decline in value of inventory

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

Variable consideration for sales rebates or returns

The Group makes reasonable estimates of indicators such as the rebate rate or return rate of a group of contracts with similar characteristics according to the sales historical data, the current sales situation, as well as customer changes, market changes and other relevant information. Estimates of the rebate rate or return rate may not be representative of the actual rebates or returns in the future. The Group re-evaluates the rebate rate or return rate at least on each balance sheet date and updates the accounting treatment based on the re-evaluated rebate rate or return rate.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Lessee's incremental borrowing rate

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

28. Changes in accounting policies and estimates

Changes in accounting policies

Accounting Standards for Business Enterprises Interpretation No.16 issued in 2022 states that where a single transaction is not a business combination and affects neither accounting profit nor taxable profit (or tax loss), and equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in such transaction, the exemption from initial recognition of deferred tax is not applicable. The Group has applied it since 1 January 2023. In a lease transaction in which a lease liability is initially recognized and included in a right-of-use asset at the commencement date of the lease, for the taxable and deductible temporary differences arising on initial recognition of the asset and liability, the corresponding deferred tax liability and asset shall be recognized separately instead of not being recognized. The above-mentioned transactions that occurred from the beginning of the earliest period presented in the financial statements on which the Interpretation was initially applied to the date of changes to accounting policies have no significant impact on the Group's opening balance of retained profits.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

IV TAXES

1. Major categories of taxes and tax rates

tax type	Tax basis	tax rate
Value-added tax (“VAT”)	Difference between sales amount and output tax calculated at applicable tax rate after deducting input tax allowed to be deducted	Output tax is calculated at the tax rate of 13% on the taxable income from the sale of steel products and other products; Other tax rates: 6%, 9%
Property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rental, housing property tax is levied at the rate of 12%	1.2%、12%
City maintenance and construction tax	Actual turnover tax paid	7%
Education surcharges	Actual turnover tax paid	3%
Local education surcharges	Actual turnover tax paid	2%
Corporate income tax (“CIT”)	Taxable income	15%
Environmental protection tax	The actual air pollutant emissions	RMB3.0-3.5 per pollution equivalent

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

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

IV TAXES (CONTINUED)

2. Preferential taxation

Pursuant to the requirement of the Announcement on the Continuation of the Corporate Income Tax Policy for the Western Development (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) promulgated by the MOF, the State Administration of Taxation and the National Development and Reform Commission, enterprises located in the western region that fall into the Catalogue of Encouraged Industries are subject to a reduced Corporate Income Tax rate of 15% from 1 January 2021 to 31 December 2030. The Company and its subsidiaries Chongqing Iron and Steel Energy and The Company and its subsidiaries Chongqing Iron and Steel Energy and Xingang Changlong have qualified for the requirement of the policy. Thus the Company and its subsidiaries, Chongqing Iron and Steel Energy and Xingang Changlong, implement tax rates of 15% for the current year.

In January 2014, Chongqing Iron and Steel Energy obtained the [Comprehensive Certificate 2014 No. 016] Certificate of Comprehensive Utilization of Resources. According to the Notice on Issues Concerning the Implementation of the Catalogue of Enterprise Income Tax Preferences for Comprehensive Utilization of Resources (Cai Shui [2008] No.47) (《關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》) issued by the MOF and the State Administration of Taxation, when calculating and withdrawing taxable income, Chongqing Iron and Steel Energy shall be included in the total income of the year at a reduced rate of 90%.

According to the Announcement on Improving the Value-Added Tax Policy for Comprehensive Utilization of Resources (Cai Shui [2021] No.40) (《關於調整完善資源綜合利用產品及勞務增值稅政策的公告》) issued by the MOF and the State Administration of Taxation, Chongqing Iron and Steel Energy enjoys the policy of levy and refund of value-added tax on the utilization of surplus heat generated in industrial production process.

According to the Announcement on Policies for Deepening VAT Reform (《關於深化增值稅改革有關政策的公告》) issued by the MOF, the State Administration of Taxation and the General Administration of Customs, from 1 April 2019 to 31 December 2021, taxpayers in the production and living services industry who have achieved sales from providing modern services accounting for more than 50% of all sales are allowed to deduct 10% of the tax payable based on the deductible input tax for the current period. According to the Announcement on Value-Added Tax Policies for Promoting the Relief and Development of Difficult Industries in the Service Sector (Cai Shui [2022] No.11) issued by the MOF and the State Administration of Taxation, the implementation period of the above policies is extended to 31 December 2022. According to the Announcement on Clarifying the Policies of VAT Reduction and Exemption for Small VAT Taxpayers (Cai Shui [2023] No.1) issued by the MOF and the State Administration of Taxation, taxpayers of producer services are allowed to deduct the tax payable by 5% of the deductible input tax in the current period. Xingang Changlong's provision of productive services (logistics support services) is in line with the policy conditions, and the deductible input tax for the year is added by 5% to reduce the VAT payable.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

V NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	2023	2022
Cash at banks	1,230,281,457.99	2,709,764,741.62
Other cash and bank balances	103,633,978.75	57,742,846.62
Deposits with finance companies	601,483,019.17	1,228,168,091.66
Total	1,935,398,455.91	3,995,675,679.90
Including: Total amount deposited overseas	—	—

As of 31 December 2023, The Group had restricted cash and bank balances of RMB101,823,010.62, which was for the purpose of obtaining bills, and had litigation frozen deposit of RMB1,810,968.13. Please refer to Note V.18 for details.

2. Trade receivables

The aging analysis of trade receivables is as follows:

	2023	2022
Within 1 year	27,820,943.29	35,101,779.09
1 to 2 years	701,272.85	1,938,096.22
2 to 3 years	425,944.30	1,815,749.84
3 to 4 years	1,748,247.49	68,839.67
4 to 5 years	68,839.67	—
Over 5 years	973,541.75	973,541.75
	31,738,789.35	39,898,006.57
Less: Bad debt provision	1,108,763.13	1,108,763.13
Total	30,630,026.22	38,789,243.44

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

2. Trade receivables (Continued)

	2023				Carrying amount	2022				Carrying amount
	Book value		Bad debt provision			Book value		Bad debt provision		
	amount of money	proportion (%)	amount of money	proportion (%)		amount of money	proportion (%)	amount of money	proportion (%)	
Bad debt provision based on credit risk characteristics	31,738,789.35	100.00	1,108,763.13	3.49	30,630,026.22	39,898,006.57	100.00	1,108,763.13	2.78	38,789,243.44

As of 31 December 2023 and 31 December 2022, the Group did not have trade receivables with bad debt provision made on an individual basis.

Accounts receivable for which bad debt provision is made on a portfolio basis are as follows:

	2023			2022		
	Book value	Provision for impairment	Provision ratio (%)	Book value	Provision for impairment	Provision ratio (%)
Within 1 year	27,820,943.29	–	–	35,101,779.09	–	–
1 to 2 years	701,272.85	–	–	1,938,096.22	–	–
2 to 3 years	425,944.30	–	–	1,815,749.84	66,381.71	3.66
3 to 4 years	1,748,247.49	66,381.71	3.80	68,839.67	68,839.67	100.00
4 to 5 years	68,839.67	68,839.67	100.00	–	–	–
Over 5 years	973,541.75	973,541.75	100.00	973,541.75	973,541.75	100.00
Total	31,738,789.35	1,108,763.13		39,898,006.57	1,108,763.13	

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

2. Trade receivables (Continued)

The movements of bad debt provision for trade receivables are as follows:

	Opening balance	Provision for the year	Recovered or reversed in the current year	Write-off in current year	Other additions	Closing balance
2023	1,108,763.13	-	-	-	-	- 1,108,763.13
2022	1,062,693.13	46,070.00	-	-	-	- 1,108,763.13

As of 31 December 2023, the top five trade receivables are summarized as follows:

	Closing balance	Proportion in total closing balance of trade receivables (%)
Summary	28,483,766.67	89.74

3. Receivables financing

	2023	2022
Notes receivable	632,329,098.48	799,686,555.46

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

3. Receivables financing (Continued)

	2023	2022
Bank acceptance bills	632,129,098.48	799,486,555.46
Commercial acceptance bills	200,000.00	200,000.00
Total	632,329,098.48	799,686,555.46

Pledged notes receivable as follows:

	2023	2022
Bank acceptance bills	90,000,000.00	100,119,944.03

Please refer to Note V.18 for restricted notes receivable at the year end.

Notes receivable endorsed or discounted by the Group which were not yet due at the end of the reporting period are as follows:

	2023		2022	
	Derecognized	Not Derecognized	Derecognized	Not Derecognized
Bank acceptance bills	4,634,146,175.12	21,002,724.47	2,788,645,475.68	25,546,660.16

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

4. Prepayments

The aging analysis of prepayments is as follows:

	2023		2022	
	Book value	%	Book value	%
Within 1 year	625,014,617.45	98.59	820,988,234.06	97.11
1 to 2 years	4,156,342.00	0.66	19,463,573.67	2.30
2 to 3 years	2,275,984.49	0.36	4,981,189.07	0.59
Over 3 years	2,490,530.15	0.39	–	–
Total	633,937,474.09	100.00	845,432,996.80	100.00

As of 31 December 2023, the top five prepayments were summarized as follows:

	Closing balance	Proportion in total ending balance of prepayments (%)
Summary	371,606,960.01	58.62

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

5. Other receivables

	2023	2022
Other receivables	19,739,557.29	34,846,186.58

The aging analysis of other receivables is as follows:

	2023	2022
Within 1 year	13,639,052.47	29,100,132.89
1 to 2 years	1,521,885.88	5,632,374.32
2 to 3 years	4,474,693.55	694,558.99
3 to 4 years	684,805.01	–
Over 5 years	787,630.50	2,137,630.50
	21,108,067.41	37,564,696.70
Less: Bad debt provision	1,368,510.12	2,718,510.12
Total	19,739,557.29	34,846,186.58

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

5. Other receivables (Continued)

The carrying amounts of other receivables are classified by nature as follows:

	2023	2022
Transactional intercourse	8,545,914.03	6,358,619.28
Guarantee deposits, staff advances, etc.	9,726,233.89	6,902,554.51
Government grants receivable	2,110,681.66	23,924,352.24
Other	725,237.83	379,170.67
Total	21,108,067.41	37,564,696.70

2023

	Book value		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Combined by credit risk characteristics					
Bad debt provision	21,108,067.41	100.00	1,368,510.12	6.48	19,739,557.29

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

5. Other receivables (Continued)

2022

	Book value		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Combined by credit risk characteristics					
Bad debt provision	37,564,696.70	100.00	2,718,510.12	7.24	34,846,186.58

As of 31 December 2023 and 31 December 2022, the Group did not have other receivables with bad debt provision made on an individual basis.

Other receivables for which bad debt provision is made on a portfolio basis are as follows:

	2023			2022		
	Book value	Provision for impairment	Provision ratio (%)	Book value	Provision for impairment	Provision ratio (%)
Within 1 year	13,639,052.47	–	–	29,100,132.89	–	–
1 to 2 years	1,521,885.88	–	–	5,632,374.32	635,113.33	11.28
2 to 3 years	4,474,693.55	635,113.33	14.19	694,558.99	122,856.05	17.69
3 to 4 years	684,805.01	122,856.05	17.94	–	–	–
Over 5 years	787,630.50	610,540.74	77.52	2,137,630.50	1,960,540.74	91.72
Total	21,108,067.41	1,368,510.12		37,564,696.70	2,718,510.12	

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

5. Other receivables (Continued)

Changes in bad debt provision for other receivables based on expected credit losses for the next 12 months and lifetime are as follows:

2023

	Phase 1 Expectations for the next 12 months Credit losses	Phase 2 Lifetime ECLs (No credit impairment occurred)	Phase 3 Lifetime ECLs (Credit impairment incurred)	Total
Opening balance	–	431,284.32	2,287,225.80	2,718,510.12
Write-off in current year	–	–	(1,350,000.00)	(1,350,000.00)
Closing balance	–	431,284.32	937,225.80	1,368,510.12

2022

	Phase 1 Expectations for the next 12 months Credit losses	Phase 2 Lifetime ECLs (No credit impairment occurred)	Phase 3 Lifetime ECLs (Credit impairment incurred)	Total
Opening balance	–	431,284.32	22,113,916.63	22,545,200.95
Recovered during the year	–	–	(9,529,661.39)	(9,529,661.39)
Write-off in current year	–	–	(10,297,029.44)	(10,297,029.44)
Closing balance	–	431,284.32	2,287,225.80	2,718,510.12

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

5. Other receivables (Continued)

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

	Opening balance	Provision for the year	Recovered or reversed in the current year	Write-off in current year	Closing balance
2023	2,718,510.12	–	–	(1,350,000.00)	1,368,510.12
2022	22,545,200.95	–	(9,529,661.39)	(10,297,029.44)	2,718,510.12

The five entities with the largest balances of other receivables as of 31 December 2023 are as follows:

	Closing balance	Percentage in other receivables Total balance (%)	nature	Aging	Bad debt provision Closing balance
First	7,969,917.50	37.76	Current accounts	Within 1 year	–
Second	3,000,000.00	14.21	bond	Within 1 year	–
Third	2,110,681.66	10.00	government grants	Within 1 year	–
Fourth	1,500,000.00	7.11	bond	2-3 years	–
Fifth	668,342.89	3.17	Petty cash	1-2 years	–
Total	15,248,942.05	72.25			–

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

6. Inventories

	2023			2022		
	Book value	Provision for decline in value	Carrying amount	Book value	Provision for decline in value	Carrying amount
Raw material	1,935,799,124.26	256,706,348.05	1,679,092,776.21	1,585,117,204.29	218,842,036.91	1,366,275,167.38
Finished goods	376,406,750.32	22,610,930.10	353,795,820.22	561,419,936.09	46,574,080.85	514,845,855.24
Inventories	276,345,444.03	11,740,905.09	264,604,538.94	328,095,913.26	12,446,168.11	315,649,745.15
Low value consumables and maintenance and spare parts	343,754,762.88	19,591,235.11	324,163,527.77	417,743,741.07	21,757,670.84	395,986,070.23
Total	2,932,306,081.49	310,649,418.35	2,621,656,663.14	2,892,376,794.71	299,619,956.71	2,592,756,838.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

6. Inventories (Continued)

Changes in provision for impairment of inventories are as follows:

2023

	Opening balance	Provision for the year	Decrease for the year		Closing balance
			Reversal	Write-off	
Raw material	218,842,036.91	153,875,402.03	82,226,288.09	33,784,802.80	256,706,348.05
Work in process	46,574,080.85	22,610,930.10	46,574,080.85	–	22,610,930.10
Finished goods	12,446,168.11	11,740,905.09	12,446,168.11	–	11,740,905.09
Low value consumables and maintenance and spare parts	21,757,670.84	–	2,166,435.73	–	19,591,235.11
Total	299,619,956.71	188,227,237.22	143,412,972.78	33,784,802.80	310,649,418.35

2022

	Opening balance	Provision for the year	Decrease for the year		Closing balance
			Reversal	other	
Raw material	136,615,700.37	82,226,336.54	–	–	218,842,036.91
Work in process	32,961,309.51	46,574,080.85	32,961,309.51	–	46,574,080.85
Finished goods	76,510,453.92	12,446,168.11	76,510,453.92	–	12,446,168.11
Low value consumables and maintenance and spare parts	51,449,753.00	820,512.96	30,512,595.12	–	21,757,670.84
Total	297,537,216.80	142,067,098.46	139,984,358.55	–	299,619,956.71

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

6. Inventories (Continued)

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

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

7. Other current assets

	2023	2022
Prepaid corporate income tax	–	130,656,066.07
Input VAT to be deducted	178,296,028.42	76,378,841.09
Total	178,296,028.42	207,034,907.16

8. Long-term equity investments

2023

Associates	Opening balance	Increase in investment	Changes for the year			Closing balance	Impairment provision at end of year
			Investment gains and losses recognized under the equity method	Cash dividends declared	Other decreases		
Chongqing Baocheng Carbon Material Co., Ltd. ("Baocheng Carbon")	16,764,325.32	–	4,406,565.50	(4,300,000.00)	–	16,870,890.82	–
Baowu Raw Material Supply Co., Ltd. ("Baowu Raw Material")	44,518,431.16	–	2,334,055.82	(2,499,490.96)	–	44,352,996.02	–
Baowu Environmental Science Chongqing Resources Recycling Co., Ltd. ("Baowu Environmental Resource")	15,503,020.25	–	58,800.00	–	–	15,561,820.25	–
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. ("Baowu Jingcheng")	34,337,281.27	–	(188,283.34)	–	–	34,148,997.93	–
Total	111,123,058.00	–	6,611,137.98	(6,799,490.96)	–	110,934,705.02	–

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

8. Long-term equity investments (Continued)

2022

Associate	Opening balance	Increase in investment	Changes for the year			Closing balance	Impairment provision at end of year
			Investment gains and losses recognized under the equity method	Cash dividends declared	Other decreases		
Baocheng Carbon	14,039,012.26	-	4,925,313.06	(2,200,000.00)	-	16,764,325.32	-
Baowu Raw Material	44,120,786.35	-	2,720,729.06	(2,323,084.25)	-	44,518,431.16	-
Baowu Environmental Resource	-	14,700,000.00	803,020.25	-	-	15,503,020.25	-
Baowu Jingcheng	-	34,200,000.00	137,281.27	-	-	34,337,281.27	-
Total	58,159,798.61	48,900,000.00	8,586,343.64	(4,523,084.25)	-	111,123,058.00	-

9. Other equity investments

	2023	2022
Baowu Water Technology Co., Ltd.	60,364,499.70	-
Xiamen Shipbuilding Industry Co., Ltd.	-	-
Total	60,364,499.70	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

9. Other equity investments (Continued)

2023

	Gains recognized in other comprehensive income for the year	Loss recognized in other comprehensive income for the year	Gains accumulated	Accumulated losses	Dividend income	Reasons for designation at fair value through other comprehensive income
Baowu Water Technology Co., Ltd.	-	-	-	-	696,646.78	Intends to hold for a long time to earn investment income
Xiamen Shipbuilding Industry Co., Ltd.	250,038.88	-	-	3,999,961.12	-	Intends to hold for a long time to earn investment income
Total	250,038.88	-	-	3,999,961.12	696,646.78	

2022

	Gains recognized in other comprehensive income for the year	Loss recognized in other comprehensive income for the year	Gains accumulated	Accumulated losses	Dividend income	Reasons for designation at fair value through other comprehensive income
Xiamen Shipbuilding Industry Co., Ltd.	-	4,250,000.00	-	-	-	Intends to hold for a long time to earn investment income

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

9. Other equity investments (Continued)

Other equity instruments derecognized during the year are as follows:

	Fair value on derecognition	Accumulated gain on derecognition transferred to retained profits	Accumulated loss transferred to retained profits due to derecognition	Reason for derecognition
Xiamen Shipbuilding	1,000,038.88	–	3,999,961.12	Sale of equity

10. Property, plant and equipment

	2023	2022
Property, plant and equipment	26,158,331,236.44	26,280,993,465.29
Property, plant and equipment in the process of disposal	786,980.39	786,980.39
Total	26,159,118,216.83	26,281,780,445.68

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

10. Property, plant and equipment (Continued)

2023

	Plants and buildings	Machinery and other equipment	Transportation vehicles–	Total
Cost				
Opening balance	13,648,034,546.18	20,167,612,023.24	16,889,795.21	33,832,536,364.63
Purchase	–	37,000,906.40	–	37,000,906.40
Transferred from construction in progress	163,569,308.74	1,329,054,342.18	–	1,492,623,650.92
Disposal or retirement	(38,520,508.23)	(26,023,245.18)	(255,000.00)	(64,798,753.41)
Transfer into property, plant and equipment to be disposed of	(44,344,275.40)	(146,236,705.00)	(1,008,713.00)	(191,589,693.40)
Closing balance	13,728,739,071.29	21,361,407,321.64	15,626,082.21	35,105,772,475.14
Accumulated depreciation				
Opening balance	3,186,304,983.09	4,359,031,668.09	6,206,248.16	7,551,542,899.34
Provision	269,949,743.46	1,217,045,939.76	1,709,066.62	1,488,704,749.84
Disposal or retirement	(12,985,369.12)	(3,075,810.29)	(255,000.00)	(16,316,179.41)
Transfer into property, plant and equipment to be disposed of	(12,934,646.20)	(62,589,617.88)	(965,966.99)	(76,490,231.07)
Closing balance	3,430,334,711.23	5,510,412,179.68	6,694,347.79	8,947,441,238.70
Provision for impairment				
Opening balance	–	–	–	–
Provision	31,409,629.20	83,647,087.12	42,746.01	115,099,462.33
Disposal or retirement	–	–	–	–
Transfer into property, plant and equipment to be disposed of	(31,409,629.20)	(83,647,087.12)	(42,746.01)	(115,099,462.33)
Closing balance	–	–	–	–
Carrying amount				
At end of the year	10,298,404,360.06	15,850,995,141.96	8,931,734.42	26,158,331,236.44
At beginning of year	10,461,729,563.09	15,808,580,355.15	10,683,547.05	26,280,993,465.29

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

10. Property, plant and equipment (Continued)

2022

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

10. Property, plant and equipment (Continued)

As the Group recorded negative gross profit margin on the sale of steel products in the current year, the management performed impairment test on the Group's steel production asset group (including related property, plant and equipment, construction in progress, right-of-use assets and intangible assets).

The recoverable amount is determined based on the present value of the future cash flows expected:

	Book value	Recoverable amount	Impairment amount	Years of Budget/ Forecast Period	Key parameters for budget/ forecast period	Stable key parameter	Determination basis of key parameters for stabilization period
Steel product asset group	29,206,027,241.11	35,038,793,741.00	-	5	Revenue growth: 0.70-15.86% Gross margin: 2.58-8.45% Discount rate: 10.61%	Revenue growth: 2.30% Gross margin: 7.89% Discount rate: 10.61%	Income growth rate: inflation rate; Gross margin: in line with the last year of the forecast period; Discount rate: a pre-tax discount rate that reflects the time value of the current market currency and the specific risks of the relevant asset group or sets of asset groups

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

10. Property, plant and equipment (Continued)

As certain of the Group's property, plant and equipment will be upgraded and transformed according to the future production and operation, the Group performed an impairment test on the related property, plant and equipment at the end of the year, impairment provision of RMB115,099,462.33 was made accordingly.

The recoverable amount is determined at fair value less costs to sell:

	Book value	Recoverable amount	Impairment amount	Determination of fair value and disposal expenses	Key parameter	Determination basis of key parameters
Plants and buildings	31,409,629.20	-	31,409,629.20			Scrap steel recycling price: latest scrap steel purchase price
Machinery and other equipment	83,647,087.12	-	83,647,087.12			Disposal expenses: including legal expenses related to asset disposal, relevant taxes and surcharges, handling expenses and direct expenses incurred to make the asset available for sale
Transportation vehicles	42,746.01	-	42,746.01	Fair value adoption Purchase price and disposal of scrap steel Expenses are related to the disposal of assets	Purchase price and disposal cost of scrap steel	
Total	115,099,462.33	-	115,099,462.33			

Property, plant and equipment leased out under operating leases are as follows:

	2023	2022
Buildings	33,418,854.27	9,641,964.40
Machinery and other equipment	480,772,122.59	-
Total	514,190,976.86	9,641,964.40

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

10. Property, plant and equipment (Continued)

As of 31 December 2023, PPE of which certificates of ownership have not been obtained are as follows:

	Carrying amount	Reason for lacking certificates of ownership
Workshop in Changshou district	936,205,197.73	Application documents reviewing

For details of PPE with ownership restricted, please refer to Note V.18.

Property, plant and equipment in the process of disposal:

	2023	2022
Machinery and other equipment	786,980.39	786,980.39

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

11. Construction in progress

	2023			2022		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Construction in progress			1,244,271,745.73			894,154,698.17
Safety, environmental protection and energy conservation projects	767,122,559.92	-	767,122,559.92	214,309,690.46	-	214,309,690.46
Technological equipment and technological transformation projects	341,277,186.73	-	341,277,186.73	664,898,003.41	-	664,898,003.41
Smart manufacturing projects	98,562,018.39	-	98,562,018.39	14,823,923.01	-	14,823,923.01
Other projects	37,309,980.69	-	37,309,980.69	123,081.29	-	123,081.29
Total	1,244,271,745.73	-	1,244,271,745.73	894,154,698.17	-	894,154,698.17

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

11. Construction in progress (Continued)

Changes in significant construction in progress are as follows:

2023

	Budget	Opening balance	Increase	Transfers to property, plant and equipment	Closing balance	Sources of funds	Contribution in budget	Accumulated amount of interest capitalization	Including: Capitalized amount of interest for the year	Interest capitalization rate for the year
	(RMB'0,000)						(%)			(%)
Environmental protection and dust removal system transformation	58,046.63	-	147,196,759.48	(5,495,992.25)	141,700,767.23	raise independently	25.36	-	-	-
Raw material yard system capacity improvement and environmental protection yard transformation	70,701.00	125,129,921.03	110,919,560.68	(164,141,604.69)	71,907,877.02	raise independently	69.25	-	-	-
Continuous casting machine transformation	78,334.00	-	209,387.34	(209,387.34)	-	raise independently	100.00	-	-	-
Total		125,129,921.03	258,325,707.5	(169,846,984.28)	213,608,644.25			-	-	

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

11. Construction in progress (Continued)

Significant changes in construction in progress are as follows: (continued)

2022

	Budget (RMB 0,000)	Opening balance	Increase	Transfers to property, plant and equipment	Closing balance	Sources of funds	Contribution in budget (%)	Accumulated amount of interest capitalization	Including: Capitalized amount of interest for the year	Borrowing interest rate of interest capitalization in the current year (%)
Raw material yard system capacity improvement and environmental protection yard transformation	70,701.00	78,889,493.01	143,843,315.88	(97,602,887.86)	125,129,921.03	raise independently	53.56	-	-	-
Steel rolling plant upgrading (medium plate line, bar and wire rod)	183,755.00	1,191,222,417.60	90,193,980.12	(1,281,416,397.72)	-	raise independently	100.00	-	-	-
High efficiency utilization of surplus gas and cascade utilization of steam	88,577.00	383,940,194.09	462,312,731.76	(846,252,925.85)	-	Self-financing and borrowing	100.00	5,416,739.18	5,416,739.18	2.21
Continuous casting machine transformation	77,334.00	349,375,901.33	220,330,048.90	(569,705,950.23)	-	raise independently	92.22	-	-	-
Section steel reconstruction double-height rod	80,517.00	134,945,663.39	71,701,628.98	(206,647,292.37)	-	raise independently	100.00	-	-	-
Upgrading of blast furnace process	77,579.00	72,566,691.84	45,091,343.94	(117,658,035.78)	-	raise independently	100.00	-	-	-
Total		2,210,940,361.26	1,033,473,049.58	(3,119,283,489.81)	125,129,921.03			5,416,739.18	5,416,739.18	

As the Group recorded negative gross profit margin on the sale of steel products in the current year, the performed conducted impairment test on construction in progress within the Group's steel production asset group. Please refer to Note V.10 for details.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

12. Right-of-use assets

2023

	Plants and buildings	Machineries and other equipment	Total
Cost			
Opening balance	16,483,288.71	653,011,183.99	669,494,472.70
Increase	–	53,862,113.58	53,862,113.58
Closing balance	16,483,288.71	706,873,297.57	723,356,586.28
Accumulated depreciation			
Opening balance	6,912,347.13	273,843,399.81	280,755,746.94
Provision	3,190,313.95	129,082,367.25	132,272,681.20
Closing balance	10,102,661.08	402,925,767.06	413,028,428.14
Provision for impairment			
Opening and closing balances	–	–	–
Carrying amount			
At end of the year	6,380,627.63	303,947,530.51	310,328,158.14
At beginning of year	9,570,941.58	379,167,784.18	388,738,725.76

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

12. Right-of-use assets (Continued)

2022

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

As the Group recorded negative gross profit margin on the sale of steel products in the current year, the management performed impairment test on right-of-use assets within the Group's steel production asset group. Please refer to Note V.10 for details.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

13. Intangible assets

2023

	Land use right	Patented and non-patented technologies	Software	Total
Cost				
Opening balance	3,179,065,690.23	16,500,297.78	2,355,443.38	3,197,921,431.39
Transferred from construction in progress	–	–	70,899,647.82	70,899,647.82
Purchase	201,224.00	–	–	201,224.00
Closing balance	3,179,266,914.23	16,500,297.78	73,255,091.20	3,269,022,303.21
Accumulated amortization				
Opening balance	671,765,333.75	11,670,536.58	117,772.20	683,553,642.53
Provision	68,221,388.86	4,829,268.29	250,203.94	73,300,861.09
Closing balance	739,986,722.61	16,499,804.87	367,976.14	756,854,503.62
Provision for impairment				
Opening and closing balances	–	–	–	–
Carrying amount				
At end of the year	2,439,280,191.62	492.91	72,887,115.06	2,512,167,799.59
At beginning of year	2,507,300,356.48	4,829,761.20	2,237,671.18	2,514,367,788.86

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

13. Intangible assets (Continued)

2022

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

For details of intangible assets with ownership restricted, please refer to Not V.18.

As the Group recorded negative gross profit margin on the sale of steel products in the current year, the management performed impairment test on intangible assets within the Group's steel production asset group. Please refer to Note V.10 for details.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

14. Goodwill

2023 and 2022

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

Information about the asset group or combination of asset groups in which goodwill is located is as follows:

	Composition and basis of the asset group or combination of asset groups	Consistent with prior years
Electric power processing group	Mainly composed of generator sets, the cash inflow generated is basically independent of the cash inflow generated by other assets or asset groups.	yes
Dock asset group	Mainly composed of dock asset groups, and the cash inflow generated is basically independent of the cash inflow generated by other assets or asset groups.	yes

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

14. Goodwill (Continued)

The recoverable amount is determined based on the present value of the future cash flows expected:

	Book value	Recoverable amount	Impairment amount	Years of the forecast period	Key parameters for the forecast period	Key parameters for the stabilization period	Of the key parameters of the stability period Determination basis
Electric power processing group	1,072,475,309.97	1,163,829,544.38	-	5	Gross margin: 7.73-8.33% Discount rate: 11.03%	Gross margin: 7.73% Perpetual growth: 0% Discount rate: 11.03%	Gross margin: in line with the last period of the forecast period; Perpetual growth rate: consistent with the revenue growth rate in the forecast period; Discount rate: a pre-tax discount rate that reflects the time value of the current market currency and the specific risks of the relevant asset group or sets of asset groups
Dock asset group	275,438,139.56	296,196,526.68	-	5	Gross margin: 35.57-39.35% Discount rate: 11.15%	Gross margin: 35.57% Perpetual growth: 0% Discount rate: 11.15%	Gross margin: in line with the last period of the forecast period; Perpetual growth rate: consistent with the revenue growth rate of the last period of the forecast period; Discount rate: a pre-tax discount rate that reflects the time value of the current market currency and the specific risks of the relevant asset group or sets of asset groups

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

14. Goodwill (Continued)

The following describes the key assumptions made when testing goodwill for impairment:

Asset group or combination of asset groups	Key assumptions
Electric power processing group/Dock asset group	
Revenue growth	– Based on asset group capacity and market demand.
Profit margin in the forecast period	– Based on the actual profit margin of comparable companies in the same region.
Perpetual growth rate	– Based on the company's maximum power generation/port throughput.
Discount rate	– The discount rate used is a pre-tax discount rate that reflects the time value of current market money and the specific risks of the relevant asset group or sets of asset groups.

15. Long-term prepaid expenses

2023

	Opening balance	Increase	Amortization	Other decreases	Closing balance
Leasehold improvements	237,486.45	–	(25,455.16)	(212,031.29)	–

2022

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

16. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities not offset:

	2023		2022	
	Deductible Temporary differences	Deferred Income tax assets	Deductible Temporary differences	Deferred Income tax assets
Deferred tax assets				
Deductible loss	3,147,458,881.73	472,118,832.26	1,369,644,252.14	205,446,638.51
Provision for impairment of assets	312,858,776.37	46,928,816.45	305,948,402.22	45,892,260.32
Post-employment and termination benefits	124,736,823.40	18,710,523.51	173,963,739.66	26,094,560.95
Deferred income	85,732,350.43	12,859,852.56	79,742,929.39	11,961,439.41
ECLs	2,477,273.25	371,590.99	3,827,273.25	574,090.99
Carbon emission quota gap	64,154,356.43	9,623,153.46	92,895,736.39	13,934,360.46
Reservoir migration support fund	25,525,177.47	3,828,776.62	38,528,095.69	5,779,214.35
Rural Network Loan Repayment	75,267,839.28	11,290,175.89	117,044,256.38	17,556,638.46
Changes in fair value of other equity investments	–	–	5,000,000.00	750,000.00
Lease liabilities	332,589,280.60	49,888,392.09	–	–
Total	4,170,800,758.96	625,620,113.83	2,186,594,685.12	327,989,203.45

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

16. Deferred tax assets/liabilities (Continued)

	2023		2022	
	Taxable temporary differences	Deferred Tax Liability	Taxable temporary differences	Deferred Tax Liability
Deferred Tax Liability				
Fair value adjustments arising from business combinations not involving entities under common control	39,659,700.40	5,948,955.06	42,870,217.58	6,430,532.64
Right-of-use assets	310,328,158.14	46,549,223.72	–	–
Total	349,987,858.54	52,498,178.78	42,870,217.58	6,430,532.64

Deferred tax assets and deferred tax liabilities are presented on a net basis after offsetting:

	2023		2022	
	Offset amount	Balance after offsetting	Offset amount	Balance after offsetting
Deferred tax assets	46,549,223.72	579,070,890.11	–	327,989,203.45
Deferred Tax Liability	46,549,223.72	5,948,955.06	–	6,430,532.64

There are no deductible temporary differences and deductible losses of unrecognized deferred income tax assets in 2023 (2022: Nil).

17. Other non-current assets

	2023	2022
Prepayments for construction	736,593.65	4,131,818.97

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

18. Assets with restricted ownership or use rights

2023

	Book value	Carrying amount	Limited type	Restricted circumstances
Cash and bank balances	103,633,978.75	103,633,978.75	Guarantee deposits, frozen	Guarantee deposits for bill; frozen
Receivables financing	111,002,724.47	111,002,724.47	Pledge, others	Pledged bills are used to issue bills Endorsed/discouted without derecognition
Property, plant and equipment	701,736,686.65	701,736,686.65	Mortgage	Mortgage loans, sale and leaseback
Intangible assets	280,926,827.98	280,926,827.98	Mortgage	Mortgage loans
Total	1,197,300,217.85	1,197,300,217.85		

2022

	Book value	Carrying amount	Limited type	Restricted circumstances
Cash and bank balances	57,742,846.62	57,742,846.62	Guarantee deposits	Guarantee deposits for bill and letter of credit
Receivables financing	100,119,944.03	100,119,944.03	Pledge	Pledged bills are used to issue bills
Property, plant and equipment	3,205,875,127.07	3,205,875,127.07	Mortgage	Mortgage loans, sale and leaseback
Intangible assets	289,098,468.82	289,098,468.82	Mortgage	Mortgage loans
Equity interest	837,609,884.19	837,609,884.19	Pledge	Pledged loans
Total	4,490,446,270.73	4,490,446,270.73		

The amortization amount of intangible assets used for mortgage in 2023 is RMB8,171,640.84 (2022: RMB8,171,640.84).

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

19. Short-term borrowings

	2023	2022
Credit loan	450,330,519.49	1,106,441,170.84

As of 31 December 2023, none of the short-term borrowings was overdue.

20. Notes payable

	2023	2022
Bank acceptance bills	1,069,151,861.76	609,367,940.00
Commercial acceptance bills	382,000,000.00	–
Letter of credit	487,149,543.95	–
Total	1,938,301,405.71	609,367,940.00

As of 31 December 2023, the Group had no notes payable due and unpaid (31 December 2022: Nil).

21. Trade payables

	2023	2022
Within 1 year	3,811,760,048.13	3,090,079,597.30
1-2 years	53,400,444.09	15,697,245.36
2-3 years	13,574,198.96	3,589,706.30
Over 3 years	8,042,447.25	6,600,079.26
Total	3,886,777,138.43	3,115,966,628.22

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

22. Contract liabilities

	2023	2022
Sales payment in advance	1,893,130,130.08	2,645,569,472.47

As of 31 December 2023, VAT portion of advance receipts of RMB241,402,787.45 (December 31, 2022: RMB343,924,031.42) are presented as other current liabilities.

23. Employee benefits payable

2023

	Opening balance	Increase	Decrease for the year	Closing balance
Short-term compensation	78,605,025.48	1,079,731,148.15	1,092,359,888.09	65,976,285.54
Post-employment benefits (defined contribution plan)	–	162,667,072.21	162,666,467.63	604.58
Termination benefits	66,300,284.58	78,257,674.56	84,815,001.37	59,742,957.77
Total	144,905,310.06	1,320,655,894.92	1,339,841,357.09	125,719,847.89

2022

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

23. Employee benefits payable (Continued)

Short-term compensation is as follows:

2023

	Opening balance	Increase	Decrease for the year	Closing balance
Salaries, bonuses, allowances and subsidies	19,945,754.67	782,895,328.96	793,769,631.63	9,071,452.00
Staff welfare	4,863,060.65	62,495,451.37	66,836,235.52	522,276.50
Social insurance	27,983.28	102,583,701.97	102,604,846.10	6,839.15
Including: Medical insurance	27,452.86	81,541,504.79	81,563,317.33	5,640.32
Work-related injury insurance	–	15,730,213.12	15,729,014.29	1,198.83
Other social insurance	530.42	5,311,984.06	5,312,514.48	–
Housing Fund	–	103,271,216.00	103,271,216.00	–
Labor union expenses and employee education expenses	53,768,226.88	28,485,449.85	25,877,958.84	56,375,717.89
Total	78,605,025.48	1,079,731,148.15	1,092,359,888.09	65,976,285.54

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

23. Employee benefits payable (Continued)

Short-term compensation is as follows: (continued)

2022

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

23. Employee benefits payable (Continued)

Details of the defined contribution plan are as follows:

2023

	Opening balance	Increase	Decrease for the year	Closing balance
Basic pension insurance	–	134,829,946.00	134,829,946.00	–
Unemployment insurance	–	4,205,556.97	4,204,952.39	604.58
Enterprise annuity	–	23,631,569.24	23,631,569.24	–
Total	–	162,667,072.21	162,666,467.63	604.58

2022

	Opening balance	Increase	Decrease for the year	Closing balance
Basic pension insurance	27,000.00	146,833,288.68	146,860,288.68	–
Unemployment insurance	–	4,585,728.87	4,585,728.87	–
Enterprise annuity	–	75,387,729.00	75,387,729.00	–
Total	27,000.00	226,806,746.55	226,833,746.55	–

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

24. Tax payable

	2023	2022
VAT	3,447,780.55	2,991,873.69
Environmental protection tax	8,021,524.17	11,153,956.22
Stamp duty	11,322,096.14	6,317,964.15
Other	5,509,585.67	2,510,558.69
Total	28,300,986.53	22,974,352.75

25. Other payables

	2023	2022
Other payables	3,046,874,537.02	2,720,896,934.96

	2023	2022
Project payment payable	2,687,947,832.85	2,282,843,320.26
Guarantee deposits	147,042,590.70	142,635,716.70
Rural network loan repayment	75,267,839.28	117,044,256.38
Carbon emission	64,154,356.43	92,895,736.39
Large and medium-sized reservoir resettlement support fund	25,525,177.47	38,528,095.69
Collected amount for another in disposal of leased assets	37,391,944.68	37,391,944.68
Others	9,544,795.61	9,557,864.86
Total	3,046,874,537.02	2,720,896,934.96

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

26. Current portion of non-current liabilities

	2023	2022
Long-term borrowings due within one year (Note V.27)	1,934,818,629.22	1,122,874,552.12
Bonds payable due within one year	–	519,866,226.35
Long-term payables due within one year (Note V.29)	168,832,047.30	579,961,111.96
Lease liabilities due within one year (Note V.28)	149,096,080.47	129,782,225.56
Total	2,252,746,756.99	2,352,484,115.99

27. Long-term borrowings

	2023	2022
Credit loans	4,689,544,423.21	3,271,948,975.05
Pledged loans	–	335,344,305.56
Mortgage loans	232,219,306.01	267,526,371.51
Less: Long-term borrowings due within one year (Note V.26)	1,934,818,629.22	1,122,874,552.12
Total	2,986,945,100.00	2,751,945,100.00

As of 31 December 2023, The annual interest rate of the above borrowings is 2.18% to 3.00% (31 December 2022: 2.40% to 3.7%).

As of 31 December 2023, No overdue long-term borrowings (31 December 2022: Nil).

As of at 31 December 2023, The Group obtained mortgage loans from banks with the net value of land use rights of RMB280,926,827.98 and houses and buildings of RMB91,849,285.05, totaling RMB232,219,306.01 (31 December 2022: The Group obtained mortgage loans from banks with net land use rights of RMB289,098,468.82 and houses and buildings of RMB94,398,773.70, totaling RMB267,526,371.51).

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

27. Long-term borrowings (Continued)

The maturity analysis of long-term borrowings is as follows:

	2023	2022
Due within 1 year	1,934,818,629.22	1,122,874,552.12
1 to 2 years	2,515,000,000.00	335,000,000.00
2 to 5 years	471,945,100.00	2,416,945,100.00
Total	4,921,763,729.22	3,874,819,652.12

28. Lease liabilities

	2023	2022
Opening balance	408,135,050.59	532,031,697.09
Increase	53,862,113.58	–
Interest	16,609,815.51	22,121,052.58
Payment	146,017,699.08	146,017,699.08
	332,589,280.60	408,135,050.59
Less: Current portion of lease liabilities (<i>Note V.26</i>)	149,096,080.47	129,782,225.56
Closing balance	183,493,200.13	278,352,825.03

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

28. Lease liabilities (Continued)

The maturity analysis of lease liabilities is as follows:

	2023	2022
Within 1 year	149,096,080.47	129,782,225.56
1 to 2 years	152,948,241.46	135,947,393.55
2 to 5 years	30,544,958.67	142,405,431.48
Total	332,589,280.60	408,135,050.59

29. Long-term payables

	2023	2022
Long-term payables	476,611,214.39	2,310,638,571.68
Due within 1 year (Note V.26)	168,832,047.30	579,961,111.96
Total	307,779,167.09	1,730,677,459.72

	2023	2022
Sale and leaseback	307,779,167.09	1,730,677,459.72

As of 31 December 2023, no overdue long-term payables (31 December 2022: Nil).

The Group engages in leaseback business with leasing companies, as of 31 December 2023, the Group engaged machinery and equipment with a carrying amount of RMB609,887,401.60 for such business, with a lease term of 5 years. As of 31 December 2023, the balance of sale and leaseback payables was RMB476,611,214.39 (31 December 2022: Machinery and other equipment with book value of RMB3,111,476,353.37 were engaged, and the balance of sale and leaseback payables was RMB2,310,638,571.68).

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

29. Long-term payables (Continued)

Maturity analysis of long-term payables is as follows:

	2023	2022
Due within 1 year	168,832,047.30	579,961,111.96
1 to 2 years	166,719,603.56	676,520,539.04
2 to 5 years	141,059,563.53	1,054,156,920.68
Total	476,611,214.39	2,310,638,571.68

30. Long-term employee benefits payable

2023

	Opening balance	Provision/ reversal for the year	Less: Due within one year	Closing balance
Termination benefits	96,918,320.79	35,307,893.76	77,811,730.57	54,414,483.98
Net defined benefit plan liabilities	10,745,134.29	280,191.35	445,943.99	10,579,381.65
Total	107,663,455.08	35,588,085.11	78,257,674.56	64,993,865.63

2022

	Opening balance	Provision/ reversal for the year	Less: Due within one year	Closing balance
Termination benefits	97,816,625.22	85,364,892.65	86,263,197.08	96,918,320.79
Net defined benefit plan liabilities	47,160,712.53	(35,974,208.51)	441,369.73	10,745,134.29
Total	144,977,337.75	49,390,684.14	86,704,566.81	107,663,455.08

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

30. Long-term employee benefits payable (Continued)

Changes in the present value of defined benefit plan obligations are as follows:

	2023	2022
Opening balance	10,745,134.29	47,160,712.53
Recognized in profit or loss		
Current service cost	(54,400.04)	(37,966,601.30)
Net interest	334,591.39	407,198.08
Included in other comprehensive income	–	1,585,194.71
Other changes		
Post employment benefits due within one year	(445,943.99)	(441,369.73)
Closing balance	10,579,381.65	10,745,134.29

Termination benefits

In order to optimize human resources, the Group has implemented an internal retirement plan to handle early retirement procedures for qualified employees. During the early retirement period, the Group pays living expenses to the early retired employees, and pays various social insurance and housing fund for the relevant employees until they reach the official retirement age (male: 60 years old, female: 50 years old or 55 years old). The payment amount of each social insurance and housing provident fund shall be determined according to the payment base and the payment ratio, and the payment ratio of enterprises shall be determined according to the local social insurance payment policy. The Group calculates the monthly early retirement living expenses payable to employees participating in the internal retirement plan in accordance with the living expenses calculation standard of the internal retirement plan formulated by the Group, and makes provision for and pays five insurances and one fund to these employees in accordance with the local social insurance regulations. The present value of the termination benefit liabilities is determined by the expected cumulative welfare unit method. 2023 In 2017, the Group adopted the management measures for early retirement of the previous year, adding 138 new early retirees (2022: 204).

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

30. Long-term employee benefits payable (Continued)

Termination benefits (Continued)

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

	2023	2022
Discount rate	2.20%	2.40%
Retirement age		
Male	60	60
Female	50/55	50/55
Benefits increase rate	4.00-8.00%	4.00-8.00%

The Group adjusted the payment obligations based on the average mortality rate of Chinese residents determined by the “China Life Insurance Industry Experience Life Table (2010–2013)”, and included the future payment obligation generated by the adjusted internal retirement plan into the current profit and loss after being discounted at the interest rate of national debt for the same period as of 31 December 2023. As of 31 December 2023, the liabilities expected to be paid within 12 months are classified to the short-term employee compensation payable.

Net liabilities of defined benefit plan

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

30. Long-term employee benefits payable (Continued)

Net liabilities of defined benefit plan (Continued)

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

	2023	2022
Discount rate	2.75%	3.05%
Resignation rate	1.50%	1.50%

The Group adjusted the payment obligations based on the average mortality rate of Chinese residents determined by the “China Life Insurance Industry Experience Life Table (2010–2013)”, and included the future payment obligation generated by the adjusted internal retirement plan into the current profit and loss after being discounted at the interest rate of national debt for the same period as of 31 December 2023.

The quantitative sensitivity analysis for significant assumptions used is as follows:

2023

	Increase %	Defined benefit plan Increase/ (decrease) in obligations	Decrease %	Defined benefit plan Increase/ (decrease) in obligations
Discount rate	0.50	(1,836,743.27)	0.50	1,978,457.76
Resignation rate	0.50	(23,068.35)	0.50	23,585.72
Death rate	5.00	(148,699.07)	5.00	156,066.40

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

30. Long-term employee benefits payable (Continued)

Net liabilities of defined benefit plan (Continued)

2022

	Increase %	Defined benefit plan Increase/ (decrease) in obligations	Decrease %	Defined benefit plan Increase/ (decrease) in obligations
Discount rate	0.50	(2,768,291.00)	0.50	2,961,435.70
Resignation rate	0.50	(33,017.93)	0.50	33,844.34
Death rate	5.00	(163,917.85)	5.00	170,902.32

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the balance sheet date. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognized in profit or loss in respect of the plan are as follows:

	2023	2022
Current service cost	(54,400.04)	(37,966,601.30)
Net interest expense	334,591.39	407,198.08
Net cost of post-employment benefits	280,191.35	(37,559,403.22)
Charged to cost of sales	–	(30,038,101.91)
Charged to distribution and selling expenses	–	(984,855.80)
Charged to administrative expenses	(54,400.04)	(6,943,643.59)
Charged to finance expenses	334,591.39	407,198.08
Closing balance	280,191.35	(37,559,403.22)

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

31. Provisions

Onerous contracts to be executed	Opening balance	Increase	Decrease	Closing balance
2023	5,540,444.09	–	1,313,461.33	4,226,982.76
2022	–	5,540,444.09	–	5,540,444.09

32. Deferred income

2023

	Opening balance	Increase	Decrease	Closing balance
Special appropriation for environmental governance	54,055,429.39	7,500,000.00	4,110,578.96	57,444,850.43
Subsidies for waste heat power generation projects	25,687,500.00	–	2,250,000.00	23,437,500.00
Construction of intelligent operation and control platform	–	5,000,000.00	150,000.00	4,850,000.00
Total	79,742,929.39	12,500,000.00	6,510,578.96	85,732,350.43

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

32. Deferred income (Continued)

2022

	Opening balance	Increase	Decrease	Closing balance
Special appropriation for environmental governance	28,965,083.91	28,209,400.00	3,119,054.52	54,055,429.39
Subsidies for waste heat power generation projects	27,937,500.00	–	2,250,000.00	25,687,500.00
Total	56,902,583.91	28,209,400.00	5,369,054.52	79,742,929.39

33. Share capital

2023 and 2022

	Opening balance	New shares issued	Movements during the year			Subtotal	Closing balance
			Bonus issue	Reserve transferred to shares	other		
Non-restricted shares							
A Shares	8,380,475,067.00	–	–	–	–	–	8,380,475,067.00
H Shares	538,127,200.00	–	–	–	–	–	538,127,200.00
Total	8,918,602,267.00	–	–	–	–	–	8,918,602,267.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

34. Capital reserve

2023 and 2022

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

35. Other comprehensive income

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

2023

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

2022

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

35. Other comprehensive income (Continued)

Amount of other comprehensive income:

2023

	Before tax	Less: Transferred from other comprehensive income in the prior period to profit or loss	Less: Transferred from other comprehensive income in the prior period to retained earnings	Less: Income tax	Attributable to shareholders
Other comprehensive income that cannot be reclassified into profit or loss					
Changes in fair value of other equity investments	1,000,038.88	-	(3,999,961.12)	750,000.00	4,250,000.00

2022

	Before tax	Less: Transferred from other comprehensive income in the prior period to profit or loss	Less: Transferred from other comprehensive income in the prior period to retained earnings	Less: Income tax	Attributable to shareholders
Other comprehensive income that cannot be reclassified into profit or loss					
Changes from remeasurement of defined benefit plans	1,585,194.71	-	-	-	1,585,194.71
Changes in fair value of other equity investments	(5,000,000.00)	-	-	(750,000.00)	(4,250,000.00)
Total	(3,414,805.29)	-	-	(750,000.00)	(2,664,805.29)

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

36. Special reserves

Safety fund	Opening balance	Increase	Decrease	Closing balance
2023	7,374,566.33	69,531,928.45	62,951,817.19	13,954,677.59
2022	18,593,416.55	55,971,177.10	67,190,027.32	7,374,566.33

The special reserve is the work safety expenses accrued by the Group in accordance with the Administrative Measures for the Withdrawal and Use of Work Safety Expenses of Enterprises (Cai Zi [2022] No.136) issued by the Ministry of Finance and the Ministry of Emergency Response on November 21, 2022.

37. Surplus reserves

2023

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	606,990,553.42	310,108.98	–	607,300,662.40

2022

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	606,990,553.42	–	–	606,990,553.42

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

38. Accumulated losses

	2023	2022
Opening balance	(7,470,531,487.65)	(6,451,122,133.31)
Add: Net profit/(loss) attributable to shareholders of the parent company	(1,494,416,898.53)	(1,019,409,354.34)
Other comprehensive income carried forward to retained profits	(3,999,961.12)	–
Less: Appropriation to statutory surplus reserve	310,108.98	–
Balance at end of the current year	(8,969,258,456.28)	(7,470,531,487.65)

39. Revenue and cost of sales

	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	39,030,450,587.35	39,740,404,299.79	36,273,788,361.37	36,354,477,662.44
Revenue from other operations	287,691,894.74	262,008,770.55	287,742,847.86	237,911,588.93
Total	39,318,142,482.09	40,002,413,070.34	36,561,531,209.23	36,592,389,251.37

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

39. Revenue and cost of sales (Continued)

Disaggregation of revenue from contracts with customers are as follows:

2023

Main product type	Steel and billet	Others	Total
Hot rolled sheets	17,998,353,506.20	–	17,998,353,506.20
Plates	9,604,212,266.49	–	9,604,212,266.49
Bars	7,220,599,445.86	–	7,220,599,445.86
Wire rod	1,371,769,590.28	–	1,371,769,590.28
Billets	1,239,556,287.42	–	1,239,556,287.42
Others	–	1,883,651,385.84	1,883,651,385.84
Total	37,434,491,096.25	1,883,651,385.84	39,318,142,482.09

2022

Main product type	Steel and billet	Others	Total
Hot rolled sheets	17,256,980,356.18	–	17,256,980,356.18
Plates	11,202,787,107.15	–	11,202,787,107.15
Bars	4,488,879,402.27	–	4,488,879,402.27
Wire rod	931,024,554.70	–	931,024,554.70
Billets	52,304,809.69	–	52,304,809.69
Others	–	2,629,554,979.24	2,629,554,979.24
Total	33,931,976,229.99	2,629,554,979.24	36,561,531,209.23

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

39. Revenue and cost of sales (Continued)

	2023	2022
Timing of transferring of goods or services		
At a point in time	38,699,120,858.72	36,088,133,473.43
Over time	619,021,623.37	473,397,735.80
Total	39,318,142,482.09	36,561,531,209.23

Breakdown of operating costs for the year is as follows:

Main product type	Steel and billet	Others	Total
Hot rolled sheets	18,053,962,435.53	–	18,053,962,435.53
Plates	9,626,647,229.55	–	9,626,647,229.55
Bars	7,697,630,740.84	–	7,697,630,740.84
Wire rod	1,532,589,440.86	–	1,532,589,440.86
Billets	1,291,007,423.14	–	1,291,007,423.14
Others	–	1,800,575,800.42	1,800,575,800.42
Total	38,201,837,269.92	1,800,575,800.42	40,002,413,070.34

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

39. Revenue and cost of sales (Continued)

	2023
Timing of transferring of goods or services	
At a point in time	39,428,533,771.58
Over time	573,879,298.76
Total	40,002,413,070.34

Revenue recognized during the year included in the carrying amount of contract liabilities at the beginning of the year is as follows:

	2023	2022
Sales payment in advance	2,645,569,472.47	2,185,095,400.45

Information about the Group's performance obligations is as follows:

	Timing of performance obligations	Significant payment terms	Nature of promised transfer of goods	Whether it is the main responsible person
Sales of steel products and billets	At Delivery	Advance receipts	Sales of goods	yes
Sales of energy	Via valve, port	Monthly Settlement Next Month Collection	Sales of energy	yes
Transportation services	When providing services	Advance receipts	Service	yes
Mineral trading	At Delivery	Advance receipts	Trade	yes
Transfer of energy	Via valve, port	Monthly Settlement Next Month Collection	Trade	no

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

39. Revenue and cost of sales (Continued)

For sales of goods, the Group completes the performance obligation when the customer obtains control of the relevant goods; For service-providing transactions, the Group recognizes the completed performance obligation based on the progress of performance throughout the service period. For steel products, customers usually need to receive payment in advance, and the main customers also provide a 30-day credit period. For customers of other products, the Group's contract price is generally due within 30 days after delivery of the products, and there is no significant financing component; Some of the Group's contracts with customers have sales rebates (future price reductions based on cumulative sales volume), which form variable consideration. The Group determines the best estimate of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the amount at which it is highly probable that there will be no significant reversal in the cumulative revenue recognized when the relevant uncertainty is eliminated.

At the end of the year, the estimated timing of revenue recognition for performance obligations that have been entered into but have not yet been fulfilled or completed is as follows:

	2023	2022
Within 1 year	1,893,130,130.08	2,645,569,472.47

40. Taxes and surcharges

	2023	2022
Land use tax	48,859,805.61	44,129,840.94
Property tax	34,280,096.45	34,283,862.68
Environmental protection tax	31,036,497.02	41,747,579.40
Stamp tax	29,631,963.54	20,946,103.16
City maintenance and construction tax	16,171,996.61	4,161,383.22
Education surcharge	6,930,855.69	1,783,449.96
Local education surcharge	4,620,570.45	1,188,966.63
Others	23,726.22	24,251.34
Total	171,555,511.59	148,265,437.33

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

41. Distribution and selling expenses

	2023	2022
Transportation expenses	25,768,516.67	21,002,649.26
Labor costs	26,412,831.48	31,095,646.57
Depreciation and amortization	3,265,753.10	2,302,418.81
Others	20,356,708.39	19,803,547.92
Total	75,803,809.64	74,204,262.56

42. General and administrative expenses

	2023	2022
Labor Cost	141,071,033.96	143,681,482.43
Depreciation and amortization	79,580,914.25	94,036,512.99
Consulting and services expenses	18,226,428.76	20,811,299.52
Termination benefits	35,307,893.76	85,364,892.65
Environmental protection fee	5,210,962.66	18,795,517.87
Service fee	12,276,389.06	12,350,450.10
Maintenance expenses	9,682,483.49	11,804,491.73
Auditors' fee (<i>Note</i>)	2,697,424.79	3,100,000.00
Rental	361,833.43	1,096,356.04
Safety expense	5,160,795.29	(2,463,153.24)
Others	25,410,181.15	29,713,374.96
Total	334,986,340.60	418,291,225.05

Note: The amount of auditor's remuneration including tax for 2023 is RMB2,880,000.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

43. Research and development expenses

	2023	2022
Labor costs	28,349,953.58	19,351,151.95
Raw materials	30,000.00	314,127.10
External assistance	3,568,602.44	5,098,425.02
Total	31,948,556.02	24,763,704.07

In accordance with Accounting Standard for Business Enterprises Interpretation No.15, the Group accounts for revenue and costs related to trial operation sales respectively.

In 2023, the total amount of research and development investment approved by the Group was RMB1,453,700,484.75, of which RMB31,948,556.02 was included in research and development expenses. During the research and development process, trial products were sold, and the corresponding cost and expenditure of RMB1,421,751,928.73 was included in costs of sales.

44. Financial expenses

	2023	2022
Interest expense	269,087,497.95	302,774,461.79
Less: Interest income	47,286,994.74	58,831,730.38
Less: Capitalized amount of interest	667,745.75	5,416,739.18
Net exchange gain/(loss)	13,087,949.84	110,837,582.49
Others	8,058,277.40	9,541,185.17
Total	242,278,984.70	358,904,759.89

Capitalized borrowing costs have been included in construction in progress.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

45. Other income

	2023	2022
Government grants related to the ordinary course of business	59,935,721.46	96,402,921.87

46. Investment income

	2023	2022
Investment income recognized through equity method	6,611,137.98	8,586,343.64
Dividend income from other equity instrument investments still held during the holding period	696,646.78	–
Investment income from disposal of other debt investments	73,105.63	–
Investment income of held-for-trading financial assets during the holding period	–	24,083,835.65
Total	7,380,890.39	32,670,179.29

47. Credit impairment losses

	2023	2022
Loss from impairment of trade receivables	–	(46,070.00)
Loss from impairment of other receivables	–	9,529,661.39
Total	–	9,483,591.39

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

48. Impairment losses on assets

	2023	2022
Loss from write-down of inventories	(188,227,237.22)	(142,067,098.46)
Loss from impairment of PPE	(115,099,462.33)	(108,630,735.28)
Total	(303,326,699.55)	(250,697,833.74)

49. Gain/(loss) on disposal of items of property, plant and equipment

	2023	2022
Gains or losses on disposal of PPE	12,625,015.26	1,675,134.36

50. Non-operating income

	2023	2022	Amount included in non-recurring profit or loss
Incomes from fines	4,969,341.56	167,000.02	4,969,341.56
Others	2,547,034.15	2,355,782.82	2,547,034.15
Total	7,516,375.71	2,522,782.84	7,516,375.71

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

51. Non-operating expenses

	2023	2022	Amount included in non-recurring profit or loss
Carbon emission	(24,070,677.69)	28,380,265.49	–
Losses from disposal of non-current assets	8,125,407.66	8,477,671.21	8,125,407.66
Fines	2,794,819.66	1,004,667.92	2,794,819.66
Others	696,596.61	801,868.27	696,596.61
Total	(12,453,853.76)	38,664,472.89	11,616,823.93

52. Income tax expense/(credit)

	2023	2022
Current	2,471,529.00	2,533,282.68
Deferred	(252,313,264.24)	(185,019,056.26)
Total	(249,841,735.24)	(182,485,773.58)

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

52. Income tax expense/(credit) (Continued)

The reconciliation between income tax expense/(credit) and total profit/(loss) is as follows:

	2023	2022
Total profit/(loss)	(1,744,258,633.77)	(1,201,895,127.92)
Tax rate	15%	15%
Income tax expense at applicable tax rate (<i>Note</i>)	(261,638,795.07)	(180,284,269.19)
Effect of different tax rates applied to subsidiaries	(470,046.53)	(3,954,769.60)
Effect of non-deductible costs, expenses and losses	17,803,178.96	10,058,534.64
Other tax concessions	(4,439,904.89)	(3,062,548.28)
Effect of non-taxable income	(1,096,167.71)	(5,242,721.15)
Income tax expense/(credit)	(249,841,735.24)	(182,485,773.58)

Note: The Group's income tax is calculated based on the estimated taxable income obtained in Chinese mainland and the applicable tax rate.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

53. Earnings/(loss) per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

The Group has no dilutive potential ordinary shares.

	2023 <i>RMB per share</i>	2022 <i>RMB per share</i>
Basic earnings/(loss) per share Continuing operations	(0.17)	(0.11)

Basic earnings/(loss) per share is calculated as follows:

	2023	2022
Earnings/(loss) Profit/(loss) attributable to ordinary shareholders of the Company (<i>RMB</i>) Continuing operations (<i>RMB</i>)	(1,494,416,898.53)	(1,019,409,354.34)
Number of shares Weighted average number of ordinary shares outstanding (<i>Note</i>)	8,918,602,267.00	8,918,602,267.00

Note: No events occurred between the balance sheet date and the date of approval of the financial statements, which resulted in changes in the number of ordinary shares issued or potential ordinary shares on the balance sheet date.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

54. Notes to items of the consolidated cash flow statement

(1) Cash related to operating activities

	2023	2022
Cash received relating to other operating activities		
Refund of income tax prepaid received	130,620,704.20	–
Interest income	47,286,994.74	58,831,730.38
Government grants	25,936,235.07	57,470,782.35
Transaction intercourse	15,666,803.19	51,802,758.51
Guarantees and deposits	4,683,998.72	29,757,042.66
Total	224,194,735.92	197,862,313.90
Cash payments relating to other operating activities		
General and administrative expenses	76,598,513.14	95,208,336.98
Distribution and selling expenses	45,600,052.39	34,979,821.88
Transaction intercourse paid	8,315,767.84	68,287,855.74
Carbon emission fee paid	4,086,703.79	67,299,892.37
Others	13,363,978.87	18,373,801.40
Total	147,965,016.03	284,149,708.37

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

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

(2) Cash related to financing activities

	2023	2022
Cash payments relating to other financing activities		
Leaseback paid	1,818,333,333.66	690,546,272.42
Lease rent paid	148,764,526.44	142,878,947.06
Total	1,967,097,860.10	833,425,219.48

Changes in liabilities arising from financing activities are as follows:

	Opening balance	Increase		Decrease		Closing balance
		Change in cash	Non-cash changes	Change in cash	Non-cash changes	
Short-term borrowings	1,106,441,170.84	450,118,019.46	16,692,387.14	1,122,921,057.95	-	450,330,519.49
Lease liabilities	408,135,050.59	-	89,454,230.01	165,000,000.00	-	332,589,280.60
Bonds payable	519,866,226.35	-	4,154,365.00	524,020,591.35	-	-
Long-term borrowings	3,874,819,652.12	2,000,000,000.00	118,880,385.26	1,071,936,308.16	-	4,921,763,729.22
Long-term payables	2,310,638,571.68	-	59,345,000.19	1,893,372,357.48	-	476,611,214.39
Total	8,219,900,671.58	2,450,118,019.46	288,526,367.60	4,777,250,314.94	-	6,181,294,743.70

(3) Significant activities not involving current cash receipts and payments

	2023	2022
Notes transferred by endorsement	4,080,436,049.97	3,795,423,410.11
Including: Payment for goods and service fee	3,478,117,522.32	3,186,864,151.26
Payment for equipment and works	602,318,527.65	608,559,258.85

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

55. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Reconciliation of net profit/(loss) to cash flows from operating activities:

	2023	2022
Net profit/(loss)	(1,494,416,898.53)	(1,019,409,354.34)
Add: Impairment losses on assets	303,326,699.55	250,697,833.74
Credit impairment losses	—	(9,483,591.39)
Depreciation of property, plant and equipment	1,488,704,749.84	1,270,230,016.49
Depreciation of right-of-use assets	132,272,681.20	129,579,575.53
Amortization of intangible assets	73,300,861.09	70,523,112.81
Amortization of long-term deferred expenses	25,455.16	33,926.88
Amortization of deferred income	(6,510,578.96)	(2,369,054.52)
Loss/(gain) on disposal of property, plant and equipment, intangible assets and other long-term assets	(12,625,015.26)	(1,675,134.36)
Loss/(gain) on retirement of long-term assets	8,125,407.66	8,477,671.21
Financial expenses	215,681,953.14	280,603,832.21
Investment losses/(gains)	(7,380,890.39)	(32,670,179.29)
Decrease/(increase) in deferred tax assets	(251,831,686.66)	(184,671,279.57)
Increase/(decrease) in deferred tax liabilities	(481,577.58)	(347,776.69)
Decrease/(increase) in inventories	(217,127,062.36)	1,105,374,239.99
Decrease/(increase) in operating receivables	(217,351,954.84)	495,617,924.35
Increase/(decrease) in operating payables	1,001,746,296.89	(879,205,854.00)
Others	6,580,111.26	(11,218,850.22)
Net cash flows from operating activities	1,022,038,551.21	1,470,087,058.83

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

55. Supplementary information to the statement of cash flows (Continued)

(1) Supplementary information to the statement of cash flows (Continued)

Net change in cash and cash equivalents:

	2023	2022
Closing balance of cash	1,831,764,477.16	3,937,932,833.28
Less: Opening balance of cash	3,937,932,833.28	5,832,238,132.54
Net increase in cash and cash equivalents	(2,106,168,356.12)	(1,894,305,299.26)

(2) Components of cash and cash equivalents:

	2023	2022
Cash	1,831,764,477.16	3,937,932,833.28
Including: Cash on hand	—	—
Bank deposits and deposits with finance companies that are readily available for payment	1,831,764,477.16	3,937,932,833.28
Closing balance of cash and cash equivalents	1,831,764,477.16	3,937,932,833.28

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

56. Foreign currency monetary items

	2023			2022		
	Original currency	Change in USD rate	Translated into RMB	Original currency	Change in USD rate	Translated into RMB
Cash and bank balances						
Dollar	13,907,192.43	7.0827	98,500,471.82	9,209,779.74	6.9646	64,142,431.98
HKD	-	0.9062	-	6,113.97	0.8933	5,461.61
			98,500,471.82			64,147,893.59

57. Lease

(1) As lessee

	2023	2022
Lease liability interest expense	16,609,815.51	22,121,052.94
Short-term lease expenses through profit or loss	4,927,325.28	2,878,302.09
Subject to simplified treatment	165,000,000.00	165,000,000.00
Cash outflow from sale and leaseback transactions	1,818,333,333.66	690,546,272.10

Other lease information

For right-of-use assets, refer to Note V.12; Refer to Note V.28 for lease liabilities.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

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

57. Lease (Continued)

(2) As lessor

The Group leases part of its houses and buildings, machinery and equipment and other equipment for a lease term of 1 to 5 years, forming an operating lease.

Operating leases

Profit or loss relating to operating leases is presented as follows:

	2023	2022
Lease income	41,807,240.60	300,268.39

Based on the lease contract with the lessee, the undiscounted minimum lease receipts are as follows:

	2023	2022
Within 1 year	3,554,551.80	660,440.71
1 – 2 year (<i>Within 2 year</i>)	75,929.20	291,048.36
2 – 3 year (<i>Within 3 year</i>)	–	75,929.20
Total	3,630,481.00	1,027,418.27

For property, plant and equipment leased out under operating leases, refer to Note V.10.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VI INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

The Company's subsidiaries are as follows:

	Principal place of business	Place of registration	Nature of business	registered capital	Shareholding ratio (%)	
					direct	indirect
Subsidiaries acquired through business combinations not under common control						
Chongqing Iron & Steel Energy	Chongqing Changshou Economic Development Zone	Chongqing Changshou Economic Development Zone	Power production and sales	525,694,938.14	100.00	-
Xingang Changlong	Chongqing Changshou Economic Development Zone	Chongqing Changshou Economic Development Zone	Transportation and warehousing	110,000,000.00	100.00	-

On 31 December 2023, there was no subsidiary with non-controlling interests that are material to the Group.

2. Interests in associates

	Principal place of business	Place of registration	Nature of business	registered capital	Shareholding ratio (%)		Accounting treatment
					direct	indirect	
Associates							
Baocheng Carbon [Note 1]	Changshou District, Chongqing	Changshou District, Chongqing	manufacturing industry	33,333,000.00	10.00	-	Equity method
Baowu Raw Material [Note 2]	Shanghai Free Trade Zone	Shanghai Free Trade Zone	Trade	500,000,000.00	8.00	-	Equity method
Baowu Environmental Resource [Note 3]	Changshou District, Chongqing	Changshou District, Chongqing	manufacturing industry	100,000,000.00	49.00	-	Equity method
Baowu Jingcheng [Note 4]	Zhoushan, Zhejiang Province	Zhoushan, Zhejiang Province	manufacturing industry	180,000,000.00	19.00	-	Equity method

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VI INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates (Continued)

Note 1: The Company holds 10% equity of Baocheng Carbon Material, and dispatched one director to the board of directors of Baocheng Carbon Material, which has substantive decision-making rights and has a significant impact on Baocheng Carbon.

Note 2: The Company holds an 8% equity interest in Baowu Raw Material, and sends one director to the board of directors of Baowu Raw Material, which has a substantial right to participate in decision-making and has a significant impact on Baowu Raw Material.

Note 3: The Company holds 49% of the equity of Baowu Environmental Resource. According to the Articles of Association, resolutions on matters discussed at the shareholders' meeting must be passed by shareholders representing more than half of the voting rights. Therefore, the Company only has a significant impact on Baowu Environmental Resource, which is accounted for as an associate.

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

The following table presents the consolidated financial information of the Group's associates:

	2023	2022
Associates		
Carrying amount of investment	110,934,705.02	111,123,058.00
Total amount calculated by shareholding ratio as follows	6,611,137.98	8,586,343.64
Net profit	6,611,137.98	8,586,343.64
Other comprehensive income	—	—
Total comprehensive income	—	—

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VII GOVERNMENT GRANTS

As of 31 December 2023, the balance of government grants receivable included in other receivables was RMB2,110,681.66.

As of 31 December 2023, liabilities related to government grants are as follows:

	Opening balance	Increase	Included in the current year Other income	Current year Other changes	Closing balance	Related to assets/income
Special appropriation for environmental governance	54,055,429.39	7,500,000.00	(4,110,578.96)	–	57,444,850.43	Asset-related
Subsidies for waste heat power generation projects	25,687,500.00	–	(2,250,000.00)	–	23,437,500.00	Asset-related
Construction of intelligent operation and control platform	–	5,000,000.00	(150,000.00)	–	4,850,000.00	Asset-related
Total	79,742,929.39	12,500,000.00	(6,510,578.96)	–	85,732,350.43	

As of 31 December 2022, liabilities related to government grants are as follows:

	Opening balance	Increase	Included in the current year Other income	Current year Other changes	Closing balance	Related to assets/income
Special appropriation for environmental governance	28,965,083.91	28,209,400.00	(119,054.52)	(3,000,000.00)	54,055,429.39	Asset-related
Subsidies for waste heat power generation projects	27,937,500.00	–	(2,250,000.00)	–	25,687,500.00	Asset-related
Total	56,902,583.91	28,209,400.00	(2,369,054.52)	(3,000,000.00)	79,742,929.39	

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VII GOVERNMENT GRANTS (CONTINUED)

Government grants recognized in profit or loss are follows:

	2023	2022
Government grants related to assets		
Included in other income	6,510,578.96	2,369,054.52
Grants related to income		
Included in other income	53,425,142.50	94,033,867.35
Total	59,935,721.46	96,402,921.87

VIII FINANCIAL INSTRUMENTS AND RISKS

1. Financial instruments by category

As of 31 December 2023, the total amount of financial assets measured at fair value through other comprehensive income was RMB692,693,598.18 (31 December 2022: RMB799,686,555.46), mainly listed in receivables financing and other equity instrument investments; Financial assets measured at amortized cost totaled RMB1,985,768,039.42 (31 December 2022: RMB4,069,311,109.92), mainly presented in monetary funds, trade receivables and other receivables; Financial liabilities measured at amortized cost totaled RMB15,053,247,824.86 (31 December 2022: RMB14,666,132,174.76), mainly presented in short-term borrowings, notes payable, accounts payable, other payables, non-current liabilities due within one year, long-term borrowings, lease liabilities and long-term payables.

2. Risks of financial instruments

The Group is exposed to various financial instruments in its daily activities, mainly including credit risk, liquidity risk and market risk. The Group's risk management policies are outlined below.

The Board is responsible for planning and establishing the Group's risk management structure, formulating the Group's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Group has established risk management policies to identify and analyze the risks faced by the Group. These risk management policies specify specific risks and cover market risk, credit risk and liquidity risk management. The Group regularly assesses changes in the market environment and the Group's operating activities to determine whether to update risk management policies and systems. The risk management of the Group is managed by the Board of Directors. The Board of Directors identifies, evaluates and mitigates risks through close cooperation with other business units of the Group. The internal audit department of the Group reviews risk management controls and procedures on a regular basis and reports the results to the audit committee of the Group.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VIII FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

2. Risks of financial instruments (Continued)

The Group diversifies the risk of financial instruments through appropriate diversified investments and business portfolios, and reduces the risk of concentration in any single industry, specific region or specific counterparty by formulating corresponding risk management policies.

Credit risk

The Group only deals with recognized and reputable third parties. In accordance with the Group's policy, a credit review is required for all customers who require credit transactions. In addition, the Group continuously monitors the balance of trade receivables to ensure that the Group is not exposed to significant bad debt risk.

As the counterparties of monetary funds and bank acceptance bills receivable are banks with good reputation and high credit rating, these financial instruments have low credit risk.

Other financial assets of the Group include commercial acceptance bills receivable, trade receivables, other equity instrument investments and other receivables. The credit risk of these financial assets arises from the default of counterparties, and the maximum risk exposure is equal to the book value of these instruments.

The Group's maximum exposure to credit risk at each balance sheet date is the total amount charged to customers less Bad debt provision s.

As the Group only deals with recognized and reputable third parties, no collateral is required. Credit risk is centrally managed by customer and industry. At the balance sheet date, the Group has a specific concentration of credit risk and trade receivables of 90% of the Group(December 31, 2022: 80%) from the top five trade receivables balance customers. The Group does not hold any collateral or other credit enhancements on the balance of trade receivables.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VIII FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

2. Risks of financial instruments (Continued)

Determination of significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group's main criteria for determining significant increase in credit risk are that the overdue days exceed 30 days, or one or more of the following indicators have changed significantly: the operating environment of the debtor, internal and external credit ratings, actual or expected operating results have changed significantly.

Definition of credit-impaired financial assets

The Group's main criterion for determining that credit impairment has occurred is that the number of days past due exceeds 90 days. However, in some cases, if internal or external information indicates that the contract amount may not be recovered in full before considering any credit enhancements held, the Group will also consider that credit impairment has occurred.

Credit impairment of financial assets may be caused by the combined action of multiple events, but may not be caused by separately identifiable events.

As of 31 December 2023, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

	12-month expected credit losses		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
Cash and bank balance	1,935,398,455.91	-	-	-	-	1,935,398,455.91
Trade receivables	-	-	-	-	31,738,789.35	31,738,789.35
Receivables financing	632,329,098.48	-	-	-	-	632,329,098.48
Other receivables	18,304,067.04	1,866,774.57	937,225.80	-	-	21,108,067.41
Total	2,586,031,621.43	1,866,774.57	937,225.80	31,738,789.35	-	2,620,574,411.15

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VIII FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

2. Financial instrument risk (continued)

As of 31 December 2022, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

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

Liquidity risk

The Group's objective is to use a variety of financing instruments to maintain a balance between continuity and flexibility of financing. The Group finances its operations through operating and borrowing funds.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VIII FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

2. Financial instrument risk (Continued)

Liquidity risk (Continued)

The following table summarizes the maturity analysis of financial liabilities based on undiscounted contractual cash flows:

2023

	Book value	Undiscounted contract amount	Within 1 year	1-2 years	2-5 years
Short-term borrowings	450,330,519.49	457,799,027.78	457,799,027.78	-	-
Notes payable	1,938,301,405.71	1,938,301,405.71	1,938,301,405.71	-	-
Trade payables	3,886,777,138.43	3,886,777,138.43	3,886,777,138.43	-	-
Other payables	3,046,874,537.02	3,046,874,537.02	3,046,874,537.02	-	-
Non-current liabilities due within one year	2,252,746,756.99	2,297,990,367.65	2,297,990,367.65	-	-
Long-term borrowings	2,986,945,100.00	3,130,253,631.45	81,504,183.40	2,569,756,672.05	478,992,776.00
Lease liabilities	183,493,200.13	200,151,940.54	7,831,137.46	157,593,475.06	34,727,328.02
Long-term payables	307,779,167.09	333,620,500.02	14,495,953.13	175,581,351.57	143,543,195.32
Total	15,053,247,824.86	15,291,768,548.60	11,731,573,750.58	2,902,931,498.68	657,263,299.34

2022

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VIII FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

2. Financial instrument risk (Continued)

Market risk

Interest rate risk

The Group's exposure to changes in market interest rates is primarily related to the Group's borrowings with floating interest rates. The Group manages interest costs by maintaining an appropriate mix of fixed rate and variable rate debt.

The following table presents a sensitivity analysis of interest rate risk, reflecting the net after-tax effect on net profit or loss (through the effect on floating rate borrowings) when a reasonable and possible change in interest rates occurs under the assumption that all other variables remain unchanged.

2023

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss
RMB	100.00	(21,514,317.77)
RMB	(100.00)	21,514,317.77

2022

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss
RMB	100.00	(39,511,548.36)
RMB	(100.00)	39,511,548.36

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VIII FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

2. Financial instrument risk (Continued)

Market risk (Continued)

Foreign exchange risk

The Group is exposed to transactional exchange rate risk. Such risks arise from purchases made by operating units in currencies other than their functional currency.

The following table is a sensitivity analysis of exchange rate risk, reflecting the impact on net profit or loss (due to dollar-denominated financial instruments) when a reasonable and possible change in the US dollar exchange rate occurs under the assumption that all other variables remain unchanged.

2023

	Exchange rate increase/ (decrease)%	Increase/ (decrease) in net profit	Increase/ (decrease) in total shareholders' equity
RMB depreciation against the U.S. dollar	1.00	(985,004.71)	(985,004.71)
RMB appreciation against the U.S. dollar	(1.00)	985,004.71	985,004.71

2022

	Exchange rate increase/ (decrease)%	Increase/ (decrease) in net profit	Increase/ (decrease) in total shareholders' equity
RMB depreciation against the U.S. dollar	1.00	(641,424.34)	(641,424.34)
RMB appreciation against the U.S. dollar	(1.00)	641,424.34	641,424.34

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VIII FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

3. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not bound by any externally imposed capital requirements. In 2023 and 2022, the capital management objectives, policies or procedures were not changed.

	2023	2022
Debt-to-asset ratio	46.85%	45.78%

4. Transfer of financial assets

Transfer method	Nature of transferred financial assets	Amount of financial assets transferred	Derecognition	Judgment basis for derecognition
Bill endorsement/bill discounting	Notes receivable	21,002,724.47	Not derecognized	Retains substantially all of its risks and rewards, including the risk of default associated with it
Bill endorsement/bill discounting	Notes receivable	4,634,146,175.12	Derecognized	Has transferred substantially all of its risks and rewards
Total		4,655,148,899.59		

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VIII FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

4. Transfer of financial assets (Continued)

As of 31 December 2023, financial assets derecognized as a result of the transfer were as follows:

	Method of transfer of financial assets	Amount of derecognized financial assets	Gains or losses related to derecognition
Notes receivable	Bill endorsement/bill discounting	4,634,146,175.12	11,629,609.61

As of 31 December 2023, there were no transferred financial assets that continued to be involved.

Transferred financial assets that are not derecognized in their entirety

As of 31 December 2023, the carrying amount of bank acceptance bills endorsed by the Group to suppliers for settlement of accounts payable and other payables/discounting is RMB21,002,724.47 (31 December 2022: RMB25,546,660.16). In the opinion of the Group, the Group retains substantially all of its risks and rewards, including the risk of default associated therewith, and therefore continues to recognize in full its and its related settled trade payables or other payables/and bank borrowings. After endorsement/discounting, the Group no longer retains the right to use it, including the right to sell, transfer or pledge it to other third parties. As of 31 December 2023, the total carrying amount of the Group's accounts payable and other payables/bank borrowings settled with the Group and with recourse from suppliers is RMB21,002,724.47 (31 December 2022: RMB25,546,660.16).

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

VIII FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

4. Transfer of financial assets (Continued)

Transferred financial assets that have been derecognized as a whole but continue to be involved

As of 31 December 2023, the carrying amount of bank acceptance bills endorsed by the Group to suppliers for settlement of accounts payable and other payables is RMB4,634,146,175.12 (31 December 2022: RMB2,788,645,475.68). As of 31 December 2023, the maturity date is within 6 months. According to the relevant provisions of the Bill Law, if the acceptance bank refuses to pay, the holder may exercise the right of recourse against any one, several or all of the bill debtors, including the Group, regardless of the order of the bill debtors ("Continuing Involvement"). The Group considers that it has transferred substantially all of its risks and rewards and therefore derecognizes it and its related settled accounts payable and other payables in full and recognizes discount charges. The maximum loss and undiscounted cash flow of continuing involvement and repurchase are equal to its book value. The Group believes that the continuing involvement in fair value is not significant.

In 2023, the Group recognized a discount fee of RMB11,629,609.61 (2022: RMB4,961,033.99) at the transfer date. The Group has no income or expense recognized in the current year and accumulated due to its continuing involvement in derecognized financial assets. Endorsements/discounting occur approximately evenly throughout the year.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

IX FAIR VALUE DISCLOSURES

1. Assets and liabilities measured at fair value

2023

	Inputs used for fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investment	–	–	60,364,499.70	60,364,499.70
Receivables financing	–	632,329,098.48	–	632,329,098.48
Total	–	632,329,098.48	60,364,499.70	692,693,598.18

2022

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

2. Level 1 fair value measurement

The fair value of the listed equity instrument investment shall be determined based on the market quotation.

3. Level 2 fair value measurement

The Group's Level 2 fair value measurement items are mainly receivables financing. The financing of receivables is determined by discounting the market interest rate.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

IX FAIR VALUE DISCLOSURES (CONTINUED)

4. Level 3 fair value measurement

Level 3 fair value measurement items held by the Group are mainly unlisted equity investments. For unlisted equity instrument investments, the fair value is estimated using the market method based on unobservable market price or interest rate assumptions. The Group is required to identify comparable listed companies based on industry, size, leverage and strategy and calculate an appropriate market multiplier for each comparable listed company identified. Based on the specific facts and circumstances of the enterprise, adjustments are made after considering factors such as liquidity and scale differences with comparable listed companies.

The following is a summary of significant unobservable inputs to Level 3 fair value measurements:

	Fair value at end of year	Valuation techniques	Unobservable inputs	Range Range (Weighted average)
Other equity investments	2023: 60364499.70	Listed company comparison method	Marketability discount	2023: 29%

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

IX FAIR VALUE DISCLOSURES (CONTINUED)

5. Financial assets and financial liabilities not measured at fair value

The following is a comparison of the carrying amount and fair value of each class of financial instruments of the Group, except for lease liabilities and financial instruments for which the difference between the carrying amount and fair value is small:

2023

	Book value	Fair value	Inputs used for fair value disclosures		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities					
Long-term borrowings	2,986,945,100.00	2,919,348,584.311	-	2,919,348,584.311	-
Long-term payables	307,779,167.09	297,823,207.76	-	297,823,207.76	-
Total	3,294,724,267.09	3,217,171,792.07	-	3,217,171,792.07	-

2022

	Book value	Fair value	Inputs used for fair value disclosures		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities					
Long-term borrowings	2,751,945,100.00	2,688,495,273.35	-	2,688,495,273.35	-
Long-term payables	1,730,677,459.72	1,654,605,440.48	-	1,654,605,440.48	-
Total	4,482,622,559.72	4,343,100,713.83	-	4,343,100,713.83	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Controlling shareholder

Name of controlling shareholder	Place of registration	Nature of business	Registered capital (RMB 1,000)	For the Company Shareholding ratio (%)	For the Company Percentage of voting rights (%)
Changshou Iron and Steel	Chongqing	Engaging in technology development, technology transfer, technical services and technical management consultation in the fields of iron and steel, metallurgical minerals, coal, chemical industry, electric power and transportation; Sales of steel raw materials; Terminal operations; Warehousing services; Leases of own property and equipment; Import and export of goods and technologies; Corporate management and advisory services	2,720,000.00	23.51	23.51

Changshou Iron and Steel is the controlling shareholder.

2. subsidiary

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

3. Joint ventures and associates

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties

Name	Relationship between the Company and the other related parties
Sichuan Desheng Group Vanadium and Titanium Co., Ltd. (“Desheng Vanadium and Titanium”)	Changshou Iron and Steel Shareholder
Baowu Group	Changshou Iron and Steel
Baowu Raw Material	Baowu Group subsidiary
Baowu Environmental Science Chongqing Resources Recycling Co., Ltd. (“Baowu Environmental Resource”)	Baowu Group subsidiary
Baocheng Carbon	Baowu Group subsidiary
Ouyeel Industrial Products Co., Ltd. (“Ouyeel Industry”)	Baowu Group subsidiary
Wuhan Iron and Steel Jiangbei Group Cold Formed Steel Co., Ltd. (“Wuhan Jiangbei”)	Baowu Group subsidiary
Shanghai Ouyeel Material Technology Co., Ltd. (“Ouyeel Material”)	Baowu Group subsidiary
Baosteel Engineering and Technology Group Co., Ltd. (“Baosteel Engineering”)	Baowu Group subsidiary
Baowu Equipment Intelligent Technology Co., Ltd. (“Baowu Equipment”)	Baowu Group subsidiary
Shanghai Baosight Software Co., Ltd. (“Baosight Software”)	Baowu Group subsidiary
Shanghai Baosteel Shipping Co., Ltd. (“Baosteel Shipping”)	Baowu Group subsidiary
Zhejiang Zhoushan Wugang Wharf Co., Ltd. (“Wugang Wharf”)	Baowu Group subsidiary
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd. (“Meishan Research Institute”)	Baowu Group subsidiary
Baosteel Development Co. Ltd. (“Baosteel Development”)	Baowu Group subsidiary
Guangdong Shaogang Engineering Technology Co., Ltd. (“Shaogang Engineering”)	Baowu Group subsidiary
Guangdong Kunlun Information Technology Co., Ltd. (“Kunlun Information”)	Baowu Group subsidiary
Guangdong Baodi Nanhua Industrial Development Co., Ltd. (“Baodi Nanhua”)	Baowu Group subsidiary
Baosteel Resources Holding (Shanghai) Co., Ltd. (“Baosteel Resources”)	Baowu Group subsidiary
Shanghai Baojing Information Technology Development Co., Ltd. (“Baojing Information”)	Baowu Group subsidiary
Shanghai Ouyeel Logistics Co., Ltd. (“Ouyeel Logistics”)	Baowu Group subsidiary

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties

Name	Relationship between the Company and the other related parties
Ouyeel Blockchain Finance and Metal Recycling Resources Co., Ltd. (“Ouyeel Blockchain Finance”)	Baowu Group subsidiary
Shengsi Majishan Port Area of Baoshan Iron and Steel Co., Ltd. (“Baoshan Iron and Steel”)	Baowu Group subsidiary
Baowu Heavy Industry Co., Ltd. (“Baowu Heavy Industry”)	Baowu Group subsidiary
Ma Steel International Trade and Economic Corporation (“MaSteel International”)	Baowu Group subsidiary
Ouyeel Cloud Commerce Corporation Limited (“Ouyeel Cloud”)	Baowu Group subsidiary
Shanghai Steel Trading Center Co., Ltd. (“Shanghai Steel”)	Baowu Group subsidiary
Wisco Resources Group Ezhou Pellets Co., Ltd. (“Ezhou Pellets”)	Baowu Group subsidiary
Echeng Iron and Steel Co., Ltd. (“Echeng Iron and Steel”)	Baowu Group subsidiary
Baowu Water Technology Limited (“Baowu Water”)	Baowu Group subsidiary
Shanghai Baoding Energy Co., Ltd. (“Baoding Energy”)	Baowu Group subsidiary
Baosteel Resources (International) Co., Ltd (“Baosteel International”)	Baowu Group subsidiary
Shanghai Ouyeel Purchasing Information Technology Co., Ltd. (“Ouyeel Purchasing”)	Baowu Group subsidiary
Xingang International Trade Co., Ltd. (“Xingang International”)	Baowu Group subsidiary
Shanghai Ouyeel Supply Chain Co., Ltd (“Shanghai Ouyeel”)	Baowu Group subsidiary
Baosteel Chemical (Zhangjiagang Free Trade Zone) International Trade Co., Ltd. (“Baosteel Chemical”)	Baowu Group subsidiary
Baosteel Huangshi Coating Plate Co., Ltd. (“Baosteel Huangshi”)	Baowu Group subsidiary
OUYEELEL SINGAPORE PTE. LTD (“OUYEELEL SINGAPORE”)	Baowu Group subsidiary
Shanghai Baosteel Energy Service Co., Ltd (“Baosteel Energy Service”)	Baowu Group subsidiary
Wuhan Huafeng Sensing Technology Co., Ltd. (“Huafeng Sensing”)	Baowu Group subsidiary

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties

Name	Relationship between the Company and the other related parties
Wuhan Iron and Steel Group Logistics Co., Ltd. (“Wisco Logistics”)	Baowu Group subsidiary
Baowu Group Environmental Resources Technology Co., Ltd. (“Baowu Resource”)	Baowu Group subsidiary
Masteel Chengxing Metal Resources Co., Ltd. (“Masteel Chengxing”)	Baowu Group subsidiary
Ouyeel Lianjin(Hubei) Renewable Resources Co., Ltd (“Ouyeel Lianjin Hubei “)	Baowu Group subsidiary
Ouyeel Lianjin(Shaoguan) Renewable Resources Co., Ltd(“Ouyeel Lianjin Shaoguan “)	Baowu Group subsidiary
Ouyeel Lianjin(Sichuan) Renewable Resources Co., Ltd(“Ouyeel Lianjin Sichuan “)	Baowu Group subsidiary
Yichang Yimei Urban Mineral Resources Recycling Co., Ltd. (“Yichang Yimei”)	Baowu Group subsidiary
Wuhan Iron and Steel Green City Technology Development Co., Ltd. (“Wugang Technology”)	Baowu Group subsidiary
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. (“Baowu Jingcheng”)	Baowu Group subsidiary
Wuhan Yangguang Industrial Co., Ltd. (“Wuhan Yangguang”)	Baowu Group subsidiary
Shanghai Jinyi Testing Technology Co., Ltd. (“Jinyi Testing”)	Baowu Group subsidiary
Shanghai Baosteel Xinyue Talent Technology Co., Ltd. (“Baosteel Xinyue”)	Baowu Group subsidiary
Wuhan Baosteel Huazhong Trade Co., Ltd. (“Baosteel Huazhong”)	Baowu Group subsidiary
Baoshan Iron and Steel Co., Ltd. (“Baosteel Co., Ltd.”)	Baowu Group subsidiary
Shanghai Meishan Iron and Steel Co., Ltd. (“Meishan Iron and Steel”)	Baowu Group subsidiary
Baosteel Metal Co., Ltd. (“Baosteel Metal”)	Baowu Group subsidiary

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties

Name	Relationship between the Company and the other related parties
Guangdong Zhongnan Iron and Steel Co., Ltd. (“Guangdong Zhongnan”)	Baowu Group subsidiary
Baowu Group Zhongnan Iron and Steel Co., Ltd. (“Zhongnan Steel”)	Baowu Group subsidiary
Dongguan Baosteel Special Steel Processing and Distribution Co., Ltd. (“Dongguan Baosteel”)	Baowu Group subsidiary
Shanghai Fengbao Comprehensive Management Co., Ltd. (“Shanghai Fengbao”)	Baowu Group subsidiary
Nanjing Baodi Meishan Industrial City Development Co., Ltd. (“Meishan Development”)	Baowu Group subsidiary
Taiyuan Iron and Steel (Group) Co., Ltd. (“Taiyuan Steel”)	Baowu Group subsidiary
Warburg Trust Company Limited (“Warburg Trust”)	Baowu Group subsidiary
Wuhan Iron and Steel Company Limited (“Wuhan Iron and Steel”)	Baowu Group subsidiary
Huabao Securities Co., Ltd. (“Huabao Securities”)	Baowu Group subsidiary
Sinosteel Xi’an Heavy Machinery Co., Ltd. (“Sinosteel”)	Baowu Group subsidiary
Shanghai Baosteel Construction Engineering Technology Co., Ltd. (“Baosteel Construction”)	Baowu Group subsidiary
Hubei Egang Business Service Co., Ltd. (“Hubei Egang”)	Baowu Group subsidiary
Hengyang Sinosteel Weighing Equipment Co., Ltd. (“Hengyang Sinosteel”)	Baowu Group subsidiary
Sinosteel International Freight Zhejiang Co., Ltd. (“Sinosteel International”)	Baowu Group subsidiary
Sinosteel Luonai Technology Co., Ltd. (“Sinosteel Luonai”)	Baowu Group subsidiary
Baowu Industry and Education Integration Development (Shanghai) Co., Ltd. (“Baowu Industry and Education Integration”)	Baowu Group subsidiary

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties

Name	Relationship between the Company and the other related parties
Shanghai Baosteel Construction Engineering Design Co., Ltd. (“Baosteel Design”)	Baowu Group subsidiary
Baowu Group Finance Limited liability Company (“Baowu Finance”)	Baowu Group subsidiary
Anhui Metallurgical Technology Vocational College (“Anhui Metallurgical College”)	Baowu Group subsidiary
Wuhan Vocational and Technical College of Engineering (“Wuhan Institute of Engineering”)	Baowu Group subsidiary
Shanghai Baoneng Information Technology Co., Ltd. (“Baoneng Information”)	Baowu Group Associates
Taicang Wugang Terminal Co., Ltd. (“Taicang Wugang”)	Baowu Group Associates
China PingMei god horse energy chemical group Co., Ltd. (“PingMei Energy”)	Baowu Group Associates
MCC South Engineering Technology Co., Ltd. (“MCC South”)	Baowu Group Associates
China Pacific Property Insurance Co., Ltd. (“Pacific Insurance”)	Baowu Group Associates
Honghe Iron and Steel Co., Ltd. (“Honghe Steel”)	Baowu Group Associates
Guangdong Guangwu Materials Co., Ltd. (“Guangdong Guangwu”)	Baowu Group Associates
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd (“Zhongnan Building Materials”)	Baowu Group Associates
Guangdong Building Materials Co., Ltd. (“Guangdong Building Materials”)	Baowu Group Associates
Shanghai Steel Home Information Technology Co., Ltd. (“Steel Home Information”)	Baowu Group Associates
Shanghai Baosteel Engineering Consulting Co., Ltd. (“Baosteel Engineering Consulting”)	Baowu Group Associates

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties

(1) Related party transactions of received services

Related parties	Related party transactions	2023	2022
Ouyeel Logistics	Acceptance of services [Note 1]	317,388,901.07	28,163,999.65
Baowu Water	Acceptance of services [Note 1]	206,714,806.55	27,528,625.84
Baoding Energy	Acceptance of services [Note 1]	116,759,916.79	41,553,954.13
Baowu Equipment	Acceptance of services [Note 1]	84,873,107.09	90,375,875.06
Baowu Heavy Industries	Acceptance of services [Note 1]	70,211,848.78	26,749,954.92
Baosteel Co., Ltd	Acceptance of services [Note 1]	42,675,596.96	360,000.00
Baosteel Shipping	Acceptance of services [Note 1]	35,142,169.67	42,149,048.12
Sinosteel International	Acceptance of services [Note 1]	32,037,690.52	–
Baosight Software	Acceptance of services [Note 1]	31,578,032.55	26,229,434.15
Taicang Wugang	Acceptance of services [Note 1]	26,410,894.34	61,492,150.97
Ouyeel industry	Acceptance of services [Note 1]	21,435,751.51	19,060,049.67
Baosteel Engineering	Acceptance of services [Note 1]	16,610,858.22	27,171,504.25
Baowu Jingcheng	Acceptance of services [Note 1]	15,955,534.00	–
Baodi Nanhua	Acceptance of services [Note 1]	13,533,810.74	15,182,873.79
Wugang Wharf	Acceptance of services [Note 1]	12,122,106.03	16,106,893.36
Baowu Environmental Resource	Acceptance of services [Note 1]	11,066,623.02	788,881.26
Baosteel Development	Acceptance of services [Note 1]	8,433,031.32	82,041,787.25
Baosteel Xinyue	Acceptance of services [Note 1]	6,935,271.33	10,000,000.00
Zhongnan Steel	Acceptance of services [Note 1]	2,922,701.58	–
Subtotal		1,072,808,652.07	514,955,032.42

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

(1) Related party transactions of received services (Continued)

Related parties	Related party transactions	2023	2022
Ouyeel cloud	Acceptance of services [Note 1]	2,547,569.81	3,811,320.76
Wuhan Institute of Engineering	Acceptance of services [Note 1]	1,597,922.35	–
Baowu Industry and Education Integration	Acceptance of services [Note 1]	1,297,070.76	–
Wuhan Iron and Steel	Acceptance of services [Note 1]	665,094.34	–
Kunlun Information	Acceptance of services [Note 1]	522,000.00	–
Baowu Group	Acceptance of services [Note 1]	412,907.38	198,638.68
Taiyuan Steel	Acceptance of services [Note 1]	248,349.05	90,141.51
Pacific Insurance	Acceptance of services [Note 1]	199,263.36	123,047.47
Jinyi Testing	Acceptance of services [Note 1]	142,644.00	–
Warburg Trust	Acceptance of services [Note 1]	122,725.47	–
Steel Home Information	Acceptance of services [Note 1]	113,207.55	150,943.39
Baojing Information	Acceptance of services [Note 1]	105,000.00	52,500.00
Anhui Metallurgical College	Acceptance of services [Note 1]	53,679.25	–
Hubei Egang	Acceptance of services [Note 1]	2,870.26	–
Shanghai Ouyeel	Acceptance of services [Note 1]	462.74	–
Baowu Raw Material	Acceptance of services [Note 1]	–	4,160,000.00
Wiscol Logistics	Acceptance of services [Note 1]	–	3,479,177.32
Baosteel Engineering Consulting	Acceptance of services [Note 1]	–	355,851.00
Huafeng Sensing	Acceptance of services [Note 1]	–	269,400.00
Shanghai Steel	Acceptance of services [Note 1]	–	76,415.10
Meishan Development	Acceptance of services [Note 1]	–	13,564.15
Subtotal		8,030,766.32	12,780,999.38
Total		1,080,839,418.39	527,736,031.80

The price for services received from a related party is determined by reference to the price or cost plus profit premium for similar transactions between the related party and other third parties, or the bid price of the supplier.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

(2) Related party transactions of purchased goods

Related parties	Related party transactions	2023	2022
Baosteel International	Purchase of raw materials [Note 3]	4,468,131,317.71	4,371,413,678.63
Baosteel resources	Purchase of raw materials [Note 3]	2,522,409,299.70	1,180,772,914.00
Baoding Energy	Purchase of raw materials [Note 3]	1,603,447,335.37	773,232,193.92
Ouyeel industry	Purchase of spare parts [Note 2]	1,542,413,746.71	1,286,374,449.60
Masteel International	Purchase of raw materials [Note 3]	1,331,806,177.47	33,362,123.88
Baowu Raw Material	Purchase of raw materials [Note 3]	1,185,214,987.89	729,165,076.60
Zhongnan Building Materials	Purchase of raw materials [Note 3]	726,381,136.81	3,103,135,738.75
Ouyeel Blockchain Finance	Purchase of scrap steel [Note 3]	177,677,643.01	95,284,221.87
Ezhou Pellets	Purchase of raw materials [Note 3]	167,515,095.87	231,971,751.44
Baowu Jingcheng	Purchase of raw materials [Note 3]	134,417,716.82	–
Echeng Iron and Steel	Purchase of raw materials [Note 3]	130,672,587.23	20,897,758.00
Guangdong Building Materials	Purchase of scrap steel [Note 3]	120,705,758.09	–
Baosteel Engineering	Purchase of spare parts and equipment [Note 2]	80,465,689.64	–
Ouyeel Lianjin Hubei	Purchase of scrap steel [Note 3]	71,621,811.83	–
Yichang Yimei	Purchase of scrap steel [Note 3]	62,393,943.56	–
Ouyeel Lianjin Shaoguan	Purchase of scrap steel [Note 3]	54,889,171.44	–
Baowu Equipment	Purchase of spare parts and equipment [Note 2]	54,728,433.80	39,117,111.06
Ouyeel Lianjin Sichuan	Purchase of scrap steel [Note 3]	37,414,883.62	–
Masteel Chengxing	Purchase of scrap steel [Note 3]	12,908,251.94	–
Wuhan Yangguang	Purchase of raw materials [Note 3]	8,200,948.67	–
Huabao Securities	Purchase of raw materials [Note 3]	4,056,603.79	–
Baosight Software	Purchase of spare parts and equipment [Note 2]	1,351,577.96	8,404,231.09
Shaogang Engineering	Purchase of spare parts [Note 2]	754,641.32	1,202,790.35
Hengyang Sinosteel	Purchase of spare parts [Note 2]	579,500.00	–
Sinosteel	Purchase of spare parts [Note 2]	340,000.00	–
Shanghai Ouyeel	Purchase of raw materials [Note 3]	–	242,904,144.41
Baosteel Co., Ltd.	Purchase of raw materials [Note 3]	–	73,609,209.87
Pingmei Energy	Purchase of raw materials [Note 3]	–	1,595,577.93
Shanghai Fengbao	Purchase of spare parts [Note 2]	–	416,000.00
Total		14,500,498,260.25	12,192,858,971.40

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

(2) Related party transactions of purchased goods (Continued)

The price of goods purchased from a related party is determined by reference to the price or cost plus profit premium of similar transactions between the related party and other third parties, or the bid price of the supplier.

(3) Related party transactions of purchased property, plant and equipment and construction services

Related parties	Related party transactions	2023	2022
Baosteel Engineering	Engineering construction [Note 1]	772,302,678.64	652,501,845.35
Baowu Water	Engineering construction [Note 1]	107,733,722.99	218,793,079.60
Baosight Software	Engineering construction [Note 1]	274,402,882.44	140,560,712.55
Meishan Research Institute	Engineering construction [Note 1]	67,651,674.55	27,172,390.85
Kunlun Information	Engineering construction [Note 1]	15,435,614.20	15,804,929.36
Baosteel Engineering Consulting	Engineering construction [Note 1]	2,768,021.20	6,946,770.97
Baowu Equipment	Engineering construction [Note 1]	28,501,935.30	1,001,846.24
Ouyeel Purchasing	Engineering construction [Note 1]	340,000.00	108,000.00
Baoneng Information	Engineering construction [Note 1]	178,800.00	89,400.00
Wugang Technology	Engineering construction [Note 1]	–	15,419.98
Baosteel Construction	Engineering construction [Note 1]	5,422,062.60	–
Sinosteel	Engineering construction [Note 1]	1,852,900.00	–
Baosteel Development	Engineering construction [Note 1]	9,148,864.42	–
Shaogang Engineering	Engineering construction [Note 1]	55,165,881.05	–
Total		1,340,905,037.39	1,062,994,394.90

Purchase of property, plant and equipment and construction services from related parties is determined by reference to the market price negotiated by both parties or the bidding price of suppliers.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

(3) *Related party transactions of purchased property, plant and equipment and construction services (Continued)*

Note 1: The approved transaction caps of Baowu Group and its subsidiaries and affiliates in providing services to the Group for 2023 is RMB RMB4,316,000,000.00, and the total amount of transactions for the provision of services to the Group by Baowu Group and its subsidiaries and associates in the year was RMB2,421,744,555.78. The annual trading quota does not exceed the approved trading quota.

Note 2: The transaction caps approved for Baowu Group and its subsidiaries and affiliates to supply production materials (chemical materials, equipment and spare parts, water, electricity and natural gas, etc.) to the Group for 2023 was RMB2,585,000,000.00. The total transaction value of production materials provided by Baowu Group and its subsidiaries and associates to the Group for the year was RMB1,680,633,589.43. The annual trading quota does not exceed the approved trading quota.

Note 3: The transaction caps approved for Baowu Group and its subsidiaries and affiliates to supply raw materials (iron ore, scrap steel, resistant materials, auxiliary materials, billets and coal, etc.) to the Group for 2023 was RMB46,682,000,000.00. The total transaction amount of raw materials provided to the Group by Baowu Group and its subsidiaries and associates for the year was RMB12,819,864,670.82. The annual trading quota does not exceed the approved trading quota.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

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

Related parties	Related party transactions	2023	2022
Zhongnan Building Materials	Sales of goods	2,651,592,740.13	2,467,891,270.08
Ouyeel Material	Sales of goods	2,688,145,568.36	2,147,887,352.88
Shanghai Ouyeel	Sales of goods	798,052,033.94	892,829,238.23
Baocheng Carbon	Sale of goods, energy, provision of services	490,791,892.16	536,098,700.01
Xingang International	Sales of goods	473,473,645.31	349,348,568.69
Baowu Environmental Resource	Sales of goods and energy	306,454,422.42	193,618,036.94
Baowu Water	Sales of energy and provision of services	133,287,314.58	9,188,497.50
Echeng Iron and Steel	Sales of goods	105,839,220.84	18,017,637.61
Guangdong Guangwu	Sales of goods	52,708,113.65	–
Wuhan Jiangbei	Sales of goods	48,853,976.57	35,121,133.10
Guangdong Zhongnan	Sale of goods and provision of services	15,103,558.68	799,845,691.09
Guangdong Building Materials	Sales of goods	11,821,026.08	720,569,629.58
Baosteel Chemical	Sales of goods	5,798,252.69	9,089,928.78
baosteel resources	Sales of goods	4,877,876.11	–
Baowu Heavy Industries	Sale of goods and provision of services	2,406,180.41	3,206,412.31
Dongguan Baosteel	Sales of goods	1,176,423.45	–
Baosteel Engineering	Sales of energy	71,485.16	199,217.13
Meishan Research Institute	Sales of energy	27,303.13	4,460.73
Baowu Equipment	Sales of energy	19,136.43	110,810.28
Ouyeel industry	Sale of goods and provision of services	8,073.38	8,887,700.42
Shaogang Engineering	Sales of goods and energy	7,001.12	–
Subtotal		7,790,515,244.60	8,191,914,285.36

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

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

Related parties	Related party transactions	2023	2022
Baodi Nanhua	Sales of energy	3,333.20	4,009.85
Baosteel Energy Service	Sales of goods and energy	2,404.62	–
Baosight Software	Sales of energy	301.80	949.00
Honghe Steel	Provision of services	–	75,228,972.71
Baosteel Co., Ltd	Sales of goods	–	78,733,207.09
Meishan Iron and Steel	Sales of goods	–	21,710,407.09
Baosteel Metal	Sales of goods	–	16,599,334.85
Baowu Resource	Sales of energy	–	2,550,219.42
Baosteel Huazhong	Sales of goods	–	1,523,359.69
Baosteel Development	Sales of energy	–	6,477.30
Shanghai Steel	Sales of goods	(2,494.28)	15,827,721.58
Subtotal		3,545.34	212,184,658.58
Total		7,790,518,789.94	8,404,098,943.94

The price of products sold to related parties shall be determined with reference to the price charged by the Company to other third-party customers or stipulated by relevant departments of Chongqing Municipal Government. The price of services provided to related parties shall be determined by both parties through negotiation with reference to the market price.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

(5) Loans and placements with related parties

Placements with banks and non-bank financial institutions

2023	Lending amount	Start date	due date
Baowu Finance	250,000,000.00	2023/12/25	2024/12/24

2022	Lending amount	Start date	due date
Baowu Finance	–	–	–

(6) Interest income received from a related party

Related parties	2023	2022
Baowu Finance	5,328,048.26	4,112,791.50

(7) Interest fee paid to related parties

Related parties	2023	2022
Baowu Finance	–	1,472,126.33

(8) Letter of credit obtained from a related party

Related parties	Amount issued	2023			2022		
		Balance	Service Charge	Amount issued	Balance	Service Charge	
Baowu Finance	–	–	–	47,561,878.19	–	23,518.34	

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

(9) Bill custody/collection by related party

Related parties	2023			2022		
	Custody/ Collection Amount	Balance	Service Charge	Custody/ Collection Amount	Balance	Service Charge
Baowu Finance	11,650,948,826.68	521,126,374.01	-	11,338,971,221.88	673,819,951.27	-

In 2023 and 2022, Baowu Finance has not charged the Group for the bill custody/collection service.

(10) Other related party transactions

According to the financial service agreement signed between the Group and Baowu Finance, Baowu Finance provides the Group with comprehensive credit services with a maximum daily credit limit of RMB2 billion, and financial management services with a maximum daily cash balance of RMB2 billion. In 2023, the maximum daily credit granted by Baowu Finance to the Group was RMB250,000,000.00 and the maximum daily deposit of the Group was RMB1,231,207,553.74 (2022: The maximum one-day credit granted by Baowu Finance to the Company was RMB311,566,248.12, and the maximum daily deposit of the Company is RMB1,293,686,620.61).

The transactions between the Group and Baowu Group and its subsidiaries are connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, and the Company has confirmed compliance with the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

(11) Remuneration of key management personnel

Related parties	2023	2022
Compensation for key management personnel	8,539,720.84	10,824,568.67

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

(11) Remuneration of key management personnel (Continued)

2023

	Salaries, bonuses, allowances and subsidies	Pension insurance premium	Housing funds	Other social insurance premiums	Annuity	Total
Directors – Executive						
Director:						
Xie Zhixiong	1,480,868.00	43,134.84	53,394.00	29,770.84	23,617.20	1,630,784.88
Meng Wenwang	1,318,064.00	67,907.58	50,922.00	45,651.36	69,088.20	1,551,633.14
Zou An	1,130,353.00	67,907.58	50,922.00	45,651.36	19,195.36	1,314,029.30
Directors – non-executive director:						
Song De'an	–	–	–	–	–	–
Lai Xiaomin [1]	–	–	–	–	–	–
Lin Changchun [2]	–	–	–	–	–	–
Zhou Ping	–	–	–	–	–	–
Sheng Xuejun	180,000.00	–	–	–	–	180,000.00
Zhang Jinruo	180,000.00	–	–	–	–	180,000.00
Guo Jiebin	180,000.00	–	–	–	–	180,000.00
Supervisor:						
Wu Xiaoping	–	–	–	–	–	–
Li Huaidong	–	–	–	–	–	–
Zhu Xingan	–	–	–	–	–	–
Yao Xiaohu [3]	474,080.00	18,992.64	19,254.00	14,363.16	14,516.56	541,206.36
Zhou Yaping [4]	404,792.00	15,827.20	16,045.00	13,947.70	8,398.92	459,010.82
Xia Tong [5]	139,794.00	20,534.40	20,058.00	15,428.10	3,829.76	199,644.26
Lei Yougao [6]	188,026.00	20,534.40	20,058.00	15,428.10	4,548.80	248,595.30
Senior management:						
Xie Chao	1,102,752.00	39,527.04	39,312.00	29,791.26	19,195.36	1,230,577.66
Zhang Yongzhong [7]	545,982.00	32,820.60	24,612.00	22,064.04	14,516.56	639,995.20
Zhao Shiqing [8]	165,988.00	6,587.84	6,686.00	4,982.08	–	184,243.92
Total	7,490,699.00	333,774.12	301,263.00	237,078.00	176,906.72	8,539,720.84

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

(11) Remuneration of key management personnel (Continued)

The directors for the year, Mr. Song De'an, Mr. Lai Xiaomin, Mr. Lin Changchun and Mr. Zhou Ping, and the supervisors, Mr. Wu Xiaoping, Mr. Li Huaidong and Mr. Zhu Xingan, did not receive remuneration from the Company.

The top five employees with the highest remuneration during the year included three directors and two senior managers (2022: four directors and one senior manager), whose remuneration is detailed in the table above.

Note 1: On 20 March 2023, Mr. Lai Xiaomin resigned as a director of the Company.

Note 2: On June 28, 2023, the General Meeting of Shareholders elected Mr. Lin Changchun as a director of the Ninth Board of Directors of the Company.

Note 3: On June 30, 2023, Mr. Yao Xiaohu resigned as employee representative supervisor of the board of supervisors of the Company.

Note 4: On June 30, 2023, Mr. Zhou Yaping resigned as employee representative supervisor of the board of supervisors of the Company.

Note 5: On June 30, 2023, the employee representative meeting elected Mr. Xia Tong as the employee representative supervisor of the ninth board of supervisors of the company, and the term of office was the same as that of the ninth board of supervisors of the company.

Note 6: On June 30, 2023, the employee representative meeting elected Mr. Lei Yougao as the employee representative supervisor of the ninth board of supervisors of the company, and the term of office was the same as that of the ninth board of supervisors of the company.

Note 7: On August 14, 2023, Mr. Zhang Yongzhong resigned as Senior Vice President of the Company.

Note 8: On 20 November 2023, the Board appointed Mr. Zhao Shiqing as Senior Vice President of the Company.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and related parties (Continued)

(11) Remuneration of key management personnel (Continued)

2022

	Salaries, bonuses, allowances and subsidies	Old-age pension	Housing Fund	Other social insurance premiums	Annuity	Total
Directors – Executive						
Director:						
Zhang Wenwen	1,374,707.10	57,123.94	42,842.00	39,845.58	27,053.84	1,541,572.46
Song De'an	–	–	–	–	–	–
Lai Xiaomin	–	–	–	–	–	–
Xie Zhixiong	1,364,051.00	42,086.70	50,298.00	28,031.39	32,949.12	1,517,416.21
Zou An	1,032,764.00	62,594.04	46,944.00	43,522.92	29,513.28	1,215,338.24
Zhou Ping	–	–	–	–	–	–
Meng Wenwang	1,051,926.00	62,594.40	46,944.00	44,036.40	68,846.04	1,274,346.84
Directors – non-executive director:						
Sheng Xuejun	180,000.00	–	–	–	–	180,000.00
Zhang Jinruo	180,000.00	–	–	–	–	180,000.00
Guo Jiebin	180,000.00	–	–	–	–	180,000.00
Supervisor:						
Wu Xiaoping	–	–	–	–	–	–
Li Huaidong	–	–	–	–	–	–
Zhu Xingan	–	–	–	–	–	–
Zhou Yaping	615,030.94	37,985.28	36,960.00	28,726.32	18,866.40	737,568.94
Zhang Liquan	803,865.81	25,323.52	24,124.00	18,119.76	19,675.52	891,108.61
Yao Xiaohu	495,960.00	23,189.28	21,947.00	17,536.77	12,297.20	570,930.25
Senior management:						
Yao Xiaohu	–	–	–	–	–	–
Xie Chao	1,193,664.00	37,985.28	36,960.00	28,726.32	29,513.28	1,326,848.88
Zhang Yongzhong	1,026,864.00	62,594.04	46,944.00	43,522.92	29,513.28	1,209,438.24
Total	9,498,832.85	411,476.48	353,963.00	292,068.38	268,227.96	10,824,568.67

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due and payable from related parties

(1) Trade receivables

Related parties	2023	2022
Baowu Environmental Resource	6,131,847.53	–
Baocheng Carbon	903,310.81	2,796,831.66
Shaogang Engineering	5,812.71	–
Meishan Research Institute	4,938.58	5,030.77
Baowu Equipment	4,321.58	5,926.61
Baodi Nanhua	2,142.50	4,634.37
Baosteel Engineering	2,141.12	314,147.30
Baowu Water	–	9,741,992.77
Ouyeel industry	–	803,423.07
Baosight Software	–	1,072.37
Total	7,054,514.83	13,673,058.92

(2) Receivables financing

Related parties	2023	2022
Ouyeel Material	77,456,860.00	–
Baocheng Carbon	61,222,658.28	98,148,345.24
Baowu Environmental Resource	30,640,511.62	44,462,868.15
Wuhan Jiangbei	–	6,000,000.00
Ouyeel industry	–	1,407,140.26
Zhongnan Building Materials	–	202,000.00
Total	169,320,029.90	150,220,353.65

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due and payable from related parties (Continued)

(3) Other receivables

Related parties	2023	2022
Baowu Heavy Industries	135,584.88	3,598,541.41
Baosteel Engineering	2,693.50	–
Baowu Water	2,573.47	2,573.47
Total	140,851.85	3,601,114.88

(4) Prepayments

Related parties	2023	2022
Baosteel resources	87,694,865.97	71,169,707.00
Baowu Raw Material	67,938,141.14	88,527,178.68
Baoding Energy	54,775,069.06	54,030,256.96
Baowu Heavy Industries	27,595,539.03	14,370,303.95
Sinosteel	379,823.92	–
Baosight Software	77,256.64	77,256.64
Ouyeel Purchasing	51,194.00	51,194.00
Total	238,511,889.76	228,225,897.23

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due and payable from related parties (Continued)

(5) Contract liabilities

Related parties	2023	2022
Zhongnan Building Materials	190,445,036.04	138,025,516.14
Ouyeel Material	74,356,845.33	202,736,139.65
Baocheng Carbon	46,172,559.02	62,276,884.26
Guangdong Guangwu	22,193,643.58	–
Baowu Environmental Resource	19,504,254.54	37,226,782.75
OUYEELEL SINGAPORE	10,736,652.40	–
Shanghai Ouyeel	3,777,967.42	2,810,076.33
baosteel resources	1,219,469.03	–
Xingang International	189,464.61	15,847,141.13
Baosteel Chemical	155,581.24	763,965.13
Wuhan Jiangbei	145,791.01	2,280,187.94
Baosteel Huangshi	128,637.58	128,637.58
Guangdong Building Materials	95,107.74	93,125.13
Baowu Water	63.81	–
Baosteel Development	62.09	62.09
Ouyeel industry	39.82	–
Baosteel Energy Service	0.69	–
Shanghai Steel	–	1,195,650.51
Echeng Iron and Steel	–	103,027.30
Ouyeel cloud	–	9,302.65
Baowu Equipment	–	5,223.12
Total	369,121,175.95	463,501,721.71

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due and payable from related parties (Continued)

(6) Trade payables

Related parties	2023	2022
Ouyeel industry	752,834,765.94	721,371,540.31
Masteel International	120,727,213.57	12,665,434.70
Baowu Equipment	108,551,971.26	60,364,971.24
Baosteel International	64,507,998.68	21,851,489.74
Ouyeel Blockchain Finance	57,169,002.64	308,532.71
Ouyeel Lianjin Hubei	53,026,768.78	–
Baosteel Engineering	52,920,915.69	5,100,000.00
Ouyeel Logistics	44,402,224.17	30,788,858.22
Ouyeel Lianjin Shaoguan	37,098,772.50	–
Baowu Water	35,680,159.70	12,415,007.51
Guangdong Building Materials	32,895,686.51	–
Baosight Software	28,273,267.79	13,557,936.40
Baosteel Co., Ltd.	20,641,769.37	1,320,290.99
Baodi Nanhua	15,666,818.22	14,842,142.03
Yichang Yimei	13,272,572.28	–
Zhongnan Building Materials	13,161,396.71	0.01
Masteel Chengxing	12,696,495.44	–
Ouyeel Lianjin Sichuan	11,220,536.10	–
Baowu Jingcheng	7,732,447.45	–
Baosteel Development	7,130,246.14	7,624,932.57
Baowu Environmental Resource	4,778,297.95	2,160,588.92
Wuhan Yangguang	4,538,904.85	–
Baosteel Xinyue	2,573,192.29	–
Echeng Iron and Steel	1,267,321.79	–
Sinosteel International	1,115,541.05	–
Sinosteel Luonai	190,000.00	–
Hengyang Sinosteel	185,754.51	–
Kunlun Information	174,000.00	–
Baojing Information	160,650.00	–
Jinyi Testing	151,202.64	–
Baosteel resources	–	22,221,500.18
Subtotal	1,504,745,894.02	926,593,225.53

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due and payable from related parties (Continued)

(6) Trade payables (Continued)

Related parties	2023	2022
Ezhou Pellets	–	12,402,048.00
Baowu Heavy Industries	–	6,449,605.44
Ouyeel cloud	–	3,800,000.00
Taicang Wugang	–	1,893,132.57
Shaogang Engineering	–	1,348,745.24
MCC South	–	913,000.00
Baosteel Shipping	–	450,871.20
Wugang Wharf	–	440,959.56
Shanghai Steel	–	81,000.00
Subtotal	–	27,779,362.01
Total	1,504,745,894.02	954,372,587.54

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due and payable from related parties (Continued)

(7) Notes payable

Related parties	2023	2022
Baosteel resources	496,417,237.71	95,455,360.00
Masteel International	241,725,999.76	–
Baowu Jingcheng	151,892,020.00	–
Zhongnan Building Materials	20,310,000.00	–
Baowu Raw Material	914,604.35	–
Hengyang Sinosteel	352,108.00	–
Sinosteel	345,780.00	–
Baowu Environmental Resource	257,633.69	–
Kunlun Information	184,440.00	246,240.00
Shaogang Engineering	100,021.73	378,797.01
Ouyeel Purchasing	38,160.00	–
Baowu Equipment	16,611.00	–
Baodi Nanhua	–	798,533.31
Baosteel Development	–	1,051,094.68
Baosteel Shipping	–	13,029,757.47
Taicang Wugang	–	1,918,422.00
Subtotal	912,554,616.24	112,878,204.47
Meishan Research Institute	–	684,723.10
Wugang Wharf	–	461,076.08
Baosteel Engineering Consulting	–	377,202.06
Baoneng Information	–	268,000.00
Baojing Information	–	55,650.00
Subtotal	–	1,846,651.24
Total	912,554,616.24	114,724,855.71

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due and payable from related parties (Continued)

(8) Other payables

Related parties	2023	2022
Baosteel Engineering	674,329,321.60	546,352,788.51
Baosight Software	268,912,026.03	163,843,444.08
Baowu Water	87,909,760.52	113,266,269.40
Meishan Research Institute	57,788,640.55	22,465,784.06
Shaogang Engineering	55,581,597.80	–
Baowu Equipment	19,563,232.74	84,427,563.39
Kunlun Information	15,347,614.20	15,100,929.36
Baosteel Development	9,400,795.42	20,000.00
Baosteel Construction	4,710,578.72	–
Baowu Environmental Resource	2,500,000.00	2,500,000.00
Sinosteel	2,051,215.00	–
Ouyeel Blockchain Finance	2,000,000.00	–
Ouyeel Lianjin Hubei	2,000,000.00	–
Ouyeel Lianjin Shaoguan	2,000,000.00	–
Ouyeel Lianjin Sichuan	2,000,000.00	–
Guangdong Building Materials	2,000,000.00	–
Yichang Yimei	2,000,000.00	–
Baosteel Engineering Consulting	1,860,551.15	6,946,770.97
Masteel Chengxing	1,000,000.00	–
Huafeng Sensing	720,000.00	720,000.00
Baodi Nanhua	220,000.00	220,000.00
Subtotal	1,213,895,333.73	955,863,549.77

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due and payable from related parties (Continued)

(8) Other payables (Continued)

Related parties	2023	2022
Wiscol Logistics	200,000.00	200,000.00
Ouyeel Purchasing	169,600.00	–
Baosteel Chemical	100,000.00	–
Baoneng Information	31,588.00	–
Baosteel Energy Service	20,000.00	20,000.00
Baowu Resource	20,000.00	–
Baosteel Design	–	20,000.00
Subtotal	541,188.00	240,000.00
Total	1,214,436,521.73	956,103,549.77

(9) Short-term borrowings

	2023	2022
Baowu Finance	250,000,000.00	–

(10) Trusteeship

2023

Trustor	Trustee	The type of asset to delegate/ outsource	Balance	Aggregate amount	Income realized
The Group	Warburg Trust	annuity custody	108,439,219.62	108,439,219.62	–

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due and payable from related parties (Continued)

(10) Trusteeship (Continued)

2022

Trustor	Name of entrusted party/contractor	The type of asset to delegate/outsource	Balance	Aggregate amount r	Income realized
The Group	Warburg Trust	Other assets custody	-	600,000,000.00	24,083,835.65
The Group	Warburg Trust	Annuity custody	75,521,080.36	75,521,080.36	-
			75,521,080.36	675,521,080.36	24,083,835.65

In September 2023, the Group suspended the payment of the enterprise annuity plan. For details, please refer to Note XII. 2.

To As of 31 December 2023 and 31 December 2022, among current assets and current liabilities, except for deposits from related parties and borrowings from related parties, the Group's trade receivables and payables with related parties were not free of interest and unsecured.

7. Capital centralized management

Baowu Finance is a national non-bank financial institution jointly held by Baosteel, Wuhan Iron and Steel, Baowu Group and other units. It mainly provides member units with comprehensive financial services such as internal settlement, deposit and loan, short-term fund management and investment and financing for the purpose of strengthening the centralized management of group funds and improving the efficiency of group fund use.

As of 31 December 2023, The Group's balance of monetary funds deposited in the unrestricted deposit account of Baowu Finance was RMB601,483,019.17 (31 December 2022: RMB1,228,168,091.66).

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XI COMMITMENTS AND CONTINGENCIES

1. Significant commitments

	2023	2022
Contracted but not provided		
Capital commitments	1,424,533,556.31	3,645,180,582.75
Investment commitments	34,300,000.00	77,335,132.00
Total	1,458,833,556.31	3,722,515,714.75

Refer to Note V.57 for lease commitments as lessees.

XII OTHER SIGNIFICANT MATTERS

1. Segment reporting

(1) Identification basis and accounting policies for reportable segments

The Group will determine different segments based on the internal organizational structure, management requirements and internal report system. The Group's operation segments refer to those components meeting the following conditions at the same time:

- 1) The segment may generate revenue and incur expenses in daily activities;
- 2) Management of the Group can regularly evaluate the operating results of the segment to decide on the allocation of resources to it and evaluate its performance;
- 3) The segment's financial position, operation result, cash flow and other accounting information can be obtained by analysis.

(2) Financial information of reportable segments

The Group's revenue and profit are mainly comprised of steel manufacturing and domestic sales. The Group's major assets are all in China. The management of the Company evaluates the Group's operating results as a whole. Therefore, no segment report has been prepared in the current year.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XII OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment reporting (Continued)

(3) Information of significant customers

The Group generated revenue from one customer (2022: one) that reached or exceeded 10% of the Group's revenue, which accounting for 12% of the Group's revenue (2022: 23%).

Information of customer whose revenue in 2023 reaches or exceeds 10% of the Group's revenue is as follows:

Customer Name	Business income	Percentage in total operating income of the Group (%)
Baowu Group and its subsidiaries	5,074,396,910.08	12.91

Information of customer whose revenue in 2022 reaches or exceeds 10% of the Group's revenue is as follows:

Customer Name	Business income	Percentage in total operating income of the Group (%)
Baowu Group and its subsidiaries	8,328,943,149.77	22.78

Note: The revenue above was the total amount generated from Baowu Group and its subsidiaries for the current year by the Group.

2. Annuity plan

The Group has implemented the annuity plan since 1 January 2022, and entrusted Huabao Trust, a subsidiary of Baowu Group, to manage the annuity. The scheme is a defined contribution scheme, and the Group and Scheme participants pay contributions according to the established contribution standards. According to the annuity plan., the Group's contribution ratio is 4% of the employee's individual contribution base. In September 2023, the Group suspended the payment of annuity plans.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Trade receivables

The aging analysis of trade receivables is as follows:

	2023	2022
Within 1 year	80,055,316.34	177,584,415.92
1 to 2 years	701,272.85	1,994,697.02
2 to 3 years	234,093.16	1,715,749.84
3 to 4 years	1,681,865.78	–
Over 5 years	25,183.25	25,183.25
	82,697,731.38	181,320,046.03
Less: Bad debt provision	25,183.25	25,183.25
Total	82,672,548.13	181,294,862.78

	2023				2022					
	Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Bad debt provision based on credit risk characteristics	82,697,731.38	100.00	25,183.25	–	82,672,548.13	181,320,046.03	100.00	25,183.25	–	181,294,862.78

As of 31 December 2023 and 31 December 2022, the Company did not have trade receivables with bad debt provision made on an individual basis.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

Trade receivables for which Bad debt provision is made in combination are as follows:

	2023			2022		
	Book value	Provision for impairment	Provision ratio (%)	Book value	Provision for impairment	Provision ratio (%)
Within 1 year	80,055,316.34	-	-	177,584,415.92	-	-
1 to 2 years	701,272.85	-	-	1,994,697.02	-	-
2 to 3 years	234,093.16	-	-	1,715,749.84	-	-
3 to 4 years	1,681,865.78	-	-	-	-	-
Over 5 years	25,183.25	25,183.25	100.00	25,183.25	25,183.25	100.00
Total	82,697,731.38	25,183.25		181,320,046.03	25,183.25	

The movements of bad debt provision for trade receivables are as follows:

	Opening balance	Provision for the year	Recovered or reversed in the current year	Write-off in current year	Other additions	Closing balance
2023	25,183.25	-	-	-	-	25,183.25
2022	25,183.25	-	-	-	-	25,183.25

As of 31 December 2023, the top five trade receivables are summarized as follows:

	Closing balance	Percentage in total closing balance of trade receivables (%)
Summary	80,434,918.04	97.26

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

	2023	2022
Other receivables	105,159,938.75	133,345,845.02

The aging analysis of other receivables is as follows:

	2023	2022
Within 1 year	11,825,425.70	4,850,865.23
1 to 2 years	1,177,503.13	128,651,880.26
2 to 3 years	92,323,664.37	423,979.15
3 to 4 years	414,225.17	–
Over 5 years	787,630.50	2,137,630.50
	106,528,448.87	136,064,355.14
Less: Bad debt provision of other receivables	1,368,510.12	2,718,510.12
Total	105,159,938.75	133,345,845.02

The carrying amounts of other receivables are classified by nature as follows:

	2023	2022
Related party transactions	90,371,930.59	123,000,000.00
Current accounts	9,302,431.44	6,042,076.31
Guarantee deposits, staff advances, etc.	6,854,086.84	7,022,278.83
Total	106,528,448.87	136,064,355.14

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2023

	Book value		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Combined by credit risk characteristics					
Bad debt provision	106,528,448.87	100.00	1,368,510.12	1.28	105,159,938.75

2022

	Book value		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Combined by credit risk characteristics					
Bad debt provision	136,064,355.14	100.00	2,718,510.12	2.00	133,345,845.02

As of 31 December 2023 and 31 December 2022, the Company did not have other receivables with bad debt provision made on an individual basis.

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

Other receivables for which bad debt provision is made on a portfolio basis are as follows:

	2023			2022		
	Book value	Provision for impairment	Provision ratio (%)	Book value	Provision for impairment	Provision ratio (%)
Within 1 year	11,825,425.70	–	–	4,850,865.23	–	–
1 to 2 years	1,177,503.13	–	–	128,651,880.26	635,113.33	0.49
2 to 3 years	92,323,664.37	635,113.33	0.69	423,979.15	122,856.05	28.98
3 to 4 years	414,225.17	122,856.05	29.66	–	–	–
Over 5 years	787,630.50	610,540.74	77.52	2,137,630.50	1,960,540.74	91.72
Total	106,528,448.87	1,368,510.12		136,064,355.14	2,718,510.12	

Changes in bad debt provision for other receivables based on expected credit losses for the next 12 months and lifetime are as follows:

2023

	Phase 1 Expectations for the next 12 months Credit losses	Phase 2 Lifetime ECLs (No credit impairment occurred)	Phase 3 Lifetime ECLs (Credit impairment incurred)	Total
Opening balance	–	431,284.32	2,287,225.80	2,718,510.12
Write-off in current year	–	–	(1,350,000.00)	(1,350,000.00)
Closing balance	–	431,284.32	937,225.80	1,368,510.12

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2022

	Phase 1 Expectations for the next 12 months Credit losses	Phase 2 Lifetime ECLs (No credit impairment occurred)	Phase 3 Lifetime ECLs (Credit impairment incurred)	Total
Opening balance	–	431,284.32	22,113,916.63	22,545,200.95
Recovered during the year	–	–	(9,529,661.39)	(9,529,661.39)
Write-off in current year	–	–	(10,297,029.44)	(10,297,029.44)
Closing balance	–	431,284.32	2,287,225.80	2,718,510.12

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

	Opening balance	Provision for the year	Recovered or reversed in the current year	Write-off in current year	Closing balance
2023	2,718,510.12	–	–	(1,350,000.00)	1,368,510.12
2022	22,545,200.95	–	(9,529,661.39)	(10,297,029.44)	2,718,510.12

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

The five entities with the largest balances of other receivables as of 31 December 2023 are as follows:

	Closing balance	Percentage in other receivables Total balance (%)	nature	Aging	Bad debt provision Closing balance
First	90,371,930.59	84.83	Related party transactions	2-3 years	—
Second	7,969,917.50	7.48	Current accounts	Within 1 year	—
Third	3,000,000.00	2.82	bond	Within 1 year	—
Fourth	1,500,000.00	1.41	bond	2-3 years	—
Fifth	668,342.89	0.63	Petty cash	1-2 years	—
Total	103,510,190.98	97.17			—

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

2023

Investee	Opening balance	Changes for the year				Closing balance	Impairment provision at end of year
		Increase investment	Investment gains and losses recognized under the equity method	Cash dividends declared	Other decreases		
<i>Subsidiary</i>							
Chongqing Iron & Steel							
Energy	837,609,884.19	-	-	-	-	837,609,884.19	-
Xingang Changlong	154,678,110.49	-	-	-	-	154,678,110.49	-
Subtotal	992,287,994.68	-	-	-	-	992,287,994.68	-
<i>Associates</i>							
Baocheng Carbon	16,764,325.32	-	4,406,565.50	(4,300,000.00)	-	16,870,890.82	-
Baowu Raw Material	44,518,431.16	-	2,334,055.82	(2,499,490.96)	-	44,352,996.02	-
Baowu Environmental Resource	15,503,020.25	-	58,800.00	-	-	15,561,820.25	-
Baowu Jingcheng	34,337,281.27	-	(188,283.34)	-	-	34,148,997.93	-
Subtotal	111,123,058.00	-	6,611,137.98	(6,799,490.96)	-	110,934,705.02	-
Total	1,103,411,052.68	-	6,611,137.98	(6,799,490.96)	-	1,103,222,699.70	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

2022

Investee	Opening balance	Changes for the year				Closing balance	Impairment provision at end of year
		Increase investment	Investment gains and losses recognized under the equity method	Cash dividends declared	Other decreases		
<i>Subsidiary</i>							
<i>Chongqing Iron & Steel</i>							
Energy	837,609,884.19	-	-	-	-	837,609,884.19	-
Xingang Changlong	154,678,110.49	-	-	-	-	154,678,110.49	-
Subtotal	992,287,994.68	-	-	-	-	992,287,994.68	-
<i>Associates</i>							
Baocheng Carbon	14,039,012.26	-	4,925,313.06	(2,200,000.00)	-	16,764,325.32	-
Baowu Raw Material	44,120,786.35	-	2,720,729.06	(2,323,084.25)	-	44,518,431.16	-
Baowu Environmental Resource	-	14,700,000.00	803,020.25	-	-	15,503,020.25	-
Baowu Jingcheng	-	34,200,000.00	137,281.27	-	-	34,337,281.27	-
Subtotal	58,159,798.61	48,900,000.00	8,586,343.64	(4,523,084.25)	-	111,123,058.00	-
Total	1,050,447,793.29	48,900,000.00	8,586,343.64	(4,523,084.25)	-	1,103,411,052.68	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales

	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	39,030,489,500.59	39,733,882,511.29	36,289,120,723.90	36,369,484,928.41
Revenue from other operations	291,323,008.92	265,215,935.04	330,024,169.97	300,332,072.80
Total	39,321,812,509.51	39,999,098,446.33	36,619,144,893.87	36,669,817,001.21

Breakdown of operating income is as follows:

2023

Commodity Type	Steel and billet	other	Total
Hot Rollers	17,998,353,506.20	–	17,998,353,506.20
Board	9,604,212,266.49	–	9,604,212,266.49
Bar	7,220,599,445.86	–	7,220,599,445.86
Wire rod	1,371,769,590.28	–	1,371,769,590.28
Billet	1,239,556,287.42	–	1,239,556,287.42
Other	–	1,887,321,413.26	1,887,321,413.26
Total	37,434,491,096.25	1,887,321,413.26	39,321,812,509.51

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales (Continued)

Breakdown of operating income is as follows: (Continued)

2022

Commodity Type	Steel and billet	Others	Total
Hot rolled sheets	17,256,980,356.18	–	17,256,980,356.18
Plates	11,202,787,107.15	–	11,202,787,107.15
Bars	4,488,879,402.27	–	4,488,879,402.27
Wire rod	931,024,554.70	–	931,024,554.70
Billets	52,304,809.69	–	52,304,809.69
Others	–	2,687,168,663.88	2,687,168,663.88
Total	33,931,976,229.99	2,687,168,663.88	36,619,144,893.87

	2023	2022
Timing of transferring of goods or services		
At a point in time	38,699,527,382.70	36,145,747,158.07
Over time	622,285,126.81	473,397,735.80
Total	39,321,812,509.51	36,619,144,893.87

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales (Continued)

Breakdown of operating costs for the year is as follows:

Commodity Type	Steel and billet	Others	Total
Hot rolled sheets	18,058,999,618.72	–	18,058,999,618.72
Plates	9,629,335,151.89	–	9,629,335,151.89
Bars	7,698,014,656.78	–	7,698,014,656.78
Wire rod	1,534,610,263.60	–	1,534,610,263.60
Billets	1,291,354,336.66	–	1,291,354,336.66
Others	–	1,786,784,418.68	1,786,784,418.68
Total	38,212,314,027.65	1,786,784,418.68	39,999,098,446.33

2023

Timing of transferring of goods or services

At a point in time	39,422,087,439.08
Over time	577,011,007.25

Total **39,999,098,446.33**

Revenue recognized during the year included in the carrying amount of contract liabilities at the beginning of the year is as follows:

	2023	2022
Sales payment in advance	2,645,569,472.47	2,185,095,400.45

At the end of the year, the estimated timing of revenue recognition for performance obligations that have been entered into but have not yet been fulfilled or completed is as follows:

	2023	2022
Within 1 year	1,893,124,713.20	2,645,569,472.47

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIII NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Investment income

	2023	2022
Investment income of held-for-trading financial assets during the holding period	–	24,083,835.65
Investment income recognized through equity method	6,611,137.98	8,586,343.64
Dividend income from other equity instrument investments still held during the holding period	696,646.78	–
Investment income from disposal of long-term equity investments	73,105.63	–
Total	7,380,890.39	32,670,179.29

Notes to Financial Statements (Continued)

For the year ended 31 December 2023 (Renminbi yuan)

XIV OTHER SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

	Amount
Gains or losses on disposal of non-current assets, including the offset portion of impairment provision for such asset	4,499,607.60
Government grants recognized in profit or loss for the current period (except for government grants that are closely related to ordinary operations, comply with national policies and regulations, enjoy according to determined standards and have a sustained impact on profit and loss)	13,431,951.81
Capital occupied income from non-financial entities	1,433,128.05
Non-operating income and expenses other than the above items	4,024,959.44
Subtotal	23,389,646.90
Less: Impact of income tax	3,508,447.04
Total	19,881,199.86

2. Return on net assets and earnings/(loss) per share

	Weighted average return on equity (%)	Earnings/(loss) per share (RMB per share)	
		Basic	Diluted
Net profit/(loss) attributable to ordinary shareholders of the Company	(7.26)	(0.17)	(0.17)
Net profit/(loss) attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	(7.35)	(0.17)	(0.17)