

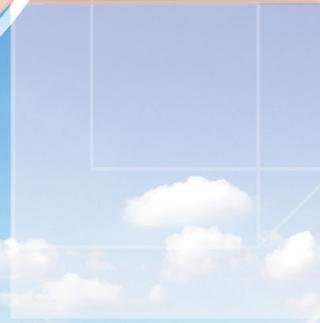
重慶鋼鐵股份有限公司

Chongqing Iron & Steel Company Limited

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

2022

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 loss attributable to the parent company for 2022 amounted to RMB1,038 million, and the unappropriated profit by parent company as of the end of 2022 amounted to RMB-7.651 billion. As the parent company recorded a negative unappropriated profit as at the end of 2022, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2022 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:

Definitions of common terms

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
China Baowu, Baowu Group	China Baowu Steel Group Corporation Limited
Strategic Emerging Fund	Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership)
Sichuan Desheng, Desheng Group	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.
Changshou Iron & Steel, controlling shareholder	Chongqing Changshou Iron & Steel Company Limited
Company, Chongqing Iron & Steel Group	Chongqing Iron & Steel Company Limited
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 2022 to 31 December 2022
RMB, RMB'000, RMB0'000, RMB00'000'000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan, RMB hundred million yuan

Section II Company Profile and Major Financial 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	Ai Wei (艾維) and Wang Dan (王丹)

Section II Company Profile and Major Financial Indicators (Continued)

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

i. Key accounting data

Unit: RMB'000 Currency: RMB

Key accounting data	2022	2021	Increase/ decrease from last year (%)	2020
Operating income	36,561,531	39,849,418	-8.25	24,489,935
Operating revenue net of business revenue not related to principal business and income lacking commercial substance	36,273,788	37,466,956	-3.18	24,349,157
Net profit attributable to shareholders of listed company	-1,019,409	2,274,395	-144.82	638,479
Net profit attributable to shareholders of listed company, netting non-recurring gains and losses	-1,086,273	2,453,197	-144.28	491,082
Net cash flow from operating activities	1,470,087	5,621,433	-73.85	1,337,765

	At the end of 2022	At the end of 2021	Increase/ decrease from last year (%)	At the end of 2020
Net assets attributable to shareholders of listed company	21,341,918	22,375,211	-4.62	20,038,467
Total assets	39,364,800	42,995,956	-8.45	39,949,856

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

ii. Key financial indicators

Key financial indicators	2022	2021	Increase/ decrease from last year (%)	2020
Basic earnings per share (RMB/share)	-0.11	0.26	-142.31	0.07
Diluted earnings per share (RMB/share)	-0.11	0.26	-142.31	0.07
Basic earnings per share, netting extraordinary gains or losses (RMB/share)	-0.12	0.28	-142.86	0.06
Weighted average return on net assets (%)	-4.66	10.73	Decreased by 15.39 percentage points	3.24
Weighted average return on net assets, netting extraordinary gains or losses (%)	-4.97	11.57	Decreased by 16.54 percentage points	2.49

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 2022

Unit: RMB'000 Currency: RMB

	1st Quarter (January– March)	2nd Quarter (April– June)	3rd Quarter (July– September)	4th Quarter (October– December)
Operating income	8,720,406	9,295,770	7,649,896	10,895,459
Net profit attributable to shareholders of listed company	442,999	73,417	-787,733	-748,092
Net profit attributable to shareholders of listed company, netting non- recurring gains and losses	457,210	89,409	-833,404	-799,488
Net cash flow from operating activities	278,512	657,999	165,311	368,265

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 2022	Note (if applicable)	Amount for 2021	Amount for 2020
Gains or losses on disposal of non-current assets	-6,803	Not applicable	-185,836	-20,177
Government grants included in the profit or loss for the period (except for those closely related to the ordinary businesses of the Company, in compliance with the requirements under the State's policies, and continuously entitled to quantitative or qualitative government grants according to certain standards)	55,613	Not applicable	15,115	196,430
Capital occupancy fee from non-financial enterprises recognized through profit or loss	5,112	Not applicable	1,257	857
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	-
Gains or losses on changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, and derivative financial liabilities and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other equity investments, excluding those arising from effective hedging business related to operating activities	24,084	Not applicable	-	6,803
Other non-operating income and expenses apart from the above mentioned	658	Not applicable	-162,941	-36,516
Less: Effects on income tax	11,800	Not applicable	-	-
Total	66,864	Not applicable	-178,802	147,397

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

Applicable Not applicable

Section II Company Profile and Major Financial Indicators (Continued)

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
Financial assets held for trading	600,000	–	-600,000	24,084
Receivables financing	1,536,724	799,687	-737,037	–
Other equity investments	5,000	–	-5,000	–
Total	2,141,724	799,687	-1,342,037	24,084

XII. OTHERS

Applicable Not applicable

XIII. FINANCIAL HIGHLIGHTS

Unit: RMB '000 Currency: RMB

	2018	2019	2020	2021	2022
Income and profit					
Income	22,638,957	23,477,597	24,489,935	39,849,418	36,561,531
Profit before tax	1,758,733	890,509	624,387	2,262,884	(1,201,895)
Taxation	(29,300)	(35,214)	(14,092)	(11,509)	(182,486)
Profit for the year	1,788,033	925,723	638,479	2,274,393	(1,019,409)
Attributable to shareholders of the Company	1,787,906	925,723	638,479	2,274,393	(1,019,409)
Non-controlling interests	127	–	–	–	–
Earnings per share attributable to shareholders of the Company – Basic (RMB)	0.20	0.10	0.07	0.26	(0.11)
Assets and liabilities					
Non-current assets	19,421,096	19,120,443	26,901,448	29,645,294	30,850,578
Current assets	7,512,255	7,855,283	13,048,408	13,350,662	8,514,222
Current liabilities	5,245,076	5,089,715	13,429,248	15,411,421	13,062,530
Non-current liabilities	3,156,610	2,490,008	6,482,141	5,209,326	4,960,353
Net assets	18,531,665	19,396,003	20,038,467	22,375,209	21,341,918
Equity attributable to shareholders of the Company	18,531,665	19,396,003	20,038,467	22,375,209	21,341,918
Non-controlling interests	–	–	–	–	–

Section III Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS OF THE OPERATING RESULTS

In 2022, Chongqing Iron & Steel focused on the vision of “becoming a leader in the steel industry in Southwest China”, proactively practiced the management idea of “conducting comprehensive benchmarking to identify areas for improvement, and increasing efforts in cost reduction and efficiency enhancement, refining management, minimizing resource consumption”, overcame complicated, severe external environment and vigorously responded to impacts and challenges. Our staff members shared the same aspiration, joined their efforts together and proactively kept practicing amid difficult times. Our several operating indicators experienced ground-breaking progress. The production volume of steel and commodity billet recorded the highest level in history.

i. Advocate energy conservation and carbon reduction, strengthen environmental protection efforts and accelerate “three governance and four transformation”

The Company optimized the development of “dual control” and “dual carbon” management system, and adapted to the national “dual control” and “dual carbon” requirements and its energy-saving and low-carbon development needs. By doing so, our energy management system capacity has been effectively improved. The Company has improved the comprehensive utilization of residual heat, pressure and gas, and successively put into operation the high-efficiency generating units of surplus gas, and the self-power generation rate reached 76.63%, which was nearly four percentage points higher than that of the previous year. The grid-connected power was 3.05 billion kWh, a year-on-year increase of 365 million kWh or 13.6%. By implementing measures such as reusing reclaimed water, the fresh water consumption per tonne of steel decreased from 3.3m³/t to 2.8m³/t, a year-on-year decrease of 15%. Totally eight energy-conservation and carbon-reduction projects, which would save 51,700 tonnes of standard coal per year and reduced the total cost of energy conservation and carbon reduction by RMB176 million in 2022.

The capacity of “three governance and four transformation” was obviously improved. The recycling and reuse of non-conventional water resources across the whole plant was achieved, and the amount of wastewater discharge per tonne of steel was reduced by 10% year on year. The comprehensive utilization rate of general solid waste was 99.9%; the utilization rate of returning to production was 19.23%; and the rate of solid waste not leaving the factory was 99.92%. The certification of productization of all solid waste was completed, and the goal of not leaving the plant for solid waste was realized. The Company carried out the special work of “environmental improvement” and increased the greening rate of the factory to 35.2%. In 2022, the Company was awarded the title of “Green Factory in Chongqing”, with an annual green development index of 74 points, representing a year-on-year increase of 8 points.

I. DISCUSSION AND ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

- ii. Persistently regard efficiency as the core, flexible adjust production plans and continuously improve each technical and economic indicators

Adhering to the principle of “blast furnace as the centre and cost priority”, the Company optimized the coal and ore distribution structure and improved the whole-procedure management of scrap steel. The utilization coefficient of 2# blast furnace reached 3.138t/m³.d in February, the highest record since it was put into operation. Based on the principle of stable production efficiency and quality and optimal efficiency for steel making, the Company promoted the process of efficiency improvement and achieved stable operations. The annual steel output was 7,873,500 tonnes, a record high. In July, the cost of slab steelmaking process (including alloy) dropped to RMB499/tonne, achieving “finishing in the top four”, and in November it dropped to RMB488/tonne, breaking another record. In September, the energy consumption of the second steelmaking process was -21.98 kgce/t, and in October, the energy consumption of the first steelmaking process was -26.42 kgce/t, both of which were historical records. For steel rolling, the Company actively promoted lean production, insisted on low cost and high efficiency, optimized roll change time management, strengthened equipment condition control, improved calendar operation rate, and achieved high-efficiency and low-consumption production. The rolled steel production in 2022 reached 8.33 million tonnes, up 17.82% year on year, a record high. For the 1780mm production line, the hot charge ratio was 85.9% in January, a record for the production line; for the 4100mm production line, the hot charge ratio was 56.45% in June, a record for the production line; for the production line of double high rods, the steel rolling matching rate exceeded 70%, with a maximum matching rate up to 73.68%.

I. DISCUSSION AND ANALYSIS OF THE OPERATING RESULTS (CONTINUED)

iii. Carry out plans and orderly advance the tasks to practice green development and smart manufacturing

Based on the idea of “with the development system of 100 million tonnes of Baowu, we plan to produce more than 10 million tonnes of steel & iron”, in 2022, the Company’s production line structure was adjusted and its supporting oxygen production and power generation projects have been completed and put into operation. The Company thereby had a comprehensive production capacity of 12 million tonnes. In 2022, as the “smart production line”, double high rods and other new or steelmaking and other transformation processes put into operation, the process capacity enhancement project was fully completed. At the same time, the coke oven motor car with unmanned control, application of smelting mechanism model and temperature measurement sampling, printing, finished product label printing and hanging of the “3D” position robots under Chongqing Iron & Steel’s simultaneous development were put into use, and Chongqing Iron & Steel’s smart manufacturing achievements are one after another, with a large number of “smart elements” driving the upgrade of production and governance methods and empowering the whole process of steel manufacturing. The digital application scenario of the intelligent monitoring system for the 5G + coal bunker inventory has been put into practice in Chongqing Iron & Steel, and the “5G + industrial Internet” served the core links of production, promoting the production control of Chongqing Iron & Steel to the “cloud era”, accelerating the digital transformation and upgrading of the Company, and becoming a key component of the “intelligent industry development and industrial practices of intelligence technology”.

iv. Optimize financing channels and continuously improve the financial efficiency

The Company consolidated the financing tasks, balanced the scale of deposit and loan, reduced the comprehensive financing cost and saved finance cost. Through a series of measures such as replacement and negotiation on interest rate reduction, we co-ordinately reduced the fund cost by RMB168 million, among which the loan for surplus gas power generation project was supported by the People’s Bank of China with low-cost funds (the first carbon-emission loan in Chongqing).

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

From January to December 2022, the operation status of the iron and steel industry is as follows:

1. According to the National Bureau of Statistics, the national production of pig iron and crude steel from January to December were 863.83 million tonnes and 1,013 million tonnes, down 0.8% and 2.1% year on year, respectively.
2. According to the General Administration of Customs, 67.32 million tonnes of steel was exported from January to December, an increase of 0.9% year on year; 10.57 million tonnes of steel was imported from January to December, a decrease of 25.9% year on year.
3. In 2022, affected by the complex and volatile foreign economic environment, weak domestic demand and other factors, the domestic steel market showed a shocking downward situation. The annual average of the CSPI was 122.78 points, down 13.55% year on year. Among them, the average long steel price index was 128.33 points, down 12.01% year on year; the average plate price index was 121.40 points, down 14.18% year on year.
4. According to the General Administration of Customs, the national imports of iron ore and its concentrates from January to December amounted to 1,106.86 million tonnes, down 1.5% year on year.

In 2022, in the context of the dual carbon target, the relevant national ministries and commissions continued to improve policies to promote energy conservation, environmental protection and green development in the iron and steel industry. In 2022, policymakers mainly focused on reducing energy consumption and increasing the use of scrap steel for the steel industry. In terms of reducing energy consumption, the Guiding Opinions on Promoting the High-quality Development of the Iron and Steel Industry and the Industrial Energy Efficiency Improvement Action Plan stipulated that by 2025, ultra-low emission transformation would be completed for more than 80% of steel production capacity, the comprehensive energy consumption would be reduced by more than 2% per tonne of steel, and the comprehensive energy consumption in the iron and steel industry would be reduced by 2% per tonne of steel to achieve the goal of carbon peaking in 2030. To improve the use of scrap steel, by 2025, the annual processing capacity of certified scrap steel processing enterprises would exceed 180 million tonnes.

Section III Management Discussion and Analysis (Continued)

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 the following main production lines: 4,100mm wide and thick plate, 2,700mm medium plate, 1,780mm hot rolled sheet, high speed wire rods and bar materials.

With rich production lines, the Company is able to provide a diversified portfolio of products. The products includes the varieties of medium plates, heavy plates, hot coil and long products. 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 northwestern regional markets. The products are highly recognized in regional markets.

The Company's steel products used in hull structure, boilers and pressure vessels were rewarded the title of "Chinese brand products" and four other products were rewarded the title of "Chongqing's brand products". The Company successively obtained the following titles of honour: national Labour 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 2022, the Company ranked No. 316 in Fortune China 500, ranked No. 289 in "China's Top 500 Manufacturing Enterprise in 2022", ranked No. 20 in "Chongqing Top 100 Enterprises in 2022", and was awarded the honorary title of "AAA" Harmonious Labour Relations Enterprise Certification in Chongqing.

Chongqing Iron & Steel, which has integrated into China Baowu, has been marching forward with a new attitude towards the goal of high-quality development. The Company was standing at a new starting point in history, facing a more complex and severe external environment, actively practiced the production concept of "benchmarking and finding differences from excellent enterprises comprehensively, paying close attention to reducing costs and increasing efficiency, refining management, minimizing resource consumption" to push forward the construction of technical improvement projects and optimize the production organization. For the layout of green manufacturing and smart manufacturing, the Company launched a new round of development plan. With the mission of "keeping the national strength of steel alive and build a green and wonderful life" and the development goal of "to create a high-quality green intelligent steel manufacturer with an annual output exceeding 10 million tons", the Company is committed to building "Beautiful Chongqing Iron & Steel, Pastoral Chongqing Iron & Steel" and becoming a leader in the steel industry in Southwest China, providing steel support for social development and contributing to the construction of Chengdu-Chongqing Twin Cities Economic Circle, the development of Yangtze River Economic Belt and the Western Development Strategy.

III. MAIN BUSINESS PROFILE DURING THE REPORTING PERIOD (CONTINUED)

The current steel production capacity is still in surplus, the situation that supply is greater than the demand has not been fundamentally changed. Affected by the macroeconomic pressure, and the external market environment, the iron and steel industry in 2022 began at high levels, and then declined, and steel prices saw a significant drop resulting from dual weakness in supply and demand pattern. At the same time, raw material prices have fallen but still at historically high levels, the iron and steel industry profit margin continued to be declined. In the face of the crisis, the Company actively practiced the management concept of “conducting comprehensive benchmarking to identify areas for improvement, and increasing efforts in cost reduction and efficiency enhancement, refining management, minimizing resource consumption” to overcome the complex and severe external environment, vigorously tackle the challenges and effectively prevent the risks and dangers.

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.

IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

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 strong demand of the steel market has made Chongqing and southwestern regions the areas with net inflows of steel while local supply cannot meet its own demand. 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 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 7.23 million tonnes of iron, 7.8735 million tonnes of steel and 8.3424 million tonnes of commodity billet, representing a year-on-year growth of 7.20%, 10.65% and 16.57%, respectively. The production volume of steel and commodity billet recorded the highest level in history. The sales volume of commodity billet was 8.3832 million tonnes, representing a year-on-year growth of 17.40%. The operating income was RMB36.562 billion, representing a year-on-year decrease of 8.25%, while the total profit was RMB-1,202 million, representing a year-on-year decrease of 153.12%.

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	36,561,531	39,849,418	-8.25
Operating cost	36,592,389	35,950,388	1.79
Selling expenses	74,204	81,143	-8.55
Administrative expenses	418,291	504,503	-17.09
Financial expenses	358,905	380,723	-5.73
R&D expenses	24,764	11,803	109.81
Net cash flow from operating activities	1,470,087	5,621,433	-73.85
Net cash flow from investing activities	-2,111,390	-5,536,091	N/A
Net cash flow from financing activities	-1,253,003	1,048,806	-219.47

Reasons for change in R&D expenses: The increase in R&D expenses was mainly due to the increase in R&D projects.

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 and decrease in operating payables due to current payment of usance letter of credit opened in the prior 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 increase in net cash flow from operating activities was mainly due to the decrease in fixed assets investment projects for current period.

Reasons for change in net cash flow from financing activities: The decrease 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 2022, the Group realized a total profit of RMB-1,202 million, representing a year-on-year decrease of 153.12%, which was mainly due to the following reasons: the selling price of commodity billet amounted to RMB4,048/tonne, representing a year-on-year decrease of 12.98%, and commodity billet achieved a decrease of RMB5,019 million in profit affected by products structure; the sales volume of commodity billet reached 8.3832 million tonnes, representing a year-on-year increase of 17.40%, and achieving an increase of RMB324 million in profit; the increase in prices of coal, and the decrease in price of ore and scrap steel, thus resulting in an increase of RMB229 million in profit. Faced with the impact of the weak steel market and power restrictions during the peak season, the Company actively practiced the management concept of “benchmarking and finding differences from excellent enterprises comprehensively, paying close attention to reducing costs and increasing efficiency” to continuously promote cost reduction plan, thus key technical and economic indicators continued to improve, resulting in an increase of RMB691 million in profit from cost reduction in the aspect of process. The Company insisted on reducing all expenses, thus resulting in an increase of RMB102 million in profit; others matters resulted in an increase of RMB303 million in profit in total; among which, the impairment of assets and loss from disposals amounted RMB239 million, representing a year-on-year increase of RMB311 million in profit; the decrease in carbon emission compliance costs, thus resulting in an increase of RMB137 million in profit. A restructuring gain of RMB145 million was recognized in 2021, thus resulting in a year-on-year decrease of RMB145 million in profit.

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)

In 2022, the Group's revenue from main business amounted to RMB36.274 billion, representing a year-on-year decrease of 3.18%. In particular, the income from sales of commodity billet products amounted to RMB33.932 billion, representing an increase of RMB714 million as compared with the corresponding period of last year. Firstly, the sales volume of commodity billet was 8.3832 million tonnes, representing a year-on-year increase of 17.40%, resulting in an increase in the sales income of RMB5,733 million; secondly, the sales price of commodity billet was RMB4,048/tonne, representing a year-on-year decrease of 12.99%, resulting in a decrease in the sales income of RMB5,019 million affected by products structure.

Composition of income from main businesses:

Type	2022		2021		Year-on-year increase in amount (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plate	11,202,787	30.89	10,266,002	27.40	9.13
Hot rolling	17,256,980	47.57	17,940,118	47.88	-3.81
Bars	1,633,885	4.50	68,289	0.18	2,292.60
Double high rods	2,854,994	7.87	—	—	—
Profiles	931,025	2.57	—	—	—
Commodity billets	52,305	0.14	4,943,792	13.20	-98.94
Subtotal	33,931,976	93.54	33,218,201	88.66	2.09
Other	2,341,812	6.46	4,248,755	11.34	-44.88
Total	36,273,788	100.00	37,466,956	100.00	-3.18

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	2022 Sales price (RMB/tonne)	2021 Sales price (RMB/tonne)	Year-on-year growth (%)	Income increase (RMB'000)
Plate	4,322	4,874	-11.33	-1,430,957
Hot rolling	3,994	4,659	-14.27	-2,873,416
Bars	3,606	5,159	-30.10	-703,672
Double high rods	3,748	–	–	–
Profiles	3,878	–	–	–
Commodity billets	3,495	4,225	-17.28	-10,924
Total of commodity billet	4,048	4,652	-12.98	-5,018,969

Sales volumes of commodity billet:

Item	Sales volume for 2022 (Ten thousand tonnes)	Sales volume for 2021 (Ten thousand tonnes)	Year-on-year growth (%)	Income increase (RMB'000)
Plate	259.23	210.65	23.07	2,367,742
Hot rolling	432.09	385.06	12.21	2,190,278
Bars	45.31	1.32	3,332.58	2,269,268
Double high rods	76.19	–	–	2,854,994
Profiles	24.00	–	–	931,025
Commodity billets	1.50	117.02	-98.72	-4,880,563
Total of commodity billet	838.32	714.05	17.40	5,732,744

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	36,273,788	36,354,478	-0.22	-3.18	8.21	Decreased by 10.55 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	33,931,976	33,992,172	-0.18	2.15	15.23	Decreased by 11.37 percentage points
Others	2,341,812	2,362,306	-0.88	-44.88	-42.31	Decreased by 4.50 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

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	27,946,751	28,194,055	-0.88	13.72	27.36	Decreased by 10.80 percentage points
Other regions	8,327,037	8,160,423	2.00	-35.41	-28.78	Decreased by 9.13 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	256.44	259.23	3.42	22.43	23.06	5.88
Hot rolling	10,000 tonnes	428.95	432.09	2.75	12.24	12.21	-21.43
Bars	10,000 tonnes	46.72	45.31	1.44	2,271.57	3,332.58	14,300.00
Double high rods	10,000 tonnes	76.46	76.19	0.28	-	-	-
Profiles	10,000 tonnes	24.16	24.00	0.37	-	-	-
Commodity billets	10,000 tonnes	1.51	1.50	0.01	-98.76	-98.72	-99.85

Explanation on production and sales

N/A

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

Applicable Not applicable

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)

(4). Cost analysis table

Unit: RMB'000

By sectors

By sectors	Cost component	Amount for the period	Percentage of the amount	Amount for the corresponding period of last year	Percentage of the amount	Year-on-year change
			for the period in total costs (%)		for the corresponding period of last year in total costs (%)	
Iron and steel	Raw material	29,071,795	79.97	28,748,220	85.57	-5.60
Iron and steel	Energy	2,021,368	5.56	1,178,376	3.51	2.05
Iron and steel	Labour and other costs	5,261,315	14.47	3,668,663	10.92	3.55

By products

By products	Cost component	Amount for the period	Percentage of the amount	Amount for the corresponding period of last year	Percentage of the amount	Year-on-year change
			for the period in total costs (%)		for the corresponding period of last year in total costs (%)	
Commodity billet	Raw material and energy costs	33,992,172	93.50	29,500,477	87.81	5.69
Others	Raw material and energy costs	2,362,306	6.50	4,094,783	12.19	-5.69

Other information on cost analysis

N/A

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

- (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 RMB11,069,057,000, representing 30.28% of the total sales for the year, of which the sales attributable to related parties amounted to RMB4,615,779,000, representing 12.62% 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 RMB10,775,543,000, accounting for 29.45% of the total purchases for the year, of which purchases from related parties amounted to RMB10,775,543,000, accounting for 29.45% 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

Unit: RMB'000

Item	Current period	Corresponding period of last year	Change (%)
Selling expenses	74,204	81,143	-8.55
Administrative expenses	418,291	504,503	-17.09
Finance expenses	358,905	380,723	-5.73
R&D expenses	24,764	11,803	109.81

4. R&D investment

(1). Table of R&D investment

Applicable Not applicable

Unit: RMB'000

Expensed R&D investment for the period	1,359,520
Capitalised R&D investment for the period	–
Total R&D investment	1,359,520
Percentage of total R&D investment to operating income (%)	3.72
Percentage of capitalized R&D investment (%)	–

Section III Management Discussion and Analysis (Continued)

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	822
Percentage of R&D personnel in the total number of employees of the Company (%)	13.23

Educational structure of R&D personnel

Educational category	Number
Doctoral graduate	3
Master's graduate	68
Undergraduate	509
Junior college	242
High school and below	0

Age Structure of R&D Staff

Age category	Age number
Under 30 years old (exclusive)	28
30–40 years old (including 30 years old, excluding 40 years old)	319
40–50 years old (including 40 years old, excluding 50 years old)	260
50–60 years old (including 50 years old, excluding 60 years old)	215
60 and above	0

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

i. Main business analysis (Continued)

4. R&D investment (Continued)

(3). Explanation

Applicable Not applicable

(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

Unit: RMB'000

Item	2022	2021	Main reasons for changes
Net cash flow from operating activities	1,470,087	5,621,433	Decrease in profit for the current period and decrease in operating payables due to current payment of usance letter of credit opened in the prior period
Net cash flow from investing activities	-2,111,390	-5,536,091	Decrease in fixed assets investment projects
Net cash flow from financing activities	-1,253,003	1,048,806	Decrease in new borrowings
Net increase in cash and cash equivalents	-1,894,306	1,134,148	-

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

Applicable Not applicable

iii. Analysis of assets and liabilities

Applicable Not applicable

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

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	3,995,676	10.15	6,410,645	14.91	-37.67	Repayment of borrowings
Financial assets held for trading	-	-	600,000	1.40	-100.00	Redemption of wealth management products
Trade receivables	38,789	0.10	53,885	0.13	-28.02	-
Receivables financing	799,687	2.03	1,536,724	3.57	-47.96	Bill discounting
Prepayments	845,433	2.15	756,710	1.76	11.72	-
Other receivables	34,846	0.09	52,279	0.12	-33.35	Recovery of cross-period settlement amount
Inventories	2,592,757	6.59	3,840,198	8.93	-32.48	Optimize inventory structure to reduce capital usage
Other current assets	207,035	0.53	100,221	0.23	106.58	Adjustment of income tax paid in advance
Long-term equity investments	111,123	0.28	58,160	0.14	91.06	Capital injection of Baowu Jingcheng and Baowu Environment
Other equity investments	-	-	5,000	0.01	-100.00	Changes in fair value
Property, plant and equipment	26,281,780	66.76	21,891,662	50.92	20.05	Provisional valuation of completion of construction project to be fixed
Construction in progress	894,155	2.27	4,174,369	9.71	-78.58	Provisional valuation of completion of construction project to be fixed
Right-of-use assets	388,739	0.99	518,318	1.21	-25.00	-
Intangible assets	2,514,368	6.39	2,384,882	5.55	5.43	-
Goodwill	328,055	0.83	328,055	0.76	-	-
Long-term expenses to be amortized	237	-	271	-	-12.55	-
Deferred income tax assets	327,989	0.83	142,568	0.33	130.06	Increase in deductible losses
Other non-current assets	4,132	0.01	142,009	0.33	-97.09	Decrease in advance payment related to fixed investment

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)

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
Short-term borrowings	1,106,441	2.81	2,629,734	6.12	-57.93	Repayment of borrowings
Bills payable	609,368	1.55	1,261,138	2.93	-51.68	Discharge of bills upon maturity
Trade payables	3,115,967	7.92	4,567,986	10.62	-31.79	Reclassification of engineering tongbao
Contract liabilities	2,645,569	6.72	2,185,095	5.08	21.07	-
Employee benefits payable	144,905	0.37	112,844	0.26	28.41	-
Taxes payable	22,974	0.06	16,744	0.04	37.21	Increase in VAT due from subsidiaries
Other payables	2,720,897	6.91	2,770,509	6.44	-1.79	-
Non-current liabilities due within one year	2,352,484	5.98	1,582,635	3.68	48.64	Increase in reclassification of long-term loans due within one year
Other current liabilities	343,924	0.87	284,736	0.66	20.79	-
Long-term borrowings	2,751,945	6.99	1,792,800	4.17	53.50	New Borrowings
Bonds payable	-	-	498,434	1.16	-100.00	Reclassification upon maturity within one year
Lease liabilities	278,353	0.71	408,135	0.95	-31.80	Payments for asset leases
Long-term payables	1,730,677	4.40	2,301,299	5.35	-24.80	-
Long-term employee benefits payable	107,663	0.27	144,977	0.34	-25.74	-
Estimated liabilities	5,540	0.01	-	-	-	-
Deferred income	79,743	0.20	56,903	0.13	40.14	New assets-related government grants
Deferred income tax liabilities	6,431	0.02	6,778	0.02	-5.12	-

Other explanation

N/A

2. Overseas assets

Applicable Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

iii. Analysis of assets and liabilities (Continued)

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

Applicable Not applicable

Item	Closing carrying amount	Opening carrying amount	Reason for restriction
Cash and bank balances	57,743,000	578,407,000	As at 31 December 2022, the Group's cash and bank balances with a carrying amount of RMB57,743,000 (31 December 2021: RMB578,407,000) were restricted for use in issuing bank acceptance bills and letters of credit.
Receivables financing	100,120,000	317,202,000	As at 31 December 2022, the Group pledged bank acceptance notes with a carrying amount of RMB100,120,000 (31 December 2021: RMB317,202,000) to issue bank acceptance bills.
Property, plant and equipment	3,205,875,000	8,226,586,000	As at 31 December 2022, the Group's houses and buildings with a carrying amount of RMB94,399,000 (31 December 2021: RMB797,066,000), machinery and equipment with a carrying amount of RMB3,111,476,000 (31 December 2021: RMB7,429,520,000) were pledged to secure bank borrowings and working capital loan facilities.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

iii. Analysis of assets and liabilities (Continued)

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

Item	Closing carrying amount	Opening carrying amount	Reason for restriction
Intangible assets	289,098,000	783,824,000	As at 31 December 2022, the Group's land use rights with a carrying amount of RMB289,098,000 (31 December 2021: RMB783,824,000) were pledged to secure bank borrowings. The amortisation of land use rights for 2022 was RMB8,172,000 (2021: RMB21,936,000).
Equity	837,610,000	837,610,000	As at 31 December 2022, the Group's equity interests with a carrying amount of RMB837,610,000 (31 December 2021: RMB837,610,000) were pledged to secure working capital loans of RMB335,000,000 (31 December 2021: RMB450,000,000).
Total	4,490,446,000	10,743,629,000	–

4. Other explanation

Applicable Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

iv. Analysis on industry operating information

Applicable Not applicable

In 2022, China's iron and steel industry achieved generally stable industry operations. Specifically, first, steel production fell year-on-year and consumption intensity weakened; second, the global steel market was sluggish and crude steel production outside China fell more than that in China; third, steel exports were basically flat year-on-year and imports showed a significant decline; fourth, steel prices turned from up to down and fuel costs rose significantly; fifth, enterprise efficiency fell year-on-year and the asset and liability ratio increased slightly; sixth, the structure of fixed asset investment continued to be optimised and R&D expenses continued to rise; seventh, the environmental protection indicators continued to improve, and the unit energy consumption indicators increased slightly.

From January to December 2022, the pig iron production in China was 863,838,000 tonnes, down 0.8% year-on-year; the crude steel production in China was 1,013,003,000 tonnes, down 2.1% year-on-year, and the task of crude steel production reduction in 2022 was completed; the steel production in China was 1,340,335,000 tonnes, down 0.8% year-on-year. Global steel production in 2022 was 1,878,500,000 tonnes, down 4.2% year-on-year, a greater decline than in China. Faced with such difficulties as weakening downstream demand, falling steel prices and rising raw fuel costs, steel production continues to show a trend of reduction in 2022.

In 2022, China's cumulative exports of steel were 67.323 million tonnes, up 0.9% year-on-year, of which 5.4 million tonnes were exported in December, up 7.8% year-on-year; the total cumulative imports of steel were 10.566 million tonnes, down 25.9% year-on-year, the lowest annual level since 1993, of which 700,000 tonnes were imported in December, down 30.1% year-on-year. Since 2022, there is still a price difference between domestic and foreign steel, but the global economic slowdown, the uncertainty of the international trade situation and the new tariff adjustment policy have all had an adverse impact on steel exports. In China's policy guidance of "promoting imports and reducing exports" for the steel industry, further decline in future steel exports is expected.

In 2022, affected by the complex and volatile foreign economic environment, weak domestic demand and other factors, the domestic steel market showed a shocking downward situation. The annual average of the CSPI was 122.78 points, down 13.55% year-on-year. Among them, the average long steel price index was 128.33 points, down 12.01% year-on-year; the average plate price index was 121.40 points, down 14.18% year-on-year. The CSPI ended December 2022 at 113.25 points, up 4.32 points or 4.0% from the previous year.

From January to December 2022, the imports of iron ore and its concentrates amounted to 1,106,860,000 tonnes, down 1.5% year-on-year, of which, the imports of iron ore and its concentrates amounted to 90.86 million tonnes in December, up 5.6% 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)

In 2022, the ferrous metal smelting and rolling processing industry experienced the largest decline in total profits among the 41 major industry groups. In 2022, the operating income of the ferrous metal smelting and rolling processing industry was RMB8,714.7 billion, down 9.8% year-on-year; operating costs were RMB8,322.14 billion, down 6% year-on-year; and total profit was RMB36.55 billion, down 91.3% year-on-year. In 2022, the iron and steel industry experienced a decline in operating cash and a significant decline in corporate profits.

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 year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
Plates and strips	6,853,942	5,916,208	6,913,239	5,957,078	28,459,767	28,206,120	27,889,315	25,011,676	2.00	11.33
Others	1,488,416	1,240,322	1,469,955	1,183,391	7,814,021	9,260,836	8,465,163	8,583,584	-8.33	7.31

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)

Iron and steel industry operational information analysis (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	1,682,600	844,957	1,592,098	1,441,351
Overseas import	11,562,711	11,871,988	9,795,666	12,726,069
Total	13,245,311	12,716,945	11,387,763	14,167,420

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	273,512	247,951	630,013	602,078
Domestic source	996,865	970,582	3,313,087	3,541,029
Overseas import	—	—	—	—
Total	1,270,377	1,218,533	3,943,100	4,143,107

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

iv. Analysis on industry operating information (Continued)

Iron and steel industry operational information analysis (Continued)

7. Other explanation

Applicable Not applicable

v. Investment analysis

General analysis of external equity investment

Applicable Not applicable

In the first half of 2022, the Company completed equity investment projects of RMB48,900,000. The main investment projects were as follows:

On 28 August 2021, the Resolution on Formation of Joint Venture and Related Party Transaction between the Company and Baowu Environment was deliberated and passed at the 2nd meeting of the ninth session of the board of directors of the Company, pursuant to which, the Company set up Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd. (寶武環科重慶資源循環利用有限公司) (“Baowu Environment Resources”) jointly with Baowu Group Environmental Resources Technology Co., Ltd. (寶武集團環境資源科技有限公司) (“Baowu Environment”). The Company contributed RMB49,000,000 to hold 49% equity interest in Baowu Environment Resources. According to the Articles of Association of Baowu Environment Resources, the Company completed the first capital contribution of RMB4,900,000 in January 2022 and the second capital contribution of RMB9,800,000 in June 2022.

On 21 December 2021, the Resolution on Formation of Joint Venture and Related Party Transaction between the Company and Baosteel Resources Holdings (Shanghai) Co., Ltd. was deliberated and passed at the 6th meeting of the ninth session of the board of directors of the Company, pursuant to which, the joint formation of Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. (寶武精成(舟山)礦業科技有限公司) (“Baowu Jingcheng”) by the Company and Baosteel Resources Holdings (Shanghai) Co., Ltd. (寶鋼資源控股(上海)有限公司) (“Baosteel Resources”) was approved. The Company contributed RMB34,200,000 to hold 19% equity interest in Baowu Jingcheng. According to the Articles of Association of Baowu Jingcheng, the Company completed a capital contribution of RMB34,200,000 in January 2022.

1. Significant 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)

2. Significant non-equity investment
 Applicable Not applicable
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
Trust products	600,000	24,084	-	-	-	624,084	-	-
Others	5,000	-	5,000	-	-	-	-	-
Total	605,000	24,084	5,000	-	-	624,084	-	-

Securities investment

- Applicable Not applicable

Private equity investment

- Applicable Not applicable

Derivatives investment

- Applicable Not applicable

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

- Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

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
Chongqing Iron & Steel Energy Environmental Protection Company Limited (重慶鋼鐵能源環保有限公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Electricity production and sales	100	Acquisition of equity
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation and warehouse	100	Acquisition of equity
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd.	Changshou District, Chongqing	Changshou District, Chongqing	Comprehensive utilization of waste resources	49	Establishment by capital
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. (寶武精成(舟山)礦業科技有限公司)	China (Zhejiang) Pilot Free Trade Zone	China (Zhejiang) Pilot Free Trade Zone	Mining professional and auxiliary activities	19	Establishment by capital
Chongqing Baowu Carbon Co., Ltd.	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing	10	Acquisition of equity
Baowu Raw Material Supply Co., Ltd.	Pilot Free Trade Zone, Shanghai	Pilot Free Trade Zone, Shanghai	Trading	8	Establishment by capital

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

The “14th Five-Year Plan” marks a critical period for China to achieve its carbon peak and carbon neutral goals, and an important stage for the high-quality development of the iron and steel industry. From a general perspective, the iron and steel industry during the “14th Five-Year Plan” is still in the development stage combined with supply-side structural reform and demand-side management, and there are still problems in the iron and steel industry, such as the weak capacity of resource security and the low quality of products.

According to the National Development and Reform Commission, during the “14th Five-Year Plan” period, China will further promote the supply-side structural reform in steel industry, adhering to the policy of “consolidate, strengthen, enhance and facilitate”, to continuously improve the policy system, strengthen policy guidance, optimize the business environment and innovative management and other measures, achieving significant results. Specifically: (1) steel industry production in China continues to grow; (2) steel production in China accounts for a growing share of the world’s total steel production; (3) the profitability of steel enterprises continues to increase; (4) the industrial layout was further optimized.

In the future, steel industry in China will take the construction of a new development pattern of “double cycle” as the main line, comprehensively deepen the supply-side structural reform, and accelerate the promotion from a large producer to a world-class steel power; at the same time, it will strengthen environmental protection and governance and ecological civilization construction, and promote green, low-carbon, high-quality development; focus on improving quality and efficiency, and strengthen industrial upgrading and technological innovation capacity building. With global warming and increasing carbon emissions, the “dual carbon” target has become the general consensus of the international community.

As a basic industry of the national economy, the steel industry is an important industry supporting the development of the national economy and national defence construction, and the steel products it produced can provide a large amount of qualified raw materials for industrial production to ensure that industrial production is carried out in an orderly manner. The requirements of the Development and Reform Commission indicate that the country will adjust the structure of the steel industry and embark on the development path of “extensive” to “refinement” change. The reduction of crude steel production is only a means, but the ultimate goal is to allow steel producers to optimize the adjustment of the product structure in line with changes in downstream demand, and the profits of steel enterprises will gradually increase with the increase in high value-added product lines.

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

ii. Development strategy of the Company

Applicable Not applicable

The Company has made the layout for green manufacturing and smart manufacturing, launched a new round of development plan. 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 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 strive for the ultimate benefits with scale improvement, 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.

In the future, the Company will be guided by the 20th National Congress of CPC, the spirit of the Central Economic Work Conference and Xi Jinping Thought on Socialism with Chinese Characteristics in the New Era, continue to implement the spirit of the important speech and instructions of General Secretary Xi Jinping on the investigation of China Baowu. And under the leadership of the board of directors and the Party Committee of the Company, the Company will firmly follow the three-year capacity enhancement target, comprehensively construct the foundation of the “four beams and eight pillars” of high-quality development, and resolutely complete various tasks with a strict and demanding spirit and a spirit of perseverance.

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

iii. Business plan

Applicable Not applicable

For 2022, the Company planned to produce 7.22 million tonnes of pig iron, with actual production of 7.23 million tonnes, having completing 100.14% of the plan; planned to produce 7.12 million tonnes of steel, with actual production of 7.8735 million tonnes, 10.58% beyond the plan; planned to produce 7 million tonnes commodity billet, with actual production of 8.3524 million tonnes, 19.18% beyond the plan; the planned operating income was RMB42 billion and RMB36.562 billion was achieved actually, having completing 87.05% of the plan. The production of iron, steel and commodity billets during the Reporting Period all completed the plan and the operating income fell short of the plan mainly due to the impact of the significant drop in steel prices during the Reporting Period.

In 2023, the trend of steel industry will still not be optimistic. Facing the difficult task and challenges, the Company will continue to focus on the visionary goal of “to become a leader in the steel industry in Southwest China”, with the ultimate management, open-mindedness and high commitment, comprehensively identify the differences, pay close attention to cost reduction and efficiency improvement, continuously enhance competitiveness, and help the Company to develop in a high-quality way. In 2023, the Company plans to achieve iron production of 9.3 million tons, steel production of 11 million tons, material production of 10.6 million tons and operating revenue of RMB41.6 billion. Based on the business objectives, the Company will focus on the following aspects: (1) improving system capabilities, promoting smart safety, and achieving intrinsic safety; (2) focusing on the management of “extreme energy efficiency”, continuously promoting “three governance and four transformation” to improve the ability of energy and environmental protection system; (3) insisting on value-driven, pursuing the ultimate indicators and improving manufacturing capacity; (4) insisting on strengthening the foundation, focusing on core business and stabilizing equipment status; (5) focusing on the perfection, efficiency and accuracy, adhering to the principle of “openness + collaboration”, exploring ways for change and innovation, and promoting the comprehensive improvement of the capability of the raw material procurement system; (6) building a highly efficient technical marketing team with the best service in the southwest region; (7) strengthening regional leadership, promoting ecological construction, and striving to create a green and low-carbon steel enterprise; (8) comprehensively deepening reform, streamlining the organization, and promoting innovative development; (9) focusing on standardized operations, deepening job performance, and effectively improving the basic management level of the grassroots; (10) improving the cultivation mechanism, strengthening technical skills, and building a solid foundation for talents; (11) insisting on performance-driven development, strengthening risk prevention and control, and promoting common development.

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

iv. Potential risks

Applicable Not applicable

1. The Company faces certain risks of fluctuations in raw material prices. The Company acquires iron ore mainly through import, which is greatly affected by fluctuations in prices of bulk raw materials. Since 2021, international iron ore prices have risen significantly, increasing the pressure on the Company to control costs.

The Company's response measures: to promote the overall improvement of the capacity of the raw material procurement system. First, further enhance the ability to control resources to support cost reduction. The Company will continue to expand resource channels, optimize the structure and layout of resources, optimize logistics methods, innovate business models, dig cost improvement points from the source of business, and promote cost reduction on a regular and systematic basis; Secondly, further strengthen risk control capabilities and effectively respond to market changes. In 2023, we will further strengthen our crisis awareness and risk consciousness, be vigilant to the downside market risks, firmly implement the "extreme inventory", establish a more flexible and differentiated control system and market-oriented operation mechanism, practically strengthen the toughness and core competitiveness of the supply chain, and ensure that the procurement is stable and progressive.

2. The Company's steel production is restricted under the pressure of environmental protection. The Company started late in the transformation of efficiency and steel production capacity was significantly increased in 2021. However, the Company's crude steel production is limited by policies such as the dual control of production capacity and output and the restriction of "two highs" by the Ministry of Ecology and Environment, and the release of steel production capacity is not good.

The Company's response measures: In 2023, the Company will accelerate the transformation and upgrade, speed up and increase efficiency in the year of high-quality development battle, adhere to value-driven, the pursuit of the ultimate indicators, improve manufacturing capacity, adhere to the first calculation before doing, calculating while doing, and strive to exceed the manufacturing capacity of 10 million tonnes.

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

v. Others

Applicable Not applicable

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

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, the Securities Law, relevant regulations of the CSRC, and relevant requirements of regulatory documents such as the Listing Rules of the HKEx, 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 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 2022.

To the best of knowledge of the Board, the Company had complied with the requirements of the Corporate Governance Code, Appendix 14 to the Rules Governing the Listing of Securities on the HKEx during the Reporting Period, and no deviation from the Code has been identified.

As the Company was listed on the Shanghai Stock Exchange 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 Hong Kong 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.

Section IV Corporate Governance (Continued)

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

i. Corporate governance (Continued)

1. Shareholders and general meetings: The Company convenes, gives notices of and holds general meetings in strict compliance with relevant requirements of the Companies Law, the Articles of Association and the Rules of Procedure for General Meetings. The Company retains lawyers to witness the meetings and issue legal opinion, and listens to shareholders' opinions and suggestions to ensure that shareholders, minority shareholders in particular, have equal status and can fully enjoy and exercise their legitimate rights conferred by laws, regulations and the Articles of Association.
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 earnestly fulfils the duties conferred by the Companies Law, the Code of Corporate Governance for Listed Companies and other relevant laws and regulations as well as the Articles of Association of the Company, convenes and holds general meetings and earnestly implements all resolutions of the meetings, performs corresponding review and approval procedures for major matters within the scope of its authority, and actively gives play to its strategic guidance role to constantly improve the corporate governance system of the Company, and safeguard 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 medium and long-term development strategy, business plan and investment scheme, 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.

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

i. Corporate governance (Continued)

During the Reporting Period, 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. Supervisors and the board of supervisors: The board of supervisors of the Company abides by the provisions of laws and regulations, adheres to the principles of objectivity, fairness and diligence, conscientiously performs its supervisory duties, and effectively improves the effectiveness of supervision to safeguard the legitimate rights and interests of the Company and its shareholders, while promoting the standardized operation of the Company. In strict accordance with the Companies Law, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and other laws and regulations, as well as the requirements of the Articles of Association, the board of supervisors faithfully and diligently performs its supervisory duties, convenes meetings of the board of supervisors in a timely and standardised manner, legally reviews the Company's operating conditions, financial position, major decision-making, and performance of duties by directors and senior management, and carries out special investigation and supervision and inspection in an orderly manner to effectively safeguard the interests of the Company and its employees and shareholders.

During the Reporting Period, 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. Shareholder communication, 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 2022, the Company continuously maintained standardized information disclosure, without failing to disclose any information that shall be disclosed. In accordance with the disclosure requirements under the Listing Rules, the Company makes timely, accurate and complete data disclosure of any disclosable and material matters on the websites designated by the relevant regulatory authorities to protect shareholders' rights to information and participation. During the Reporting Period, the Company has reviewed the implementation and effectiveness of its shareholder communication policy and based on the feedback received from various investors through the above channels, the Company considers its shareholder communication policy to be effective.

Section IV Corporate Governance (Continued)

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

i. Corporate governance (Continued)

6. Building of the internal control system: In 2022, 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 analysed 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.

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 2022, 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 to the Listing Rules of the Hong Kong Stock Exchange.

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 (Continued)

As at 31 December 2022, 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 Rules Governing the Listing of Securities on the Stock Exchange 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 (share)	Percentage of 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
Zhou Yaping	The Company	Supervisor Representing Staff	Beneficial interest	755,400 (Long position)	0.0058	0.0054	A share
Yao Xiaohu	The Company	Supervisor Representing Staff	Beneficial interest	919,400 (Long position)	0.0061	0.0057	A share
Xie Chao	The Company	Senior Vice President	Beneficial interest	1,057,400 (Long position)	0.0126	0.0119	A share

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 2022, 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 2022, 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 2022 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 2022 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.

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)

1.4 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 to the Listing Rules of the Hong Kong Stock Exchange 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.

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.

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 of Hong Kong Stock Exchange 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 of the HKEx during the Reporting Period.

2.6 The Company strictly complied with the provisions under Rule 3.13 of the Listing Rules of the HKEx 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.

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.

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 5,188, accounting for approximately 83.48% of the total number of employees, and the number of female employees was 1,027, accounting for approximately 16.77% 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 2022, the number of female employees of the Group accounted for approximately 16.77% 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
 - 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 2022)

Strategy Committee	Audit Committee	Nomination Committee	Remuneration and Evaluation Committee
Xie Zhixiong*	Zhang Jinruo*	Sheng Xuejun*	Guo Jiebin*
Song De An	Zhou Ping	Song De An	Song De An
Lai Xiaomin	Sheng Xuejun	Zhang Jinruo	Sheng Xuejun
Meng Wenwang	Guo Jiebin	Guo Jiebin	Zhang Jinruo
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

The Company did not engage any service institution as Company Secretary.

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

ii. Corporate governance practice (Continued)

8. Shareholders' rights (Continued)

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

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.

III. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions	Resolutions
2021 Annual General Meeting	30 June 2022	Announcement of Resolutions of the 2021 Annual General Meeting (Announcement No.: 2022-019) published on the official website of SSE (http://www.sse.com.cn)	1 July 2022	Considering and passing: <ol style="list-style-type: none"> 1. Report of the Board of Directors for the Year 2021 2. Report of the Board of Supervisors for the Year 2021 3. Report on Final Financial Accounts for the Year 2021 4. 2021 Annual Report (Full Text and Summary) 5. Profit Distribution Plan for the Year 2021 6. Proposal on Proposed Budget for the Year 2022 7. Proposal for the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2022 8. Proposal on Disposal of Remaining Shares for Debt Settlement in the Temporary Securities Account of Chongqing Iron & Steel

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
2022 First Extraordinary General Meeting	29 August 2022	Announcement of Resolutions of the 2022 First Extraordinary General Meeting (Announcement No.: 2022-027) published on the official website of SSE (http://www.sse.com.cn)	30 August 2022	Considering and passing: 1. Proposal on the Supplemental Service and Supply Agreement and the Continuing Connected Transactions (Including the Proposed Caps) Entered into between the Company and China Baowu
2022 Second Extraordinary General Meeting	31 December 2022	Announcement of Resolutions of the 2022 Second Extraordinary General Meeting (Announcement No.: 2022-038) published on the official website of SSE (http://www.sse.com.cn)	16 December 2022	Considering and passing: 1. Proposal on By-election of Mr. Meng Wenwang as a Director of the Ninth Session of the Board of Directors

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	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				
<i>(Note)</i>											
Xie Zhixiong	Chairman <i>(Note 1)</i>	M	50	12 August 2021	30 June 2024	0	0	0 /		151.74	No
Song De An	Vice Chairman	M	57	21 May 2019	30 June 2024	0	0	0 /		0.00	Yes
Lai Xiaomin	Director	M	50	12 August 2021	30 June 2024	0	0	0 /		0.00	Yes
Meng Wenwang	Director & President <i>(Note 2)</i>	M	49	21 November 2022	30 June 2024	0	0	0 /		127.43	No
Zou An	Director, Senior Vice President, Chief Financial Officer, Secretary to the Board, General Counsel <i>(Note 3)</i>	M	48	15 January 2020	30 June 2024	0	1,684,600	1,684,600	Allocated to individual accounts under the fourth phase of the employee share ownership plans of the Company	121.53	No
Zhou Ping	Director	M	48	9 July 2020	30 June 2024	0	0	0 /		0.00	Yes
Sheng Xuejun	Independent director	M	53	12 August 2021	30 June 2024	0	0	0 /		18.00	No
Zhang Jinruo	Independent director	M	42	12 August 2021	30 June 2024	0	0	0 /		18.00	No
Guo Jiebin	Independent director	M	42	12 August 2021	30 June 2024	0	0	0 /		18.00	No
Wu Xiaoping	Chairman of the board of supervisors	M	47	9 July 2020	30 June 2024	0	0	0 /		0.00	Yes
Li Huaidong	Supervisor	M	49	12 August 2021	30 June 2024	0	0	0 /		0.00	Yes
Zhu Xing'an	Supervisor	M	48	12 August 2021	30 June 2024	0	0	0 /		0.00	Yes
Zhou Yaping	Supervisor Representing Staff	M	59	15 May 2018	30 June 2024	487,300	755,400	268,100	Allocated to individual accounts under the fourth phase of the employee share ownership plans of the Company	73.76	No

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	Title	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding at the beginning of the year	Shareholding at the end of the year	Increase/Decrease in shareholding during the year	Reason for changes in shareholding	Total remuneration before tax received from the Company during the Reporting Period	Whether received from the related parties of the Company
<i>(Note)</i>											
<i>(RMB' 000)</i>											
Yao Xiaohu	Employee Supervisor (Note 4)	M	56	5 August 2022	30 June 2024	509,900	919,400	409,500	Allocated to individual accounts under the fourth phase of the employee share ownership plans of the Company	57.09	No
Xie Chao	Senior Vice President	M	41	1 January 2020	30 June 2024	0	1,057,400	1,057,400	Allocated to individual accounts under the fourth phase of the employee share ownership plans of the Company	132.68	No
Zhang Yongzhong	Senior Vice President	M	51	30 December 2020	30 June 2024	0	0	0 /		120.94	No
Zhang Wenxue	Resigned Director (Note 5)	M	59	10 March 2021	16 November 2022	0	0	0 /		154.16	No
Zhang Liqun	Resigned Employee Supervisor	M	60	12 August 2021	5 August 2022	1,020,000	2,137,300	1,117,300	Allocated to individual accounts under the fourth phase of the employee share ownership plans of the Company	89.11	No
Xie Zhixiong	Resigned President	M	50	11 June 2021	16 November 2022	0	0	0 /		/	No
Meng Wenwang	Resigned Senior Vice President	M	49	18 February 2022	16 November 2022	0	0	0 /		/	No
Yao Xiaohu	Resigned Senior Vice President	M	56	11 June 2021	17 February 2022	/	/	/ /		/	No
Total	/	/	/ /	/	/	2,017,200	6,554,100	4,536,900 /		1,082.44	/

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)

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. For details of the stock ownership plan for directors, supervisors and senior management, please refer to "Section IV. XI (II)" of this report; 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; and the tenure as the President was from 11 June 2021 to 16 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; and the tenure as a Senior Vice President was from 18 February 2022 to 16 November 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.

Note 4: Commencing date of the tenure of Mr. Yao Xiaohu as the Employee Supervisor was 5 August 2022, and the tenure as a Senior Vice President was from 11 June 2021 to 17 February 2022.

Note 5: The tenure of Mr. Zhang Wenxue as a Director was from 10 March 2021 to 16 November 2022, and the tenure as the Chairman was from 7 July 2021 to 16 November 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
Lai Xiaomin	Born in October 1972, Lai Xiaomin is a senior accountant. He currently serves as a director of the Company, 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), and a director, the president and deputy secretary to the Party committee of Guangdong Zhongnan Iron & Steel Co., Ltd. (廣東中南鋼鐵股份有限公司). Mr. Lai has successively served as the deputy chief accountant, head of the finance department, financial controller, chief accountant and director of Guangdong Shaoguan Iron and Steel Co., Ltd., the senior vice president (in charge), president, director and deputy secretary to the Party committee of Baowu Group Echeng Iron and Steel Co., Ltd. (寶武集團鄂城鋼鐵有限公司), and a senior vice president of Baowu Group Zhongnan Steel Co., Ltd. Mr. Lai graduated from Changchun Institute of Technology (長春工業高等專科學校) in 1993 with a major in computerized accounting, and later obtained a master's degree in business administration from Jinan University (暨南大學).
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.
Zou An	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.

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
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. (四川德勝集團鈮鈦有限公司). 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>
Sheng Xuejun	<p>Born in August 1969, Sheng Xuejun currently serves as an independent director of the Company, is a professor and PhD supervisor of Southwest University of Political Science & Law, and the dean of the Financial Technology and Rule of Law Institute of Southwest University of Political Science & Law. Mr. Sheng was the vice chairman of the Degree Committee and the Dean of the School of Economic Law of Southwest University of Political Science & Law, and the deputy chief judge and judge of the Second Court of Civil Trial of the Supreme People's Court. Mr. Sheng has made a series of academic achievements in the fields of economic law, financial law, and securities law. He has published more than 30 papers in authoritative journals at home and abroad, published several books and textbooks, presided over and led many research projects at the provincial and ministerial levels or above, and received more than 10 provincial and ministerial awards for his teaching and research achievements. Mr. Sheng obtained his master's degree in law from Southwest University of Political Science & Law in 1995 and his Ph.D. in law from Southwest University of Political Science & Law in 2002. He was a post-doctoral researcher at the Universite Paul Cezanne-Aix-Marseille 3 in France, a visiting fellow at the Oxford Law School in England, and a senior research scholar at the University of New South Wales in Australia.</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
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, 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.
Guo Jiebin	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.

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
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 served as the chief financial officer of the finance department of Yibin Dongsheng Real Estate Development Company (宜賓東升房地產開發公司), the project manager of the project department of Sichuan Huaqiang Certified Public Accountants (四川華強會計師事務所), head of audit department, the deputy head and head of finance department of 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.</p>
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>

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
Zhu Xing'an	Born in July 1974, Zhu Xing'an is a senior engineer, and currently serves as supervisor of the Company. He is the director of the business development centre, head of the investment planning department, the deputy director of technology innovation (research) centre and deputy officer of the safety (environmental protection) supervision department of Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司). 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.
Zhou Yaping	Born in May 1963, Zhou Yaping is a policy advisor. He is currently a staff representative supervisor of the Company and chief representative of the Company's network steel mills. Mr. Zhou served as the shift supervisor of the control room of the Company's Medium Plate Plant, the chief operator and the secretary of the Party branch of the hot rolling operation area for the medium plate production line of the Heavy Plate Plant, plant director, secretary of Party Committee, the secretary of the disciplinary committee, and chairman of the labour union of the Heavy Plate Plant, the secretary of Party Committee, the secretary of the disciplinary committee, and chairman of the labour union of the rolling mill. Mr. Zhou was awarded the honour of National Labour Model in 2005 and was elected as a representative of the 17th CPC National Congress in May 2007. He was awarded the honour of "Heroes and Models with Outstanding Contribution" during the celebration of the 60th anniversary of the liberation of Chongqing in September 2009 and was elected as a representative of the 18th CPC National Congress in May 2012.

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
Yao Xiaohu	Born in August 1966, Yao Xiaohu is a senior engineer. He currently serves as the supervisor representing staff, deputy secretary to the Party committee, the secretary of the disciplinary committee and chairman of the labour union of the Company. Mr. Yao successively served as an assistant to the head and the deputy head of the coking plant, the deputy chief and chief of mechanics division, the chief of the equipment department, the head of the facility department, the head of investment management department, a director, a senior vice president and a vice president of the Company. Mr. Yao graduated from the School of Automation in Kunming University of Science and Technology in 1987, majoring in electrical automation in metallurgical industry, and then obtained a master's degree in control engineering from the School of Automation in Chongqing University.
Xie Chao	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.

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
Zhang Yongzhong	Born in March 1971, Zhang Yongzhong is a senior engineer. He currently serves as a senior vice president and a member of the Party committee of Chongqing Iron & Steel Company Limited. Mr. Zhang once served as the chief operator of No.2 Furnace, No. 3 Furnace of the Furnace Branch of Baosteel Iron-making Plant (寶鋼煉鐵廠高爐分廠), the trainee chief operator, the chief engineer (iron-making technology) of No. 2 Furnace and deputy director of the Furnace Branch of Baosteel Iron-making Plant (寶鋼股份煉鐵廠高爐分廠), deputy director and director of the Furnace Branch of Baosteel Baogang Company Iron-making Plant (寶鋼分公司煉鐵廠), director of the Sintering Branch, director of the Furnace Branch, assistant to the director and the team leader of the material technology improvement and comprehensive renovation project of Baosteel Iron-making Plant (寶鋼股份煉鐵廠), the deputy director of the Iron-making Plant of Baoshan Iron & Steel Co., Ltd., as well as assistant to the general manager of Chongqing Iron & Steel Company Limited. Mr. Zhang has extensive experience in production and manufacturing of iron and steel enterprises. Mr. Zhang graduated from Northeastern University majoring in ferrous metallurgy in 1993, obtained an MPM degree from Northeastern University in 2009, and obtained a doctoral degree in Metallurgical Engineering from University of Science and Technology Beijing in 2017.
Zhang Wenxue	Born in May 1963, Zhang Wenxue is a senior engineer. He served as the chairman and secretary of the Party committee of the Company, and a director and general manager of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司) until November 2022. Mr. Zhang was the director of the hot pressing plant and the concurrent system reformation project manager of the hot pressing production line of Baogang Branch under Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), the deputy general manager of Baogang Zhanjiang Iron and Steel Company, the director of hot pressing plant, the assistant to the general manager and concurrently the chief of the business promotion department of Baoshan Iron & Steel Co., Ltd., the chairman of the board of supervisors, president and the deputy secretary of the Party committee of the Company. Mr. Zhang has extensive experience in production, operation, management innovation and intelligent manufacturing. Mr. Zhang graduated from Central South Institute of Mining and Metallurgy (中南礦冶學院) majoring in pressure processing in 1984, and obtained a master degree in industrial relations from West Virginia University of the USA.
Zhang Liquan	Born in August 1962, Zhang Liquan is a senior engineer. He served as the supervisor representing staff, and a senior commissioner of administrative management department (Party and mass work department) of the Company until August 2022. Mr. Zhang served as the deputy head of the Iron Works, head of the Sintering Plant, the director of the Production and Direction Centre, as well as the senior vice president, the deputy general manager, a director and the assistant to the general manager of the Company. Mr. Zhang obtained a bachelor's degree in nonferrous metallurgy from Kunming Institute of Technology in 1987 and a master's degree in business administration from Chongqing University in 2004.

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) On 16 November 2022, the Company received a written resignation tendered by Mr. Zhang Wenxue, the chairman. Mr. Zhang Wenxue tendered his resignation to the 9th session of the board of directors of the Company as the chairman, a director and a member of the Strategy Committee under the board of directors due to work reallocation.
- (2) On 21 November 2022, the Company convened the 19th meeting of the 9th session of the board of directors, at which Mr. Xie Zhixiong was elected as the Chairman of the board of directors of the Company for the same term as the 9th session of the board of directors, and Mr. Meng Wenwang was by-elected as a director of the board of directors for the same term as the 9th session of the board of directors.
- (3) On 15 December 2022, the Company convened the 2022 second extraordinary general meeting, at which Mr. Meng Wenwang was by-elected as a director of the 9th session of the board of directors.

2. *Changes in supervisors*

- (1) On 5 August 2022, the Company received a written resignation letter from Mr. Zhang Liquan, who resigned as the Supervisor Representing Staff because he reached the statutory retirement age. On the same day, the Company held the 15th joint meeting of the first Workers and Employees' Congress, at which Mr. Yao Xiaohu was elected as the Supervisor Representing Staff for the same term as the 9th board of supervisors.

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)

3. Changes in senior management

- (1) On 17 February 2022, the Company received a written resignation letter from Mr. Yao Xiaohu. Due to work reallocation, Mr. Yao Xiaohu resigned as a senior vice president.
- (2) On 18 February 2022, the Company held the 8th meeting of the 9th session of board of directors, at which Mr. Meng Wenwang was appointed as a senior vice president of the Company.
- (3) On 18 March 2022, the Company held the 9th meeting of the 9th session of board of directors, at which Mr. Zou An was appointed as the general counsel of the Company.
- (4) On 16 November 2022, the Company received written resignation letters from Mr. Xie Zhixiong, a director and the President, and Mr. Meng Wenwang, a senior vice president. Due to work reallocation, Mr. Xie Zhixiong applied to the 9th session of board of directors to resign as President and Mr. Meng Wenwang to resign as senior vice president.
- (5) On 21 November 2022, the Company held the 19th meeting of the 9th session of board of directors, at which Mr. Meng Wenwang was appointed as the 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	/
Zhang Wenxue	Chongqing Changshou Iron & Steel Company Limited	Director, general manager	June 2021	December 2022
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	/
Lai Xiaomin	Baowu Group Zhongnan Steel Co., Ltd.	Member of the Party committee	July 2022	/
Lai Xiaomin	Guangdong Zhongnan Iron & Steel Co., Ltd.	Director	October 2021	/
Lai Xiaomin	Guangdong Zhongnan Iron & Steel Co., Ltd.	President, deputy secretary to the Party committee	October 2022	/
Lai Xiaomin	Baowu Group Zhongnan Steel Co., Ltd.	Senior Vice President	November 2020	August 2022
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)

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Li Huaidong	Baowu Group Zhongnan Steel Co., Ltd.	Vice president, secretary to the Board and head of management innovation department	December 2020	November 2022
Zhu Xing'an	Baowu Group Zhongnan Steel Co., Ltd.	Deputy director of technology innovation (research) centre and deputy officer of the safety (environmental protection) supervision department	January 2021	/
Zhu Xing'an	Baowu Group Zhongnan Steel Co., Ltd.	Deputy director of the business development centre, and deputy head of the investment planning department	August 2022	February 2023
Zhu Xing'an	Baowu Group Zhongnan Steel Co., Ltd.	Director of business development centre, and head of the investment planning department	February 2023	/
Sheng Xuejun	Southwest University of Political Science and Law	Teaching assistant, lecturer, associate professor, professor	April 1995	/

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)

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Sheng Xuejun	Chongqing Sharia Law Firm	Dentons, Qianwei Law Firm	September 1997	/
Sheng Xuejun	Sheng Xuejun Chongqing Department Store Co., Ltd.	Independent director	October 2020	/
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	/
Guo Jiebin	Shandong Innovation Group Co., Ltd.	Deputy general manager and chief financial officer	November 2022	/
Guo Jiebin	Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd.	Director, deputy general manager, chief financial officer	September 2018	October 2022
Guo Jiebin	Jiaozuo Coal Group Zhao Gu (Xinxiang) Energy Company Limited	Director	December 2020	October 2022
Positions held at other entities	Nil			

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.

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. Total remunerations (before tax) actually received by and payable to directors, supervisors and senior management from the Company during this year amounted to RMB10,824,400.

Total remunerations actually received by all directors, supervisors and senior management at the end of the Reporting Period RMB10,824,400

Section IV Corporate Governance (Continued)

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	Reasons
Xie Zhixiong	Chairman	Election	Elected in November 2022
Meng Wenwang	Senior Vice President	Appointment	Newly appointed in February 2022
Meng Wenwang	President	Appointment	Newly appointed in November 2022
Meng Wenwang	Director	Election	Elected in December 2022
Yao Xiaohu	Supervisor Representing Staff	Election	Elected in August 2022
Zou An	General counsel	Appointment	Newly appointed in March 2022
Zhang Wenxue	Director, chairman	Resigned	Resigned in November 2022
Zhang Liquan	Supervisor Representing Staff	Resigned	Resigned in August 2022
Yao Xiaohu	Senior Vice President	Resigned	Resigned in February 2022
Xie Zhixiong	President	Resigned	Resigned in November 2022
Meng Wenwang	Senior Vice President	Resigned	Resigned in November 2022

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 7th meeting of the 9th session of the Board	30 January 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on the Supplemental Agreement to Business Performance Responsibility Letter for Management Members and the Management Measures for Compensation Performance Evaluation
The 8th meeting of the 9th session of the Board	18 February 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on the Appointment of Senior Vice President of the Company
The 9th meeting of the 9th session of the Board	18 March 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on the Appointment of the General Counsel of the Company
The 10th meeting of the 9th session of the Board	30 March 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on the Provision for Asset Impairment and Asset Disposal in 2021 Report on Final Financial Accounts for the Year 2021 2021 Annual Report (Full Text and Summary) Profit Distribution Plan for the Year 2021 Report of the Board of Directors for the Year 2021 Self-assessment Report on Internal Control in 2021 2021 Report on Environment, Society and Governance Report on Implementation of Remuneration for Directors, Supervisors and Senior Management in 2021 Proposal on the Medium-term Plan for Fixed Asset Investment in 2022 Proposal on External Donations in 2022 Proposal on Proposed Budget for the Year 2022
The 11th meeting of the 9th session of the Board	26 April 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> 2022 First Quarter Report
The 12th meeting of the 9th session of the Board	11 May 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on Signing the 2022 Business Performance Responsibility Letter for Management Members

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 13th meeting of the 9th session of the Board	30 May 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal for the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2022 Proposal on Convening the 2021 Annual General Meeting
The 14th meeting of the 9th session of the Board	28 June 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on the Formulation of Policy for Authorization Management of the Board of Directors of the Company Proposal on Revising the List of Decisions on Major Matters of the Company Proposal for Withdrawing the Investment in Jianwei Intelligent
The 15th meeting of the 9th session of the Board	8 July 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on the Supplemental Service and Supply Agreement and the Continuing Connected Transactions (Including the Proposed Caps) Entered into between the Company and China Baowu Proposal on Convening the 2022 First Extraordinary General Meeting
The 16th meeting of the 9th session of the Board	30 August 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> 2022 Interim Report (Full Text and Summary) Risk Assessment Report on Deposits, Loans and other Financial Business with Baowu Group Finance Co., Ltd. Proposal on the Company's Applying to Export-Import Bank of China Shanghai Branch and Chongqing Branch for a Comprehensive Credit Limit of RMB2 Billion
The 17th meeting of the 9th session of the Board	17 October 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> Proposal on Revising Some Basic Management Policies of the Company Proposal on Formulating Contingency Plans against Financial Business Risks
The 18th meeting of the 9th session of the Board	28 October 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none"> 2022 Third Quarter Report

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 19th meeting of the 9th session of the Board	21 November 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none">2022 Proposal on Adjustment of Fixed Assets Investment Project PlanProposal on Election of Mr. Xie Zhixiong as the ChairmanProposal on Appointment of Mr. Meng Wenwang as the PresidentProposal on By-election of Mr. Meng Wenwang as a Director of the 9th Session of the Board of DirectorsProposal on Adjustment to the Members of the Strategy Committee under the Board of DirectorsProposal on Convening the 2022 Second Extraordinary General Meeting
The 20th meeting of the 9th session of the Board	28 December 2022	Proposals deliberated on and approved after voting: <ol style="list-style-type: none">Proposal on External Investment and Related Party Transactions

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 Number of general meetings attended
			Attendance in person	Attendance via communication	Attendance by proxy	Absence	person		
Xie Zhixiong	No	14	14	13	0	0	No	3	
Song De An	No	14	14	13	0	0	No	0	
Lai Xiaomin	No	14	14	14	0	0	No	1	
Meng Wenwang	No	1	1	1	0	0	No	0	
Zou An	No	14	14	13	0	0	No	3	
Zhou Ping	No	14	13	13	1	0	No	0	
Sheng Xuejun	Yes	14	14	13	0	0	No	0	
Zhang Jinruo	Yes	14	14	13	0	0	No	1	
Guo Jiebin	Yes	14	14	14	0	0	No	0	
Zhang Wenxue	No	12	12	11	0	0	No	2	

Explanations on failure to attend 2 consecutive Board meetings in person

Applicable Not applicable

Number of Board meetings during the year	14
Including: number of physical meetings	0
Number of virtual meetings	13
Number of meetings by both physical and virtual means	1

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, Lai Xiaomin, Meng Wenwang, 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 seven meetings

Date	Content of meetings	Important comments and suggestions
29 March 2022	The third meeting of the Audit Committee of the ninth session of the board of directors heard and communicated on the Communication Report on 2021 Audit Results and Related Matters to the Audit Committee of the Board of Directors by Ernst & Young Hua Ming LLP ("Ernst & Young Hua Ming"), and Summary of Internal Audit for 2021 and Internal Audit Plan for 2022. The meeting also reviewed the Proposal on 2021 Provision for Asset Impairment and Asset Disposal, the Final Financial Accounts Report for the Year 2021, the 2021 Annual Report (Full Text and Summary), the 2021 Profit Distribution Plan, the Self-assessment Report on Internal Control in 2021, and the Proposal for the Proposed Budget for the Year 2022.	The Audit Committee of the board of directors carefully heard the relevant reports and had full communication with representatives of the audit institution, the Finance Department and the Audit Supervision Department of the Company on the matters reviewed at the meeting. The Audit Committee of the board of directors carefully reviewed the Company's 2021 regular financial statements and believed that the Company's 2021 regular financial and accounting statements were prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and the regulations of the Ministry of Finance and the CSRC and other relevant departments, fully reflecting the Company's financial status, operation results, and cash flow status; it agreed with the self-assessment report on the Company's internal control, believing that the Company had established a relatively complete internal control system and standardized business procedures, the Company's internal control was generally effective, and no significant deficiencies in internal control over financial and non-financial statements were identified. The Committee agreed to submit the Proposal on 2021 Provision for Asset Impairment and Asset Disposal, the Final Financial Accounts Report for the Year 2021, the 2021 Annual Report (Full Text and Summary), the 2021 Profit Distribution Plan, the Self-assessment Report on Internal Control in 2021, and the Proposal for the Proposed Budget for the Year 2022 to the board of directors for review.
26 April 2022	The fourth meeting of the Audit Committee of the ninth session of the board of directors reviewed the 2022 First Quarter Report.	The main content and format of the Company's 2022 First Quarter Report complied with the relevant regulations of the CSRC, Shanghai Stock Exchange, and Hong Kong Exchanges and Clearing Limited. The Report truthfully reflected the Company's financial status and operation results during the Reporting Period, and no information in the Report was identified to be inconsistent with the actual situation. The Committee agreed to submit the Company's 2022 First Quarter Report to the board of directors for review.

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

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

Date	Content of meetings	Important comments and suggestions
30 May 2022	The fifth meeting of the Audit Committee of the ninth session of the board of directors reviewed the Proposal for the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2022.	Ernst & Young Hua Ming LLP carried out the 2021 integrated audit, in strict accordance with independent, objective, and fair practice standards, as well as the relevant provisions of the Audit Standards of Chinese Institute of Certified Public Accountant and Enterprise Internal Control Audit Guidelines, the integrated audit time was sufficient and the arrangement was reasonable; the arrangement of integrated auditors was reasonable, with good professional ethics, professional competence, and rich experience; the audited financial statements of the Company can fully reflect the financial status of the Company as at 31 December 2021, the effectiveness of internal control over financial statements, as well as the operation results and cash flows for the Year 2021, and the audit results were in line with the actual status of the Company and there were no situations that harmed the interests of the Company and shareholders; Ernst & Young Hua Ming had good investor protection capabilities and reasonable audit fees. In this regard, the Audit Committee of the board of directors recommended to re-appoint Ernst & Young Hua Ming as the Company's auditor for financial and internal control in 2022, and submitted it to the Company's board of directors for review.

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

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

Date	Content of meetings	Important comments and suggestions
8 July 2022	The sixth meeting of the Audit Committee of the ninth session of the board of directors reviewed 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).	To ensure the stable and sustainable operation of the Company's production and operation, the Company planned to sign a Supplemental Service and Supply Agreement with China Baowu. Entering into such agreement enabled the Company to leverage China Baowu's brands, advantages, channels, and resources to ensure stable and reliable products and/or services at reasonable prices, which was crucial to ensure the Company's production stability, cost reduction, and efficiency increase. The newly added transaction types were also conducive to the Company's innovative business model and the professional integration of China Baowu. This related party transaction was entered into through fair negotiations in accordance with general commercial terms. The transaction and amount limits were fair and reasonable for the overall interests of the Company and its shareholders. The Committee agreed to submit 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) to the board of directors for review.
30 August 2022	The seventh meeting of the Audit Committee of the ninth session of the board of directors reviewed 2022 Interim Report (Full Text and Abstract).	The main content and format of the Company's 2022 Interim Report (Full Text and Abstract) complied with the relevant regulations of the CSRC, Shanghai Stock Exchange, and Hong Kong Exchanges and Clearing Limited. The Report truthfully reflected the Company's financial status and operation results during the Reporting Period, and no false records, misleading statements, or significant omissions were identified in the Report. The Committee agreed to submit the Company's 2022 Interim Report (Full Text and Abstract) to the board of directors for review.

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

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

Date	Content of meetings	Important comments and suggestions
28 October 2022	The eighth meeting of the Audit Committee of the ninth session of the board of directors reviewed 2022 Third Quarter Report.	The main content and format of the Company's 2022 Third Quarter Report complied with the relevant regulations of the CSRC, Shanghai Stock Exchange, and Hong Kong Exchanges and Clearing Limited. The Report truthfully reflected the Company's financial status and operation results during the Reporting Period, and no false records, misleading statements, or significant omissions were identified in the Report. The Committee agreed to submit the Company's 2022 Third Quarter Report to the board of directors for review.
28 December 2022	The ninth meeting of the Audit Committee of the ninth session of the board of directors reviewed the Resolution in relation to External Investment and Related Party Transactions.	The Company, together with multiple subsidiaries of China Baowu, the actual controller of the Company, jointly increased capitals and invested them in Baowu Water Technology Limited ("Baowu Water"). Baowu Water's professional technology provided strong technical support for the Company's zero discharge of wastewater and ultra-low discharge of exhaust gas, solving the problems of Company in water and gas governance and environmental protection, and supporting the Company's green transformation and development. This transaction helped to achieve professional integration of water management operations within the Group, improving the Company's assets and operational efficiency, and achieving professional operation of water treatment business. This related party transaction met the needs of the Company's normal business activities and followed the principle of fair market pricing, without affecting the independence of the Company, harming the interests of the Company and all shareholders, or causing the Company to rely on related parties. The Committee agreed to submit the Resolution in relation to External Investment and Related Party Transactions to the board of directors for review.

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

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

Date	Content of meetings	Important comments and suggestions
17 February 2022	The first meeting of the Nomination Committee of the ninth session of the board of directors reviewed the Proposal on the Appointment of Senior Vice President of the Company.	Mr. Meng Wenwang, 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, which was in line with the Company's strategic development goals. 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. Meng Wenwang 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.
18 March 2022	The second meeting of the Nomination Committee of the ninth session of the board of directors reviewed the Proposal on the Appointment of General Legal Advisor of the Company.	Mr. Zou An, a candidate for General Legal Advisor 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 Management 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. Zou An as the General Legal Advisor of the Company by the board of directors, and submitted the Proposal on the Appointment of General Legal Advisor of the Company to the board of directors for review.

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

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

Date	Content of meetings	Important comments and suggestions
18 November 2022	The third meeting of the Nomination Committee of the ninth session of the board of directors reviewed the Proposal on Hiring Mr. Meng Wenwang as President and Proposal on the By-election of Mr. Meng Wenwang as a Director of the Ninth board of directors.	Mr. Meng Wenwang, a candidate for President and Director 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 is hired for. He also possessed the corresponding qualifications and conditions to exercise his authority, which was in line with the Company's strategic development goals. He was not identified to be prohibited from serving as the President and Director of the Company, not banned from the market by the CSRS during the ban period, and not publicly condemned or criticized by the CSRC. The Committee agreed to appoint Mr. Meng Wenwang as the President of the Company and a candidate for the ninth board of directors by the board of directors, and submitted the Proposal on Hiring Mr. Meng Wenwang as President and Proposal on the By-election of Mr. Meng Wenwang as a Director of the Ninth Board of Directors to the board of directors for review.

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

- (4). During the Reporting Period, the Remuneration and Evaluation Committee held two meetings

Date	Content of meetings	Important comments and suggestions
29 March 2022	The first meeting of the Remuneration and Evaluation Committee of the ninth board of directors reviewed the 2021 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 2021. They agreed to submit the 2021 Report on the Implementation of Compensation for Directors, Supervisors, and Senior Management Personnel to the board of directors for review.
11 May 2022	The second meeting of the Remuneration and Evaluation Committee of the ninth board of directors reviewed the Proposal on Signing the 2022 Business Performance Responsibility Letter for Management Members.	In accordance with the requirements of the Leading Group for State-owned Enterprises Reform of the State Council, such as the Notice on Strengthening the Implementation of the Tenure System and Contractual Management for Management Members, and based on the 2022 production and operation goals, organizational performance evaluation indicators, and key tasks for 2022, the Company signed a 2022 business performance responsibility letter with management members (including the Deputy Secretary of the Party Committee participating in the division of labour), to comprehensively implement the management tenure system and contractual management, which would be conducive to establishing a sound market-oriented operating mechanism and better promoting the overall performance improvement of the Company. The Committee agreed to submit the Proposal on Signing the 2022 Business Performance Responsibility Letter for Management Members 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 Strategy Committee held two meetings

Date	Content of meetings	Important comments and suggestions
29 March 2022	The first meeting of the Strategy Committee of the ninth session of the board of directors reviewed the 2021 Environmental, Social and Governance Report and the 2022 Proposal on Fixed Assets Investment Project Plan.	The Strategy Committee of the board of directors communicated the achievements of the Company in green intelligent manufacturing, technological innovation achievements, integrity and compliance, technology empowerment, mutual benefit and win-win, and green development, as well as the number of fixed investment projects in 2022, total investment amount, and capital demand forecast, and agreed to submit the 2021 Environmental, Social and Governance Report and the 2022 Proposal on Fixed Assets Investment Project Plan to the board of directors for review.
21 November 2022	The second meeting of the Strategy Committee of the ninth session of the board of directors reviewed the 2022 Proposal on Adjustment of Fixed Assets Investment Project Plan.	In line with the investment orientation of seeking survival and development, the Company adjusted the fixed assets investment project plan in 2022. The fixed assets investment project plan was adjusted according to the production and operation situation, which was in line with the Company's specifications and the development needs of building green heavy steel. The Committee agreed to submit the 2022 Proposal on Adjustment of Fixed Assets Investment Project Plan 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	5,958
Number of in-service employees of major subsidiaries	257
Total number of in-service employees	6,215
Number of retired employees for whom the Parent Company and major subsidiaries need to bear certain expenses	461

Structure of profession

Type of profession	Number of people
Production staff	4,932
Sales staff	75
Technical staff	904
Finance staff	50
Administrative staff	254
Total	6,215

Educational background

Education level	Number of people
Doctor's degree	3
Master's degree	93
Undergraduate	1,130
Junior college	2,106
Polytechnic school level and below	2,883
Total	6,215

Note: The above number of in-service employees is the number of in-service persons of the Company as of 31 December 2022.

Section IV Corporate Governance (Continued)

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(19) "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 2022, 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

The Company has put in place a training management system and formulated an annual training plan, providing internal and external staff training according to development needs to enhance employees' skills, business capability and management level, which in turn will help the Company to improve production efficiency and optimize human resource structure. The Company's efforts for wide and in-depth staff education and training aim to further enhance the technology, skill and management innovation abilities of those attending different functions, and create a learning enterprise, which will ensure employees' career development and the Company's sustainable development.

According to the Company's production and operation requirements for the quality of staff members and with a focus on the overall planning of the human resources department, in 2022, the Company's employee training work was widely carried out through benchmarking, external training, centralized training, mentoring training, online training, skill competitions, and other forms. 49,814 employees were trained, with 131.3 hours of training for each employee in average. Training indicators such as the implementation rate of the training plan, the certification of professional titles and the certification of professional qualifications all achieved the target value of the annual plan.

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

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 loss attributable to the parent company for 2022 amounted to RMB1,038 million, and the unappropriated profit by parent company as at the end of 2022 amounted to RMB-7.651 billion. As the parent company recorded a negative unappropriated profit as at the end of 2022, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2022 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

Section IV Corporate Governance (Continued)

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

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

Applicable Not applicable

XI. 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

In order to establish and improve the mechanism in which labourers and owners share both benefits and risks, enhance employees' cohesion and the Company's competitiveness, maintain a close relationship with core employees, coordinate the interests of management team, core personnel and shareholders, and promote the Company's long-term stable development and enhancement of shareholders' value, the Company prepared the Employee Share Ownership Plan from 2018 to 2020 (Draft) and its summary in accordance with relevant laws, regulations as well as the Articles of Association.

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

ii. Incentive events not disclosed in provisional announcements or with subsequent development (Continued)

The Company convened the 15th meeting of the seventh session of the Board and the 18th meeting of the seventh session of the board of supervisors on 20 March 2018 and the 2017 annual general meeting on 15 May 2018, at which the Proposal for the Employee Share Ownership Plan from 2018 to 2020 (Draft) of Chongqing Iron & Steel Company Limited and its Summary (《關於〈重慶鋼鐵股份有限公司2018年至2020年員工持股計劃(草案)〉及其摘要的議案》), the Proposal for the Proposed Authorisation to the Board of Directors by the General Meeting to Handle Relevant Matters Regarding Employee Share Ownership Plan (《關於提請股東大會授權董事會辦理公司員工持股計劃相關事宜的議案》) and other proposals were considered and approved.

As authorized at the 2017 annual general meeting of the Company, the Resolution in relation to Employee Share Ownership Plan Phase I of the Company was considered and approved at the fifth meeting of the eighth session of the Board and the fourth meeting of the eighth session of the board of supervisors held by the Company on 18 December 2018.

As at 14 May 2019, according to the Single Asset Management Plan of Huatai Asset Management for Employee Share Ownership Plan No. 1 of Chongqing Iron & Steel (華泰資管重慶鋼鐵員工持股計劃1號單一資產管理計劃), an aggregate of 24,791,400 A shares of the Company, representing approximately 0.28% of the total share capital of the Company, had been purchased by way of centralized bidding in the secondary market at an average transaction price of approximately RMB1.97 per share for the first phase of employee share ownership plan, and the transaction amount was approximately RMB48,783,100. So far, the Company had completed the share purchase for the first phase of employee share ownership plan, and the shares purchased for the share ownership plan shall be subject to a lock-up period commencing from 15 May 2019 to 14 May 2020 according to regulations.

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

ii. Incentive events not disclosed in provisional announcements or with subsequent development (Continued)

The Company convened 2018 annual general meeting, 2019 first class meeting of A shareholders and the 2019 first class meeting of H shareholders on 21 May 2019, at which the Proposal for the Grant of General Mandate to the Board of Directors to Repurchase A Shares of the Company (《授予董事會回購本公司A股股份的一般性授權》), the Proposal for the Grant of General Mandate to the Board of Directors to Repurchase H Shares of the Company (《授予董事會回購本公司H股股份的一般性授權》) and other proposals were considered and approved. As authorized at the 2018 annual general meeting, the 2019 first class meeting of A shareholders and the 2019 first class meeting of H shareholders, the Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading was considered and approved at the tenth meeting of the eighth session of the Board of the Company convened on 21 May 2019.

As at 27 June 2019, the Company repurchased a total of 31,500,000 shares through centralized bidding trading, representing approximately 0.3532% of its total share capital. The highest, lowest and average price transacted for such shares were RMB2.13 per share, RMB1.88 per share and RMB1.975 per share, respectively. The total amount paid for such shares was RMB62,223,734 (excluding transaction costs).

As authorized at the 2017 annual general meeting of the Company, the resolutions of the 14th meeting of the eighth session of the Board and the 10th meeting of the eighth session of the board of supervisors had been signed and issued in writing on 25 September 2019, by which the Proposal in relation to the Implementation of the Second Phase of Employee Share Ownership Plan of the Company (《關於公司實施第二期員工持股計劃的議案》) was considered and approved.

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

ii. Incentive events not disclosed in provisional announcements or with subsequent development (Continued)

As at 28 November 2019, according to the Single Asset Management Plan of Huatai Asset Management for Employee Share Ownership Plan No. 2 of Chongqing Iron & Steel (華泰資管重慶鋼鐵員工持股計劃2號單一資產管理計劃), an aggregate of 25,135,600 A shares of the Company, representing approximately 0.28% of the total share capital of the Company, had been purchased by way of centralized bidding in the secondary market at an average transaction price of RMB1.798 per share for the second phase of employee share ownership plan, and the transaction amount was RMB45,194,969. So far, the Company had completed the share purchase for the second phase of employee share ownership plan, and the shares purchased for the share ownership plan shall be subject to a lock-up period commencing from 29 November 2019 to 28 November 2020 according to regulations.

As authorized at the 2017 annual general meeting of the Company, the Company convened the 16th meeting of the eighth session of the Board and the 12th meeting of the eighth session of the board of supervisors on 27 December 2019, at which the Proposal in relation to the Third Phase of the Employee Share Ownership Plan of the Company (《關於公司第三期員工持股計劃的議案》) was considered and approved.

As authorized at the 2018 annual general meeting, the 2019 first class meeting of A shareholders and the 2019 first class meeting of H shareholders, the Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading was considered and approved at the 18th meeting of the eighth session of the Board of the Company convened and circulated in writing on 26 February 2020.

As at close time on 12 March 2020, the Company repurchased a total of 50,000,000 shares through centralized bidding trading, representing approximately 0.56% of its total share capital. The highest, lowest and average price transacted for such shares were RMB1.71 per share, RMB1.65 per share and RMB1.69 per share, respectively. The total amount paid for such shares was RMB84,333,550.00 (excluding transaction costs). So far, the Company had repurchased a total of 81,500,000 shares accumulatively, representing approximately 0.91% of its total share capital.

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

ii. Incentive events not disclosed in provisional announcements or with subsequent development (Continued)

On 11 June 2020, the Company received the Confirmation of Transfer Registration (《過戶登記確認書》) issued by China Securities Depository and Clearing Corporation Limited. The number of A shares of the Company deposited in the Company's securities account designated for share repurchase was 44,837,800, representing approximately 0.50% of the Company's total share capital, which were transferred into the securities account designated for the third phase of the employee share ownership plan through a non-transaction way on 9 June 2020, at a transfer price of RMB1.80 per share. The shares purchased for the share ownership plan shall be subject to a lock-up period commencing from 9 June 2020 to 8 June 2021 according to regulations.

As authorized at the 2017 annual general meeting of the Company, the Company convened the 31st meeting of the eighth session of the Board and the 20th meeting of the eighth session of the board of supervisors on 30 December 2020, at which the Proposal in relation to the Fourth Phase of Employee Share Ownership Plan and Adjustment to the Way of Distribution of Rights and Interests under the First, Second and Third Phases of Employee Share Ownership Plan (《關於公司第四期員工持股計劃及調整第一、二、三期員工持股計劃權益分配方式的議案》) was considered and approved. On the same day, the Company convened the second holders' meeting of the first phase of the employee share ownership plan, the second holders' meeting of the second phase of the employee share ownership plan and the second holders' meeting of the third phase of the employee share ownership plan. According to the Management Measures on Employee Share Ownership Plan of Chongqing Iron & Steel Company Limited and the first, second and third phases of the employee share ownership plan, by taking account of the complexity and flexibility for implementing the employee share ownership plan, it was approved to adjust the way of distribution of rights and interests under the first, second and third phases of employee share ownership plan from the original statement of "disposing of the underlying shares held under the employee share ownership plan" to "disposing of the underlying shares held under the employee share ownership plan or transferring the shares held under the employee share ownership plan to the employees' personal securities accounts by non-transaction transfer upon payment of relevant taxes and fees (if any)".

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

ii. Incentive events not disclosed in provisional announcements or with subsequent development (Continued)

As at 25 March 2021, the Company had completed the shares realization and distribution of interests under the first and second phases of employee share ownership plan by means of non-transaction transfers and transactions in the secondary market. At this point, the first and second phases of employee share ownership plan of the Company had been terminated.

As at 2 July 2021, the Company had completed the shares realization and distribution of interests under the third phase of employee share ownership plan by means of non-transaction transfers and transactions in the secondary market. At this point, the third phase of employee share ownership plan of the Company had been terminated.

According to the authorisation by the 2017 annual general meeting of the Company and the requirements of the 2018 – 2020 Employee Share Ownership Plan of the Company and relevant management documents, the Company convened the 41st meeting of the eighth session of the Board on 20 July 2021, at which the Proposal in relation to the Adjustment to the Scale of the Fourth Phase of Employee Share Ownership Plan (《關於調整第四期員工持股計劃規模的議案》) was considered and approved. The scale of the fourth phase of the employee share ownership plan of the Company was hereby rounded down to 45,724,000 shares so as to facilitate the completion of purchase of the shares under the fourth phase of the employee share ownership plan of the Company.

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

ii. Incentive events not disclosed in provisional announcements or with subsequent development (Continued)

As at 3 August 2021, according to the “Single Asset Management Plan of Huatai Asset Management for Employee Share Ownership Plan No. 4 of Chongqing Iron & Steel (華泰資管重慶鋼鐵員工持股計劃4號單一資產管理計劃)”, an aggregate of 9,061,800 A shares of the Company, representing approximately 0.102% of the total share capital of the Company, had been purchased by way of centralized bidding in the secondary market at an average transaction price of approximately RMB3.131 per share for the fourth phase of employee share ownership plan, and the aggregate transaction amount was approximately RMB28,372,606.80. 36,662,200 A shares of the Company held by its securities account designated for share repurchase, representing approximately 0.411% of its total share capital, were transferred to the respective securities account designated for the fourth phase of employee share ownership plan of the Company by non-transaction transfer on 3 August, at a transfer price of RMB1.800 per share. As at this date, the Company had completed the share purchase and non-transaction transfer for the fourth phase of employee share ownership plan, and the fourth phase of employee share ownership plan of the Company held a total of 45,724,000 shares of the Company, representing 0.513% of the total share capital of the Company. The shares held for the share ownership plan shall be subject to a lock-up period commencing from 3 August 2021 to 2 August 2022 according to the regulations.

As of 28 September 2022, the Company had realized all the shares and distributed all the equities of the fourth phase of Employee Stock Ownership Plan through non-transaction transfers and secondary market transactions, and the fourth phase of Employee Stock Ownership Plan had been therefore terminated.

At this point, the Company had completely implemented and terminated the Employee Stock Ownership Plan from 2018 to 2020.

Other incentive measures

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

In 2022, 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.

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

Applicable Not applicable

In 2022, in order to further promote the building of the Company's internal control system throughout the entire process of decision-making, implementation, and supervision, further improve the Company's internal control system with clear responsibilities and efficient operation, comprehensively review the scientific design and execution effectiveness of the Company's existing rules and regulations, and promote the comprehensiveness, standardization, and scientificity of the rules and regulations, the Company mainly conducted self-assessment on "complete documents", "smooth procedures", "accurate requirements", and "good results", reduced and consolidated redundant documents, emphasized the identification of risk points in various business procedures, refined the responsibilities and key control activities of each position, and clarified internal control requirements for important business areas and key control processes. Besides, the Company reviewed the deviations in the execution of the Company's procedures, standardized the Company's production, operation and management behaviours, implemented management responsibilities, and transformed the audit results into management effectiveness in various professional fields, effectively addressing system weaknesses and loopholes from the perspective of institutional design, and continuously improving the Company's internal control system capabilities. In 2022, a total of 113 rules and regulations were revised; according to functional responsibilities, a total of 87 new regulations were added, and inapplicable rules and regulations were reduced and integrated, resulting in a total of 42 abolishments. There are currently 743 effective rules and regulations, and the internal control system is more market-oriented and standardized.

The Company evaluated the effectiveness of the internal control of the Company for the year ended 31 December 2022 (the reference date of internal control evaluation report) in accordance with the requirements of the Basic Standards of Corporate Internal Control 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 criteria of material defects of internal control in the financial statements of the Company, as at the reference date of internal control evaluation report, material defects of internal control in the financial statements did not exist. The Company had maintained efficient internal control in the financial report in all material respects in accordance with requirements of Corporate Internal Control Standard System and relevant regulations. According to the identification of material defects of internal control in the non-financial reporting, as at the reference date of internal control evaluation report, there was no material defects in the internal control for non-financial statements. For details, see the 2022 Evaluation Report on Internal Control published by the Company on 31 March 2023.

XII. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD (CONTINUED)

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

Applicable Not applicable

XIII. MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD

Applicable Not applicable

In 2022, 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, further clarified management authority and optimized management procedures, 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 Management Measures for Post-evaluation of Equity Investment Projects, improving its management model for subsidiaries with policies.

Section IV Corporate Governance (Continued)

XIV. 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 2022 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 2022 according to the Basic Standards of Corporate Internal Control and relevant requirements.

For details, see the 2022 Internal Control Audit Report disclosed by the Company on 31 March 2023.

Whether to disclose the audit report on internal control: Yes

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

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

Nil

XVI. 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: RMB'000) 252,071

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 2022 met the total permitted indicator. During this Reporting Period, there was no accident caused by the Company which was subject to administrative penalties for environmental problems. 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	355	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	701.4	Emission Standard for Pollutants for Coking Chemical Industry GB16171-2012	Nil	No
3	Sulphur dioxide	Continuous				654.23		Nil	No
4	Nitrogen oxides	Continuous				862.54		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	1,650.7	Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	Nil	No
6	Sulphur dioxide	Continuous				1,470.47		Nil	No
7	Nitrogen oxides	Continuous				5,456.26		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
8	Particulate matter	Continuous	36	Ironmaking	Less than the Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	1,090.3	Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	Nil	No
9	Sulphur dioxide	Continuous				382.097		Nil	No
10	Nitrogen oxides	Continuous				529.447		Nil	No
11	Particulate matter	Continuous	21	Steelmaking	Less than the Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	1,035	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	418	Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012	Nil	No
13	Sulphur dioxide	Continuous				441.9		Nil	No
14	Nitrogen oxides	Continuous				968.87		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	155.432	Emission Standard of Water Pollutant for Iron and Steel Industry GB13456-2012	Nil	No
16	Ammonia nitrogen	Continuous				11.678		Nil	No
17	Total	Particulate matter: 5,250.4 tonnes, sulphur dioxide: 2,948.7 tonnes, nitrogen oxides: 7,817.12 tonnes, COD: 155.432 tonnes, and ammonia nitrogen: 11.678 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

The Company's pollution control facilities are fully equipped, technically qualified, and operating normally. The environmental protection facilities currently in operation include: eleven wastewater treatment facilities, 100 sets of exhaust gas and dust treatment facilities, and 147 exhaust funnels. Specifically, the main outlets of wastewater and exhaust gas are installed with online monitoring and supervisory facilities, and networking has been implemented in accordance with government requirements. Blast furnace water slag, converter steel slag, iron dust and other industrial solid waste disposal facilities are available. All production processes of the Company have facilities such as noise elimination, noise reduction, sound insulation and isolation, which effectively control environmental noise. We strengthen the management and control of environmental protection facilities, clarify the main body of responsibility, implement synchronous operation and maintenance of environmental protection facilities and main facilities, and promptly organise emergency repairs for abnormalities or failures. The environmental protection facilities are under sound operation.

Furthermore, the Company has carried out the transformation of compliance with requirements for super-low exhaust gas emissions and completed the sintering flue gas denitrification project, the desulphurisation and denitrification project of coke oven flue gas, the closure of Shed B1 of the stock ground, and the dust removal transformation of Iron Works 2BF. Concurrently, the diversion of rain and coking sewage, the transformation of drainage pipelines of the combustion path of iron, zero wastewater discharge (Phase I) of the wastewater treatment system, and the special wastewater treatment system have met the requirements for capacity and efficiency. Additionally, the newly built warehouse for hazardous and solid waste has been put into use so that hazardous waste can be stored in a standardised manner. All existing pollution control facilities operate normally and stably meet discharge requirements.

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

The Company, in 2022, obtained the approval for the environmental impact assessment on the newly constructed primary steel slag treatment project, the hot coil production line automation capacity and equipment capacity improvement and transformation project, the newly constructed low-grade slag reservoir project, the newly constructed wire rod tube 110Kv power station project, and the supporting 110Kv power station project of 2 and 3# sintering desulphurisation. Meanwhile, it completed the acceptance of the newly constructed hazardous waste warehouse construction project in terms of environmental protection, the upgrade and transformation of environmental protection facilities of the stock yard, the upgrade and transformation of the production line of bar materials, the upgrade and transformation of the production line of wire rods, the reconstruction of section steel into double high rods, the sintering residual heat project, the newly constructed converter gasholder, surplus gas power consumption, and steam cascade utilisation.

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 revised the Environmental Emergency Plan and carried out environmental protection filing with a period of validity until 17 June 2025 and filling No. of 500115-2022-041-H, so as to actively prevent, control and eliminate environmental emergencies, regulate the emergency disposal of all types of environmental emergencies, and protect public health and property safety.

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)

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 2022, 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 2022 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 2022.

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

Applicable Not applicable

During the Reporting Period, the Company was not subject to administrative penalties for environmental problems. The penalties for environmental problems over the past five years are as follows:

In 2018, the Company was subject to eight administrative penalties for exhaust gas emissions, totalling RMB900,000. In 2019, the Company was subject to four administrative penalties, totalling RMB1.01 million. From 2020 to 2022, the Company received no penalties from government departments.

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)

7. *Other environmental information required to be disclosed*

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

In 2022, the Company formulated the Environmental Protection Plan for “Great Protection of the Yangtze River” of Chongqing Iron & Steel, the Working Plan for Ultra-low Emissions of Waste Gas and Becoming an Enterprise with Class A Environmental Performance of Chongqing Iron & Steel, the Working Plan for Specific Action of Zero Sewage Discharge in 2022, and the Working Plan for Specific Action of No Solid Waste Leaving Factory in 2022 of Chongqing Iron & Steel, clarified work objectives and specific measures of implementation of Great Protection of the Yangtze River by Chongqing Iron & Steel. The treatment projects of exhaust gas, wastewater and solid waste were promoted and implemented as planned. In terms of exhaust gas, the Company launched key projects, such as 2 and 3# sintering flue gas denitrification projects and 1# sintering desulphurisation and denitrification. After the completion of the projects, the pollutant emissions will reach ultra-low emission requirements. In terms of wastewater, the Company completed water treatment projects, such as the central wastewater treatment system zero discharge transformation project (Phase I), the special wastewater reuse treatment system, and the rainwater reuse treatment system, vigorously promoting the replacement of new water with reclaimed water, promoting multistage and cascade water use, reducing the amount of external drainage of the recycling system and improving the water recycling rate. In terms of solid waste, the Company completed the productisation certification of blast furnace water slag, desulphurisation gypsum, steel slag and resistant material slag, and completed the construction of industrial solid waste warehouses and standardised hazardous waste warehouses to help refine its whole process of hazardous waste management.

I. ENVIRONMENTAL INFORMATION (CONTINUED)

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) 115,600

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) The efficient subcritical gas-driven power generation technology, the residual heat recovery technology of waste gas of coke oven, the residual heat recovery technology of flue gas of heating furnace, the new-generation ladle heating technology, the declaration of environmental products, and the release of three green products, such as thick plates for the bridge structure

Specific explanation

Applicable Not applicable

The Company, in 2022, deeply implemented the strategies of peak carbon emissions and carbon neutrality. It formulated a list of tasks regarding peak carbon emissions and carbon neutrality, in line with the concept of “carbon reduction by planning, carbon reduction by efficiency, carbon reduction by process, carbon reduction by technology, carbon reduction by greenness, carbon reduction by chain circle”. Meanwhile, it specified the objective that the carbon emissions per tonne of steel should be reduced by 2% from 2021. Close attention was paid to energy-saving projects so as to push forward the comprehensive recovery and efficient utilisation of residual energy and heat. Meanwhile, it successively put into use 5 and 6# sensible heat recovery of waste gas of coke oven, the flue gas and residual heat recovery of three heating furnaces of the 1,780mm hot coil production line, the 3 * 80MW efficient subcritical surplus gas-driven power generation project, and the energy-saving and transformation project of 26 series I and II heating furnaces for steelmaking. Recovered residual heat and steam were fully transferred to low-pressure steam pipes for power generation. The Company had a capacity of zero emissions of gas of 11 million tonnes, after 3 * 80MW efficient subcritical gas-driven power generating sets were put into operation. The power generation amount in 2022 increased by 360 million kWh from 2021 year on year. Gas emissions reduced by 440 million m³. The standard coal that can be saved annually reached 132,600 tonnes. The annual decrease in carbon dioxide emissions stood at 115,600 tonnes.

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 2022 Environmental, Social and Governance Report published by the Company on 31 March 2023.

- ii. Specific information on social responsibility work

Applicable Not applicable

External donations and charity projects	Quantity/ content	Explanation
Total input (RMB'0,000)	18	RMB60,000 was donated to the Chongqing Red Cross Foundation ("CQRFC") for the charity project, "Hear Love-Care for Hearing-impaired Patients". RMB100,000 was donated to the Chongqing Education Development Foundation ("CQEDF") for the project of building "Information Classes" for rural schools. Gifts worth RMB20,000 were presented during a visit to a special education school in Changshou District, Chongqing.
Including: Fund (RMB'0,000)	18	/
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 (RMB'0,000)	258.5	/
Including: Fund (RMB'0,000)	258.5	/
Supplies worth (RMB'0,000)	/	/
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 products twice worth RMB2,585,000.

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 and term of commitment	Deadline for performance (Y/N)	Prompt and strict performance (Y/N)
Commitments made in acquisition reports or equity change reports	To solve the horizontal competition	China Baowu	<p>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.</p> <p>The aforesaid solutions include, but are not limited to:</p> <ol style="list-style-type: none"> (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; (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 realised 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; (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; (4) Other feasible solutions within the scope permitted by laws and regulations and relevant policies. 	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 and term of commitment	Deadline for performance (Y/N)	Prompt and strict performance (Y/N)
			<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>			
			<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 and term of commitment	Deadline for performance (Y/N)	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 and term of commitment	Deadline for performance (Y/N)	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
	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 utilising 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 utilising 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 and term of commitment	Deadline for performance (Y/N)	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 utilising 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 utilising 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 and term of commitment	Deadline for performance (Y/N)	Prompt and strict performance (Y/N)
	To solve related party transactions	Changshou Iron & Steel	<ol style="list-style-type: none"> 1. After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, Changshou Iron & Steel will, in strict accordance with the requirements of laws and regulations such as the 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. 2. 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
	Others	China Baowu and Strategic Emerging Fund	<ol style="list-style-type: none"> 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. 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. 	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

Section VI Significant Events (Continued)

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

In line with Interpretation No. 15 of the Accounting Standards for Business Enterprises, the Company, since 1 January 2022, has conducted separate accounting treatment regarding the income and cost related to the external sales of products or by-product developed before fixed assets reach the predetermined available status and during R&D (hereinafter collectively referred to as the sales of trial operation) and measured through profit or loss for the current period (routine activities will be listed under "operating income" and "operating cost"; non-routine activities will be listed under "gain on disposal of assets"). The net amount of the relevant income of the trial sales that offsets the relevant cost will no longer be used to offset the fixed assets cost. The relevant products or by-products development during the sales of trial operation that meet asset recognition conditions before external sales will be recognised as inventories or other relevant assets. In terms of the sales of trial operation in 2021, the accounting treatment in 2021 of the Group met Interpretation No. 15 of the Accounting Standards for Business Enterprises, so retroactive adjustment is not necessary.

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. Other explanation

Applicable Not applicable

Section VI Significant Events (Continued)

VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Unit: RMB'000 Currency: RMB

Current

Name of the domestic accounting firm	Ernst & Young Hua Ming LLP
Remuneration of the domestic accounting firm	2,400
Term of service of the domestic accounting firm	5
Names of the certified public accountants of the domestic accounting firm	Ai Wei (艾維) and Wang Dan (王丹)
Term of service in succession of the certified public accountants of the domestic accounting firm	5

Name

Remuneration

Accounting firm for audit of internal control	Ernst & Young Hua Ming LLP	700
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Explanations for appointment and removal of accounting firms

Applicable Not applicable

The Company convened the 13th meeting of the ninth session of the board of directors and the 8th meeting of the ninth session of the board of supervisors on 31 May 2022 and the 2021 annual general meeting on 30 June 2022, at which the *Proposal for the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2022* was deliberated and approved. Ernst & Young Hua Ming LLP was re-appointed as the Company's auditor for financial and internal control in 2022. The annual remuneration is RMB2.4 million for financial auditing services and RMB0.7 million for internal control auditing services, totalling RMB3.1 million (tax exclusive but subsidiary inclusive), which is identical to that in 2021.

Explanations for change of the accounting firm during the auditing period

Applicable Not applicable

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

Section VI Significant Events (Continued)

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.

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.

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 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.

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. Therefore, the Company intended to enter into the *Supplemental Service and Supply Agreement* (“Supplemental Agreement”) with China Baowu, which agreed that the item “solid waste” and the relevant service type shall be added to the products sold by the Group to China Baowu Group, and the increased total amount from provision of products and/or services by the Group to China Baowu Group shall not exceed RMB23,856 million and RMB28,026 million for 2022 and 2023, respectively; meanwhile, the increased total amount from provision of products and/or services by China Baowu Group to the Group shall not exceed RMB47,773 million and RMB53,583 million for 2022 and 2023, respectively. Except for the changes aforesaid, other terms under the Original Agreement remain unchanged. 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.: 2021-022)* disclosed by the Company on 9 July 2022.

Section VI Significant Events (Continued)

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)

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: RMB1,000)
Procurement of goods and acceptance of services	Market price	13,783,589
Sale of goods	Market price	8,404,099

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	/	2,467,891	6.97	/	/	/
Shanghai Ouyeel Material Technology Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	2,147,887	6.07	/	/	/
Shanghai Ouyeel Supply Chain Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	892,829	2.52	/	/	/
Guangdong Zhongnan Iron & Steel Co., Ltd.	Other related party	Sale of goods	Sales as a service	With reference to the market price	/	799,846	87.22	/	/	/
Guangdong Building Materials Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	720,570	2.04	/	/	/
Chongqing Baocheng Carbon Co., Ltd.	Subsidiary invested	Sale of goods	Sale of goods, energy and rendering of services	With reference to the market price	/	536,099	1.42	/	/	/
Xingang International Trade Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	349,349	0.99	/	/	/
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	/	193,618	0.52	/	/	/
Baoshan Iron & Steel Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	78,733	0.22	/	/	/

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
Honghe Iron and Steel Co., Ltd.	Other related party	Sale of goods	Rendering of services	With reference to the market price	/	75,229	8.27	/	/	/
WISCO Jiangbei Cold-formed Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	35,121	0.10	/	/	/
Shanghai Meishan Iron & Steel Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	21,710	0.06	/	/	/
Baowu Group Echeng Iron and Steel Co., Ltd.	Other related party	Sale of goods	Sale of goods and rendering of services	With reference to the market price	/	18,018	0.05	/	/	/
Baosteel Metal Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	16,599	0.05	/	/	/
Shanghai Iron & Steel Exchange Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	15,828	0.04	/	/	/
Baowu Water Technology Limited	Other related party	Sale of goods	Energy and rendering of services	With reference to the market price	/	9,188	0.37	/	/	/
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	/	9,090	0.03	/	/	/
Ouyeel Industrial Products Co., Ltd.	Other related party	Sale of goods	Sale of goods and rendering of services	With reference to the market price	/	8,888	0.02	/	/	/
Baowu Heavy Industry Co., Ltd.	Other related party	Sale of goods	Sale of goods and rendering of services	With reference to the market price	/	3,206	0.01	/	/	/
Baowu Group Environmental Resources Technology Co., Ltd.	Other related party	Sale of goods	Energy	With reference to the market price	/	2,550	0.16	/	/	/
Others	Other related party	Sale of goods	/	With reference to the market price	/	1,849	0.01	/	/	/
Guangdong Baodi Nanhua Industrial City Development Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	15,183	1.04	/	/	/
Shanghai Baoding Energy Co., Ltd.	Other related party	Purchase of goods	Receipt of services and procurement of raw materials	With reference to the market price	/	814,786	5.84	/	/	/
Baosteel Development Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	82,042	5.61	/	/	/
Baosteel Engineering & Technology Group Corporation	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	679,673	23.09	/	/	/
Shanghai Baosteel Engineering Consulting Co., Ltd.	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	7,303	0.25	/	/	/
Baoshan Iron & Steel Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	73,969	0.53	/	/	/
Baosteel Resources International Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	4,371,414	16.97	/	/	/
Shanghai Baosteel Shipping Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	42,149	2.88	/	/	/
Shanghai Baosteel Xinyue Talent Technology Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	10,000	0.68	/	/	/

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
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	1,180,773	4.58	/	/	/
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	789	0.05	/	/	/
Baowu Water Technology Limited	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	246,322	9.00	/	/	/
Baowu Raw Material Supply Co., Ltd.	Subsidiary invested	Purchase of goods	Receipt of services and procurement of raw materials	With reference to the market price	/	733,325	3.12	/	/	/
Baowu Heavy Industry Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	26,750	1.83	/	/	/
Baowu Equipment Intelligent Technology Co., Ltd.	Other related party	Purchase of goods	Receipt of services and procurement of spare parts and raw materials	With reference to the market price	/	130,495	8.63	/	/	/
Shanghai Baosight Software Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of spare parts and equipment, and engineering construction	With reference to the market price	/	175,194	12.69	/	/	/
Baowu Group Echeng Iron and Steel Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	20,898	0.08	/	/	/
Wugang Resources Group Ezhou Pelletizing Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	231,972	0.90	/	/	/
Guangdong Kunlun Information Technology Co., Ltd.	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	15,805	0.51	/	/	/
MA Steel International Trade & Economic Corporation	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	33,362	0.13	/	/	/
Shanghai Meishan Industrial Civil Engineering Design Research	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	27,172	0.88	/	/	/
Ouyeel Industrial Products Co., Ltd.	Other related party	Purchase of goods	Receipt of services and procurement of materials, equipment and spare parts	With reference to the market price	/	1,305,434	79.39	/	/	/
Ouyeel Blockchain Finance Renewable Resources Co., Ltd.	Other related party	Purchase of goods	Procurement of steel scrap	With reference to the market price	/	95,284	3.44	/	/	/
Shanghai Ouyeel Logistics Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	28,164	1.92	/	/	/
Ouyeel Yunshang Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	3,811	0.26	/	/	/
China Pingmei Shenma Group Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	1,596	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
Shanghai Ouyeel Supply Chain Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	242,904	0.94	/	/	/
Guangdong Shaogang Engineering Technology Co., Ltd.	Other related party	Purchase of goods	Procurement of materials, equipment and spare parts	With reference to the market price	/	1,203	0.07	/	/	/
Taicang Wugang Terminal Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	61,492	0.45	/	/	/
Wuhan Iron & Steel Group Logistics Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	3,479	4.20	/	/	/
Zhejiang Zhoushan Wugang Terminal Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	16,107	1.10	/	/	/
Guangdong Guangwu Zhongnan Construction Materials Group	Other related party	Purchase of goods	Procurement of steel billets	With reference to the market price	/	3,103,136	12.05	/	/	/
Others	Other related party	Purchase of goods	/	With reference to the market price	/	1,604	0.10	/	/	/
Total				/	/	22,187,688	/	/	/	/
Particulars of substantial sales return					Nil					
Explanation on related party transactions										They enabled the Company to obtain stable and reliable service supply at a reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output

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

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

Applicable Not applicable

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

Applicable Not applicable

3. Events not disclosed in provisional announcements

Applicable Not applicable

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Applicable Not applicable

iii. Material connected transactions related to joint external investment

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

Applicable Not applicable

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

Applicable Not applicable

On 28 December 2022, the Resolution in relation to External Investment and Related Party Transactions was 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. (Zhongnan Corporation), 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%.

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

3. Events not disclosed in provisional announcements

Applicable Not applicable

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

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

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%-1.97%	19,443	12,179,651	10,970,926	1,228,168
Total	/	/	/	19,443	12,179,651	10,970,926	1,228,168

2. *Money lending business*

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Related parties	Connected relationship	Loan interest rate range	Credit line	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	4.65%	62,610	-	62,610	-
Total	/	/	/	62,610	-	62,610	-

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)

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	143,188

4. *Other explanation*

Applicable Not applicable

- 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. A copy of the auditors' letter was submitted to the Hong Kong Stock Exchange by the Company.

Section VI Significant Events (Continued)

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

i. Custody, contracting and leasing affairs

1. Custody

Applicable Not applicable

2. Contracting

Applicable Not applicable

3. Leasing

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	

Description of leases

N/A

Section VI Significant Events (Continued)

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

ii. Guarantees

Applicable Not applicable

Unit: RMB1,000 Currency: RMB

External Guarantees provided by the Company (excluding those for subsidiaries)														
Guarantor	Relationship between the guarantor and the Company	Guaranteed party	Amount guaranteed	Effective date of guarantee (date of executing the agreement)	Guarantee starting date	Guarantee maturity date	Type of guarantee	Collateral (if any)	Whether the guarantee had been completely performed	Whether the guarantee is overdue	Overdue amount of guarantee	Counter-guarantee	Related party guarantee or not	Connected relationship
Nil														
Total guarantees incurred during the Reporting Period (excluding those for subsidiaries)														/
Total guarantee balance at the end of the Reporting Period (A) (excluding those for subsidiaries)														/
Guarantees provided by the Company and its subsidiaries to its subsidiaries														
Total amount of guarantees provided to subsidiaries during the Reporting Period														225,725
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)														0
Total guarantees provided by the Company (including those for subsidiaries)														
Amount of guarantees provided to shareholders, de facto controllers and their related parties (C)														/
Amount of debt guarantees directly or indirectly provided for guaranteed parties with gearing ratio over 70% (D)														/
Amount of total guarantee exceeding 50% of net assets (E)														/
Total amount of above three guarantees (C + D + E)														/
Descriptions on outstanding guarantees that may subject to joint liabilities														N/A
Description of guarantee										As of 27 September 2022, Chongqing Iron & Steel Energy Environmental Protection Company Limited, a wholly-owned subsidiary of the Company, has completed all repayments on schedule according to the agreement, which has resulted in the natural release of the Company's guarantee for the subsidiary.				

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

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

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

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

iii. Entrusted cash assets management (Continued)

2. Entrusted loans (Continued)

(3) Provision for impairment of entrusted loans

Applicable Not applicable

3. Others

Applicable Not applicable

iv. Other material contracts

Applicable Not applicable

XIV. 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 Rules Governing the Listing of Securities 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange 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 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 2022.

XIV. 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 Rules Governing the Listing of Securities on the HKEx (Continued)

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 2022 had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

XIV. 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 Rules Governing the Listing of Securities on the HKEx (Continued)

6. Interests or short positions

As at 31 December 2022, 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 *Rules Governing the Listing of Securities on the Stock Exchange 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
Zhou Yaping	The Company	Supervisor Representing Staff	Beneficial interest	755,400 (Long position)	0.0058	0.0054	A share
Yao Xiaohu	The Company	Supervisor Representing Staff	Beneficial interest	919,400 (Long position)	0.0061	0.0057	A share
Xie Chao	The Company	Senior Vice President	Beneficial interest	1,057,400 (Long position)	0.0126	0.0119	A share

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.

XIV. 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 Rules Governing the Listing of Securities on the HKEx (Continued)

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 of the Stock Exchange.

9. *Marketability market value*

Based on the available information to the Company, as at 31 December 2022, the circulating market capitalization of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$0.84)) was approximately HK\$452 million and the circulating market capitalization of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB1.58)) was approximately RMB13,241 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.

According to the auditing by Ernst & Young Hua Ming LLP, the realized net loss attributable to the parent company for 2022 amounted to RMB1,038 million, and the unappropriated profit by parent company as at the end of 2022 amounted to RMB-7,651 million. As the parent company recorded a negative unappropriated profit as at the end of 2022, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2022 pursuant to Article 250 of the *Articles of Association*.

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

(II) Related party transactions

1. Related investment

On 21 December 2021, the *Resolution on Formation of Joint Venture and Related Party Transaction between the Company and Baosteel Resources Holdings (Shanghai) Co., Ltd.* was approved through voting at the 6th meeting of the ninth session of the board of directors of the Company. Based on the needs of business development, the Company intended to jointly make capital contribution to and establish a joint venture. The proposed registered capital of the company is RMB180 million: Specifically, the Company's capital is RMB34.2 million, representing a contribution of 19%, and the capital of Baosteel Resources is RMB145.8 million, representing a contribution of 81%. After the establishment of the joint venture, the company will conduct the processing business of iron ore blending in Mount Majishan. For details, please refer to the *Announcement in relation to the Related Investment* (Announcement No.: 2021-076) disclosed by the Company on 22 December 2021.

On 5 January 2022, the Company has entered into the *JV Contract* with Baosteel Resources. For details, please refer to the *Announcement in relation to the Progress of the Related Investment* (Announcement No.: 2022-001) disclosed by the Company on 6 January 2022.

2. 2021-2023 continuing connected transactions

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 2021-2023 Continuing Related Party Transactions* (Announcement No.: 2021-024) disclosed by the Company on 20 March 2021 and 2 April 2021, respectively.

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

(II) Related party transactions (Continued)

2. 2021-2023 continuing connected transactions (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. Therefore, the Company intended to enter into the *Supplemental Service and Supply Agreement* ("Supplemental Agreement") with China Baowu, which agreed that the item "solid waste" and the relevant service type shall be added to the products sold by the Group to China Baowu Group, and the increased total amount from provision of products and/or services by the Group to China Baowu Group shall not exceed RMB23,856 million and RMB28,026 million for 2022 and 2023, respectively; meanwhile, the increased total amount from provision of products and/or services by China Baowu Group to the Group shall not exceed RMB47,773 million and RMB53,583 million for 2022 and 2023, respectively. Except for the changes aforesaid, other terms under the Original Agreement remain unchanged.

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.

On 29 August 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 2022 First Extraordinary General Meeting of the Company.

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

(II) Related party transactions (Continued)

3. *Related party transactions related to joint external investment*

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. (Zhongnan Corporation), 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. For details, please refer to the *Announcement in relation to External Investment and Related Party Transactions* (Announcement No.: 2022-042) disclosed by the Company on 29 December 2022.

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%. For details, please refer to the *Announcement in relation to the Progress of External Investment and Related Party Transactions* (Announcement No.: 2023-002) disclosed by the Company on 31 January 2022.

Section VI Significant Events (Continued)

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

(III) Changes in equity of shareholders

On 25 May 2022, the Company received the *Letter on Holding More Shares of Chongqing Iron & Steel* from Zhongnan Steel, and learned that from 11 to 25 May 2022, Zhongnan Steel bought 89,186,037 more A-shares of the Company through the secondary market auction trading system of Shanghai Stock Exchange, accounting for 1% of the total share capital of the Company. Before this change in equity, Zhongnan Steel held zero shares of the Chongqing Iron & Steel, and after this change in equity, it held 89,186,037 shares of the Chongqing Iron & Steel, accounting for 1% of the total share capital of the Chongqing Iron & Steel. For details, please refer to the *Suggestive Announcement on Change in Equity of Shareholders* (Announcement No.: 2022-011) disclosed by the Company on 26 May 2022.

On 14 June 2022, the Company received the *Letter on Holding More Shares of Chongqing Iron & Steel from Zhongnan Steel*, and learned that from 31 May to 14 June 2022, Zhongnan Steel bought 89,186,106 more A-shares of the Company through the secondary market auction trading system of Shanghai Stock Exchange, accounting for 1% of the total share capital of the Company. Before this change in equity, Zhongnan Steel held 89,186,037 shares of the Company, accounting for 1% of the total share capital of the Company, and after this change in equity, it held 178,372,143 shares of the Company, accounting for 2% of the total share capital of the Company. For details, please refer to the *Suggestive Announcement on Change in Equity of Shareholders* (Announcement No.: 2022-016) disclosed by the Company on 15 June 2022.

(IV) Re-appointment of accounting firm

On 31 May 2022, the *Proposal for the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2022* was approved through voting at the 13th meeting of the ninth session of the board of directors and the 8th meeting of the ninth session of the board of supervisors of the Company. The Company re-appointed Ernst & Young Hua Ming LLP as its auditor for financial and internal control in 2022. The annual audit expense for 2022 was RMB3.1 million (tax exclusive and subsidiaries covered), including RMB2.4 million for financial audit and RMB700,000 for internal control audit. For details, please refer to the *Announcement on Re-appointment of Accounting Firm* (Announcement No.: 2022-014) disclosed by the Company on 31 May 2022.

On 30 June 2022, the *Proposal for the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2022* was deliberated and approved at the Company's 2021 annual general meeting.

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

(V) Investment withdrawal from joint venture

On 28 June 2022, the *Proposal for Withdrawing the Investment in Jianwei Intelligent* was approved through voting at the 14th meeting of the ninth session of the board of directors of the Company. Both shareholders of the joint venture Chongqing Jianwei Intelligent Technology Co., Ltd. ("Jianwei Intelligent" in short) failed to pay in full their capital contributions since the establishment of the joint venture on 12 December 2019, and the joint venture did not actually run business, so the Company planned to withdraw its investment in Jianwei Intelligent in order to optimize the industrial structure. For details, please refer to the *Announcement on Investment Withdrawal from Joint Venture* (Announcement No.: 2022-018) disclosed by the Company on 29 June 2022.

On 8 August 2022, Jianwei Intelligent completed the industrial and commercial registration.

(VI) Termination of the fourth phase of Employee Stock Ownership Plan

At the 31st meeting of the eighth session of the board of directors and the 20th meeting of the eighth session of the board of supervisors held by the Company on 30 December 2022, the Proposal for the Fourth Phase of Employee Stock Ownership Plan and Adjustment to the Equity Distribution Method for the First, Second and Third Phases of Employee Stock Ownership Plans was deliberated and approved, and at the 1st holders' meeting of the fourth phase of Employee Stock Ownership Plan held by the Company on 15 January 2021, the *Proposal for Setting up the Management Committee for the Fourth Phase of Employee Stock Ownership Plan and Authorizing the Management Committee to Manage the Matters related to the Fourth Phase of Employee Stock Ownership Plan* was deliberated and approved. For details, please refer to the corresponding announcements released by the Company on 22 March and 16 May 2018, 31 December 2020 and 16 January 2021 on *China Securities Journal*, *Shanghai Securities News*, *Securities Times*, *Securities Daily* and the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

At the 41st meeting of the eighth session of the board of directors held by the Company on 20 July 2021, the Proposal in relation to the Adjustment to the Scale of the Fourth Phase of Employee Share Ownership Plan was deliberated and approved. As authorized by the general meeting and regulations of the Company's *Employee Stock Ownership Plan 2018-2020* and the relevant administrative documents, it was agreed to scale down the fourth phase of Employee Stock Ownership Plan from 45,724,009 shares to 45,724,000 shares so that the Company could complete the purchase of the shares under the fourth phase of Employee Stock Ownership Plan. For details, please refer to the corresponding announcements released by the Company on 21 July 2021 on *China Securities Journal*, *Shanghai Securities News*, *Securities Times*, *Securities Daily* and the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

Section VI Significant Events (Continued)

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

(VI) Termination of the fourth phase of Employee Stock Ownership Plan (Continued)

As of 28 September 2022, the Company had realized all the shares and distributed all the equities of the fourth phase of Employee Stock Ownership Plan through non-transaction transfers and secondary market transactions, and the fourth phase of Employee Stock Ownership Plan had been therefore terminated. At this point, the Company had completely implemented and terminated the Employee Stock Ownership Plan from 2018 to 2020. For details, please refer to the *Announcement on Termination of the Fourth Phase of Employee Stock Ownership Plan* (Announcement No.: 2022-030) disclosed by the Company on 29 September 2022.

(VII) Changes in the Chairman and President of the Company

On 16 November 2022, Mr. Zhang Wenxue resigned as Chairman and director, Mr. Xie Zhixiong resigned as President, and Mr. Meng Wenwang resigned as Senior Vice President due to job adjustment. For details, please refer to the *Announcement on Resignation of Chairman and Several Senior Executives* (Announcement No.: 2022-034) disclosed by the Company on 17 November 2022.

On 21 November 2022, the board of directors of the Company elected Mr. Xie Zhixiong as the Chairman of the board of directors of the Company for the same term as the ninth session of the board of directors, and appointed Mr. Meng Wenwang as President and a candidate director of the ninth session of the board of directors of the Company. On 15 December 2022, Mr. Meng Wenwang was elected as a director of the ninth session of the board of directors for the same term as the ninth session of the board of directors. For details, please refer to the *Announcement on Resolution of the 19th Meeting of the Ninth Session of the Board of Directors* (Announcement No.: 2022-035), *Announcement on Election of the Chairman and Candidate Director of the Board of Directors and President of the Company* (Announcement No.: 2022-036) and *Announcement on Resolution of the 2nd Extraordinary General Meeting in 2022* (Announcement No.: 2022-038) disclosed by the Company on 22 November and 16 December 2022.

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 (<i>accounts</i>)	173,386
At the end of the month before the annual report disclosure, the total number of ordinary shareholders (<i>accounts</i>)	170,436
As of the end of the Reporting Period, the total number of preferred shareholders with restored voting rights (<i>accounts</i>)	0
At the end of the month before the annual report disclosure, the total number of preferred shareholders with restored voting rights (<i>accounts</i>)	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

Name of shareholder (full name)	Changes during the Reporting Period	Period-end number of stock	Ratio (%)	Pledged, marked or frozen		Nature of shareholders
				Number of restricted stock held	Stock status	
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Nil	0 Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	358,000	532,581,221	5.97	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.	224,831,743	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	532,581,221	Overseas listed foreign shares	532,581,221
Chongqing Qianxin Group Co., Ltd.	427,195,760	RMB denominated ordinary shares	427,195,760
Chongqing Rural Commercial Bank Co., Ltd.	289,268,939	RMB denominated ordinary shares	289,268,939
Chongqing Guochuang Investment and Management Co., Ltd.	278,288,059	RMB denominated ordinary shares	278,288,059
Bank of Chongqing Co., Ltd.	226,042,920	RMB denominated ordinary shares	226,042,920
Baowu Group Zhongnan Steel Co., Ltd.	224,831,743	RMB denominated ordinary shares	224,831,743
Industrial Bank Co., Ltd. Chongqing Branch	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

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)

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 Information Disclosure of Changes in Shareholdings of Listed Companies' Shareholders. The Company is also not aware of any connected relationship among the other 9 shareholders or whether they are acting in concert

Preferred shareholders with restored voting rights and their shareholding

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

1 Legal person

Applicable Not applicable

Name China Baowu Steel Group Corporation Limited

Principal or legal representative Chen Derong

Date of establishment 1 January 1992

Principal operations Licensed projects: Retail of publications; wholesale of publications. (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 investment activities with own funds; investment management; asset management services for self-funded investments; corporate headquarters management; land use rights leasing; non-residential real estate leasing; tax services; human resources services (excluding professional intermediary activities and labour dispatch services); registration and registration agency services for market entities; business agency and agency services; outsourcing of archival services; tendering and bidding agency services; big data services; enterprise management consulting. (Except for projects that require legal approval, business activities can be conducted independently according to the business license(s))

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 2022, China Baowu directly or indirectly holds more than 5% of the shares in the following listed companies: 62.30% equity interests in Baoshan Iron & Steel Co., Ltd., 50.50% equity interests in Shanghai Baosight Software Co., Ltd., 51.75% equity interests in Maanshan Iron & Steel Company Limited, 50.02% 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., 62.92% equity interests in Shanxi Taigang Stainless Steel Co., Ltd., 20.86% equity interests in Tibet Mineral Development Co., Ltd., 44.81% equity interests in Xinyu Iron & Steel Co., Ltd., 16.28% equity interests in Da Ming International Holdings Limited, 10.15% equity interests in Beijing Shougang Co., Ltd., 14.06% equity interests in China Pacific Insurance (Group) Co., Ltd., 14.00% equity interests in Nanjing Yunhai Special Metals Co., Ltd., 13.05% 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*

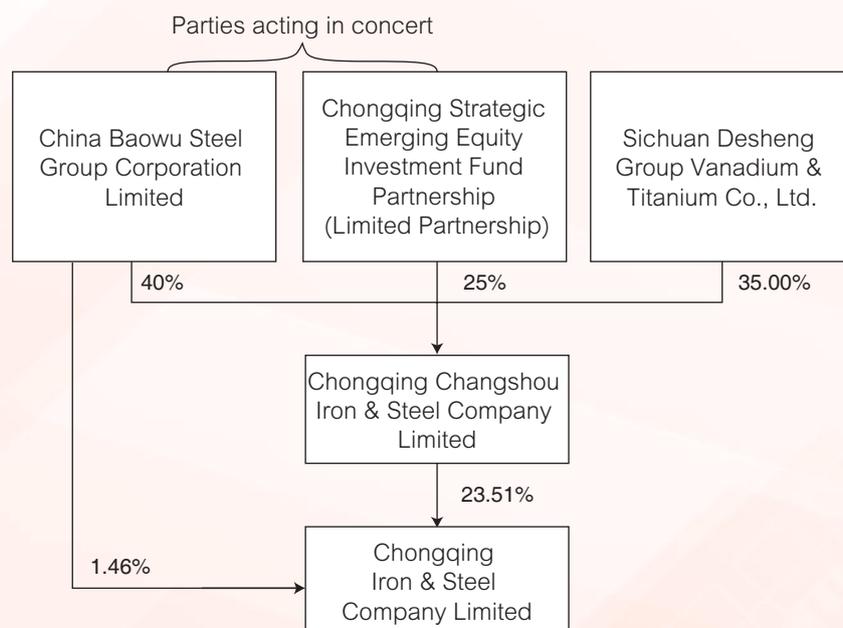
Applicable Not applicable

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



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

Applicable Not applicable

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

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

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	519,866	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

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)

- (1) Basic information and interest rate adjustment of debt financing instruments for the period (Continued)
 - 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.
 - 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%.

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
 - 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.

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)

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) 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	Chen Xiaoxiang, Ai Wei	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 utilised	Amount unutilised	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	2022	2021	Change from the same period of last year to this period (%)	Reasons
Net profit after deducting non-recurring profit or loss	-1,086,273	2,453,197	-144.28	Decrease in profits
Current ratio	0.65	0.87	-25.29	—
Quick Ratio	0.45	0.62	-27.42	—
Gearing Ratio (%)	45.78	47.96	Decreased by 2.18 percentage points	—
Debt-to-EBITDA ratio	0.06	0.37	-83.78	Decrease in profits
Interest coverage (times)	-3.04	5.65	-153.81	Decrease in profits
Cash interest coverage (times)	5.94	12.56	-52.71	Decrease in net cash flow generated from operating activities
EBITDA interest coverage (times)	1.90	8.01	-76.28	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

Section X Financial Report

Year ended 31 December 2022

AUDITOR'S REPORT



Ernst & Young Hua Ming (2023) Shen Zi No. 61427602_D01
Chongqing Iron and Steel Company Limited

To the shareholders of Chongqing Iron and Steel Company Limited

I. OPINION

We have audited the financial statements of Chongqing Iron and Steel Company Limited (the “Company”), which comprise the consolidated and Company balance sheets as at 31 December 2022, 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 and Steel Company Limited present fairly, in all material respects, the consolidated and company’s financial position of Chongqing Iron and Steel Company Limited as at 31 December 2022, and the consolidated and company’s financial performance and cash flows for 2022 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 and 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)

Year ended 31 December 2022

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 2022, the total revenue amounted to RMB36,561,531,209.23 in the consolidated financial statements, including the sales revenue of steel billets and steel products amounted to RMB33,931,976,229.9, which is 92.81% of the total revenue in the consolidated financial statements. The total revenue amounted to RMB36,619,144,893.87 in the company financial statements, including the sales revenue of steel billets and steel products amounted to RMB33,931,976,229.99, which is 92.66% of the total revenue in the company financial statements.

In the light of the sales revenue of steel billets and steel products impacting financial statements significantly, and the price cyclical fluctuating obviously, we regarded the recognition of revenue as a key audit matter.

Please refer to Note III.22, Note V.40, and Note XIV.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 analysis review procedures, and analyzed the changes in sales revenue and gross margin;
- 3) Selected sales contracts, focused on the key items of transferring the rights of assets, assessed whether the revenue recognition policy was complied with the related regulations from Accounting Standards for Business Enterprises – Basic Standards;
- 4) Selected transaction samples of sales, checking purchase orders, shipping orders, sales invoices and collection records;
- 5) Implemented cut-off tests to the sales transactions before and after balance sheet date;
- 6) Selected customers to sending confirmation for transaction amount, and balanced of accounts receivable or contract liabilities;
- 7) Checked the disclosure in relation to revenue.

Section X Financial Report (Continued)

Year ended 31 December 2022

III. KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters:

How our audit addressed the matter:

Recognition of Deferred Tax Assets

As of 31 December 2022, deferred tax assets of RMB327,989,203.45 were recognized in the consolidated financial statements regarding to deductible temporary differences and deductible tax losses; deferred tax assets of RMB292,699,314.69 were recognized in the company financial statements regarding to temporary differences and tax losses.

The management recognized the deferred tax assets regarding to deductible temporary differences and deductible tax losses to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

The amount of both recognized and unrecognized deferred tax assets are significant, and the management needs to apply significant estimation and judgement, so we regarded the recognition of deferred tax assets as a key audit matter.

Please refer to Note III.25, Note III.29, and Note V.17 to the financial statements for disclosures on the deferred tax assets.

The audit procedures including the following:

- 1) Obtained the tax settlement report, and checked the deductible temporary differences and deductible tax losses acknowledged by the tax authority;
- 2) Reviewed the profit prediction in the future approved by the management, compared the historical operating results, trend, and future operating, investing and financing plan, assessed the key data and assumption adopted in the prediction of future taxable income, reviewed the adjustment between predictable profit and future taxable income;
- 3) Assessed the tax situation and relative assumption with tax experts' assistance;
- 4) Checked the disclosures in relation to deferred tax assets

Section X Financial Report (Continued)

Year ended 31 December 2022

IV. OTHER INFORMATION

The management of Chongqing Iron and Steel Company Limited is responsible for the other information. The other information comprises the information included in the annual report, but excludes 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 of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises (the "ASBE"), 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 Sany Heavy Industry Co., Ltd.'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 the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Chongqing Iron and Steel Company Limited's financial reporting process.

Section X Financial Report (Continued)

Year ended 31 December 2022

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 scepticism 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 Sany Heavy Industry Co., Ltd.'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 and 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)

Year ended 31 December 2022

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 and 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: Ai Wei
(Engagement Partner)*

Chinese Certified Public Accountant: Wang Dan

Beijing, the People's Republic of China
30 March 2023

Consolidated Statement of Financial Position

As at 31 December 2022 (Unit: RMB)

Assets	31 December 2022	31 December 2021
Current assets:		
Cash and bank balances	3,995,675,679.90	6,410,645,184.21
Including: Cash in other financial institutions	1,228,168,091.66	19,442,871.11
Financial assets held for trading	–	600,000,000.00
Trade receivables	38,789,243.44	53,885,153.18
Receivables financing	799,686,555.46	1,536,724,383.19
Prepayments	845,432,996.80	756,709,707.71
Other receivables	34,846,186.58	52,279,270.02
Inventories	2,592,756,838.00	3,840,198,176.45
Other current assets	207,034,907.16	100,220,762.10
Total current assets	8,514,222,407.34	13,350,662,636.86
Non-current assets :		
Long-term equity investments	111,123,058.00	58,159,798.61
Other equity investments	–	5,000,000.00
Property, plant and equipment	26,281,780,445.68	21,891,662,329.00
Construction in progress	894,154,698.17	4,174,368,877.56
Right-of-use assets	388,738,725.76	518,318,301.29
Intangible assets	2,514,367,788.86	2,384,881,729.89
Goodwill	328,054,770.34	328,054,770.34
Long-term prepaid expenses	237,486.45	271,413.33
Deferred tax assets	327,989,203.45	142,567,923.88
Other non-current assets	4,131,818.97	142,008,629.18
Total non-current assets	30,850,577,995.68	29,645,293,773.08
Total assets	39,364,800,403.02	42,995,956,409.94

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Financial Position (Continued)

As at 31 December 2022 (Unit: RMB)

Liabilities and shareholders' equity	31 December 2022	31 December 2021
Current liabilities		
Short-term borrowings	1,106,441,170.84	2,629,733,817.52
Notes payable	609,367,940.00	1,261,138,336.43
Trade payables	3,115,966,628.22	4,567,985,507.84
Contract liabilities	2,645,569,472.47	2,185,095,400.45
Employee benefits payable	144,905,310.06	112,843,505.59
Taxes payable	22,974,352.75	16,743,533.05
Other payables	2,720,896,934.96	2,770,508,515.09
Non-current liabilities due within one year	2,352,484,115.99	1,582,635,108.56
Other current liabilities	343,924,031.42	284,735,634.39
Total current liabilities	13,062,529,956.71	15,411,419,358.92
Non-current liabilities :		
Long-term borrowings	2,751,945,100.00	1,792,800,000.00
Bonds payable	–	498,433,703.78
Lease liabilities	278,352,825.03	408,135,050.59
Long-term payables	1,730,677,459.72	2,301,299,355.45
Long-term employee benefits payable	107,663,455.08	144,977,337.75
Provision	5,540,444.09	–
Deferred income	79,742,929.39	56,902,583.91
Deferred tax liabilities	6,430,532.64	6,778,309.33
Total non-current liabilities	4,960,352,745.95	5,209,326,340.81
Total liabilities	18,022,882,702.66	20,620,745,699.73
Shareholders' equity :		
Share capital	8,918,602,267.00	8,918,602,267.00
Capital reserves	19,282,146,606.55	19,282,146,606.55
Other Comprehensive Income	(2,664,805.29)	–
Special reserves	7,374,566.33	18,593,416.55
Surplus reserves	606,990,553.42	606,990,553.42
Unappropriated profit	(7,470,531,487.65)	(6,451,122,133.31)
Total shareholders' equity	21,341,917,700.36	22,375,210,710.21
Total liabilities and shareholders' equity	39,364,800,403.02	42,995,956,409.94

The financial statements have been signed by:

Legal Representative:

Chief accountant:

Head of the accounting department:

The accompanying notes form an integral part of these financial statements

Consolidated Income Statement

For the year ended 31 December 2022 (Unit: RMB)

	2022	2021
Revenue	36,561,531,209.23	39,849,418,316.92
Less: Cost of sales	36,592,389,251.37	35,950,387,853.56
Taxes and surcharges	148,265,437.33	161,626,014.72
Distribution and selling expenses	74,204,262.56	81,143,070.80
General and administrative expenses	418,291,225.05	504,503,351.73
Research and development costs	24,763,704.07	11,802,669.84
Finance expenses	358,904,759.89	380,722,585.09
Including: Interest expenses	297,357,722.61	486,272,752.81
Interest income	58,831,730.38	112,938,538.47
Add : Other income	96,402,921.87	58,297,889.07
Investment income	32,670,179.29	16,342,823.16
Including: Share of profits and losses of joint ventures and associates	8,586,343.64	8,132,826.55
Impairment losses on credit	9,483,591.39	(19,051,775.83)
Impairment losses on assets	(250,697,833.74)	(348,552,145.83)
Gain/(Loss) on disposal of items of property, plant and equipment	1,675,134.36	(4,734,013.82)
Operating profit/(loss)	(1,165,753,437.87)	2,461,535,547.93
Add: Non-operating income	2,522,782.84	149,697,376.81
Less: Non-operating expenses	38,664,472.89	348,347,366.66
Total profit/(loss)	(1,201,895,127.92)	2,262,885,558.08
Less: Income tax expenses/(credit)	(182,485,773.58)	(11,509,003.54)
Net Profit/(Loss)	(1,019,409,354.34)	2,274,394,561.62
Breakdown by continuity of operations		
Net profit/(loss) from continuing operations	(1,019,409,354.34)	2,274,394,561.62
Breakdown by attributable interests		
Net profit/(loss) attributable to shareholders of the parent	(1,019,409,354.34)	2,274,394,561.62
Non-controlling interests	-	-

The accompanying notes form an integral part of these financial statements

Consolidated Income Statement (Continued)

For the year ended 31 December 2022 (Unit: RMB)

	2022	2021
Other comprehensive income/(loss) after tax	(2,664,805.29)	-
Other comprehensive income/(loss) after tax attributable to shareholders of the parent	(2,664,805.29)	-
Items 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 equity investments at fair value through other comprehensive income	(4,250,000.00)	-
Other comprehensive income/(loss) after tax attributable to non-controlling interests	-	-
Total comprehensive income	(1,022,074,159.63)	2,274,394,561.62
Including:		
Total comprehensive income/(loss) attributable to shareholders of the parent	(1,022,074,159.63)	2,274,394,561.62
Total comprehensive income/(loss) attributable to non-controlling interests	-	-
Earnings per share:		
Basic earnings/(loss) per share (RMB/share)	(0.11)	0.26
Diluted earnings/(loss) per share (RMB/share)	(0.11)	0.26

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022 (Unit: RMB)

2022

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated losses	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602,267.00	19,282,146,606.55	-	-	18,593,416.55	606,990,553.42	(6,451,122,133.31)	22,375,210,710.21
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	(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 statement

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2022 (Unit: RMB)

2021

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated losses	Total shareholders' equity
I Closing balances of the preceding year and opening balances of the current year	8,918,602,267.00	19,282,146,606.55	65,939,636.53	-	22,184,305.43	606,990,553.42	(8,725,516,694.93)	20,038,467,400.94
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	2,274,394,561.62	2,274,394,561.62
(II) shareholders' contribution and decrease in share capital								
1 Amount decreased during the year	-	-	(65,939,636.53)	-	-	-	-	65,939,636.53
(III) Special reserve								
1. Amount established during the year	-	-	-	-	30,460,231.07	-	-	30,460,231.07
2. Amount utilized during the year	-	-	-	-	(34,051,119.95)	-	-	(34,051,119.95)
III. Closing balance for the 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

The accompanying notes form an integral part of these financial statement

Consolidated Statement of Cash Flows

For the year ended 31 December 2022 (Unit: RMB)

	2022	2021
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	39,071,555,618.70	39,596,095,584.13
Receipts of taxes refunds	16,923,780.52	236,374,765.06
Other cash received relating to operating activities	197,862,313.90	152,632,456.26
Sub-total of cash inflows from operating activities	39,286,341,713.12	39,985,102,805.45
Cash paid for purchase of goods and services	35,557,135,538.78	31,838,824,507.55
Cash paid to and on behalf of employees	1,524,884,039.14	1,490,403,710.15
Cash paid for all types of taxes	450,085,368.00	610,989,186.79
Other cash paid relating to operating activities	284,149,708.37	423,452,033.77
Sub-total of cash outflows from operating activities	37,816,254,654.29	34,363,669,438.26
Net cash flows from operating activities	1,470,087,058.83	5,621,433,367.19
II. Cash flows from investing activities:		
Cash received from disposal of investments	600,000,000.00	-
Cash received from return on investments	28,606,919.90	1,209,949.03
Proceeds from disposal of items of property, plant and equipment	1,675,134.34	7,626,241.96
Other cash received relating to investing activities	-	60,761,852.68
Sub-total of cash inflows from investing activities	630,282,054.24	69,598,043.67
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	2,692,771,888.13	4,891,327,497.22
Cash paid for acquisition of investments	48,900,000.00	600,000,000.00
Net cash payments for acquisition of subsidiaries and other business units	-	114,361,942.33
Sub-total of cash outflows from investing activities	2,741,671,888.13	5,605,689,439.55
Net cash flows from investing activities	(2,111,389,833.89)	(5,536,091,395.88)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2022 (Unit: RMB)

	2022	2021
III. Cash flows from financing activities:		
Cash received from borrowings	3,908,109,238.28	4,774,464,840.43
Other cash received relating to financing activities	-	1,745,241,443.12
Sub-total of cash inflows from financing activities	3,908,109,238.28	6,519,706,283.55
Cash repayments of borrowings	4,028,011,234.83	4,306,332,200.00
Cash paid for distribution of dividends or profits, and for interest expenses	299,675,308.17	345,740,300.09
Other cash paid relating to financing activities	833,425,219.48	818,827,401.39
Sub-total of cash outflows from financing activities	5,161,111,762.48	5,470,899,901.48
Net cash flows from financing activities	(1,253,002,524.20)	1,048,806,382.07
IV. Effect of changes in exchange rate on cash and cash equivalents	-	-
V. Net increase/(decrease) in cash and cash equivalents	(1,894,305,299.26)	1,134,148,353.38
Add: Cash and cash equivalents at the beginning of the year	5,832,238,132.54	4,698,089,779.16
VI. Cash and cash equivalents at the end of the year	3,937,932,833.28	5,832,238,132.54

The accompanying notes form an integral part of these financial statements

Statement of Financial Position of the Parent Company

As at 31 December 2022 (Unit: RMB)

Assets	31 December 2022	31 December 2021
Current assets:		
Cash and bank balances	3,994,801,171.12	6,410,521,467.25
Including: Cash in other financial institutions	1,228,168,091.66	19,442,871.11
Financial assets held for trading	–	600,000,000.00
Trade receivables	181,294,862.78	69,401,651.93
Receivables financing	799,686,555.46	1,536,724,383.19
Prepayments	839,401,303.56	833,677,810.06
Other receivables	133,345,845.02	180,813,449.46
Inventories	2,574,096,616.38	3,815,185,890.22
Other current assets	189,302,364.07	98,251,186.20
Total current assets	8,711,928,718.39	13,544,575,838.31
Non-current assets :		
Long-term equity investments	1,103,411,052.68	1,050,447,793.29
Other equity investments	–	5,000,000.00
Property, plant and equipment	25,255,209,027.99	20,791,029,563.16
Construction in progress	894,154,698.17	4,175,296,076.65
Right-of-use assets	388,738,725.76	518,318,301.29
Intangible assets	2,443,935,942.71	2,307,775,706.53
Long-term prepaid expenses	237,486.45	271,413.33
Deferred tax assets	292,699,314.69	121,492,158.92
Other non-current assets	4,131,818.97	102,288,655.61
Total non-current assets	30,382,518,067.42	29,071,919,668.78
Total assets	39,094,446,785.81	42,616,495,507.09

The accompanying notes form an integral part of these financial statements

Statement of Financial Position of the Parent Company (Continued)

As at 31 December 2022 (Unit: RMB)

Liabilities and shareholders' equity	31 December 2022	31 December 2021
Current liabilities :		
Short-term borrowings	1,106,441,170.84	2,629,733,817.52
Notes payable	609,367,940.00	1,261,138,336.43
Trade payables	3,100,744,371.99	4,676,050,782.12
Contract liabilities	2,645,569,472.47	2,185,095,400.45
Employee benefits payable	140,976,377.94	108,453,998.99
Taxes payable	16,713,145.35	13,915,058.90
Other payables	2,670,230,920.49	2,690,067,288.67
Non-current liabilities due within one year	2,352,484,115.99	1,355,853,227.42
Other current liabilities	343,924,031.42	284,735,634.39
Total current liabilities	12,986,451,546.49	15,205,043,544.89
Non-current liabilities :		
Long-term borrowings	2,751,945,100.00	1,792,800,000.00
Bonds payable	–	498,433,703.78
Lease liabilities	278,352,825.03	408,135,050.59
Long-term payables	1,730,677,459.72	2,301,299,355.45
Long-term employee benefits payable	106,550,937.54	144,977,337.75
Provision	5,540,444.09	–
Deferred income	79,742,929.39	56,902,583.91
Total non-current liabilities	4,952,809,695.77	5,202,548,031.48
Total liabilities	17,939,261,242.26	20,407,591,576.37
Shareholders' equity :		
Share capital	8,918,602,267.00	8,918,602,267.00
Capital reserves	19,313,089,864.55	19,313,089,864.55
Other Comprehensive Income	(2,664,805.29)	–
Special reserves	–	13,365,206.21
Surplus reserves	577,012,986.42	577,012,986.42
Unappropriated profit	(7,650,854,769.13)	(6,613,166,393.46)
Total shareholders' equity	21,155,185,543.55	22,208,903,930.72
Total liabilities and shareholders' equity	39,094,446,785.81	42,616,495,507.09

The accompanying notes form an integral part of these financial statements

Income Statement of the Parent Company

For the year ended 31 December 2022 (Unit: RMB)

	2022	2021
Revenue	36,619,144,893.87	39,871,114,603.48
Less: Cost of sales	36,669,817,001.21	36,199,393,322.61
Taxes and surcharges	135,387,209.21	152,251,265.60
Distribution and selling expenses	74,204,262.56	81,143,070.80
General and administrative expenses	402,541,220.85	474,043,283.98
Research and development costs	21,736,831.31	11,802,669.84
Finance expenses	352,739,893.72	354,751,519.65
Including: Interest expenses	291,139,887.16	468,908,824.10
Interest income	58,721,783.30	112,900,043.77
Add : Other income	54,955,686.52	14,885,759.52
Investment income	32,670,179.29	12,865,211.44
Including: Share of profits and losses of joint ventures and associates	8,586,343.64	8,132,826.55
Impairment losses on assets	9,529,661.39	(19,036,690.83)
Impairment losses on credit	(243,548,875.27)	(348,552,145.83)
Gain/(Loss) on disposal of items of property, plant and equipment	1,675,134.36	(4,734,013.82)
Operating profit/(loss)	(1,181,999,738.70)	2,253,157,591.48
Add: Non-operating income	2,447,963.21	149,481,788.78
Less: Non-operating expenses	28,593,755.95	263,648,426.01
Total profit/(loss)	(1,208,145,531.44)	2,138,990,954.25
Less: Income tax expenses/(credit)	(170,457,155.77)	(33,595,160.77)
Net Profit/(Loss)	(1,037,688,375.67)	2,172,586,115.02
Including: Net profit/(loss) from continuing operations	(1,037,688,375.67)	2,172,586,115.02
Other comprehensive income/(loss) after tax	(2,664,805.29)	-
Items 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 equity investments at fair value through other comprehensive income	(4,250,000.00)	-
Total comprehensive income	(1,040,353,180.96)	2,172,586,115.02

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity of the Parent Company

For the year ended 31 December 2022 (Unit: RMB)

	2022							Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated losses	
I. Closing balances of the preceding year and opening balances of the current year	8,918,602,267.00	19,313,089,864.55	-	-	13,365,206.21	577,012,986.42	(6,613,166,393.46)	22,208,903,930.72
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	(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 Changes in Equity of the Parent Company (Continued)

For the year ended 31 December 2022 (Unit: RMB)

	2021							Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated losses	
I Closing balances of the preceding year and opening balances of the current year	8,918,602,267.00	19,313,089,864.55	65,939,636.53	-	19,398,461.42	577,012,986.42	(8,785,752,508.48)	19,976,411,434.38
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	2,172,586,115.02	2,172,586,115.02
(II) shareholders' contribution and decrease in share capital								
1. Amount decreased during the year	-	-	(65,939,636.53)	-	-	-	-	65,939,636.53
(III) Special reserve								
1. Amount established during the year	-	-	-	-	26,400,000.00	-	-	26,400,000.00
2. Amount utilized during the year	-	-	-	-	(32,433,255.21)	-	-	(32,433,255.21)
III. Closing balance for the 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

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows of the Parent Company

For the year ended 31 December 2022 (Unit: RMB)

	2022	2021
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	39,072,101,834.79	39,592,837,939.16
Receipts of taxes refunds	–	193,191,916.68
Other cash received relating to operating activities	196,846,659.11	152,554,403.12
Sub-total of cash inflows from operating activities	39,268,948,493.90	39,938,584,258.96
Cash paid for purchase of goods and services	35,915,449,260.45	32,285,475,641.26
Cash paid to and on behalf of employees	1,468,655,818.80	1,427,542,968.28
Cash paid for all types of taxes	378,661,745.24	556,783,557.15
Other cash paid relating to operating activities	241,432,300.08	409,479,737.93
Sub-total of cash outflows from operating activities	38,004,199,124.57	34,679,281,904.62
Net cash flows from operating activities	1,264,749,369.33	5,259,302,354.34
II. Cash flows from investing activities:		
Cash received from disposal of investments	600,000,000.00	–
Cash received from return on investments	28,606,919.90	1,209,949.03
Proceeds from disposal of items of property, plant and equipment	1,675,134.34	7,626,241.96
Disposal of a subsidiary	–	4,732,181.19
Other cash received relating to investing activities	–	60,761,852.68
Sub-total of cash inflows from investing activities	630,282,054.24	74,330,224.86
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	2,681,464,733.47	4,891,302,107.36
Cash paid for investments	48,900,000.00	600,000,000.00
Net cash payments for acquisition of subsidiaries and other business units	–	114,420,550.08
Sub-total of cash outflows from investing activities	2,730,364,733.47	5,605,722,657.44
Net cash flows from investing activities	(2,100,082,679.23)	(5,531,392,432.58)

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows of the Parent Company

For the year ended 31 December 2022 (Unit: RMB)

	2022	2021
III. Cash flows from financing activities:		
Cash received from borrowings	3,908,109,238.28	4,774,464,840.43
Other cash received relating to financing activities	-	1,745,241,443.12
Sub-total of cash inflows from financing activities	3,908,109,238.28	6,519,706,283.55
Cash repayments of borrowings	4,028,011,234.83	4,071,880,000.00
Cash paid for distribution of dividends or profits, and for interest expenses	293,448,792.15	314,264,806.68
Other cash paid relating to financing activities	646,371,992.48	718,818,019.95
Sub-total of cash outflows from financing activities	4,967,832,019.46	5,104,962,826.63
Net cash flows from financing activities	(1,059,722,781.18)	1,414,743,456.92
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	-	-
V. Net increase in cash and cash equivalents	(1,895,056,091.08)	1,142,653,378.68
Add: Cash and cash equivalents at the beginning of the year	5,832,114,415.58	4,689,461,036.90
VI. Cash and cash equivalents at the end of the year	3,937,058,324.50	5,832,114,415.58

Notes to Financial Statements

For the year ended 31 December 2022 (Unit: RMB)

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”), the parent company of Changshou Iron & Steel, acquired 358,868,446 ordinary shares of the Company in September 2021 with a shareholding percentage of 4.03%. As of 31 December 2022, Baowu Group and Changshou Iron and Steel held a total of 2,455,850,046 ordinary shares of the Company, with a shareholding percentage of 27.54%.

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

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

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

II PREPARATION BASIS OF THE FINANCIAL STATEMENTS

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

These financial statements are prepared on a going concern basis.

As at 31 December 2022, the Group’s current liabilities exceeded current assets by RMB4,548,307,549.37. The management of the Company has comprehensively considered the funds available obtained by the Group, including but not limited to, the unused bank facility of RMB4,785,104,370.89 obtained by the Group as of December 31, 2022, as well as the expected net cash inflow from operating activities for the next twelve months, and believes that the Group has sufficient working capital to continue as a going concern about the future, which is at least twelve months from the end of the reporting period. Therefore, the financial statements have been prepared on a going concern basis.

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

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 pricing method, depreciation of property, plant and equipment (“PPE”), and amortization of intangible assets, etc.

1. Statement of compliance

These financial statements have been prepared in accordance with CAS, and present truly and completely the financial position of the Group and the Company as at 31 December 2022 and the results of their operations and cash flows for the year ended 31 December 2022.

2. Accounting period

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

3. Functional currency

The Group's functional and presentation currency is Renminbi ("RMB"). The currency unit is RMB Yuan and all values are rounded to the nearest thousand, unless otherwise stated.

4. Business combination

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

Business 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 book value in the financial statements of the ultimate controlling party at the combination date. The difference between the book value of the net assets obtained and the book value of the consideration paid for the combination or the aggregate face value of shares issued as consideration is adjusted to the equity premium in capital reserve. 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 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Business combinations (Continued)

Business combination not involving entities under common control (Continued)

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

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination not involving entities under common control, shall be measured at fair value at the acquisition date. Goodwill is initially recognized and measured at cost, being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree over the Group's interest in the fair value of the acquiree's identifiable net assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the cost of the combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of the combination. If after that reassessment, the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and the Group's previously held equity interest in the acquiree is still lower than the Group's interest in the fair value of the acquiree's identifiable net assets, the Group recognizes the remaining difference in profit or loss.

5. Consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control, which include the financial statements of the Company and all of its subsidiaries. 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).

In the preparation of the consolidated financial statements, the financial statements of subsidiaries are prepared for the same accounting year as the Company, using consistent accounting policies. 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.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders equity of the subsidiary, the excess amounts are still allocated against minority interests.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. 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.

6. Classification of joint arrangement and joint operation

Joint arrangement comprises two types: joint operation and joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Cash and cash equivalents

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

8. Foreign currency transactions and foreign currency translation

The Group translates foreign currency transactions into its functional currency.

A foreign currency transaction is recorded in the functional currency on initial recognition, by applying the prevailing spot exchange rate on the date of transaction. 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 recognised 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 capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items measured at historical cost in a foreign currency are translated using the spot exchange rates at the date of transaction, 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 spot exchange rates at the date when the fair value was determined. The resulting exchange differences are recognised 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments

Financial instruments are the contracts that form the financial assets of one entity, and at the same time form the financial liabilities or equity instruments of other entities.

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i. e., removed from the Company's account and balance sheet) when:

- (1) the rights to receive cash flows from the financial asset have expired; or
- (2) the Company 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 (a) has transferred substantially all the risks and rewards of the financial asset, or (b) 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 derecognised when the obligation under the liability is settled 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 recognised in profit or loss.

Financial assets purchased or sold by regular means are recognised and derecognised using trade date accounting. Financial assets purchased or sold by regular means are the received or delivered financial assets within the period generally established by regulation or convention in accordance with the agreed provisions in an agreement. 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 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Contract changes led by benchmark interest rate reform

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

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

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 fair value through profit or loss, financial assets at amortized cost and 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 bills receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Company does not consider the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

Subsequent measurement of financial assets is determined by its classification:

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Debt instrument investments measured at amortised cost

The Company measures financial assets at amortised 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 recognised using the effective interest method. Gains and losses are recognised in current profit or loss when the asset is derecognised, modified or impaired.

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 recognised using the effective interest method. The interest income, impairment losses and foreign exchange revaluation are recognised in profit or loss. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Equity investments at FVOCI

The Group can elect to classify irrevocably its equity instrument investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income (except the dividend income that is clearly recovered as part of the investment cost) is included in the current profit and loss, and the subsequent changes in the fair value are included in other comprehensive income, without the need for provision of impairment. Upon derecognition of the financial assets, cumulative gains or losses previously recognized in other comprehensive income are transferred and reclassified into retained earnings for the period.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial liabilities

Financial assets at fair value through profit or loss

The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities, and the related transaction costs are included in the initial recognition amounts. After initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

Impairment of financial instruments

Based on expected credit losses, the Group undertakes impairment treatment and confirms loss provisions for financial assets at amortised cost, debt instrument investments at fair value through other comprehensive income and financial guarantee contracts.

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.

For financial assets other than above measured by the simplified approach, the Company evaluates at each balance sheet date whether the credit risk has significantly increased since initial recognition. If the credit risk has not significantly increased since initial recognition (stage one), the Company shall measure loss provisions based on the amount of expected credit losses for the next 12 months and calculate interest income according to the book value and effective interest rate; if the credit risk has significantly increased since initial recognition yet no credit impairment has occurred (stage two), the Company shall measure loss provisions based on the amount of expected credit losses for the entire lifetime and calculate interest income according to the book value and effective interest rate; the credit impairment has occurred after initial recognition (stage three), the Company shall measure loss provisions based on the amount of expected credit losses for the entire lifetime and calculate interest income at the amortised cost and 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

The Group evaluates the expected credit losses of financial instruments on an individual and portfolio basis. Taking into account the credit risk characteristics of different customers, the Group evaluates the expected credit losses for trade receivables based on the ageing portfolio.

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

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

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 balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The financial guarantee contract shall be measured at its fair value on initial recognition. (i) the amount of provisions for ECLs at the balance sheet date, and (ii) the amount initially recognized less the cumulative amortization recognized in accordance with the guidance for revenue recognition.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Transfers 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 measured 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 amortisation in stages/immediate write-off basis.

The perpetual inventory system is maintained for the stock system.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made and recognised in profit or loss. Net realisable 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 aggregate basis.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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 its initial investment cost on acquisition. For long-term equity investments acquired through business combination under the same control, the initial investment cost shall be the share of the book value of the owners' equity of the combined party in the consolidated financial statement of the ultimate controlling party obtained on the combination date; the difference between the initial investment cost and the book value of the combined consideration shall be adjusted for capital reserves (in case of insufficient write-downs, write-downs of retained earnings); other comprehensive income before combination date, when disposing of the investment, the accounting treatment shall be carried out on the same basis as the direct disposal of relevant assets or liabilities by the investee. The shareholders' equity recognized due to the changes in shareholders' equity of the investee other than net profit and loss, other comprehensive income and profit distribution shall be transferred to the current profit and loss when disposing of the investment; Among them, those that are still long-term equity investment after disposal are carried forward in proportion, while those that are converted into financial instruments after disposal are carried forward in full. In case of cash acquisition, the initial investment cost shall be taken as the purchase price actually paid and the expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment; where equity securities are issued, the fair value of equity securities issued shall be taken as the initial investment cost.

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 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING 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. The Group recognizes its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses 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 joint ventures and associates, attributable to the investing entity according to its share ratio (except assets that constitute a business). Meanwhile, book value of long-term equity investment is adjusted. The Group recognizes its share of the investee's profit or loss after making appropriate adjustments to the investee's profit or loss based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods. Unrealized profits and losses from transactions with its joint ventures and associates are eliminated to the extent of the Group's investments in the associates or joint ventures (except for assets that constitute a business) (However, any loss arising from such transactions which are attributable to an impairment loss shall be recognized at its entirety).

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

For any long-term equity investment differences (debit side) arising from investments in joint ventures and associates held before the first-time adoption of ASBEs, the investment income or loss is recognized after deducting the debit balance to be amortized over the remaining period on a straight-line basis. The book value of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends. Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the book value of the long-term equity investment, and recognized in the shareholders' equity. On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the book value is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, if the equity method is terminated due to disposal, the relevant other comprehensive income accounted by the original equity method shall be accounted on the same basis as the investee's direct disposal of relevant assets or liabilities, and the shareholder's equity recognized due to changes in other shareholders' equity of the investee other than net profit and loss, other comprehensive income and profit distribution, all of which are transferred into the current profits and losses; If the equity method is still adopted, the relevant other comprehensive income calculated by the original equity method shall be subject to accounting treatment on the same basis as the investee's direct disposal of relevant assets or liabilities, and shall be transferred into the current profits and losses in proportion.

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 derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Property, plant and equipment (Continued)

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 to 50 years	3%-5%	1.90%-3.88%
Machinery	5 to 22 years	3%-5%	4.32%-19.40%
Transportation vehicles-	6 to 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 capitalised before the construction is ready for its intended use, and other relevant expenditures.

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

14. Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets (PPE, inventories, etc.) that necessarily take a substantial period of time of acquisition, construction or production to get ready for their intended use or sale.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Borrowing costs (Continued)

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

- (1) expenditures for the assets are incurred;
- (2) borrowing costs are incurred; and
- (3) activities that are necessary to acquire, construct or produce the asset for its intended use or sale have been undertaken.

Capitalisation 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 recognised in profit or loss.

During the capitalisation period, the amount of interest eligible for capitalisation for each accounting period shall be determined as follows:

- (1) where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation 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; or
- (2) where funds are borrowed generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation 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.

Capitalisation 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 recognised 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 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Right-of-use assets

At the commencement date of the lease, the Group recognises 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.

16. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not involving entities under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured at the fair value.

The useful life of an intangible assets is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Intangible assets (Continued)

The useful lives of the intangible assets are as follow:

	Useful life
Land use right	50 years
Patent and non-patent technology	3.4 years
Software	5 to 10 years

The land use right obtained by the Group is generally accounted as intangible assets. Buildings, such as plants that are developed and constructed by the Company, and relevant land use rights are accounted for as fixed assets and intangible assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; they are accounted for as fixed assets if they cannot be reasonably allocated.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at least at each year end and makes adjustments if necessary.

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 recognised 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 recognised in profit or loss when incurred.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Impairment of assets

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

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

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Impairment of assets (Continued)

When testing an asset group or sets of assets groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or sets of assets groups, excluding the amount of goodwill allocated, for impairment, i.e. the Group determines and compares the recoverable amount with the related book value and recognizes any impairment loss. After that, the Group tests the asset group or sets of assets groups, including goodwill, for impairment, the book value of the related asset group or sets of assets groups is compared to its recoverable amount. 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 recognised, it cannot be reversed in subsequent accounting periods.

18. Long-term prepaid expenses

Long-term prepaid expenses are amortized using the straight-line method within different amortization periods as follows:

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. 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. Benefits provided by the Group to employees' spouses, children, and dependents, family members of deceased employees and other beneficiaries are also 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 recognised as a liability and be recognised 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Payroll and employee benefits payable (Continued)

Post-employment benefits (defined benefit plan)

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

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

Past service costs are recognised in profit or loss at the earlier of the date of the plan amendment and the date that the Group recognises 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 recognises 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 recognise costs involving the payment of termination benefits.

Other long-term employee benefits

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. 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 recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After a lease term commences, the Group will increase the carrying amount of the lease liability when recognizing interest and reduce the carrying amount of the lease liability when paying the lease payment. When there is a change in the amount of in-substance fixed lease payments, a change in the amounts expected to be payable under a residual value guarantee, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, a change in assessment of an option to purchase the underlying asset, renew or terminate the lease, or change in the actual exercise of an option, the Group remeasures the carrying amount of the lease liability by discounting the revised lease payments.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Provisions

Except for the contingent consideration or contingent liabilities derived from business combinations not involving enterprises under common control, the Group recognizes the obligation related to a contingency as a provision when it meets the following conditions:

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

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed at each balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

22. Revenue from contracts with customers

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers. Acquiring control over the relevant goods or services refers to the ability to dominate the use of the goods or the provision of services and to derive almost all the economic benefits therefrom.

Contracts for the sale of goods

A contract for the sale of goods between the Group and the customer usually only includes the performance obligation to transfer the steel or steel billet. The Group generally recognizes revenue at the time point when the customer accepts the goods on the basis of a combination of the following factors: the current right to collect the goods, the transfer of major risks and benefits in the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of physical assets of the goods and that the customers have accepted the goods.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Revenue from contracts with customers

Variable consideration

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

Royalty income

According to 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.

Principal/agent

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

23. 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 balance sheet.

A contract liability is the obligation to transfer goods or services to a customer for which the Company 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Government grants

Government grants are recognised 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 recognised as deferred income and recorded in profit or loss or offset against the related costs over the period when the related expenses or losses are recognised; those to be used as compensation for related expenses or losses already incurred shall be recognised directly in profit or loss or offset against the related costs.

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 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Income 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 recognised 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.

A deferred tax liability is recognized for all 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 transaction, affects neither accounting profit nor taxable profit or loss; and
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 for deductible temporary differences, deductible losses and tax credits are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, deductible losses and 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
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that 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 utilised in the future.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Income 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 utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised 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 realise 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.

26. Leases

At inception of a contract, the Company assesses whether the contract is a lease contract or contains lease. If a party of the contract conveys the right to control the use of an identified asset or identified assets for a period of time in exchange for consideration, the contract shall be a lease contract or contains lease.

As lessee

The Group recognizes the use right assets and lease liabilities for lease except for the short-term lease. The accounting treatment is shown in Note III.3 and Note III.15.

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 and Transportation vehicles 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Leases (Continued)

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.

Sale and leaseback transactions

The Group applies the requirements in Note III.22 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. 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.

28. Fair value measurement

The Group measures financial assets held for trading, 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.

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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. 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 carrying amounts of the assets or liabilities affected in the future.

Judgements

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

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 analyse 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

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

Impairment of financial instruments

The Company adopts the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgements and estimates and consideration of all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Company 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. Different estimates may affect the impairment provision, and the amount of impairment provision made may not equal to the actual amount of impairment loss in the future.

Estimation uncertainty

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

At the balance sheet date, the Group judges whether there is any sign of possible impairment for non-current assets other than financial assets. 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 expected future cash flows of the asset or asset group. The calculation of the fair value less costs of disposal is 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Significant accounting judgements and estimates (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the expected future cash flows of the asset groups or sets of asset groups to which the goodwill is allocated. When estimating the present value of future cash flows, the management must estimate the cash flows of future asset groups or sets of asset groups, and select an appropriate discount rate to determine the present value of future cash flows. 詳見附註五、15。

Deferred tax assets

Deferred tax assets are recognised 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 utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Net realisable values of inventories

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 involving sales discounts

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Lessee's incremental borrowing rate

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

30. Changes in accounting policies and accounting estimates

Changes in accounting policies

According to Interpretation of China Standards on Auditing No. 15, since January 1, 2022, the Group has made accounting treatment for the revenues and costs related to the external sales of products or by-products produced before fixed assets reach the predetermined usable state and in the process of research and development. It is booked into current profit and loss (listed in "operating income" and "operating cost" for routine activities, and listed in "asset disposal income" for non-routine activities), and the cost of fixed assets will no longer be deducted from the net amount of income related to trial operation and sales after offsetting relevant costs; The relevant products or by-products produced by the trial operation shall be considered as inventory or other related assets in conformity with the asset recognition conditions before being sold to the outside. For the trial operation sales in 2021, the accounting treatment of the Group was in accordance with the Interpretation of China Standards on Auditing No. 15, and no retroactive adjustment is required.

According to Interpretation of China Standards on Auditing No. 15, since January 1, 2022, the Group's "costs inevitably incurred in the performance of contractual obligations" in the evaluation of loss-making contracts reflect the minimum net cost of exiting the contract, that is, the lower of the cost of performing the contract and the compensation or penalty incurred for failure to perform the contract. The cost of performing the contract includes the incremental cost of performing the contract and the apportionment of other costs directly related to the performance of the contract. According to the convergence provisions, the cumulative impact is adjusted to the retained earnings and other related financial statement items at the beginning of the year, without adjusting the previous comparative financial statement data. This change in accounting policy has no effect on the Group's retained earnings as at 1 January 2022.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IV. TAXES

1. Major categories of taxes and tax rates

Tax type	Tax basis	Tax rate
Value-added tax ("VAT")	The taxable revenue from sale of goods	Value-added tax (VAT) is the difference between output VAT, which is calculated by applying 13% on the taxable income, and deductible input VAT for the current period.
Property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12%	Other tax rate: 6%、9% 1.2%、12%
City maintenance and construction tax	Amount of commodity turnover tax paid	7%
Education surcharge	Amount of commodity turnover tax paid	3%
Local education surcharge	Amount of commodity turnover tax paid	2%
Corporate income tax ("CIT")	Taxable income	15%
Environmental protection tax	The actual emission of air pollutants	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 & Steel Energy")	15%
Chongqing Xingang Changlong Logistics Co., Ltd("Xingang Changlong")	15%

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

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

Chongqing Iron & Steel Energy obtained the [Comprehensive Certificate 2014 No. 016] Resource Comprehensive Utilization Certificate in January 2014, according to the MOF and the State Administration of Taxation “Notice on Implementation of the Enterprise Income Tax Preferential Catalog for Comprehensive Utilization of Resources” (《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》), when calculating taxable income, Chongqing Iron & Steel Energy used 90% of its total income for the year.

Pursuant to the Notice of on “Adjusting and Improving the Policy of Value-added Tax on Products and Services of Comprehensive Utilization of “ (《關於調整完善資源綜合利用產品及勞務增值稅政策的通知》) promulgated by the MOF and the State Administration of Taxation, Chongqing Iron & Steel Energy can enjoy the policy of value-added tax refund.

Pursuant to the Announcement on the Deepening the Reform in the Value-added Tax Policy (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs, enterprises engaged in the production and consumer services and sales revenue from modern services accounts for more than 50% of their total income are eligible for an additional 10% deductible input tax reduction. As qualified for the requirement mentioned above, Xingang Changlong is entitled to a 10% additional deductible input tax reduction for the current year.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	2022	2021
Cash at banks	3,937,932,833.28	5,832,238,132.54
Other cash and bank balances	57,742,846.62	578,407,051.67
	3,995,675,679.90	6,410,645,184.21
Including: Total amount with restrictions on use due to mortgage, pledge or freeze	57,742,846.62	578,407,051.67

As at 31 December 2022, the Group had restricted cash and bank balances for notes and letter of credit, details refer to Note V.57.

Interest income is generated from current savings as determined by the interest rate for the savings in banks or agreement deposit.

2. Financial assets held for trading

	2022	2021
Financial assets at fair value through profit or loss		
Debt instrument investment	–	600,000,000.00

As at 31 December 2021, the debt instrument investments held by the Group are non-principal-guaranteed trust products, amounting to RMB600,000,000.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivable

The credit period of accounts receivable is generally one month to three months. Trade receivable are non-interest-bearing.

An aging analysis of trades receivable is as follows:

	2022	2021
Within 1 year	35,101,779.09	52,069,190.16
1 to 2 years	1,938,096.22	1,836,274.73
2 to 3 years	1,815,749.84	25,340.00
Over 3 years	1,042,381.42	1,017,041.42
	39,898,006.57	54,947,846.31
Less: Impairment allowance	1,108,763.13	1,062,693.13
	38,789,243.44	53,885,153.18

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivable (Continued)

The ageing analysis was based on the month when incurred. The trade receivables recognized firstly will be firstly settled.

	2022					2021				
	Book value		Impairment allowance		carrying amount	Book value		Impairment allowance		carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage	Amount	Percentage	計提比例 (%)	Amount

Provision for bad debts based on credit risk characteristics	39,898,006.57	100	1,108,763.13	3	38,789,243.44	54,947,846.31	100	1,062,693.13	2	53,885,153.18
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As at 31 December 2022 and at 31 December 2021, the Company have no individually trade receivables to separate provision.

The Company's trade receivables with bad debt provision based on credit risk characteristics are as follows:

	2022			2021		
	Estimated doubtful book value	Lifetime ECLs (%)	ECLs proportion	Estimated doubtful book value	Lifetime ECLs (%)	ECLs proportion
Within 1 year	35,101,779.09	–	–	52,069,190.16	–	–
1 to 2 years	1,938,096.22	–	–	1,836,274.73	1	20,311.71
2 to 3 years	1,815,749.84	4	66,381.71	25,340.00	100	25,340.00
Over 3 years	1,042,381.42	100	1,042,381.42	1,017,041.42	100	1,017,041.42
	39,898,006.57		1,108,763.13	54,947,846.31		1,062,693.13

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivable (Continued)

The movements of bad debt provision for accounts receivable are as follows:

	Opening balance	Provision	Recovery or reversal	Write-off	Other additions	Closing balance
2022	1,062,693.13	46,070.00	-	-	-	1,108,763.13
2021	1,047,608.13	15,085.00	-	-	-	1,062,693.13

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

As at 31 December 2022, the top five balances in respect of trade receivables aggregating RMB31,958,868.38 (As at 31 December 2021: RMB50,130,384.08), accounting for 80% (As at 31 December 2021: 91%) of the total of closing balance of trade receivables. The closing balance in respect of ECLs provision made for the top five balances amounted to 0 (As at 31 December 2021: Nil).

4. Receivables financing

	2022	2021
Notes receivable	799,686,555.46	1,536,724,383.19

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Receivables financing (Continued)

	2022	2021
Commercial acceptance bills	200,000.00	200,000.00
Bank acceptance bills	799,486,555.46	1,536,524,383.19
	799,686,555.46	1,536,724,383.19

Pledged notes receivable as follows:

	2022	2021
Bank acceptance bills	100,119,944.03	317,201,912.00

Please refer to Note V.57. 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:

	2022		2021	
	Derecognition at the end of the year	Non- derecognition at the end of the year	Derecognition at the end of the year	Non- derecognition at the end of the year
Bank acceptance bills	2,788,645,475.68	25,546,660.16	3,025,541,780.55	-

As at 31 December 2022, none of the Notes receivable was transferred to trade receivable by the Group (31 December 2021: Nil).

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments

An aging analysis of prepayments is as follows:

	2022		2021	
	Book value	Proportion (%)	Book value	Proportion (%)
Within 1 year	820,988,234.06	97	750,719,424.63	99
1 to 2 years	19,463,573.67	2	5,990,283.08	1
2 to 3 years	4,981,189.07	1	–	–
	845,432,996.80	100	756,709,707.71	100

As at 31 December 2022, the closing balances of the top five prepayments balances in aggregate to RMB413,397,416.06 (As at 31 December 2021: RMB436,821,201.00), representing 49% (As at 31 December 2021: 58%) of the total closing balances of prepayments at the end of reporting year.

6. Other receivables

	2022	2021
Other receivables	34,846,186.58	52,279,270.02

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

An aging analysis of other receivables is as follows:

	2022	2021
Within 1 year	29,100,132.89	70,670,768.12
1 to 2 years	5,632,374.32	1,866,774.57
2 to 3 years	694,558.99	–
Over 3 years	2,137,630.50	2,286,928.28
	37,564,696.70	74,824,470.97
Less: Impairment allowance	2,718,510.12	22,545,200.95
	34,846,186.58	52,279,270.02

The category of other receivables by nature is as follows:

	2022	2021
Transactional intercourse	6,358,619.28	66,211,081.00
Guarantee deposits, staff advances, etc.	6,902,554.51	7,426,437.37
Government grants receivable	23,924,352.24	–
Others	379,170.67	1,186,952.60
	37,564,696.70	74,824,470.97

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

Changes in impairment allowance recognized for the 12-month expected credit losses and lifetime expected credit losses on other receivables are as follows:

2022

	Stage 1		Stage 2		Stage 3				Total	
	12-month expected credit losses (a group of financial instruments with similar credit risk)		Lifetime expected credit losses (a group of financial instruments with similar credit risk)		Credit-impaired financial assets (Lifetime expected credit losses) (group of financial instruments with similar credit risk))		Credit-impaired financial assets (Lifetime expected credit losses) (a single financial instrument)			
	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance
31 December 2021	50,843,779.77	-	1,866,774.57	431,284.32	2,287,225.80	2,287,225.80	19,826,690.83	19,826,690.83	74,824,470.97	22,545,200.95
Additions	29,100,132.89	-	-	-	-	-	-	-	29,100,132.89	-
Derecognition	(46,533,216.33)	-	-	-	-	-	(9,529,661.39)	(9,529,661.39)	(56,062,877.72)	(9,529,661.39)
Write-off	-	-	-	-	-	-	(10,297,029.44)	(10,297,029.44)	(10,297,029.44)	(10,297,029.44)
31 December 2022	33,410,696.33	-	1,866,774.57	431,284.32	2,287,225.80	2,287,225.80	-	-	37,564,696.70	2,718,510.12

2021

	Stage 1		Stage 2		Stage 3				Total	
	12-month expected credit losses (a group of financial instruments with similar credit risk)		Lifetime expected credit losses (a group of financial instruments with similar credit risk)		Credit-impaired financial assets (Lifetime expected credit losses) (group of financial instruments with similar credit risk))		Credit-impaired financial assets (Lifetime expected credit losses) (a single financial instrument)			
	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance
31 December 2020	16,196,087.73	-	2,247,363.94	431,284.32	3,077,225.80	3,077,225.80	-	-	21,520,677.47	3,508,510.12
Additions	50,844,779.77	-	-	-	-	-	19,826,690.83	19,826,690.83	70,671,470.60	19,826,690.83
Derecognition	(16,197,087.73)	-	(380,589.37)	-	(790,000.00)	(790,000.00)	-	-	(17,367,677.10)	(790,000.00)
31 December 2021	50,843,779.77	-	1,866,774.57	431,284.32	2,287,225.80	2,287,225.80	19,826,690.83	19,826,690.83	74,824,470.97	22,545,200.95

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

The movements in impairment allowance for other receivables are as follows:

	Opening balance	Provision	Recovery or reversal	Write-off	Closing balance
2022	22,545,200.95	–	(9,529,661.39)	(10,297,029.44)	2,718,510.12
2021	3,508,510.12	19,826,690.83	(790,000.00)	–	22,545,200.95

As at 31 December 2022, the write-off of material other receivable is as follows:

Name of enterprises	Nature	Charge-off	Reason for write-off	Procedures performed
Chongqing Iron and Steel Group Mining Limited company	trading	10,297,029.44	Reach an agreement with the counterparty to confirm that the amount cannot be recovered	Reviewed and approved by management

As at 31 December 2022, the recovery or reversal of material other receivable is as follows:

Name of enterprises	Reason for recovery or reversal	Reason for impairment allowance accrued	Impairment allowance accrued before recovery or reversal	Amount of recovery or reversal
Chongqing Iron and Steel Group Mining Limited company	Reach an agreement and receive the receivable	Negotiations have failed and expect to be unrecoverable	9,529,661.39	9,529,661.39

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

The five entities with the largest balances of other receivables at 31 December 2022 are as follows:

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

The five entities with the largest balances of other receivables at 31 December 2021 are as follows:

	Closing balance	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	42,273,097.12	56	Transactional intercourse	Within 1 year	–
The second	19,826,690.83	26	Transactional intercourse	Within 1 year	19,826,690.83
The third	3,789,419.76	5	Guarantee deposits	0 to 3 years	525,761.92
The fourth	2,977,788.64	4	Staff advances	0 to 3 years	2,192,450.68
The fifth	2,550,000.00	3	Transactional intercourse	Within 1 year	–
	71,416,996.35	94			22,544,903.43

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

As at 31 December 2022, Government grants receivable is as follows:

Nature	Amount	Aging	Expected Period to receive	Related Policy
Tax Bureau at Changshou District	VAT collect and refundable 23,924,352.24	Within 1 year	Jan. 2023 to Apr. 2023	《關於資源綜合利用增值稅政策的公告》(財稅[2021]40號)

7. Inventories

	2022			2021		
	Outstanding balance	Provision for decline in value	Carrying amount	Outstanding balance	Provision for decline in value	Carrying amount
Raw materials	1,585,117,204.29	218,842,036.91	1,366,275,167.38	2,277,521,369.11	136,615,700.37	2,140,905,668.74
Work in process	561,419,936.09	46,574,080.85	514,845,855.24	749,717,442.58	32,961,309.51	716,756,133.07
Finished goods	328,095,913.26	12,446,168.11	315,649,745.15	747,741,556.59	76,510,453.92	671,231,102.67
Low value consumables and maintenance and spare parts	417,743,741.07	21,757,670.84	395,986,070.23	362,755,024.97	51,449,753.00	311,305,271.97
	2,892,376,794.71	299,619,956.71	2,592,756,838.00	4,137,735,393.25	297,537,216.80	3,840,198,176.45

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

The changes in provision for inventory are as follows:

2022

	Opening balance	Provision	Decrease		Closing balance
			Reversal or write-off	Others	
Raw materials	136,615,700.37	82,226,336.54	–	–	218,842,036.91
Work in 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
	297,537,216.80	142,067,098.46	139,984,358.55	–	299,619,956.71

2021

	Opening balance	Provision	Decrease		Closing balance
			Reversal or write-off	Others	
Raw materials	136,615,700.37	–	–	–	136,615,700.37
Work in process	–	32,961,309.51	–	–	32,961,309.51
Finished goods	–	76,510,453.92	–	–	76,510,453.92
Low value consumables and maintenance and spare parts	147,860,643.83	–	96,410,890.83	–	51,449,753.00
	284,476,344.20	109,471,763.43	96,410,890.83	–	297,537,216.80

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. 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	Nil
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	Nil
Finish goods	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Nil
Low value consumables and maintenance and spare parts	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Relevant inventories sold and used

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other current assets

	2022	2021
Prepaid corporate income tax	130,656,066.07	–
Input VAT to be deducted	76,378,841.09	8,002,731.11
Input VAT to be verified	–	92,218,030.99
	207,034,907.16	100,220,762.10

9. Long-term equity investments

	2022			2021		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Joint ventures	–	–	–	–	–	–
Associates	111,123,058.00	–	111,123,058.00	58,159,798.61	–	58,159,798.61
	111,123,058.00	–	111,123,058.00	58,159,798.61	–	58,159,798.61

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investments (Continued)

2022

Investee--	Opening balance	Additions	Movements during the year			Closing balance	Provision for impairment losses at 31 December
			Investment gains and losses recognized under the equity method--	Cash dividends declared by investee	Other decrease		
<i>Associates</i>							
Chongqing Baocheng Carbon Material Co., Ltd. (Baocheng Carbon) (Note 3)	14,039,012.26	-	4,925,313.06	(2,200,000.00)	-	16,764,325.32	-
Baowu Raw Material Supply Co., Ltd. (Baowu Raw Material) (Note 3)	44,120,786.35	-	2,720,729.06	(2,323,084.25)	-	44,518,431.16	-
Baowu Environmental Science Chongqing Resource Recycling Co., Ltd. (Baowu Environmental Resource) (Note 4)	-	14,700,000.00	803,020.25	-	-	15,503,020.25	-
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd (Baowu Jingcheng) (Note 5)	-	34,200,000.00	137,281.27	-	-	34,337,281.27	-
	58,159,798.61	48,900,000.00	8,586,343.64	(4,523,084.25)	-	111,123,058.00	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investments (Continued)

2021

Investee-	Opening balance	Additions	Movements during the year			Closing balance	Provision for impairment losses at 31 December
			Investment gains and losses recognized under the equity method-	Cash dividends declared by investee	Other decrease		
<i>Joint venture</i>							
Chongqing Jianwei Intelligent Technology Co., Ltd.(Chongqing Jianwei) (Note 1)	-	-	-	-	-	-	-
<i>Associate</i>							
Xingang Changlong (Note 2)	28,257,560.41	-	-	-	(28,257,560.41)	-	-
Chongqing Baocheng Carbon Material Co., Ltd. (Baocheng Carbon) (Note 3)	11,236,717.39	-	3,112,040.20	(309,745.33)	-	14,039,012.26	-
Baowu Raw Material Supply Co., Ltd. (Baowu Raw Material) (Note 3)	40,000,000.00	-	5,020,786.35	(900,000.00)	-	44,120,786.35	-
Baowu Environmental Science Chongqing Resource Recycling Co., Ltd. (Baowu Resource) (Note 4)	-	-	-	-	-	-	-
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd (Baowu Jingcheng) (Note 5)	-	-	-	-	-	-	-
	79,494,277.80	-	8,132,826.55	(1,209,745.33)	(28,257,560.41)	58,159,798.61	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investments (Continued)

Note 1: The Company and Jianwei Digital Technology (Chongqing) Co., Ltd. each contributed RMB2,500,000 to establish Chongqing Jianwei. The 14th meeting of the ninth Board of Directors of the Company deliberated and passed the “Motion on withdrawing Chongqing Jianwei”. Since the joint venture company has been established since December 12, 2019, both shareholders have not completed the investment and no actual business has been carried out, so the company withdrew from Chongqing Jianwei. Chongqing Jianwei has been cancelled on August 8, 2022.

Note 2: The Company paid RMB28,482,000 (transaction fee excluded) in March 2019, and obtained 28% equity interest in Xingang Changlong. The Company paid RMB126,420,000 in January 2021, and obtained 72% equity of Xingang Changlong from non-related parties. After the acquisition, the Company held 100% of the equity interest in Xingang Changlong, which has changed from an associate to a subsidiary.

Note 3: The Company purchased 10% equity of Baocheng Carbon with RMB11,236,000. The company takes one of the five seats on the board of directors of Baocheng Carbon and can exercise voting rights in the shareholders' meeting of Baocheng Carbon according to the proportion of paid-in capital, which has a significant influence on Baocheng Carbon. The Company paid RMB40 million and holds 8% equity of Baowu Raw Materials. The Company holds one of the 9 seats on the board of Directors of Baowu Raw Materials and can exercise voting rights in the shareholders' meeting of Baowu Raw Materials according to the proportion of paid-in capital, which has a significant influence on Baowu Raw Materials.

Note 4: The second meeting of the ninth session of the Company's board of directors deliberated and approved the “Proposal on Establishment of a Joint Venture and Related Party Transaction with Baowu Environmental Science and Technology Co., Ltd.” and agreed the Company and Baowu Environmental Science and Technology Co., Ltd (“Baowu Resources”) to jointly establish Baowu Environmental Resource. The Company invested RMB49,000,000 and holds 49% equity of Baowu Raw Material. According to the “Articles of Association” of Baowu Environmental Resource I, the Company has the corresponding voting rights in the Company. In January 2022, the Company invested 14.7 million yuan to Baowu Resources.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investments (Continued)

Note 5: The 6th meeting of the ninth session of the Company's board of directors deliberated and approved the "Proposal on Establishment of a Joint Venture and Related Party Transaction with Baosteel Resources Holding (Shanghai) Co., Ltd", and agreed the Company and Baosteel Resources Holding (Shanghai) Co., Ltd. ("Baosteel Resources") to jointly establish Baowu Jingcheng. On January 21, 2022, the company invested RMB34.2 million and holds 19% equity of Baowu Jingcheng. According to the "Articles of Association" of Baowu Jingcheng, the Company has the corresponding voting rights in the company.

10 Other equity instrument investments

2022

	Accumulated changes in fair value of other comprehensive income	Fair value	Dividend income for the current year Equity instruments derecognized	Equity instruments that are still held	Reasons for designating these investments at fair value through other comprehensive income ("FVTOCI")
Xiamen Shipbuilding Industry Co., Ltd (廈門船舶重工股份有限公司)	5,000,000.00	-	-	-	Intended to hold in long-term and earn investment income

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Other equity instrument investments (Continued)

2021

	Accumulated changes in fair value of other comprehensive income	Fair value	Dividend income for the current year		Reasons for designating these investments at fair value through other comprehensive income ("FVTOCI")
			Equity instruments derecognized	Equity instruments that are still held	
Xiamen Shipbuilding Industry Co., Ltd (廈門船舶重工股份有限公司)	-	5,000,000.00	-	-	Intended to hold in long-term and earn investment income

11. Property, plant and equipment

	2022	2021
Property, plant and equipment	26,280,993,465.29	21,887,752,884.43
Property, plant and equipment to be disposed of	786,980.39	3,909,444.57
	26,281,780,445.68	21,891,662,329.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment (Continued)

2022

	Plants and buildings	Machineries 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
Purchases	-	25,267,425.38	4,055,738.05	29,323,163.43
Transfers from construction in progress	45,910,639.20	5,698,575,931.19	-	5,744,486,570.39
Disposals or retirements	-	(2,869,626.27)	(1,098,499.40)	(3,968,125.67)
Transfer into property, plant and equipment to be disposed of	(59,479,546.11)	(107,260,539.61)	-	(166,740,085.72)
Closing balance	13,648,034,546.18	20,167,612,023.24	16,889,795.21	33,832,536,364.63
Accumulated depreciation				
Opening balance	2,934,547,058.26	3,401,579,080.59	5,555,818.92	6,341,681,957.77
Provision	270,963,601.17	997,542,791.66	1,723,623.66	1,270,230,016.49
Disposals or retirements	-	(1,186,530.06)	(1,073,194.42)	(2,259,724.48)
Transfer into property, plant and equipment to be disposed of	(19,205,676.34)	(38,903,674.10)	-	(58,109,350.44)
Closing balance	3,186,304,983.09	4,359,031,668.09	6,206,248.16	7,551,542,899.34
Provision for impairment				
Opening balance	-	-	-	-
Provision	40,273,869.77	68,356,865.51	-	108,630,735.28
Disposals or retirements	-	-	-	-
Transfer into property, plant and equipment to be disposed of (Note)	(40,273,869.77)	(68,356,865.51)	-	(108,630,735.28)
Closing balance	-	-	-	-
Carrying amount				
At end of 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 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment (Continued)

2021

	Plants and buildings	Machineries and other equipment	Transportation vehicles-	Total
Cost				
Opening balance	13,632,364,525.02	8,592,665,403.00	10,807,402.00	22,235,837,330.02
Purchases	-	3,436,109,436.60	3,985,350.69	3,440,094,787.29
Transfers from construction in progress	1,358,709.44	2,527,682,387.58	-	2,529,041,097.02
Disposals or retirements	-	369,763,726.00	-	369,763,726.00
Transfer into property, plant and equipment to be disposed of	214,770,969.79 (174,952,100.61) (11,938,650.55)	39,728,806.15 -	155,936.07 -	254,655,712.01 (174,952,100.61) (425,005,709.53)
Closing balance	13,661,603,453.09	14,553,898,832.55	13,932,556.56	28,229,434,842.20
Accumulated depreciation				
Opening balance	2,634,355,509.00	2,990,536,402.00	5,310,035.00	5,630,201,946.00
Provision	329,834,484.28	573,321,864.99	1,231,432.06	904,387,781.33
Disposals or retirements	(27,015,981.05)	-	-	(27,015,981.05)
Transfer into property, plant and equipment to be disposed of	(2,626,953.97)	(162,279,186.40)	(985,648.14)	(165,891,788.51)
Closing balance	2,934,547,058.26	3,401,579,080.59	5,555,818.92	6,341,681,957.77
Provision for impairment				
Opening balance	-	-	-	-
Provision	9,311,696.58	249,771,740.38	30,484.06	259,113,921.02
Disposals or retirements	-	-	-	-
Transfer into property, plant and equipment to be disposed of	(9,311,696.58)	(249,771,740.38)	(30,484.06)	(259,113,921.02)
Closing balance	-	-	-	-
Carrying amount				
At end of year	10,727,056,394.83	11,152,319,751.96	8,376,737.64	21,887,752,884.43
At beginning of year	10,998,009,016.02	5,602,129,001.00	5,497,367.00	16,605,635,384.02

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment (Continued)

Note: According to the future production and operation plan of the Group, there are some properties, plants and equipment to be updated and replaced, whose provision for impairment is RMB108,630,735.28 in total.

PPE leased out under an operating lease are as follows:

	2022	2021
Buildings	9,641,964.40	7,112,601.13

As at 31 December 2022, 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	959,143,578.26	Application documents reviewing

For details of PPE with ownership restricted, please refer to Note V.57.

Property, plant and equipment to be disposed of:

	2022	2021
Machineries and other equipment	786,980.39	3,909,444.57

12. Construction in progress

	2022	2021
Construction in progress	894,154,698.17	4,174,368,877.56

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

	2022			2021		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Upgrading of rolling mill	-	-	-	1,191,222,417.60	-	1,191,222,417.60
High efficiency utilization of surplus gas and steam cascade utilization project	-	-	-	383,940,194.09	-	383,940,194.09
Improvement of continuous caster	-	-	-	349,375,901.33	-	349,375,901.33
Newly built 50000m ³ /h oxygen generator	373,694,383.33	-	373,694,383.33	321,807,258.84	-	321,807,258.84
Iron plant No.1, No.2, No.3 sintering ring cooler environmental protection and energy saving renovation	22,400,000.00	-	22,400,000.00	-	-	-
Sintering machine upgrade and transformation and waste heat power generation project	-	-	-	262,280,950.15	-	262,280,950.15
Upgrading of the safety and efficiency of the first series' smelting area in steelmaking plant	-	-	-	181,762,197.34	-	181,762,197.34
Upgrading and reconstruction of information system	-	-	-	8,136,514.30	-	8,136,514.30
Reconstruction from section steel into double high rods	-	-	-	134,945,663.39	-	134,945,663.39
No 2&3 Sintering flue gas desulfurization upgrading project	-	-	-	130,387,718.46	-	130,387,718.46
Construction of 1#-6# coke oven flue gas desulfurization and denigration system	-	-	-	108,597,740.29	-	108,597,740.29
Upgrading of blast furnace blast system	-	-	-	91,192,954.81	-	91,192,954.81
Waste water treatment and utilization project	-	-	-	81,899,820.10	-	81,899,820.10

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

	2022			2021		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Upgrading and transformation project of raw material terminal equipment for logistics transportation	125,129,921.03	-	125,129,921.03	78,889,493.01	-	78,889,493.01
Upgrading of blast furnace process	-	-	-	72,566,691.84	-	72,566,691.84
Upgrading of wharves and berths	-	-	-	39,040,245.08	-	39,040,245.08
No. 1 Sintering flue gas desulfurization upgrading project	-	-	-	50,961,695.44	-	50,961,695.44
Upgrading of hot rolling thin coil production line in rolling mill	115,304,849.57	-	115,304,849.57	29,474,221.38	-	29,474,221.38
Water supply and drainage network renovation project	-	-	-	25,373,674.95	-	25,373,674.95
Upgrading of coking process	-	-	-	20,426,397.80	-	20,426,397.80
Upgrading of wastewater treatment system and environmental protection	-	-	-	19,541,950.72	-	19,541,950.72
Newly built the second railroad product shipping depot	29,530,169.77	-	29,530,169.77	29,399,462.23	-	29,399,462.23
New series of primary steel slag treatment in steel mill	118,511,126.54	-	118,511,126.54	50,948,633.01	-	50,948,633.01
Fine desulfurization of coke oven gas	14,885,706.79	-	14,885,706.79	-	-	-
Others	94,698,541.14	-	94,698,541.14	512,197,081.40	-	512,197,081.40
Subtotal	894,154,698.17	-	894,154,698.17	4,174,368,877.56	-	4,174,368,877.56

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

The movements of important construction in progress in 2022 are as follows:

	Budget	Opening balance	Increase	Transferred to Fixed assets	Other decrease	Closing balance	Sources of funds	Contribution in budget	Accumulated amount of interest capitalization-	其中：本年度 利息資本化 金額	本年度利息資 本化借款利率
	RMB'0,000							(%)			
Newly built 50000m ³ /h oxygen generator	45,000	321,807,258.84	51,887,124.49	-	-	373,694,383.33	self-owned funds	83%	-	-	-
Upgrading and transformation project of raw material terminal equipment for logistics transportation	70,701	78,889,493.01	143,843,315.88	(97,602,887.86)	-	125,129,921.03	self-owned funds	54%	-	-	-
New series of primary steel slag treatment in steel mill	16,783	50,948,633.01	67,562,493.53	-	-	118,511,126.54	self-owned funds	71%	-	-	-
Upgrading of hot rolling thin coil production line in rolling mill	39,935	29,474,221.38	85,830,628.19	-	-	115,304,849.57	self-owned funds	29%	-	-	-
Newly built the second railroad product shipping depot	15,687	29,399,462.23	130,707.54	-	-	29,530,169.77	self-owned funds	19%	-	-	-
Iron plant No.1, No.2, No.3 sintering ring cooler environmental protection and energy saving renovation	6,988	-	22,400,000.00	-	-	22,400,000.00	self-owned funds	32%	-	-	-
Fine desulfurization of coke oven gas	7,443	-	14,885,706.79	-	-	14,885,706.79	self-owned funds	20%	-	-	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

The movements of important construction in progress in 2022 are as follows: (Continued)

	Budget	Opening balance	Increase	Transferred to Fixed assets	Other decrease	Closing balance	Sources of funds	Contribution in budget (%)	Accumulated amount of interest capitalization-	其中：本年度 利息資本化 金額	本年度利息資 本化借款利率
	RMB'0,000										
Sintering machine upgrade and transformation and waste heat power generation project	35,233	262,280,950.15	51,501,919.06	(313,782,869.21)	-	-	self-owned funds	100%	-	-	-
Upgrading of rolling mill	183,755	1,191,222,417.60	90,193,980.12	(1,281,416,397.72)	-	-	self-owned funds	100%	-	-	-
High efficiency utilization of surplus gas and steam cascade utilization project	88,577	383,940,194.09	462,312,731.76	(846,252,925.85)	-	-	self-owned funds Borrowings	100%	5,416,739.18	5,416,739.18	2.21%
Improvement of continuous caster	77,334	349,375,901.33	220,330,048.90	(569,705,950.23)	-	-	self-owned funds	92%	-	-	-
Upgrading of wastewater treatment system and environmental protection	16,795	19,541,950.72	17,283,567.73	(36,825,518.45)	-	-	self-owned funds	70%	-	-	-
Upgrading of coking process	8,042	20,426,397.80	353,777.59	(20,780,175.39)	-	-	self-owned funds	68%	-	-	-
Subtotal		2,737,306,880.16	1,228,516,001.58	(3,166,366,724.71)	-	799,456,157.03			5,416,739.18	5,416,739.18	

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

The movements of important construction in progress in 2022 are as follows: (Continued)

	Budget	Opening balance	Increase	Transferred to Fixed assets	Other decrease	Closing balance	Sources of funds	Contribution in budget	Accumulated amount of interest capitalization-	其中：本年度 利息資本化 金額	本年度利息資 本化借款利率
	RMB'0,000							(%)			
Upgrading of the safety and efficiency of the first series' smelting area in steelmaking plant	25,475	181,762,197.34	9,069,185.27	(190,831,382.61)	-	-	self-owned funds	75%	-	-	-
Upgrading and reconstruction of information system	21,348	8,136,514.30	10,331,481.48	(18,467,995.78)	-	-	self-owned funds	88%	-	-	-
Reconstruction from section steel into double high rods	80,517	134,945,663.39	71,701,628.98	(206,647,292.37)	-	-	self-owned funds	85%	-	-	-
No 2&3 Sintering flue gas desulfurization upgrading project	20,000	130,387,718.46	55,048,713.63	(185,436,432.09)	-	-	self-owned funds	93%	-	-	-
Construction of 1#-6# coke oven flue gas desulfurization and denigration system	20,950	108,597,740.29	100,899,711.70	(209,497,451.99)	-	-	self-owned funds	100%	-	-	-
Upgrading of blast furnace blast system	15,166	91,192,954.81	15,906,798.41	(107,099,753.22)	-	-	self-owned funds	95%	-	-	-
Waste water treatment and utilization project	22,701	81,899,820.10	102,781,050.66	(184,680,870.76)	-	-	self-owned funds	81%	-	-	-
Upgrading of blast furnace process	77,579	72,566,691.84	45,091,343.94	(117,658,035.78)	-	-	self-owned funds	77%	-	-	-
Upgrading of wharves and berths	23,484	39,040,245.08	25,329,947.30	(61,586,466.72)	(2,783,725.66)	-	self-owned funds	27%	-	-	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

The movements of important construction in progress in 2022 are as follows: (Continued)

	Budget	Opening balance	Increase	Transferred to Fixed assets	Other decrease	Closing balance	Sources of funds	Contribution in budget (%)	Accumulated amount of interest capitalization-	其中：本年度 利息資本化 金額	本年度利息資 本化借款利率
	RMB'0,000										
No 1 Sintering flue gas desulfurization upgrading project	18,000	50,961,695.44	75,849,313.57	(126,811,009.01)	-	-	self-owned funds	70%	-	-	-
Water supply and drainage network renovation project	6,291	25,373,674.95	32,598,617.31	(57,972,292.26)	-	-	self-owned funds	92%	-	-	-
Others		512,197,081.40	694,795,403.00	(1,111,430,863.09)	(863,080.17)	94,698,541.14	self-owned funds	-	-	-	-
Subtotal		1,437,061,997.40	1,239,403,195.25	(2,578,119,845.68)	(3,646,805.83)	94,698,541.14			-	-	
Total		4,174,368,877.56	2,467,919,196.83	(5,744,486,570.39)	(3,646,805.83)	894,154,698.17			5,416,739.18	5,416,739.18	

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

The movements of important construction in progress in 2021 are as follows:

	Budget RMB'0,000	Opening balance	Increase	Transferred to Fixed assets	Transferred to long-term prepaid expenses	Other decrease	Closing balance	Sources of funds	工程投入 佔預算比例 (%)
Reconstruction from section steel into double high rods	80,517	467,057,690.30	144,650,895.08	(476,762,921.99)	-	-	134,945,663.39	self-owned funds	76%
Upgrading of rolling mill	182,574	597,108,699.81	1,150,243,910.86	(527,446,355.05)	-	(28,683,838.02)	1,191,222,417.60	self-owned funds	96%
Upgrading and transformation project of raw material terminal equipment for logistics transportation	70,701	189,081,512.10	44,341,864.52	(154,533,883.61)	-	-	78,889,493.01	self-owned funds	33%
Sintering machine upgrade and transformation and waste heat power generation project	32,489	249,345,450.28	24,446,840.84	-	(11,511,340.97)	-	262,280,950.15	self-owned funds	93%
Upgrading of blast furnace process	77,579	246,666,471.72	53,326,203.37	(129,407,658.57)	(98,018,324.68)	-	72,566,691.84	self-owned funds	72%
Improvement of continuous caster	77,334	127,388,602.68	318,927,182.62	(96,939,883.97)	-	-	349,375,901.33	self-owned funds	64%
High efficiency utilization of surplus gas and steam cascade utilization project	81,100	73,687,746.54	349,765,961.87	(39,513,514.32)	-	-	383,940,194.09	self-owned funds	52%
Newly built 50000m ³ /h oxygen generator	45,000	38,832,829.91	282,974,428.93	-	-	-	321,807,258.84	self-owned funds	72%

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

The movements of important construction in progress in 2021 are as follows: (Continued)

	Budget	Opening balance	Increase	Transferred to Fixed assets	Transferred to long-term prepaid expenses	Other decrease	Closing balance	Sources of funds	工程投入 佔預算比例 (%)
	RMB'0,000								
Construction of 1#-6# coke oven flue gas desulfurization and denigration system	16,500	-	108,597,740.29	-	-	-	108,597,740.29	self-owned funds	66%
Water supply and drainage network renovation project	6,291	1,184,252.59	25,374,618.35	-	(1,185,195.99)	-	25,373,674.95	self-owned funds	42%
Waste water treatment and utilization project	22,701	-	81,899,820.10	-	-	-	81,899,820.10	self-owned funds	36%
Upgrading of wharves and berths	23,484	17,927,522.43	21,112,722.65	-	-	-	39,040,245.08	self-owned funds	17%
Subtotal		2,008,280,778.36	2,605,662,189.48	(1,424,604,217.51)	(110,714,861.64)	(28,683,838.02)	3,049,940,050.67		

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

The movements of important construction in progress in 2021 are as follows: (Continued)

	Budget	Opening balance	Increase	Transferred to Transferred to Fixed assets	Transferred to long-term prepaid expenses	Other decrease	Closing balance	Sources of funds	工程投入 佔預算比例 (%)
	RMB'0,000								
Upgrading of blast furnace blast system	15,166	82,745,889.73	45,994,578.02	(37,547,512.94)	-	-	91,192,954.81	self-owned funds	85%
No 2&3 Sintering flue gas desulfurization upgrading project	20,000	-	130,387,718.46	-	-	-	130,387,718.46	self-owned funds	65%
Upgrading and reconstruction of information system	21,348	11,994,833.20	166,442,444.29	(170,300,763.19)	-	-	8,136,514.30	self-owned funds	84%
Transformation of pellet desulfurization and denitrification	10,000	3,777,822.64	-	-	-	(3,777,822.64)	-	self-owned funds	-
No 1 Sintering flue gas desulfurization upgrading project	18,000	-	50,961,695.44	-	-	-	50,961,695.44	self-owned funds	28%
Upgrading of wastewater treatment system and environmental protection	16,795	83,057,261.94	17,607,718.74	(81,123,029.96)	-	-	19,541,950.72	self-owned funds	60%
Upgrading of coking process	8,042	37,345,165.61	4,497,993.21	(21,416,761.02)	-	-	20,426,397.80	self-owned funds	68%
Upgrading of the safety and efficiency of the first series' smelting area in steelmaking plant	25,475	-	181,762,197.34	-	-	-	181,762,197.34	self-owned funds	71%
Transformation of pellet desulfurization and denitrification	39,935	-	29,474,221.38	-	-	-	29,474,221.38	self-owned funds	7%
Others		617,463,434.42	770,843,093.72	(794,048,812.40)	(1,083,279.56)	(629,259.54)	592,545,176.64	self-owned funds	
Subtotal		836,384,407.54	1,397,971,660.60	(1,104,436,879.51)	(1,083,279.56)	(4,407,082.18)	1,124,428,826.89		
Total		2,844,665,185.90	4,003,633,850.08	(2,529,041,097.02)	(111,798,141.20)	(33,090,920.20)	4,174,368,877.56		

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Right-of-use assets

2022

	Plants and buildings	Machineries and other equipment	Total
Cost			
Opening and closing balance	16,483,288.71	653,011,183.99	669,494,472.70
Accumulated depreciation			
Opening balance	3,722,033.05	147,454,138.36	151,176,171.41
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 balance	–	–	–
Carrying amount			
At end of 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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Right-of-use assets (Continued)

2021

	Plants and buildings	Machineries and other equipment	Total
Cost			
Opening balance	16,483,288.71	4,100,324,683.99	4,116,807,972.70
Decrease			
Transferred to PPE		– (3,447,313,500.00)	(3,447,313,500.00)
Closing balance	16,483,288.71	653,011,183.99	669,494,472.70
Accumulated depreciation			
Opening balance	531,718.97	21,064,876.91	21,596,595.88
Provision	3,190,314.08	270,391,383.55	273,581,697.63
Transferred to PPE		– (144,002,122.10)	(144,002,122.10)
Closing balance	3,722,033.05	147,454,138.36	151,176,171.41
Provision for impairment			
Opening and closing balance	–	–	–
Carrying amount			
At end of year	12,761,255.66	505,557,045.63	518,318,301.29
At beginning of year	15,951,569.74	4,079,259,807.08	4,095,211,376.82

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets

2022

	Land use right	Patent and non-patent technology	Software	Total
Cost				
Opening balance	2,981,411,961.83	16,500,297.78	–	2,997,912,259.61
Purchases	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 balance	–	–	–	–
Carrying amount				
At end of 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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets (Continued)

2021

	Land use right	Patent and non-patent technology	Total
Cost			
Opening balance	2,921,829,552.23	16,500,297.78	2,938,329,850.01
Purchases	40,492,123.00	–	40,492,123.00
Business combination not involving entities under common control	19,090,286.60	–	19,090,286.60
Closing balance	2,981,411,961.83	16,500,297.78	2,997,912,259.61
Accumulated amortization			
Opening balance	541,725,000.28	2,012,000.00	543,737,000.28
Provision	64,464,261.15	4,829,268.29	69,293,529.44
Closing balance	606,189,261.43	6,841,268.29	613,030,529.72
Provision for impairment			
Opening and closing balance	–	–	–
Carrying amount			
At end of year	2,375,222,700.40	9,659,029.49	2,384,881,729.89
At beginning of year	2,380,104,551.95	14,488,297.78	2,394,592,849.73

Intangible assets of which certificates of title have not been obtained as at 31 December 2022 are as follows:

	Carrying amount	Reason for lack of certificate
Land use right without certificate of use	148,416,993.60	Processing by government

For details of intangible assets with ownership restricted, please refer to Note V.57.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Goodwill

2022

	Opening balance	Increase Business combination not involving entities 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 (a)				
Chongqing Iron & Steel Energy	–	–	–	–
Xingang Changlong	–	–	–	–
Total	328,054,770.34	–	–	328,054,770.34

2021

	Opening balance	Increase Business combination not involving entities 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 (a)				
Chongqing Iron & Steel Energy	–	–	–	–
Xingang Changlong	–	–	–	–
Total	295,407,414.62	32,647,355.72	–	328,054,770.34

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Goodwill (Continued)

(a) *impairment*

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

	31 December 2022	31 December 2021
Electric power processing group	295,407,414.62	295,407,414.62
Terminal asset group	32,647,355.72	32,647,355.72
	328,054,770.34	328,054,770.34

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

Electric power processing group :

The goodwill of the electric power processing group is formed when purchasing Chongqing Iron & Steel Energy. The original book value was RMB295,407,000 on 31 December 2022. The recoverable amount is determined by the present value of the estimated future cash flow and the cash flow forecast based on the five-year financial budget approved by the management. The cash flow over the five-year period is calculated using the estimated growth rate described below.

Terminal asset group:

The goodwill of the terminal asset group is formed when purchasing Xingang Changlong. The original book value was RMB32,647,355.72 on 31 December 2022. The recoverable amount is determined by the present value of the estimated future cash flow and the cash flow forecast based on the five-year financial budget approved by the management. The cash flow over the five-year period is calculated using the estimated growth rate described below.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Goodwill (Continued)

(a) impairment (Continued)

The main assumptions for using the discounted future cash flow method:

	Electric power processing group		Terminal asset group	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Sales growth rate during the forecast period	0%	0%	0%	0%
Sustainable growth rate	0%	0%	0%	0%
Discount Rate	12.23%	12.34%	11.79%	12.40%

The management determined the budgeted gross profit margin and weighted average growth rate based on historical experience and forecasts of market development, and applied a pre-tax interest rate that can reflect the specific risks of the relevant asset group as the discount rate. The above assumptions are used to analyze the recoverable amount of the electric power processing asset group and Terminal asset group.

16. Long-term prepaid expenses

2022

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Long-term prepaid expenses (Continued)

2021

	Opening balance	Increase	Amortisation	Other decrease	Closing balance
Leasehold improvement	299,730,299.83	111,798,141.31	(41,493,301.81)	(369,763,726.00)	271,413.33

In 2021, the Company purchased the pre-iron making assets which were leased from Changshou Iron and Steel, and transferred the leasehold improvement during the lease period of related assets to PPE. Refer to Note V.11.

17. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities before offsetting:

	2022		2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible losses	1,369,644,252.14	205,446,638.51	140,505,100.00	21,075,765.00
Provision for impairment of assets	305,948,402.22	45,892,260.32	536,469,906.00	80,470,485.90
Post-employment and termination benefits	173,963,739.66	26,094,560.95	192,967,337.75	28,945,101.27
Deferred income	79,742,929.39	11,961,439.41	56,902,584.00	8,535,387.60
ECLs	3,827,273.25	574,090.99	23,607,894.08	3,541,184.11
Carbon emission quota gap implementation cost	92,895,736.39	13,934,360.46	-	-
Reservoir migration support fund	38,528,095.69	5,779,214.35	-	-
Rural network loan repayment	117,044,256.38	17,556,638.46	-	-
Changes in fair value of other equity instrument investments	5,000,000.00	750,000.00	-	-
	2,186,594,685.12	327,989,203.45	950,452,821.83	142,567,923.88

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Deferred tax assets/liabilities (Continued)

	2022		2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred income tax liabilities				
Fair value adjustments arising from business combinations not involving entities under common control	42,870,217.58	6,430,532.64	45,188,728.87	6,778,309.33

Particulars of deferred tax assets unrecognized are presented as follows:

	2022	2021
Deductible temporary differences	–	359,507,722.95

18. Other non-current assets

	2022	2021
Prepaid for construction	4,131,818.97	67,233,743.61
Leasing risk fund	–	39,719,973.57
Prepaid for land-transferring fees	–	35,054,912.00
	4,131,818.97	142,008,629.18

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Short-term borrowings

	2022	2021
Guarantee and mortgage loan	–	850,802,777.79
Credit loan	1,106,441,170.84	1,778,931,039.73
	1,106,441,170.84	2,629,733,817.52

As of 31 December 2022, the Group mortgaged land use rights with a carrying amount of RMB783,824,000 and buildings with a carrying amount of RMB783,824,472.71 to obtain mortgage loans of RMB850,000,000 from the bank.

As of 31 December 2022, the annual interest rate for the above borrowings was 2.30%-2.69% (31 December 2021: 3.30%-3.83%).

As at 31 December 2022, none of the short-term borrowings overdue (31 December 2021: Nil).

20. Notes payable

	2022	2021
Bank acceptance bills	609,367,940.00	1,261,138,336.43

As at 31 December 2022 and 31 December 2021, the age of notes payable of the Group was all within 6 months and none of the notes payable overdue. As at 31 December 2022, the Group's notes payable was issued with a pledge of notes receivable of RMB100,119,944.03 (2021: RMB317,202,000, a pledge of notes receivable).

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Accounts payable

Trade payables are interest-free and normally settled within four months.

	2022	2021
Within 1 year	3,090,079,597.30	4,541,426,471.67
1 to 2 years	15,697,245.36	18,801,339.58
2-3 years	3,589,706.30	4,868,696.59
Over 3 years	6,600,079.26	2,889,000.00
	3,115,966,628.22	4,567,985,507.84

As at 31 December 2022, accounts payable aged over 1 year amounted to RMB25,887,030.92 (31 December 2021: RMB26,559,036.17), mainly due to payment for goods and services, and these amounts are still in the process of settlement.

22. Contract liabilities

	2022	2021
Sales payment in advance	2,645,569,472.47	2,185,095,400.45

As at 31 December 2022, VAT of advances of RMB343,924,031.42 are disclosed as other current liabilities (31 December 2021: RMB284,735,634.39)

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Employee benefits payable

2022

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	64,826,505.59	1,226,631,221.30	1,212,852,701.41	78,605,025.48
Post-employment benefits (defined contribution 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
	112,843,505.59	1,540,142,534.66	1,508,080,730.19	144,905,310.06

2021

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	230,841,710.73	1,144,214,507.07	1,310,229,712.21	64,826,505.59
Post-employment benefits (defined contribution plan)	27,000.00	118,929,155.84	118,929,155.84	27,000.00
Termination benefits	53,100,000.00	51,350,000.00	56,460,000.00	47,990,000.00
	283,968,710.73	1,314,493,662.91	1,485,618,868.05	112,843,505.59

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Employee benefits payable (Continued)

Short-term employee benefits are as follows:

2022

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

2021

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	23,127,498.29	840,119,657.34	843,309,091.95	19,938,063.68
Staff welfare	–	69,381,697.94	69,377,530.94	4,167.00
Social security contributions	–	83,466,637.93	83,466,637.93	–
Including: Medical insurance premiums	–	72,178,163.05	72,178,163.05	–
Work injury insurance premium	–	11,288,474.88	11,288,474.88	–
Other social security contributions	–	–	–	–
Housing funds	–	87,748,826.00	87,748,826.00	–
Labor union funds and employee education funds	41,484,708.00	30,542,372.81	27,256,324.48	44,770,756.33
Incentive fund	166,229,504.44	31,424,592.45	197,654,096.89	–
Other short-term benefits	–	1,530,722.60	1,417,204.02	113,518.58
	230,841,710.73	1,144,214,507.07	1,310,229,712.21	64,826,505.59

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Employee benefits payable (Continued)

Details of the defined contribution plan are as follows:

2022

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

2021

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27,000.00	115,319,997.51	115,319,997.51	27,000.00
Unemployment insurance premium	-	3,609,158.33	3,609,158.33	-
Enterprise annuities	-	-	-	-
	27,000.00	118,929,155.84	118,929,155.84	27,000.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Taxes payable

	2022	2021
Value-added tax (VAT)	2,991,873.69	923,450.31
Environmental protection tax	11,153,956.22	10,500,000.00
Stamp tax	6,317,964.15	5,024,402.74
Others	2,510,558.69	295,680.00
	22,974,352.75	16,743,533.05

25 Other payables

	2022	2021
Other payables	2,720,896,934.96	2,770,508,515.09

	2022	2021
Project payment payable	2,282,843,320.26	888,498,319.80
Guarantee deposits	142,635,716.70	152,613,442.20
Rural network loan repayment	117,044,256.38	158,338,335.04
Carbon emission	92,895,736.39	129,610,278.42
Large and medium-sized reservoir resettlement support fund	38,528,095.69	51,377,877.67
Collected amount for another in disposal of leased assets	37,391,944.68	37,391,944.68
Reserve funds for the reorganization	–	400,000.00
Amount due to acquisition of leased assets	–	1,339,361,617.18
Others	9,557,864.86	12,916,700.10
	2,720,896,934.96	2,770,508,515.09

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Current portion of non-current liabilities

	2022	2021
Long-term borrowings due within 1 year (<i>Note V.31</i>)	1,122,874,552.12	179,390,416.76
Bonds payable due within 1 year (<i>Note V.31</i>)	519,866,226.35	537,957,216.34
Long-term payables due within 1 year (<i>Note V.30</i>)	579,961,111.96	741,390,828.96
Lease liabilities due within 1 year (<i>Note V.29</i>)	129,782,225.56	123,896,646.50
	2,352,484,115.99	1,582,635,108.56

27. Long-term borrowings

	2022	2021
Credit loan	3,271,948,975.05	800,749,166.76
Pledge loan	335,344,305.56	450,581,250.00
Mortgage and guaranteed loan	267,526,371.51	720,860,000.00
Less: Long-term borrowings due within 1 year (<i>Note V.27</i>)	1,122,874,552.12	179,390,416.76
	2,751,945,100.00	1,792,800,000.00

As at 31 December 2022, the annual interest rate of the above long-term borrowings was 2.40%-3.7% (31 December 2021: 3.60%-4.65%).

As at 31 December 2022, none of the long-term borrowings overdue (31 December 2021: Nil).

As at 31 December 2022, the Group pledged 100% equity interest in Chongqing Iron & Steel Energy to obtain pledged loans of RMB335,000,000.00 from the bank (31 December 2021: RMB450,000,000).

As of 31 December 2022, the Group mortgaged land use rights with a carrying amount of RMB289,098,468.82 and plants and buildings with a carrying amount of RMB94,398,773.70 to obtain mortgage loans of RMB7267,526,371.51 from the bank (31 December 2021, the Group mortgaged machineries with a carrying amount of RMB3,425,422,000 to obtain mortgage loans of RMB720,860,000 from the bank).

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Long-term borrowings (Continued)

Maturity analysis of long-term borrowings is as follows:

	2022	2021
Spot or within 1 year	1,122,874,552.12	179,390,416.76
1 to 2 years	335,000,000.00	737,800,000.00
2 to 5 years	2,416,945,100.00	1,055,000,000.00
	3,874,819,652.12	1,972,190,416.76

28. Bonds payable

	2022s	2021
Short-term financing bonds	519,866,226.35	1,036,390,920.12
Less: Bonds payable due within 1 year (<i>Note V.26</i>)	519,866,226.35	537,957,216.34
	-	498,433,703.78

As at 31 December 2022, the balances of bonds payable were as follows:

Name	Par value	Issue date	Term	Issuance amount	At beginning of year Balance	Interest accrued Issued in the current year	Interest accrued for the current year	Amortisation of discount/premium	Less : due within 1 year	Closing balance
Medium-term bills (20重庆钢铁 MTN001B	100.00	3/19/2020	3 years	500,000,000.00	498,433,703.78	-	20,168,630.13	1,263,892.44	519,866,226.35	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Bonds payable (Continued)

As at 31 December 2021, the balances of bonds payable were as follows:

Name	Par value	Issue date	Term	Issuance amount	At beginning of year Balance	Issued in the current year	Interest accrued for the current year	Amortisation of discount/premium	Less : due within 1 year	Closing balance
Medium-term bills (20重庆钢铁 MTN001A)	100.00	3/19/2020	3 years	500,000,000.00	498,131,300.07	-	18,242,191.78	1,415,094.37	517,788,586.22	-
Medium-term bills (20重庆钢铁 MTN001B)	100.00	3/19/2020	3 years	500,000,000.00	497,018,609.45	-	20,168,630.12	1,415,094.33	20,168,630.12	498,433,703.78
Total				1,000,000,000.00	995,149,909.52	-	38,410,821.90	2,830,188.70	537,957,216.34	498,433,703.78

Analysis on due date of bonds payable is as follows:

	2022	2021
Within 1 year	519,866,226.35	537,957,216.34
2-3 years	-	498,433,703.78
	519,866,226.35	1,036,390,920.12

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Lease liabilities

	2022	2021
Opening balance	532,031,697.09	4,097,623,173.20
Interest	22,121,052.58	126,679,086.17
Payment	146,017,699.08	262,871,110.44
Decrease for purchase assets		- 3,429,399,451.84
	408,135,050.59	532,031,697.09
Less: Current portion of lease liabilities	129,782,225.56	123,896,646.50
Closing balance	278,352,825.03	408,135,050.59

Analysis on due date of lease liabilities are as follows:

	2022	2021
Within 1 year	129,782,225.56	123,896,646.50
1 to 2 years	135,947,393.55	129,782,225.56
2 to 5 years-	142,405,431.48	278,352,825.03
Total	408,135,050.59	532,031,697.09

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Long-term payables

	2022	2021
Long-term payables	2,310,638,571.68	3,042,690,184.41
Due within 1 year ((Note V.30))	579,961,111.96	741,390,828.96
Closing balance	1,730,677,459.72	2,301,299,355.45

Long-term payables

	2022	2021
Leaseback	1,730,677,459.72	2,301,299,355.45

As at 31 December 2022, the annual interest rate of the above long-term payables was 4.00%-5.46% (31 December 2021: 4.00%-5.46%).

As at 31 December 2022, none of the long-term payables overdue (31 December 2021: Nil).

As at 31 December 2022, the Group and the leasing company carried out the leaseback business and financed RMB2,310,638,571.68. The Group used machinery and equipment with a book value of RMB3,111,476,353.37 as the subject matter and the lease term is 3-5 years (31 December 2021: leaseback business balance RMB3,042,690,184.41 with book value of machinery and equipment RMB4,004,098,325.21).

Maturity analysis of long-term payables is as follows:

	2022	2021
Spot or within 1 year	579,961,111.96	741,390,828.96
1 to 2 years	676,520,539.04	570,621,895.73
2 to 5 years-	1,054,156,920.68	1,730,677,459.72
Total	2,310,638,571.68	3,042,690,184.41

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term employee benefits payable

2022

	Opening balance	Accrued	Less : Due within 1 year	Closing balance
Termination benefits	97,816,625.22	85,364,892.65	86,263,197.08	96,918,320.79
Net liabilities of the defined benefit plan	47,160,712.53	(35,974,208.51)	441,369.73	10,745,134.29
	144,977,337.75	49,390,684.14	86,704,566.81	107,663,455.08

2021

	Opening balance	Accrued	Less : Due within 1 year	Closing balance
Termination benefits	137,076,510.22	11,580,115.00	50,840,000.00	97,816,625.22
Net liabilities of the defined benefit plan	42,480,000.00	5,190,712.53	510,000.00	47,160,712.53
	179,556,510.22	16,770,827.53	51,350,000.00	144,977,337.75

Termination benefits

In order to optimize human resources, the Group implemented an internal retirement plan to handle internal retirement procedures for qualified employees. During the retiring period, the Group pays the retired employees' living expenses and pays various social insurances and housing provident funds for the relevant employees until they reach the official retirement age (male: 60 years old, female: 50 years old or 55 years old). The payment amount of various social insurance and housing provident fund is determined according to the payment base and the payment ratio, and the enterprise payment ratio is determined according to the local social insurance payment policy. The group calculates the monthly internal retirement living expenses payable to the employees who participate in the internal retirement plan according to the standard of internal retirement living expenses formulated by the Company, and pays various social insurances and housing provident funds for these employees in accordance with local social insurance payment policy. The present value of the termination benefits obligations is determined by the expected cumulative benefit unit method. In 2022, the Group updated the internal retirement management method, and added 204 internal retirees (2021:10).

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term employee benefits payable (Continued)

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

	2022	2021
Discount rate	2.40%	2.40%
Retirement age		
Male	60歲	60歲
Female	50歲/55歲	50歲/55歲
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 2022. As of December 31, 2022, 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 will no longer enjoy the original subsidy of RMB38 and the sum of the working age wage (working age *1), and the retirees in previous years will continue to enjoy the subsidy.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term employee benefits payable (Continued)

Net liabilities of defined benefit plan (Continued)

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

	2022	2021
Discount rate	3.05%	3.30%
Turnover rate	1.50%	1.50%

The Group adjusted the payment obligations based on the average mortality rate of Chinese residents determined by the “China Life Insurance Industry Experience Life Table (2010–2013)”, and included the future payment obligation generated by the adjusted internal retirement plan into the current profit and loss after being discounted at the interest rate of national debt for the same period as of December 31.

The quantitative sensitivity analysis for significant assumptions used is as follows:

2022

	Increase/	Increase/
	(decrease) in	(decrease) in
	present value	present value
	of defined	of defined
	benefit	benefit
	obligations	obligations
	Increase	Decrease
	(%)	(%)
Discount rate	0.50 (2,768,291.00)	0.50 2,961,435.70
Leaving rate	0.50 (33,017.93)	0.50 33,844.34
Death rate	5.00 (163,917.85)	5.00 170,902.32

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term employee benefits payable (Continued)

Net liabilities of defined benefit plan (Continued)

2021

	Increase (%)	Increase/ (decrease) in present value of defined benefit obligations	Decrease (%)	Increase/ (decrease) in present value of defined benefit obligations
Discount rate	0.50	(5,956,507.65)	0.50	6,654,782.05
Leaving rate	0.50	(1,543,614.41)	0.50	1,655,240.84
Death rate	5.00	(527,720.95)	5.00	550,918.55

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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term employee benefits payable (Continued)

Net liabilities of defined benefit plan (Continued)

The total expenses recognised in profit or loss in respect of the plan are as follows:

	2022	2021
Current service costs	(37,966,601.30)	3,590,712.53
Net interest expense	407,198.08	1,600,000.00
Net post-employment benefits	(37,559,403.22)	5,190,712.53
Charged to cost of sales	(30,038,101.91)	–
Charged to distribution and selling expenses	(984,855.80)	–
Charged to administrative expenses	(6,943,643.59)	3,590,712.53
Charged to finance expenses	407,198.08	1,600,000.00
Closing balance	(37,559,403.22)	5,190,712.53

Movements in the present value of defined benefit obligations are as follows:

	2022	2021
Amount at beginning of the year	47,160,712.53	42,480,000.00
Charged to profit or loss		
Current service costs	(37,966,601.30)	3,590,712.53
Net interest expense	407,198.08	1,600,000.00
Charged to other comprehensive income	1,585,194.71	–
Other movement		
Defined benefit due within one year	(441,369.73)	(510,000.00)
Amount at the end of the year	10,745,134.29	47,160,712.53

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Provisions

2022

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

33. Deferred income

Government grants	Opening balance	Increase	Decrease	Closing balance
2022	56,902,583.91	28,209,400.00	5,369,054.52	79,742,929.39
2021	35,901,730.43	23,369,908.00	2,369,054.52	56,902,583.91

As at 31 December 2022, details of government grants as follows :

	Opening balance	Additions	Recognition during the year as other income	Decrease (Note)	Closing balance	Related to assets/ income
Grants for construction of environmental protection equipment and facilities	28,965,083.91	28,209,400.00	(119,054.52)	(3,000,000.00)	54,055,429.39	Related to asset
Grants for recycle heat power station	27,937,500.00	–	(2,250,000.00)	–	25,687,500.00	Related to asset
	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 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Deferred income (Continued)

As at 31 December 2022, details of government grants as follows :

	Opening balance	Additions	Recognition during the year as other income	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	5,714,230.43	23,369,908.00	(119,054.52)	28,965,083.91	Related to asset
Grants for recycle heat power station	30,187,500.00	-	(2,250,000.00)	27,937,500.00	Related to asset
	35,901,730.43	23,369,908.00	(2,369,054.52)	56,902,583.91	

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

For details of government grants credited to the current profit or loss or offset against the related cost in the current year, please refer to Note V.46.

34. Share capital

2022

	Opening balance	New shares issued	Movements during the year			Subtotal	Closing balance
			Bonus issue	Reserve transferred to shares	Others		
Non-restricted shares							
A shares	8,380,475,067.00	-	-	-	-	-	8,380,475,067.00
H shares	538,127,200.00	-	-	-	-	-	538,127,200.00
	8,918,602,267.00	-	-	-	-	-	8,918,602,267.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Share capital (Continued)

2021

	Opening balance	New shares issued	Movements during the year			Subtotal	Closing balance
			Bonus issue	Reserve transferred to shares	Others		
Restricted shares							
A shares	36,662,000.00	-	-	-	(36,662,000.00)	(36,662,000.00)	-
Non-restricted shares							
A shares	8,343,813,067.00	-	-	-	36,662,000.00	36,662,000.00	8,380,475,067.00
H shares	538,127,200.00	-	-	-	-	-	538,127,200.00
	8,918,602,267.00	-	-	-	-	-	8,918,602,267.00

35. Capital reserves

2022 and 2021

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. 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:

2022

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

2022

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Specialized reserves

Safety fund	Opening balance	Increase	Decrease	Closing balance
2022	18,593,416.55	55,971,177.10	67,190,027.32	7,374,566.33
2021	22,184,305.43	30,460,231.07	34,051,119.95	18,593,416.55

Special reserve in 2022 accrued according to article of No.136 “The Withdrawal and Use of Enterprise Special Reserve” issued by the Ministry of Finance and the Ministry of Emergency (應急部) on November 21, 2022.

Special reserve of previous years was the safety fund accrued according to article of No.16 “The regulation on the accrual and usage of enterprise’s safety production fee” (Cai Qi [2012] No.16) promulgated by the MOF and the State Administration of Work Safety (國家安全生產監管總局) on February 14, 2012.

38. Surplus reserves

2022 and 2021

	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 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Unappropriated profit

	2022	2021
Opening balance	(6,451,122,133.31)	(8,725,516,694.93)
Add: Net profit attributable to the shareholders of the parent	(1,019,409,354.34)	2,274,394,561.62
Balance at end of the current year	(7,470,531,487.65)	(6,451,122,133.31)

40. Revenue

	2022		2021	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	36,273,788,361.37	36,354,477,662.44	37,466,955,896.07	33,595,259,641.26
Revenue from other operations	287,742,847.86	237,911,588.93	2,382,462,420.85	2,355,128,212.30
	36,561,531,209.23	36,592,389,251.37	39,849,418,316.92	35,950,387,853.56

The revenue is as follows:

	2022	2021
Revenue from contracts with customers	36,559,725,162.11	39,848,600,537.54
Rental income	1,806,047.12	817,779.38
	36,561,531,209.23	39,849,418,316.92

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Revenue (Continued)

Disaggregation of Revenue from contracts with customers are as follows:

2022

Main product type	Sale of steel products and Billets	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 rods	931,024,554.70	–	931,024,554.70
Billets	52,304,809.69	–	52,304,809.69
Others	–	2,627,748,932.12	2,627,748,932.12
	33,931,976,229.99	2,627,748,932.12	36,559,725,162.11

Disaggregation of Revenue from contracts with customers are as follows:

2021

Main product type	Sale of steel products and Billets	Others	Total
Hot rolled sheets	17,940,118,437.18	–	17,940,118,437.18
Plates	10,266,001,818.85	–	10,266,001,818.85
Bars	68,289,487.23	–	68,289,487.23
Billets	4,943,791,725.51	–	4,943,791,725.51
Others	–	6,630,399,068.77	6,630,399,068.77
	33,218,201,468.77	6,630,399,068.77	39,848,600,537.54

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Revenue (Continued)

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

Revenue recognised that was included in contract liabilities at the beginning of the year:

	2022	2021
Sales payment in advance	2,185,095,400.45	2,554,165,098.26

The Group completes its performance obligations when the customer obtains control of the relevant products. For steel product customers, it is usually necessary to receive payment in advance, and major customers are also provide with a 30-day credit period. For other product customers, the contract price of the Group usually expires within 30 days after delivery of the product, there is no significant financing component; Some of the contracts between the Group and customers include sales rebates (future price reductions based on cumulative sales), which form variable consideration.

The Group determines the best estimate of the variable consideration by using the expected value method or the most likely amount method. However, the transaction price including variable consideration is only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

	2022	2021
Within 1 year	2,645,569,472.47	2,185,095,400.45

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Taxes and surcharges

	2022	2021
Land use tax	44,129,840.94	43,528,129.80
Property tax	34,283,862.68	34,776,388.48
Environmental protection tax	41,747,579.40	44,923,747.98
Stamp tax	20,946,103.16	24,523,198.29
City maintenance and construction tax	4,161,383.22	8,080,847.52
Education surcharge	1,783,449.96	3,463,220.38
Local education surcharge	1,188,966.63	2,308,813.59
Others	24,251.34	21,668.68
	148,265,437.33	161,626,014.72

42. Distribution and selling expenses

	2022	2021
Transportation expenses	21,002,649.26	35,345,358.74
Labor costs	31,095,646.57	30,514,623.97
Depreciation and amortization	2,302,418.81	722,502.50
Others	19,803,547.92	14,560,585.59
	74,204,262.56	81,143,070.80

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. General and administrative expenses

	2022	2021
Labor costs	143,681,482.43	168,437,808.97
Depreciation and amortization	94,036,512.99	113,340,941.75
Consulting and services expenses	20,811,299.52	35,410,100.30
Termination benefits	85,364,892.65	11,580,115.00
Environmental protection cost	18,795,517.87	19,512,014.45
Service fee	12,350,450.10	12,038,394.36
Maintenance expenses	11,804,491.73	13,177,704.05
Auditors' fee	3,100,000.00	3,100,000.00
Rental	1,096,356.04	1,715,037.13
Safety expense	(2,463,153.24)	101,158.82
Loss on suspension of production	–	88,720,890.75
Others	29,713,374.96	37,369,186.15
	418,291,225.05	504,503,351.73

44. Research and development expenses

	2022	2021
Labor costs	19,351,151.95	2,868,500.42
Raw materials	314,127.10	2,586,699.17
Depreciation and amortization	–	6,347,470.25
External assistance	5,098,425.02	–
	24,763,704.07	11,802,669.84

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Financial expenses

	2022	2021
Interest expenses	302,774,461.79	486,272,752.81
Less: Interest income	58,831,730.38	112,938,538.47
Less: Capitalized amount of interest	5,416,739.18	–
Net exchange gain/(loss)	110,837,582.49	(7,154,577.63)
Others	9,541,185.17	14,542,948.38
	358,904,759.89	380,722,585.09

46. Other income

	2022	2021
Government grants related to the ordinary course of business	96,402,921.87	58,297,889.07

Government subsidy related to routine activities :

	2022	2021	Relate to assets or income
Grants for recycle heat power project	2,250,000.00	2,250,000.00	Related to asset
Others	119,054.52	119,054.52	Related to asset
Position stability subsidies	3,935,378.00	–	Related to income
Subsidies for product R&D	–	9,354,800.00	Related to income
Innovation-driven project rewards	739,567.50	1,409,005.00	Related to income
Tax refund	40,848,132.76	43,182,848.38	Related to income
Financial assistance for the fight against COVID-19	47,500,000.00	–	Related to income
Others	1,010,789.09	1,982,181.17	Related to income
	96,402,921.87	58,297,889.07	

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Investment income

	2022	2021
Investment income recognised through equity method	8,586,343.64	8,132,826.55
Gains from business combination not involving entities under common control which is achieved in stages	–	8,209,792.92
Investment income of held-for-trading financial assets during the holding period	24,083,835.65	203.69
	32,670,179.29	16,342,823.16

48. Impairment losses on credit

	2022	2021
Loss from impairment of accounts receivable	(46,070.00)	(15,085.00)
Loss from impairment of other receivables	9,529,661.39	(19,036,690.83)
	9,483,591.39	(19,051,775.83)

49. Impairment losses on assets

	2022	2021
Loss from write-down of inventories	(142,067,098.46)	(89,438,224.81)
Loss from impairment of PPE	(108,630,735.28)	(259,113,921.02)
	(250,697,833.74)	(348,552,145.83)

The Group recognised PPE's impairment loss of RMB108,630,735.28, which was due to the Group's provision for impairment of PPE that were planned to be dismantled and not scrapped during the upgrading and transformation of production equipment. The asset group consists of Plants and buildings, Machineries and other equipment. The recoverable amount is determined based on the net amount of the estimated assets' fair value less costs of sale.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Non-operating income

	2022	2021	Amount included in non-recurring profit or loss
Incomes from fines	167,000.02	1,250,200.00	167,000.02
Gains on reorganization of debts (<i>Note</i>)	–	145,392,912.58	–
Others	2,355,782.82	3,054,264.23	2,355,782.82
	2,522,782.84	149,697,376.81	2,522,782.84

Note: The company announced the completion of the reorganization plan on January 3, 2018. According to the relevant laws and regulations of bankruptcy and reorganization, the debt repayment funds and stocks deposited by the company shall be returned to the listed company for supplementary working capital if the creditor fails to receive the debt repayment funds due to its own reasons after three years from the date of the announcement of the completion of the implementation of the reorganization plan. The company recognised that it has not yet declared the proceeds of reorganized debt RMB145,392,912.58 for the current year.

51. Non-operating expenses

	2022	2021	Amount included in non-recurring profit or loss
Carbon emission	28,380,265.49	164,952,633.87	–
Losses from disposal of non-current assets (<i>Note</i>)	8,477,671.21	181,101,776.44	8,477,671.21
Losses from fines	1,004,667.92	1,086,848.44	1,004,667.92
Others	801,868.27	1,206,107.91	801,868.27
	38,664,472.89	348,347,366.66	10,284,207.40

Note: Losses from disposal of non-current asset mainly accounts for the net loss generated by the scrapping of buildings, cancellation or scrapping of construction projects in progress this year.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Expenses by nature

The COGS, distribution and selling expenses, general and administrative expenses categorized by nature as follows:

	2022	2021
Raw materials and low value consumables, maintenance and spare parts, etc.	31,006,522,671.12	30,898,810,975.13
Movement in finished goods and work in progress	607,943,149.82	47,869,377.50
Labor costs	1,500,836,259.20	1,279,914,490.44
Repair costs	1,335,634,883.25	1,560,004,135.72
Depreciation and amortization	1,470,366,631.71	1,288,756,310.21
Transportation and inspection fee	579,499,960.86	678,088,177.98
Rental not recognised as lease liabilities	2,878,302.09	3,496,762.35
Loss on suspension of production	–	88,720,890.75
Office charges	7,618,753.61	8,358,612.03
Safety expenses	55,971,177.10	30,460,231.07
Others	542,376,654.29	663,356,982.75
	37,109,648,443.05	36,547,836,945.93

53. Income tax expenses

	2022	2021
Current tax	2,533,282.68	–
Deferred tax	(185,019,056.26)	(11,509,003.54)
	(182,485,773.58)	(11,509,003.54)

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Income tax expenses (Continued)

The reconciliation between income tax expenses and total profit is as follows:

	2022	2021
Profit before tax	(1,201,895,127.92)	2,262,885,558.08
Tax rate	15.00%	15.00%
Tax at the statutory tax rate	(180,284,269.19)	339,432,833.71
Effect of different tax rate for subsidiary	(3,954,769.60)	(6,304,158.27)
Costs, expenses and losses not deductible for tax	6,995,986.36	38,076,761.07
Income not subject to tax	(5,242,721.15)	(8,755,581.74)
Utilization of deductible losses and deductible temporary differences from prior years	-	(400,275,525.43)
Effect of unrecognized deductible temporary differences	-	26,316,667.12
Income tax expenses at the effective tax rate of the Group	(182,485,773.58)	(11,509,003.54)

All the Group's profit is from Mainland China.

54. Earnings per share

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

The Group does not hold potential shares that are dilutive.

	2022	2021
	<i>RMB per share</i>	<i>RMB per share</i>
Basic earnings per share		
Continuing operations	(0.11)	0.26

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Earnings per share (Continued)

	2022	2021
Earnings		
Profit attributable to ordinary shareholders of the Company (RMB) Continuing operations (RMB)	(1,019,409,354.34)	2,274,394,561.62
Number of shares		
Weighted average number of ordinary shares outstanding	8,918,602,267	8,894,160,734

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

55. Notes to items of the consolidated cash flow statement

Other cash received relating to operating activities

	2022	2021
Government grants	57,470,782.35	12,745,986.17
Interest income	58,831,730.38	112,938,538.47
Transaction intercourse	51,802,758.51	–
Guarantees and deposit	29,757,042.66	26,947,931.62
	197,862,313.90	152,632,456.26

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Other cash payments relating to operating activities

	2022	2021
General and administrative expenses	95,208,336.98	208,447,468.37
Distribution and selling expenses	34,979,821.88	49,905,944.33
Transaction intercourse paid	68,287,855.74	64,945,319.59
Carbon emission paid	67,299,892.37	73,032,000.00
Others	18,373,801.40	27,121,301.48
	284,149,708.37	423,452,033.77

Other cash received relating to investing activities

	2022	2021
Collected amount for another in disposal of leased assets	–	37,391,944.68
Others	–	23,369,908.00
	–	60,761,852.68

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Other cash receipts relating to financing activities

	2022	2021
Receipt of non-trading transfer payment for treasury shares	–	65,939,636.53
Receipt of leaseback	–	1,679,301,806.59
		– 1,745,241,443.12

Cash payments relating to other investing activities

	2022	2021
Bankruptcy reorganization loan paid	–	577,693.41
Leaseback paid	690,546,272.42	521,205,353.14
Lease rent paid	142,878,947.06	297,044,354.84
	833,425,219.48	818,827,401.39

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56 Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Reconciliation of profit/(loss) to cash flows from operating activities:

	2022	2021
Profit/(loss)	(1,019,409,354.34)	2,274,394,561.62
Add: Impairment losses on assets	250,697,833.74	348,552,145.83
Credit profit/(loss)	(9,483,591.39)	19,051,775.83
Depreciation of fixed assets	1,270,230,016.49	904,387,781.33
Depreciation of right-of-use assets	129,579,575.53	273,581,697.63
Amortisation of intangible assets	70,523,112.81	69,293,529.44
Amortisation of long-term prepaid expenses	33,926.88	41,493,301.81
Amortisation of deferred income	(2,369,054.52)	(2,369,054.52)
Losses from disposal of fixed assets, intangible assets and other long-term assets	(1,675,134.36)	4,734,013.82
Disposal of long-term assets	8,477,671.21	181,216,642.77
Finance expenses	280,603,832.21	477,724,386.52
Investment income	(32,670,179.29)	(16,342,823.16)
Increase in deferred income tax assets	(184,671,279.57)	(11,099,972.51)
Decrease in deferred tax liabilities	(347,776.69)	(409,031.04)
Decrease in inventories	1,105,374,239.99	1,130,301,779.60
Decrease/(increase) in operating receivables	495,617,924.35	(2,337,766,744.40)
Increase/(Decrease) in operating payables	(879,205,854.00)	2,268,280,265.50
Others	(11,218,850.22)	(3,590,888.88)
Net cash flows from operating activities	1,470,087,058.83	5,621,433,367.19

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56 Supplementary information to the cash flow statement (Continued)

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

	2022	2021
Endorsement amount of notes receivable	3,795,423,410.11	5,848,091,921.08
Including: Payment for goods and labor	3,186,864,151.26	3,184,521,894.70
Payment for equipment and construction	608,559,258.85	2,663,570,026.38

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

	2022	2021
Cash	3,937,932,833.28	5,832,238,132.54
Including: Cash on hand	-	-
Bank deposits on demand	3,937,932,833.28	5,832,238,132.54
Cash and cash equivalents at end of year	3,937,932,833.28	5,832,238,132.54

(4) *Information about subsidiaries and other business units acquired:*

	2022	2021
Prices paid to acquire subsidiaries and other business units		
Including: The amount paid for acquiring 72% equity interest in Xingang Changlong	-	114,420,550.08
Cash and cash equivalents paid to acquire subsidiaries and other business units	-	114,420,550.08
Less: Cash and cash equivalents held by subsidiaries and other business units when acquired	-	58,607.75
Net cash payments for acquisition of subsidiaries and other business units	-	114,361,942.33

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Assets with limited ownership or use right

	2022	2021	
Cash and bank balances	57,742,846.62	578,407,051.67	(Note 1)
Receivables financing	100,119,944.03	317,201,912.00	(Note 2)
Property, plant and equipment	3,205,875,127.07	8,226,586,231.14	(Note 3)
Intangible assets	289,098,468.82	783,824,472.71	(Note 4)
equity interest	837,609,884.19	837,609,884.19	(Note 5)
	4,490,446,270.73	10,743,629,551.71	

Note 1: As at 31 December 2022, the Group had cash and bank balances amounted to RMB57,742,846.62 (31 December 2021: RMB578,407,051.67) restricted for bank acceptance notes and letter of credit.

Note 2: As at 31 December 2022, the Group pledged bank acceptance notes with a carrying amount of RMB100,119,944.03 (31 December 2021: RMB317,201,912.00) for issuing bank acceptance.

Note 3: As at 31 December 2022, the plants and buildings with a carrying amount of RMB94,398,773.70 (31 December 2021: RMB797,065,866.07) and machineries and other equipments with a carrying amount of RMB3,111,476,353.37 (31 December 2021: 7,429,520,365.08) were pledged to banks to secure the bank loans and facilities granted to the Group.

Note 4: As at 31 December 2022, the land use right with a carrying amount of RMB289,098,468.82 (31 December 2021: RMB783,824,472.71) were pledged to banks to secure the bank loans and facilities granted to the Group. The amortization of land use right above for the current year was RMB8,171,640.84 (31 December 2021: RMB21,935,569.20).

Note 5: As at 31 December 2022, the equity interest with a carrying amount of RMB837,609,884.19 (31 December 2021: RMB837,609,884.19) was pledged to secure the bank loans of RMB335,000,000.00 (31 December 2021: RMB450,000,000.00)

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Foreign currency monetary items

	2022			2021		
	Original currency	Change in USD rate	Translated into RMB	Original currency	Change in USD rate	Translated into RMB
Cash and bank balances						
Wherein:						
USD	9,209,779.74	6.9646	64,142,431.98	38,429.77	6.3757	245,016.68
HKD	6,113.97	0.8933	5,461.61	6,113.35	0.8176	4,998.27
			64,147,893.59			250,014.95

	2022			2021		
	Original currency	Change in USD rate	Translated into RMB	Original currency	Change in USD rate	Translated into RMB
Trade receivables						
Wherein: USD	-	6.9646	-	31,688,378.06	6.3757	202,035,592.00
			-			202,035,592.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VI. INTERESTS IN OTHER ENTITIES

1. Equity in subsidiaries

Information of the subsidiaries are presented as follows:

	Principal place of business/	Place of incorporation	Nature of business	Registered capital	Ownership interest (%)	
					Direct	Indirect
Chongqing Iron and Steel Energy.	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Electricity production and sales	525,694,938.14	100	-
Xingang Changlong.	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Transportation and warehousing industry	110,000,000.00	100	-

On 31 December 2022, there was no subsidiary with non-controlling interests that are material to the Group.

2. Equity in joint ventures and associates

	Principal place of business/	Place of incorporation	Nature of business	Registered capital	Ownership interest (%)		Accounting policy
					Direct	Indirect	
Associates							
Baocheng Carbon (Note 1)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Manufacturing industry	33,333,000.00	10	-	Equity method
Baowu Raw Materials (Note 2)	Shanghai Free Trade Zone	Shanghai Free Trade Zone	Trading industry	500,000,000.00	8	-	Equity method
Baowu Environmental Resource (Note 3)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Manufacturing industry	100,000,000.00	49	-	Equity method
Baowu Jingcheng (Note 4)	Zhoushan, Zhejiang Province	Zhoushan, Zhejiang Province	Manufacturing industry	180,000,000.00	19	-	Equity method

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VI. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Equity in joint ventures and associates (Continued)

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

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

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

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

Financial information of associates is as follows:

	2022	2021
Associates		
Carrying amount of investment	111,123,058.00	58,159,798.61
Total amount calculated by shareholding ratio as follows	8,586,343.64	8,132,826.55
Net profit	8,586,343.64	8,132,826.55
Other comprehensive income	—	—
Total comprehensive income	—	—

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS

1. Financial instruments by category

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

2022

Financial assets

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Financial instruments by category (Continued)

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

2021

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and bank balances	-	-	6,410,645,184.21	6,410,645,184.21
Trade receivables	-	-	53,885,153.18	53,885,153.18
Receivables financing (acquired by standards)	1,536,724,383.19	-	-	1,536,724,383.19
Other receivables	-	-	52,279,270.02	52,279,270.02
Other equity investment (designated)	5,000,000.00	-	-	5,000,000.00
Financial assets held for trading (acquired by standards)	-	600,000,000.00	-	600,000,000.00
	1,541,724,383.19	600,000,000.00	6,516,809,607.41	8,658,533,990.60

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Financial instruments by category (Continued)

Financial liabilities

	Financial liabilities measured at amortized cost	
	2022	2021
Short-term borrowings	1,106,441,170.84	2,629,733,817.52
Notes payable	609,367,940.00	1,261,138,336.43
Trade payables	3,115,966,628.22	4,567,985,507.84
Other payables	2,720,896,934.96	2,770,508,515.09
Current portion of non-current liabilities	2,352,484,115.99	1,582,635,108.56
Long-term borrowings	2,751,945,100.00	1,792,800,000.00
Bonds payable	–	498,433,703.78
Lease liabilities	278,352,825.03	408,135,050.59
Long-term payables	1,730,677,459.72	2,301,299,355.45
	14,666,132,174.76	17,812,669,395.26

2. Transfers of financial assets

Transferred financial assets that are not derecognized in their entirety

As at 31 December 2022, the carrying value of bank acceptance bills endorsed by the Group to the supplier for settling accounts payable and other payables was RMB25,546,660.16 (31 December 2021: Nil). The Group believes that the Group has retained almost all of its risks and rewards, including its relevant default risks. Therefore, the Group continued to recognize the full carrying amounts of the bank acceptance bills and corresponding settled accounts payable. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Transfers of financial assets (Continued)

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

As at 31 December 2022, the Group endorsed certain bills receivable accepted by banks to its suppliers for settlement of trade payables and discounted bank acceptance bills to banks with a carrying amount of RMB2,788,645,475.68 (31 December 2021: RMB3,025,541,780.55). As of 31 December 2022, the maturity date is within 6 months. According to the relevant provisions of the “Negotiable Instruments Law”, if the accepting bank refuses to pay, its holder has the right to recourse against the Group (“continued involvement”). The Group believes that the Group has transferred almost all of its risks and rewards. Therefore, the Group derecognized the book value of the bank acceptance bills and corresponding settled accounts payable. The maximum exposure to loss from the Company’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. The Group believes that the fair value from the Group’s continuing involvement is not significant.

In 2022, the Group has not recognized gains or losses on the transfer date. The Group had no current or accumulated gain or expense arising from the continuing involvement in financial assets which had been derecognized. The endorsement has been made evenly throughout the year.

3. Risks of financial instruments

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks of financial instruments (Continued)

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

The Group spreads the risks of financial instruments by appropriately diversifying its investment and business portfolios and mitigates the risks of concentrating in any single industry, specific region or certain counterparty through the development of appropriate risk management policies.

Credit risk

The Group trades only with recognised and creditworthy third parties. According to the Group's policy, all customers who require credit transactions are required to conduct a credit review. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant bad debt risks.

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

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

The maximum exposure to credit risk of the Group at each end of the reporting period is the total amount charged to the customers less the amount of the impairment provision.

The Group is also exposed to credit risk for providing financial guarantees. Detailed information is disclosed in Note XI.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks of financial instruments (Continued)

Credit risk (Continued)

Since the Group traded only with recognized and creditworthy third parties, there was no requirement for collateral. Credit risk was managed in accordance with customer and industry. At the balance sheet date, the Group had a certain concentration of credit risk as 80% (31 December 2021:91%) of the Group's trade receivables were due from the Group's five largest customers in terms of trade receivables. The Group did not hold any collateral or credit enhancements for the balance of trade receivables.

Determination of significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk on the relevant financial instruments has increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including qualitative and quantitative analysis based on historical data of the Group, external credit risk ratings and forward-looking information. Based on a single financial instrument or portfolio of financial assets with similar credit risk characteristics, the Company determines expected changes in default risk within the duration of financial instruments through comparing the default risk occur at the balance sheet date with the one occur at the date of initial recognition.

The Group determines that the credit risk of financial instruments has significantly increased when one or more of the following quantitative or qualitative criteria below are met:

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks of financial instruments (Continued)

Credit risk (Continued)

Definition of credit-impaired financial assets

In assessing whether a financial asset is credit-impaired, the Group considers both quantitative and qualitative indicators and adopts the standard of determination in line with internal credit risk management goal of the relevant financial instruments. The Group assesses whether a financial asset is credit-impaired by considering the following factors:

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

The impairment of financial assets may not be necessarily due to a single discrete event; The combined effects of multiple events may result in financial assets being credit-impaired.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks of financial instruments (Continued)

Credit risk (Continued)

Definition of credit-impaired financial assets (Continued)

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

As at 31 December 2021, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

	12-month expected credit losses	Lifetime expected credit loss			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
Cash and bank balance	6,410,645,184.21	–	–	–	6,410,645,184.21
Accounts receivable	–	–	–	54,947,846.31	54,947,846.31
Receivables financing	1,536,724,383.19	–	–	–	1,536,724,383.19
Other receivables	50,843,779.77	1,866,774.57	22,113,916.63	–	74,824,470.97
	7,998,213,347.17	1,866,774.57	22,113,916.63	54,947,846.31	8,077,141,884.68

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks of financial instruments (Continued)

Liquidity risk

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

The Company and its subsidiaries were responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the board of directors of the Company when the borrowings exceeded certain predetermined levels of authority). The Group's liquidity management method was to make sure enough liquidity for the performance of matured debts, so as not to cause any unacceptable losses or any damage to its reputation. As at 31 December 2022, the Group's current liabilities already exceeded current assets by RMB4,548,307,549.37 (31 December 2021: 2,060,756,722.06).

The tables below summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

	Carrying amount	2022			
		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 payable	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	-	-
Current portion of non-current liabilities	2,352,484,115.99	2,432,612,567.12	2,432,612,567.12	-	-
Long-term borrowings	2,751,945,100.00	2,933,678,960.71	68,603,930.38	402,801,587.84	2,462,273,442.49
Lease liabilities	278,352,825.03	305,518,267.89	13,482,869.79	146,017,699.08	146,017,699.02
Long-term payables	1,730,677,459.72	1,911,739,721.35	80,943,140.40	741,265,200.73	1,089,531,380.22
	14,666,132,174.76	15,149,927,059.82	10,162,020,050.44	1,290,084,487.65	3,697,822,521.73

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks of financial instruments (Continued)

Liquidity risk (Continued)

The tables below summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

	Carrying amount	2021			
		Undiscounted contract amount	Within 1 year	1-2 years	2-5 years
Short-term borrowings	2,629,733,817.52	2,656,297,846.73	2,656,297,846.73	-	-
Notes payable	1,261,138,336.43	1,261,138,336.43	1,261,138,336.43	-	-
Trade payables	4,567,985,507.84	4,567,985,507.84	4,567,985,507.84	-	-
Other payables	2,770,508,515.09	2,770,508,515.09	2,770,508,515.09	-	-
Non-current liabilities due within					
one year	1,582,635,108.56	1,605,752,241.67	1,605,752,241.67	-	-
Long-term borrowings	1,792,800,000.00	1,995,937,930.60	75,166,546.43	800,564,967.50	1,120,206,416.67
Bonds payables	498,433,703.78	556,781,369.86	5,481,369.86	551,300,000.00	-
Lease liabilities	408,135,050.59	444,949,598.05	6,896,500.87	146,017,699.08	292,035,398.10
Long-term payables	2,301,299,355.45	2,565,485,350.38	106,907,462.35	624,403,097.85	1,834,174,790.18
	17,812,669,395.26	18,424,836,696.65	13,056,134,327.27	2,122,285,764.43	3,246,416,604.95

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The Group's revenue and operating cash flows are largely unaffected by fluctuation in market interest rate. As at 31 December 2022, all the Group's bank loans were calculated by stable interest rate.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks of financial instruments (Continued)

Foreign exchange risk

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

During this year, the Group's operating activities were carried out in Mainland China. Majority of transactions are denominated in RMB, the transactions of sales are denominated in RMB, and approximately 17.94% (2021: 12.94%) of purchase were denominated in US dollars for the purchase of iron ores. The finance department of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent. Fluctuations in the exchange rate of USD against RMB will affect the Group's operating results.

For the carrying amount and exchange rate risk exposure of the Group's monetary funds, accounts payable and prepayments, please refer to Note V. 58.

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

2022

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VII. RISK RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks of financial instruments (Continued)

Foreign exchange risk (Continued)

2021

	Exchange rate Increase/ (Decrease) %	Net profit Increase/ (Decrease)	Total shareholders' equity Increase/ (Decrease)
RMB depreciation against the U.S. dollar	1	(1,381,714.27)	(1,381,714.27)
RMB appreciation against the U.S. dollar	(1)	1,381,714.27	1,381,714.27

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise 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 2022 and 2021, the capital management objectives, policies or procedures were not changed.

	2022	2021
Debt-to-asset ratio	45.78%	47.96%

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VIII. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

2022

	Fair value measurement using			Total
	Prices in	Significant	Significant	
	active markets	observable	unobservable	
	(Level 1)	(Level 2)	(Level 3)	
Other equity investment	-	-	-	-
Receivables financing	-	799,686,555.46	-	799,686,555.46
		799,686,555.46	-	799,686,555.46

31 December 2021

	Fair value measurement using			Total
	Prices in	Significant	Significant	
	active markets	observable	unobservable	
	(Level 1)	(Level 2)	(Level 3)	
Other equity investment	-	-	5,000,000.00	5,000,000.00
Receivables financing	-	1,536,724,383.19	-	1,536,724,383.19
Financial assets held for trading	-	-	600,000,000.00	600,000,000.00
		1,536,724,383.19	605,000,000.00	2,141,724,383.19

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Assets and liabilities disclosed at fair value

2022

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

2021

	Fair value measurement using			Total
	Prices in	Significant	Significant	
	active markets	observable	unobservable	
	(Level 1)	(Level 2)	(Level 3)	
Long-term borrowings	–	1,730,834,409.11	–	1,730,834,409.11
Debentures payable	–	497,114,841.95	–	497,114,841.95
Lease liabilities	–	–	389,818,060.00	389,818,060.00
Long-term payables	–	2,161,518,251.62	–	2,161,518,251.62
		– 4,389,467,502.68	389,818,060.00	4,779,285,562.68

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Fair value estimation

The illustration below is the disclosure on comparison between the fair value and the carrying amount for each class of financial assets and financial liabilities other than: (i) lease liabilities; and (ii) financial instruments where the difference between the carrying amount and the fair value is insignificant:

	Carrying amount		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Long-term borrowings	2,751,945,100.00	1,792,800,000.00	2,688,495,273.35	1,730,834,409.11
Bonds payable	–	498,433,703.78	–	497,114,841.95
Lease liabilities	278,352,825.03	408,135,050.59	269,729,470.39	389,818,060.00
Long-term payables	1,730,677,459.72	2,301,299,355.45	1,654,605,440.48	2,161,518,251.62
	4,760,975,384.75	5,000,668,109.82	4,612,830,184.22	4,779,285,562.68

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

The fair value of a financial asset or liability is the amount for which it could be exchanged or settled, respectively, between two knowledgeable, willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The fair values of the long-term borrowings, bonds payable, lease liabilities, long-term payables and other non-current liabilities are determined using discount cash flows, at rates equal to interest rate of other financial instruments with similar contract terms, credit risks and remaining Term. As at 31 December 2022, non-performance risks underlying long-term borrowings and other non-current liabilities were appraised as immaterial.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

4. Unobservable input value

The overview of the significant unobservable inputs used by Level 3 fair value measurement is as follows:

	Fair value as at 31 December 2022	Valuation techniques	Unobservable inputs	Benchmark interest rate
Trust products classified as Financial assets held for trading	2022: – 2021 : 600,000,000.00	Discounted cash flow method	Yield of Similar products in private market	– 2021 : 4.2%

The fair value of trust products in 2021 is assessed based on a discounted cash flow method. The method takes in market prices, discount rates and other inputs. The significant unobserved inputs is return rate of similar financial products in private market, 3.8997% for the part with subscription amount of RMB550,000,000 and 4.1089% for the part with subscription amount of RMB50,000,000

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Adjustment of fair value measurement

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

2022

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

2021

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Controlling shareholder

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

Changshou Iron & Steel is the controlling shareholder.

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 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties

Name	Relationship between the Company and the other related parties
Sichuan Desheng Group Vanadium & Titanium Co., Ltd. (“Desheng Vanadium & Titanium”) 四川德勝集團鈮鈦有限公司(“德勝鈮鈦”)	Shareholder of Changshou Iron & Steel
Baowu Group 寶武集團	Parent of Changshou Iron & Steel
Wuhan Baosteel Huazhong Trade Co., Ltd. (Baosteel Huazhong) 武漢寶鋼華中貿易有限公司(“寶鋼華中”)	Baowu Group's subsidiary
Ouyeel Cloud Commerce Corporation Limited (Ouyeel Cloud) 歐冶雲商股份有限公司(“歐冶雲商”)	Baowu Group's subsidiary
Shanghai Ouyeel Material Technology Co., Ltd. (Ouyeel Material) 上海歐冶材料技術有限責任公司(“歐冶材料”)	Baowu Group's subsidiary
Chengdu Baosteel West Trade Co., Ltd. (Baosteel West) 成都寶鋼西部貿易有限公司(“寶鋼西部”)	Baowu Group's subsidiary
Baosteel Engineering & Technology Group Co., Ltd. (Baosteel Engineering) 寶鋼工程技術集團有限公司(“寶鋼工程”)	Baowu Group's subsidiary
Echeng Iron and Steel Co., Ltd. (“Echeng Iron and Steel”) 寶武集團鄂城鋼鐵有限公司(“鄂城鋼鐵”)	Baowu Group's subsidiary
Baosteel Huangshi Coating Plate Co., Ltd.(“Baosteel Huangshi”) 寶鋼股份黃石塗鍍板有限公司(“寶鋼黃石”)	Baowu Group's subsidiary
Wisco Xiangyang Heavy Equipment Material Co., LTD. (“Xiangyang Equipment”) 武鋼集團襄陽重型裝備材料有限公司(“襄陽裝備”)	Baowu Group's subsidiary
Baowu Group Finance Limited liability Company (“Baowu Finance”) 寶武集團財務有限責任公司(“寶武財務”)	Baowu Group's subsidiary
Baosteel Development Co. Ltd. (“ Baosteel Development”) 寶鋼發展有限公司(“寶鋼發展”)	Baowu Group's subsidiary
Wuhan Iron & Steel Group Logistics Co., Ltd. (“ Wisco Logistics”) 武漢鋼鐵集團物流有限公司(“武鋼物流”)	Baowu Group's subsidiary

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship between the Company and the other related parties
Zhejiang Zhoushan Wugang Wharf Co., Ltd. (“Wugang Wharf”) 浙江舟山武港碼頭有限公司 (“武港碼頭”)	Baowu Group’s subsidiary
Guangdong Baodi Nanhua Industrial Development Co., Ltd. (“Baodi Nanhua”) 廣東寶地南華產城發展有限公司 (“寶地南華”)	Baowu Group’s subsidiary
Shanghai Baosteel Xinyue Talent Technology Co., Ltd. (“Baosteel Xinyue”) 上海寶鋼心越人才科技有限公司 (“寶鋼心越”)	Baowu Group’s subsidiary
Guangdong Kunlun Information Technology Co., Ltd. (“Kunlun Information”) 廣東昆侖資訊科技有限公司 (“昆侖資訊”)	Baowu Group’s subsidiary
Shanghai Baosteel Casting Corporation (“Baosteel Casting”) 上海寶鋼鑄造股份有限公司 (“寶鋼鑄造”)	Baowu Group’s subsidiary
Guangdong Zhongnan Iron and Steel Co., Ltd. (“Guangdong Zhongnan”, formerly known as “SGIS Songshan Co., Ltd.”) 廣東中南鋼鐵股份有限公司 (“廣東中南”, 曾用名 “廣東韶鋼松山股份有限公司”) (“廣東韶鋼”)	Baowu Group’s subsidiary
Shanghai Baojing Information Technology Development Co., Ltd. (“Baojing Information”) 上海寶景資訊技術發展有限公司 (“寶景資訊”)	Baowu Group’s subsidiary
Shanghai Steel Home Information Technology Co., Ltd. (“Steel Home Information”) 上海鋼之家資訊科技有限公司 (“鋼之家資訊”)	Baowu Group’s subsidiary
Wuhan Wisco Port Trade Terminal Co., Ltd. (“Wisco Port”) 武漢武鋼港務外貿碼頭有限公司 (“武鋼港務”)	Baowu Group’s subsidiary
Shanghai Huagongbao Digital Technology Co., Ltd. (“HGB Digital”) (Huagongbao) 上海化工寶數位科技有限公司 (“化工寶數位”)	Baowu Group’s subsidiary
Baowu Equipment Intelligent Technology Co., Ltd. (“Baowu Equipment”) 寶武裝備智慧科技有限公司 (“寶武裝備”)	Baowu Group’s subsidiary

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship between the Company and the other related parties
Shanghai Meishan Iron & Steel Co., Ltd. (“Meishan Iron & Steel”) 上海梅山鋼鐵股份有限公司(“梅鋼股份”)	Baowu Group’s subsidiary
Shanghai Baosight Software Co.,Ltd. (“Baosight Software”) 上海寶信軟體股份有限公司(“寶信軟體”)	Baowu Group’s subsidiary
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd. (“Meishan Research Institute”) 上海梅山工業民用工程設計研究院有限公司(“梅山研究院”)	Baowu Group’s subsidiary
Shanghai Baosteel Shipping Co., Ltd. (“Baosteel Shipping”) 上海寶鋼航運有限公司(“寶鋼航運”)	Baowu Group’s subsidiary
Shanghai Baosteel Energy Service Co., Ltd (“Baosteel Energy Service”) 上海寶鋼節能環保科技有限公司(“寶鋼節能環保”)	Baowu Group’s subsidiary
Baowu Environmental Technology Wuhan Metal Resources Co., Ltd. (“Environmental Technology Wuhan”) 寶武環科武漢金屬資源有限責任公司(“環科武漢”)	Baowu Group’s subsidiary
Shanghai Baoding Energy Co., Ltd. (“Baoding Energy”) 上海寶頂能源有限公司(“寶頂能源”)	Baowu Group’s subsidiary
Baosteel Resources 寶鋼資源	Baowu Group’s subsidiary
Shanghai Ouyeel Logistics Co., Ltd. (Ouyeel Logistics) 上海歐冶物流股份有限公司(“歐冶物流”)	Baowu Group’s subsidiary
Shanghai Ouyeel Purchasing Information Technology Co., Ltd. (“Ouyeel Purchasing”) 上海歐冶採購資訊科技有限責任公司(“歐冶採購”)	Baowu Group’s subsidiary
Wuhan Huafeng Sensing Technology Co.,Ltd.(“Huafeng Sensing”) 武漢華楓傳感技術股份有限公司(“華楓傳感”)	Baowu Group’s subsidiary
Ouyeel International 歐冶國際電商有限公司(“歐冶國際”)	Baowu Group’s subsidiary
Baoshan Iron and Steel Co.,Ltd. (“Baosteel Co., Ltd.”) 寶山鋼鐵股份有限公司(“寶鋼股份”)	Baowu Group’s subsidiary
Wuhan Iron and Steel Company Limited (Wuhan Iron & Steel) 武漢鋼鐵有限公司(“武漢鋼鐵”)	Baowu Group’s subsidiary

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship between the Company and the other related parties
Ouyeel Blockchain Finance and Metal Recycling Resources Co., Ltd. (Ouyeel Blockchain Finance) 歐冶鏈金再生資源有限公司(“歐冶鏈金”)	Baowu Group's subsidiary
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd (“ Zhongnan Building Materials “) 廣東廣物中南建材集團有限公司(“中南建材”)	Baowu Group's subsidiary
Ouyeel Industrial Products Co., Ltd. (“ Ouyeel Industry “) 歐冶工業品股份有限公司(“歐冶工業”)	Baowu Group's subsidiary
Baosteel Resources (International) Co., Ltd. (“Baosteel International”)寶鋼資源(國際)有限公司(“寶鋼國際”)	Baowu Group's subsidiary
Shanghai Steel Trading Center Co., Ltd. (“ Shanghai Steel “) 上海鋼鐵交易中心有限公司(“上海鋼鐵”)	Baowu Group's subsidiary
Wisco Resources Group Ezhou Pellets Co., Ltd. (Ezhou Pellets)武鋼資源集團鄂州球團有限公司(“鄂州球團”)	Baowu Group's subsidiary
Shanghai Ouyeel Supply Chain Co., Ltd (“ Shanghai Ouyeel “) 上海歐冶供應鏈有限公司(“上海歐冶”)	Baowu Group's subsidiary
Baowu Water Technology Limited (“ Baowu Water “) 寶武水務科技有限公司(“寶武水務”)	Baowu Group's subsidiary
Ma Steel International Trade & Economic Corporation(“MaSteel International”) 馬鋼國際經濟貿易有限公司(“馬鋼國際”)	Baowu Group's subsidiary
Wuhan Iron and Steel Green City Technology Development Co., Ltd.(“Wugang Technology”) 武漢武鋼綠色城市技術發展有限公司(“武鋼技術”)	Baowu Group's subsidiary
Shanghai Fengbao Comprehensive Management Co., Ltd. (“Shanghai Fengbao”)上海豐寶綜合經營有限公司 (“上海豐寶”)	Baowu Group's subsidiary
Baowu Heavy Industry Co., Ltd.(“Baowu Heavy Industry”) 寶武重工有限公司(“寶武重工”)	Baowu Group's subsidiary

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship between the Company and the other related parties
Nanjing Baodi Meishan Industrial City Development Co., Ltd. (“Meishan Development”)南京寶地梅山產城發展有限公司 (“梅山發展”)	Baowu Group’s subsidiary
Taiyuan Iron and Steel (Group) Co., Ltd. (“Taiyuan Steel”) 太原鋼鐵(集團)有限公司 (“太原鋼鐵”)	Baowu Group’s subsidiary
Taiyuan Iron and Steel (Group) International Economic and Trade Co., Ltd. (“Taiyuan International”)太原鋼鐵(集團)國際經濟貿易有限公司 (“太原國際”)	Baowu Group’s subsidiary
Shanghai Baosteel Construction Engineering Design Co., Ltd. (“Baosteel Design”)上海寶鋼建築工程設計有限公司 (“寶鋼設計”)	Baowu Group’s subsidiary
Baosteel Chemical (Zhangjiagang Free Trade Zone) International Trade Co., Ltd. (“Baosteel Chemical”) 寶鋼化工(張家港保稅區)國際貿易有限公司 (“寶鋼化工”)	Baowu Group’s subsidiary
Baowu Raw Material寶武原料	Baowu Group’s subsidiary
Baowu Environmental Resource寶環資源	Baowu Group’s subsidiary
Baosteel Metal Co., Ltd. (“Baosteel Metal”) 寶鋼金屬有限公司 (“寶鋼金屬”)	Baowu Group’s subsidiary
Wuhan Iron and Steel Jiangbei Group Cold Formed Steel Co., Ltd. (“Wuhan Jiangbei”)武漢鋼鐵江北集團冷彎型鋼有限公司 (“武鋼江北”)	Baowu Group’s subsidiary
Xingang International Trade Co., Ltd. (“Xingang International”) 新鋼國際貿易有限公司 (“新鋼國際”)	Baowu Group’s subsidiary
Baowu Group Zhongnan Iron and Steel Co., Ltd. (“Zhongnan Steel”)寶武集團中南鋼鐵有限公司 (“中南鋼鐵”)	Baowu Group’s subsidiary
Guangdong Building Materials Co., Ltd. (“Guangdong Building Materials”)廣東省建材有限公司 (“廣東建材”)	Baowu Group’s subsidiary

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship between the Company and the other related parties
Guangdong Shaogang Engineering Technology Co., Ltd. ("Shaogang Engineering")廣東韶鋼工程技術有限公司 ("韶鋼工程")	Baowu Group's subsidiary
Baocheng Carbon寶丞炭材	Baowu Group's subsidiary
Baowu Resource寶武資源	Baowu Group's subsidiary
Warburg Trust Company Limited ("Warburg Trust") 華寶信託有限責任公司("華寶信託")	Baowu Group's subsidiary
Shanghai Baoneng Information Technology Co., Ltd. ("Baoneng Information")上海寶能資訊科技有限公司 ("寶能信科")	Baowu Group's Associate
Taicang Wugang Terminal Co., Ltd.("Taicang Wugang") 太倉武港碼頭有限公司("太倉武港")	Baowu Group's Associate
Jiangsu Gongchang Roll Co., Ltd. ("Gongchang Roll") 江蘇共昌軋軋股份有限公司("共昌軋軋")	Baowu Group's Associate
Masteel Gongchang United Roll Co., Ltd. ("Gongchang United")馬鋼共昌聯合軋軋有限公司("共昌聯合")	Baowu Group's Associate
Sichuan Daxing Baohua Chemical Co., Ltd.("Daxing Baohua") 四川達興寶化化工有限公司("達興寶化")	Baowu Group's Associate
China Pacific Property Insurance Co., Ltd. ("Pacific Insurance")中國太平洋財產保險股份有限公司("太平洋財產")	Baowu Group's Associate
China PingMei god horse energy chemical group Co.,Ltd. ("PingMei Energy")中國平煤神馬能源化工集團有限責任公司 ("平煤能源")	Baowu Group's Associate
Honghe Iron and Steel Co., Ltd. ("Honghe Steel") 紅河鋼鐵有限公司("紅河鋼鐵")	Baowu Group's Associate
MCC South Engineering Technology Co., Ltd. ("MCC South") 中冶南方工程技術有限公司("中冶南方")	Baowu Group's Associate
Siyuanhe Equity Investment Management Co., Ltd. ("Siyuanhe Investment")四源合股權投資管理有限公司("四源合投資")	Baowu Group's Associate

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties

(1) Related party transactions of received services

Related parties	Related party transactions	2022	2021
Baowu Equipment	Receiving of services (Note 1)	90,375,875.06	78,173,492.35
Baosteel Development	Receiving of services (Note 1)	82,041,787.25	23,035,104.37
Taicang Wugang	Receiving of services (Note 1)	61,492,150.97	–
Baosteel Shipping	Receiving of services (Note 1)	42,149,048.12	–
Baoding Energy	Receiving of services (Note 1)	41,553,954.13	–
Ouyeel Logistics	Receiving of services (Note 1)	28,163,999.65	3,441,160.80
Baowu Water	Receiving of services (Note 1)	27,528,625.84	–
Baosteel Engineering	Receiving of services (Note 1)	27,171,504.25	195,109,423.48
Baowu Heavy Industry	Receiving of services (Note 1)	26,749,954.92	–
Baosight Software	Receiving of services (Note 1)	26,229,434.15	113,620,036.39
Ouyeel Industry	Receiving of services (Note 1)	19,060,049.67	822,274,216.26
Wugang Wharf	Receiving of services (Note 1)	16,106,893.36	–

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions of received services (Continued)

Related parties	Related party transactions	2022	2021
Baodi Nanhua	Receiving of services (Note 1)	15,182,873.79	30,447,718.68
Baosteel Xinyue	Receiving of services (Note 1)	10,000,000.00	7,293,790.00
Baowu Raw Material	Receiving of services (Note 1)	4,160,000.00	–
Ouyeel Cloud	Receiving of services (Note 1)	3,811,320.76	–
Wisco Logistics	Receiving of services (Note 1)	3,479,177.32	19,795,375.95
Baowu Environmental Resource	Receiving of services (Note 1)	788,881.26	–
Baosteel Co., Ltd.	Receiving of services (Note 1)	360,000.00	12,698,986.00
Baosteel Engineering Consulting	Receiving of services (Note 1)	355,851.00	–
Huafeng Sensing	Receiving of services (Note 1)	269,400.00	73,152.00
Baowu Group	Receiving of services (Note 1)	198,638.68	5,433.96
Steel Home Information	Receiving of services (Note 1)	150,943.39	189,622.64
Pacific Insurance	Receiving of services (Note 1)	123,047.47	–

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties (Continued)

(1) Related party transactions of received services (Continued)

Related parties	Related party transactions	2022	2021
Group Co., Ltd.	Receiving of services (Note 1)	90,141.51	–
Shanghai Steel	Receiving of services (Note 1)	76,415.10	–
Baojing Information	Receiving of services (Note 1)	52,500.00	–
Meishan Development	Receiving of services (Note 1)	13,564.15	–
Ouyeel Purchasing	Receiving of services (Note 1)	–	4,696,972.29
Shaogang Engineering	Receiving of services (Note 1)	–	441,241.26
Baosteel Energy Service	Receiving of services (Note 1)	–	330,190.00
Baoneng Information	Receiving of services (Note 1)	–	29,800.00
Siyuanhe Investment	Receiving of services (Note 1)	–	17,408.88
Total		527,736,031.80	1,311,673,125.31

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5 Major transactions between the Group and its related parties (continued)

(2) Related party transactions of purchased goods

Related parties	Related party transactions	2022	2021
Baosteel International	Supply raw materials (Note 3)	4,371,413,678.63	1,475,693,921.93
Zhongnan Building Materials	Supply billet (Note 3)	3,103,135,738.75	709,369,468.71
Ouyeel Industry	Supply spare parts (Note 2)	1,286,374,449.60	–
Baosteel Resources	Supply raw materials (Note 3)	1,180,772,914.00	1,792,393,852.54
Baoding Energy	Supply raw materials (Note 3)	773,232,193.92	558,691,426.48
Baowu Raw Material	Supply raw materials (Note 3)	729,165,076.60	2,477,322,087.54
Shanghai Ouyeel	Supply raw materials (Note 3)	242,904,144.41	–
Ezhou Pellets	Supply raw materials (Note 3)	231,971,751.44	466,454,123.47
Ouyeel Blockchain Finance	Supply scrap steel (Note 3)	95,284,221.87	240,088,254.97
Baosteel Co., Ltd.	Supply raw materials (Note 3)	73,609,209.87	601,631,849.13

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties (Continued)

(2) Related party transactions of purchased goods (Continued)

Related parties	Related party transactions	2022	2021
Baowu Equipment	Supply spare parts and equipment (Note 2)	39,117,111.06	48,356,390.14
MaSteel International	Supply raw materials (Note 3)	33,362,123.88	–
Echeng Iron and Steel	Supply raw materials (Note 3)	20,897,758.00	55,648,557.88
Baosight Software	Supply spare parts and equipment (Note 2)	8,404,231.09	3,130,373.16
PingMei Energy	Supply raw materials (Note 3)	1,595,577.93	–
Shaogang Engineering	Supply spare parts (Note 2)	1,202,790.35	–
Shanghai Fengbao	Supply spare parts (Note 2)	416,000.00	–
Environmental Technology Wuhan	Supply billet (Note 3)	–	513,447.26
hanghai Steel	Supply billet (Note 3)	–	626,220,844.58
Baosteel Shipping	Supply raw materials (Note 3)	–	61,164,685.06
Taicang Wugang	Supply raw materials (Note 3)	–	51,214,285.84
Wugang Wharf	Supply raw materials (Note 3)	–	14,685,715.75
Huafeng Sensing	Supply spare parts and equipment (Note 2)	–	8,544,038.64

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties(Continued)

(2) Related party transactions of purchased goods (Continued)

Related parties	Related party transactions	2022	2021
Gongchang Roll	Supply spare parts (Note 2)	–	8,071,551.00
Ouyeel Purchasing	Supply spare parts and equipment (Note 2)	–	5,351,170.81
Baocheng Carbon	Supply spare parts (Note 2)	–	1,641,859.76
Gongchang United	Supply spare parts (Note 2)	–	1,580,000.00
Ouyeel Cloud	Supply billet (Note 3)	–	1,310,292.96
Baosteel Casting	Supply spare parts (Note 2)	–	320,000.00
Baojing Information	Supply spare parts (Note 2)	–	300,000.00
Wisco Port	Supply raw materials (Note 3)	–	139,446.93
Ouyeel International	Supply raw materials (Note 3)	–	126,518.47
HGB Digital	Supply chemical product (Note 2)	–	44,247.79
Baosteel International	Supply billet (Note 3)	–	39,140.19
Total		12,192,858,971.40	9,210,047,550.99

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5 Major transactions between the Group and its related parties (Continued)

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

Related parties	Related party transactions	2022	2021
Baosteel Engineering	Construction services (Note 1)	652,501,845.35	474,762,306.11
Baowu Water	Construction services	218,793,079.60	223,016,130.06
Baosight Software	(Note 1)	140,560,712.55	–
Meishan Research Institute	Construction services	27,172,390.85	12,719,114.45
Kunlun Information	(Note 1)	15,804,929.36	1,715,580.00
Baosteel Engineering Consulting	Construction services	6,946,770.97	427,740.00
Baowu Equipment	(Note 1)	1,001,846.24	2,255,468.66
Ouyeel Purchasing	Construction services	108,000.00	72,000.00
Baoneng Information	(Note 1)	89,400.00	–
Wugang Technology	Construction services	15,419.98	–
Changshou Iron & Steel	Purchase pre-ironmaking assets	–	3,509,511,617.16
Baosteel Casting	Construction services (Note 1)	–	498,900.00
Total		1,062,994,394.90	4,224,978,856.44

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5 Major transactions between the Group and its related parties (Continued)

(3) *Related party transactions of purchased fixed assets and construction services (Continued)*

Note 1: The approved transaction caps of Baowu Group and its subsidiaries and affiliates in providing services to the Group in 2022 is RMB4,753,000,000.00, and the total transaction of Baowu Group and its subsidiaries and affiliates in providing services to the Group this year is RMB1,590,730,426.70. The amount of transactions in 2022 does not exceed the approved caps of transactions;

Note 2: The transaction caps approved for Baowu Group and its subsidiaries and affiliates to supply production materials (chemical materials, equipment and spare parts, water, electricity and natural gas, etc.) to the Group in 2022 is RMB2,574,000,000.00. The total transaction of production materials provided by Baowu Group, its subsidiaries and affiliated enterprises to the Group this year is RMB1,335,514,582.10, and the transaction in 2022 does not exceed the approved transaction caps.

Note 3: The transaction caps approved for Baowu Group and its subsidiaries and affiliates to supply raw materials (iron ore, scrap steel, resistant materials, auxiliary materials, billets and coal, etc.) to the Group in 2022 is RMB40,446,000,000.00. The total transaction of raw materials supplied to the Group by Baowu Group, its subsidiaries and affiliated enterprises is RMB10,857,344,389.30 this year, and the transaction in 2022 does not exceed the approved transaction caps.

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5 Major transactions between the Group and its related parties (Continued)

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

Related parties	Related party transactions	2022	2021
Zhongnan Building Materials	Production materials	2,467,891,270.08	2,008,384,387.14
Ouyeel Material	Production materials	2,147,887,352.88	2,614,513,714.43
Shanghai Ouyeel	Production materials	892,829,238.23	410,282,303.64
Guangdong Zhongnan	Technical services	799,845,691.09	985,539,964.32
Guangdong Building Materials	Production materials	720,569,629.58	–
Baocheng Carbon	Production materials&Energy& Technical services	536,098,700.01	346,028,971.97
Xingang International	Production materials	349,348,568.69	–
Baowu Environmental Resource	Production materials&Energy	193,618,036.94	–
Baosteel Co., Ltd.	Production materials	78,733,207.09	–
Honghe Steel	Technical services	75,228,972.71	–
Wuhan Jiangbei	Production materials	35,121,133.10	–
Meishan Iron & Steel	Production materials	21,710,407.09	–
Echeng Iron and Steel	Production materials & Technical services	18,017,637.61	204,811,981.01
Baosteel Metal	Production materials	16,599,334.85	–
Shanghai Steel	Production materials	15,827,721.58	–
Baowu Water	Production materials & Technical services	9,188,497.50	54,468.17
Baosteel Chemical	Production materials	9,089,928.78	–
Ouyeel Industry	Production materials & Technical services	8,887,700.42	24,275.49

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5 Major transactions between the Group and its related parties (Continued)

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

Related parties	Related party transactions	2022	2021
Baowu Heavy Industry	Production materials & Technical services	3,206,412.31	–
Baowu Resource	Energy	2,550,219.42	–
Baosteel Huazhong	Production materials	1,523,359.69	200,012,609.40
Baosteel Engineering	Energy	199,217.13	53,876.81
Baowu Equipment	Energy	110,810.28	8,773.62
Baosteel Development	Energy	6,477.30	5,831.78
Meishan Research Institute	Energy	4,460.73	–
Baodi Nanhua	Energy	4,009.85	9,826.22
Baosight Software	Energy	949.00	–
Ouyeel Cloud	Production materials	–	769,372,898.45
Desheng Vanadium & Titanium	Production materials & Technical services	–	341,940,237.41
Kunming Iron & Steel	Technical services	–	224,771,543.25
Baosteel Resources	Production materials	–	125,326,448.52
Ouyeel Pingxiang	Production materials	–	98,860,738.67
Xiangyang Equipment	Technical services	–	75,342,035.32
Baosteel Huangshi	Production materials	–	51,850,980.89
Xinjiang Bayi	Technical services	–	15,927,765.11
Baosteel West	Production materials	–	10,890,697.99
HGB Digital	Production materials	–	6,289,982.25
Environmental Technology Wuhan	Production materials	–	2,849,384.60
Total		8,404,098,943.94	8,493,153,696.46

The price of goods sold to related parties shall be determined according to the price charged by the Company to other third parties or the price stipulated by relevant departments of Chongqing government.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5 Major transactions between the Group and its related parties (Continued)

(5) Leases

As a lessee Related parties	Related party transactions	2022	2021
Changshou Iron & Steel	Machineries and other equipment (Note)	-	117,057,522.12

Note: On 16 November 2020, the Company entered into an Asset Leasing Contract with Changshou Iron & Steel to lease the aforesaid pre-ironmaking assets, agreeing to renew the lease of machineries and other equipment of Changshou Iron and Steel in 2021 and subsequently purchase such assets with reference to the fair value assessed by the appraisal institution, with a monthly rent of RMB17,875,000. In August 2021, the Company and Changshou Iron and Steel entered into an Asset Purchase Agreement and completed the asset delivery. The acquisition price of asset agreed in the agreement was RMB3.551 billion.

(6) Borrowings from related parties

Related parties	2022	2021
Changshou Iron & Steel	-	126,400,000.000
Baowu Finance	-	62,610,000.00
Total	-	189,010,000.00

Changshou Iron & Steel provided the Company with a financing line of RMB1 billion in 2020. The financing period is 3 years, from July 1, 2020 to June 30, 2023, and the financing interest rate is 4.25%. In 2021, the Company borrowed RMB126,400,000.00 successively from Changshou Steel in total. The Company has repaid the above borrowings in full in 2022.

In 2021, the Company obtained syndicated loans of RMB720,860,000.00, among which Baowu Finance provided loans of RMB62,610,000.00 to the Company on September 30, 2021. The Company has repaid the above borrowings in 2022.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties (Continued)

(7) Interest income received from a related party

Related parties	2022	2021
Baowu Finance	4,112,791.53	348,031.01

(8) Interest fee paid to related parties

Related parties	2022	2021
Changshou Iron & Steel	–	15,674,032.53
Baowu Finance	1,472,126.33	5,323,394.09
Total	1,472,126.33	20,997,426.62

(9) Letter of credit obtained from a related party

Related parties	2022			2021		
	Amount	Balance	Charges	Amount	Balance	Charges
Baowu Finance	47,561,878.19	–	23,518.34	491,817,398.44	201,196,629.31	367,934.24

(10) Notes discounted by a related party

Related parties	2022		2021	
	Amount discounted	Charges/Interest	Amount discounted	Charges/Interest
Baowu Finance	–	–	329,387,003.42	–

As at 31 December 2022, the Group has no discounted and unmatured notes from Baowu Finance, and Baowu Finance has not charged the Company any charges or interest for the service.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties (Continued)

(11) Bill custody/collection by related party

Related parties	2022			2021		
	Amount	Balance	Charges	Amount	Balance	Charges
Baowu Finance	11,338,971,221.88	673,819,951.27	-	2,246,213,470.69	921,893,030.47	-

In 2022 and 2021, Baowu Finance has not charged the Group for the bill custody/collection service.

(12) Other related transactions

Pursuant to the Financial Service Agreement signed by the Company and Baowu Finance, the maximum daily credit limit provided to the Company by Baowu Finance would be RMB2 billion, and the maximum daily balance limit for deposit cash of deposit service provided to the Company by Baowu Finance would be RMB2 billion. The maximum daily amount that Baowu Finance provided comprehensive credit service and deposit service to the Group during the year ended 31 December 2022 is RMB311,566,248.12 and RMB1,293,686,620.61 respectively (In 2021: RMB178,790,137.50 and RMB520,504,432.97 respectively).

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

(13) Remuneration of key management personnel

Related parties	2022	2021
Compensation for key management personnel	10,824,568.67	13,739,348.46

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties (Continued)

(13) Remuneration of key management personnel (Continued)

2022

	Salaries, bonuses, allowances and subsidies	Pension insurance premium	Housing funds	Other social insurance premium	Annuity	Total
Director-executive						
director :						
Zhang Wenxue (note 4)	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 (note 4) (note 5)	1,364,051.00	42,086.70	50,298.00	28,031.39	32,949.12	1,517,416.21
Zou An (note 6)	1,032,764.00	62,594.04	46,944.00	43,522.92	29,513.28	1,215,338.24
Zhou Ping	-	-	-	-	-	-
Meng Wenwang (note 2) (note 4) (note 5)	1,051,926.00	62,594.40	46,944.00	44,036.40	68,846.04	1,274,346.84
Director-non-executive						
director:						
Sheng Xuejun	180,000.00	-	-	-	-	180,000.00
Zhang Jingruo	180,000.00	-	-	-	-	180,000.00
Guo Jiebin	180,000.00	-	-	-	-	180,000.00
Supervisors						
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 (Note 3)	803,865.81	25,323.52	24,124.00	18,119.76	19,675.52	891,108.61
Yao Xiaochu (Note 1) (Note 3)	495,960.00	23,189.28	21,947.00	17,536.77	12,297.20	570,930.25
Senior Management:						
Yao Xiaochu (Note 1) (Note 3)	-	-	-	-	-	-
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 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties (Continued)

(13) Remuneration of key management personnel (Continued)

Directors Mr. Song Dean, Mr. Lai Xiaomin and Mr. Zhou Ping, Supervisor Mr. Wu Xiaoping, Mr. Li Huaidong and Mr. Zhu Xingan did not receive remuneration from the Company throughout this year.

The five highest paid employees during the year included four directors and one Senior Management (2021: three directors and two Senior Management), details of whose remuneration are set out above.

Note 1: On February 17, 2022, Mr. Yao Xiaohu resigned as Senior Vice President from the Board of Directors of the Company.

Note 2: On February 18, 2022, the Board of Directors appointed Mr. Meng Wenwang as the ninth Senior Vice President of the Company. On December 15, 2022, the shareholders' meeting elected Mr. Meng Wenwang as a director of the ninth session of the Board of Directors.

Note 3: On August 5, 2022, Mr. Zhang Liquan resigned from the position of employee representative supervisor; the staff representative meeting elected Mr. Yao Xiaohu as an employee representative supervisor of the ninth session of the Supervisory Committee of the Company for the same term as the ninth session of the Supervisory Committee of the Company.

Note 4: On November 16, 2022, Mr. Zhang Wenwen resigned as chairman and director, Mr. Xie Zhixiong resigned as president and Mr. Meng Wenwang resigned as senior vice president.

Note 5: On November 21, 2022, the board of directors elected Mr. Xie Zhixiong as the chairman of the ninth session of the board of directors of the Company for the same term as the ninth session of the supervisory committee of the Company, and appointed Mr. Meng Wenwang as the president of the Company and as a director of the ninth session of the board of directors by-election; on December 15, 2022, Mr. Meng Wenwang was elected as a director of the ninth session of the board of directors for the same term as the ninth session of the supervisory committee of the Company.

Note 6: On March 18, 2022, the board of directors appointed Mr. Zou An as the General Counsel of the Company.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties (Continued)

(13) Remuneration of key management personnel (Continued)

2021

	Salaries, bonuses, allowances and subsidies	Pension insurance premium	Housing funds	Other social insurance premium	Total
Director-executive di-rector :					
Zhang Wenxue	2,063,541.70	67,127.71	42,504.00	39,968.59	2,213,142.00
Song De An	-	-	-	-	-
Lai Xiaomin	-	-	-	-	-
Xie Zhixiong	425,887.00	39,163.68	21,429.00	16,759.17	503,238.85
Zou An	1,840,024.00	56,669.76	42,504.00	39,867.60	1,979,065.36
Zhou Ping	-	-	-	-	-
Liu Jianrong	1,022,770.00	31,858.56	23,894.00	22,412.65	1,100,935.21
Tu Deling	1,130,740.00	22,342.40	22,048.00	16,896.56	1,192,026.96
Director-non-executive director:					
Sheng Xuejun	60,000.00	-	-	-	60,000.00
Zhang Jingruo	60,000.00	-	-	-	60,000.00
Guo Jiebin	60,000.00	-	-	-	60,000.00
Xin Qingquan	120,000.00	-	-	-	120,000.00
Xu Yixiang	120,000.00	-	-	-	120,000.00
Wang Zhenhua	120,000.00	-	-	-	120,000.00
Supervisors					
Wu Xiaoping	-	-	-	-	-
Li Huaidong	-	-	-	-	-
Zhu Xingan	-	-	-	-	-
Zhou Yaping	471,658.87	35,510.40	33,852.00	26,854.92	567,876.19
Zhang Liquan	522,073.21	15,960.80	14,755.00	12,070.43	564,859.44
Wang Cunlin	-	-	-	-	-
Xu Xudong	-	-	-	-	-
Zhao Wei	309,133.31	19,549.60	18,999.00	14,784.49	362,466.40

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties (Continued)

(13) Remuneration of key management personnel (Continued)

2021 (Continued)

	Salaries, bonuses, allowances and subsidies	Pension insurance premium	Housing funds	Other social insurance premium	Total
Senior Management:					
Yao Xiaohu	841,740.00	18,753.60	17,706.00	14,182.50	892,382.10
Xie Chao	1,820,824.00	35,510.40	33,852.00	26,854.92	1,917,041.32
Zhang Yongzhong	1,627,016.00	67,127.71	42,504.00	39,968.59	1,776,616.30
Meng Xiangyun	118,700.00	4,482.72	3,362.00	3,153.61	129,698.33
Total	12,734,108.09	414,057.34	317,409.00	273,774.03	13,739,348.46

6. Amounts due from/to related parties

(1) Accounts receivable

Related parties	2022	2021
Baowu Water	9,741,992.77	61,372.29
Baocheng Carbon	2,796,831.66	636,542.15
Ouyeel Industry	803,423.07	17,032.24
Baosteel Engineering	314,147.30	98,882.35
Baowu Equipment	5,926.61	–
Meishan Research Institute	5,030.77	–
Baodi Nanhua	4,634.37	10,884.52
Baosight Software	1,072.37	–
Echeng Iron and Steel	–	1,556,456.37
Total	13,673,058.92	2,381,169.92

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(2) Receivables financing

Related parties	2022	2021
Baocheng Carbon	98,148,345.24	111,390,907.19
Baowu Environmental Resource	44,462,868.15	–
Wuhan Jiangbei	6,000,000.00	–
Ouyeel Industry	1,407,140.26	–
Zhongnan Building Materials	202,000.00	–
Guangdong Zhongnan	–	363,348,287.52
Kunming Iron & Steel	–	78,547,414.00
Desheng Vanadium & Titanium	–	52,270,928.80
Echeng Iron and Steel	–	28,922,267.95
Baosteel Huazhong	–	1,868,836.20
Environmental Technology Wuhan	–	500,000.00
Total	150,220,353.65	636,848,641.66

(3) Other receivables

Related parties	2022	2021
Baowu Heavy Industry	3,598,541.41	–
Baowu Water	2,573.47	–
Guangdong Zhongnan	–	42,273,097.12
Baocheng Carbon	–	4,396.32
Ouyeel Industry	–	873.00
Total	3,601,114.88	42,278,366.44

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(4) Prepayments

Related parties	2022	2021
Baowu Raw Material	88,527,178.68	2,001,141.22
Baosteel Resources	71,169,707.00	29,671,843.81
Baoding Energy	54,030,256.96	53,939,835.35
Baowu Heavy Industry	14,370,303.95	–
Baosight Software	77,256.64	–
Ouyeel Purchasing	51,194.00	–
Baosteel International	–	63,719,117.16
Baosteel Engineering	–	3,303,452.36
Total	228,225,897.23	152,635,389.90

(5) Contract liabilities

Related parties	2022	2021
Ouyeel Material	202,736,139.65	267,388,840.96
Zhongnan Building Materials	138,025,516.14	82,655,864.88
Baocheng Carbon	62,276,884.26	44,793,613.21
Baowu Environmental Resource	37,226,782.75	–
Xingang International	15,847,141.13	–
Shanghai Ouyeel	2,810,076.33	3,227,176.46
Wuhan Jiangbei	2,280,187.94	–
Shanghai Steel	1,195,650.51	–
Baosteel Chemical	763,965.13	–
Baosteel Huangshi	128,637.58	55,459.05
Echeng Iron and Steel	103,027.30	–
Guangdong Building Materials	93,125.13	–
Ouyeel Cloud	9,302.65	7,109.73
Baowu Equipment	5,223.12	–
Baosteel Development	62.09	–
Baosteel Huazhong	–	2,161,710.98
Desheng Vanadium & Titanium	–	1,798,130.00
HGB Digital	–	51,760.00
Total	463,501,721.71	402,139,665.27

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(6) Accounts payable

	2022	2021
Ouyeel Industry	721,371,540.31	726,479,062.44
Baowu Equipment	60,364,971.24	94,539,715.15
Ouyeel Logistics	30,788,858.22	866,657.45
Baosteel Resources	22,221,500.18	42,232,919.98
Baosteel International	21,851,489.74	–
Baodi Nanhua	14,842,142.03	10,196,285.00
Baosight Software	13,557,936.40	34,043,760.81
MaSteel International	12,665,434.70	–
Baowu Water	12,415,007.51	150,081,423.62
Ezhou Pellets	12,402,048.00	–
Baosteel Development	7,624,932.57	83,085,511.47
Baowu Heavy Industry	6,449,605.44	–
Baosteel Engineering	5,100,000.00	303,942,409.48
Ouyeel Cloud	3,800,000.00	–
Baowu Environmental Resource	2,160,588.92	–
Taicang Wugang	1,893,132.57	4,849,919.21
Shaogang Engineering	1,348,745.24	218,988.61
Baosteel Co., Ltd.	1,320,290.99	1,540,202.19
MCC South	913,000.00	–
Baosteel Shipping	450,871.20	45,402.81
Wugang Wharf	440,959.56	2,172,413.93
Ouyeel Blockchain Finance	308,532.71	892,551.64
Shanghai Steel	81,000.00	–
Zhongnan Building Materials	0.01	–
Wisco Logistics	–	623,300.15
Environmental Technology Wuhan	–	580,195.40
Total	954,372,587.54	1,456,390,719.34

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(7) Notes payable

Related parties	2022	2021
Baosteel Resources	95,455,360.00	–
Baosteel Shipping	13,029,757.47	15,569,131.61
Taicang Wugang	1,918,422.00	3,660,242.99
Baosteel Development	1,051,094.68	490,000.00
Baodi Nanhua	798,533.31	234,780.80
Meishan Research Institute	684,723.10	499,512.00
Wugang Wharf	461,076.08	677,107.98
Shaogang Engineering	378,797.01	279,614.01
Baosteel Engineering Consulting	377,202.06	57,013.43
Baoneng Information	268,000.00	–
Kunlun Information	246,240.00	258,673.44
Baojing Information	55,650.00	–
Baowu Water	–	30,393,777.00
Baowu Equipment	–	13,709,388.36
Ouyeel Purchasing	–	5,240,522.05
Baosight Software	–	799,939.70
Gongchang Roll	–	265,273.00
Baosteel Engineering	–	201,100.01
Baosteel Energy Service	–	50,001.40
Huafeng Sensing	–	77,541.12
Total	114,724,855.71	72,463,618.90

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(8) Other payables

Related parties	2022	2021
Baosteel Engineering	546,352,788.51	–
Baosight Software	163,843,444.08	166,581.11
Baowu Water	113,266,269.40	2,845,818.07
Baowu Equipment	84,427,563.39	1,640,916.12
Meishan Research Institute	22,465,784.06	40,530.46
Kunlun Information	15,100,929.36	–
Baosteel Engineering Consulting	6,946,770.97	–
Baowu Environmental Resource	2,500,000.00	–
Huafeng Sensing	720,000.00	720,000.00
Baodi Nanhua	220,000.00	220,000.00
Wisco Logistics	200,000.00	–
Baosteel Development	20,000.00	–
Baosteel Design	20,000.00	–
Baosteel Energy Service	20,000.00	–
Changshou Iron & Steel	–	1,339,361,617.18
Guangdong Zhongnan	–	496,798.85
Baoneng Information	–	268,000.00
Ouyeel Purchasing	–	76,320.00
Total	956,103,549.77	1,345,836,581.79

(9) Long-term borrowings

	2022	2021
Baowu Finance	–	62,610,000.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(10) Trusteeship

2022

Trustor	Trustee	The type of asset to delegate/ outsource	Balance	Aggregate amount	Income realized
The Company	Warburg Trust	Other assets custody	-	600,000,000.00	24,083,835.65
The Company	Warburg Trust	Annuity custody	75,521,080.36	75,521,080.36	-
			75,521,080.36	675,521,080.36	24,083,835.65

2021

Trustor	Trustee	The type of asset to delegate/outsource	Balance	Aggregate amount	Income realized
The Company	Warburg Trust	Other assets custody	600,000,000.00	600,000,000.00	-

In 2022, the Group entrusted Warburg Trust, a subsidiary of Baowu Group, to manage the enterprise annuity, as detailed in Notes XII.3.

As of 31 December 2021, the current assets and current liabilities of the Group are unsecured, without interest, except for funds deposited to related party and loans from related parties, which shall be repaid when due.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Capital centralized management

Baowu Finance is a national non-bank financial institution jointly owned by Baosteel Co., Ltd., Wisco Group Co. Ltd, Baosteel Development and other units, in order to strengthen the Baowu Group capital centralized management and increase the efficiency of funds, provide the members with internal settlement, savings and loans, short-term funds financing, investment and financing and other comprehensive financial services.

As of 31 December 2022, The Company has funds deposited to Baowu Finance amounting to RMB1,228,168,091.66 (In 2021: RMB19,442,871.11).

X. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

	2022	2021
Contracted, but not provided for:		
Capital commitments	3,645,180,582.75	4,558,663,610.83
Investment commitments	77,335,132.00	56,600,000.00
	3,722,515,714.75	4,615,263,610.83

For lease commitments as lessee, refer to Note XII.2.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

X. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies

On 26 February 2018, all the independent directors of the Company issued the Special Statement and Independent Opinion of Independent Directors on External Guarantees which stated the Company's guarantees in 2017.

In 2012, each of China Development Bank and Agricultural Bank of China Taizhou Branch provided San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司, "San Feng Jingjiang") with syndicated loans (loan contract no.: 3200577162012540569, "Syndicated Loan"), for which the Company assumed joint guarantee liability. After the Company underwent judicial reorganization, Qianxin International submitted an "Alternative Guarantee Commitment Letter" to the Company's Reorganization Administrator on 13 November 2017, confirming that it would communicate with China Development Bank and Agricultural Bank of China Taizhou Branch and go through relevant procedures and undertaking to pay off debt to assume its guarantee liability in case they claim compensation when the principal debtor San Feng Jingjiang defaults.

On 28 December 2017, Qianxin International, China Development Bank, Agricultural Bank of China Taizhou Branch and San Feng Jingjiang jointly signed the Change of RMB Syndicated Loan Contract (contract no.: 3200577162012540569004) which provided that Qianxin International, as the guarantor of Syndicated Loan, assumed joint guarantee liability. On the same day, Qianxin International, as the guarantor, entered into the Syndicated Loan Guarantee Contract with San Feng Jingjiang, China Development Bank and Agricultural Bank of China Taizhou Branch which served as a guarantee contract of Syndicated Loan (contract no. 3200577162012540569).

The company provides guarantee to its wholly owned subsidiary Chongqing Iron & Steel Energy for the financing from Chongqing BHD Financial Leasing Co., Ltd (重慶鈹渝金融租賃股份有限公司) and Cinda Financial Leasing Co., Ltd (信達金融租賃有限公司) in the amount of RMB459 million for the period from 1 January 2021 to 27 September 2022. As of Dec 31, 2022, the balance of guarantee is 0.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XI. EVENTS AFTER BALANCE SHEET DATE

The 20th session of the 9th Board of Directors and the 12th session of the 9th Board of Supervisors reviewed and approved the “Motion on Outbound Investment and Connected Transactions”. The company plans to join forces with Zhongnan Iron and Steel, Echeng Iron and Steel, Shanxi Taigang Stainless Steel, Baosteel Desheng Stainless Steel Co., LTD., Xinjiang Bayi, Xinjiang Yili Iron and Steel Co., LTD., and Xinjiang Eight Steel South Xinjiang Steel Baicheng., to increase capital and invest in Baowu Water Technology Limited (“ Baowu Water “). The company plans to make capital contribution in physical assets. On January 30, 2023, the parties to the transaction signed the Agreement on Capital Increase. The assessed value of the company’s physical assets on the capital increase date is RMB60.0364,500. The company completed the capital contribution in kind on January 31, 2023, and Baowu Water completed the commercial change on February 27, 2023.

XII. OTHER SIGNIFICANT EVENTS

1. Segment information

(1) *Identification basis and accounting policies for reportable segments*

The Group will determine different segments based on the internal organizational structure, management requirements and internal report system. The Group’s operation segments refer to those components meeting the following conditions at the same time:

- 1) The segment may generate revenue and incur expenses in daily activities;
- 2) Management of the Group can regularly evaluate the operating results of the segment to decide on the allocation of resources to it and evaluate its performance;
- 3) The segment’s financial position, operation result, cash flow and other accounting information can be obtained by analysis.

(2) *Financial information of reportable segments*

The Group’s revenue and profit are mainly comprised of steel manufacturing and domestic sales. The Group’s major assets are all in China. The management of the Company evaluates the Group’s operating results as a whole. Therefore, no segment report has been prepared in the current year.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment information (Continued)

(3) Information of significant customers

The Group generated revenue from one customer (2021: one) that reached or exceeded 10% of the Group's revenue, which accounting for 23% of the Group's revenue (2021: 20%).

Information of customer whose revenue in 2022 reaches or exceeds 10% of the Group's revenue is as follows:

Name of Customer	Revenue (Note)	Proportion of the Group's revenue (%)
Baowu Group and its subsidiaries	8,328,943,149.77	23

Information of customer whose revenue in 2021 reaches or exceeds 10% of the Group's revenue is as follows:

Name of Customer	Revenue	Proportion of the Group's revenue (%)
Baowu Group and its subsidiaries	7,805,184,487.08	20

Note: The revenue above was the total amount generated from Baowu Group and its subsidiaries for the current year by the Group.

2. Lease

(1) As lessor

The revenue related to plants and buildings lease during the year ended in 31 December 2022 was RMB300,268.39 (2021: RMB817,779.38), please refer to Note V.11. for more details.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease (Continued)

(1) As lessor (continued)

Operating leases

The profit or loss relating to operating leases is as follows:

	2022	2021
Lease income	300,268.39	817,779.38

The Company had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	2022	2021
Within 1 year	660,440.71	280,986.21
1 – 2 year (Within 2 year)	291,048.36	88,800.00
2 – 3 year (Within 3 year)	75,929.20	74,000.00
3 – 4 year (Within 4 year)	–	–
	1,027,418.27	443,786.21

Please refer to Note V. 11 for more details about PPE leased out under operating lease.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease (Continued)

(2) As lessee

	2022	2021
Lease liability interest expense	22,121,052.94	126,679,086.17
Short-term lease expenses through profit or loss subject to simplified treatment	2,878,302.09	3,496,762.35
Total cash outflows related to lease	165,000,000.00	265,238,860.44

(3) Leaseback

	2022	2021
Cash inflow from leaseback	–	1,679,301,706.59
Cash outflow from leaseback	690,546,272.10	521,205,353.50

(4) Other information

For right-of-use assets, please refer to Note V.13; For lease liabilities, please refer to Note V.29.

3. Annuity plan

The Group has implemented the annuity plan since January 1, 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Trades receivable

The credit period of accounts receivable is generally one month to three months. Accounts receivable are non-interest-bearing.

An aging analysis of accounts receivable is as follows:

	2022	2021
Within 1 year	177,584,415.92	67,590,560.45
1 to 2 years	1,994,697.02	1,716,354.47
2 to 3 years	1,715,749.84	119,920.26
Over 3 years	25,183.25	-
	181,320,046.03	69,426,835.18
Less: Impairment allowance	25,183.25	25,183.25
	181,294,862.78	69,401,651.93

The ageing analysis was based on the month when incurred. The trade receivables recognized firstly will be firstly settled.

	2022				carrying amount	2021				
	Book value		Impairment allowance			Book value		Impairment allowance		
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts based on credit risk characteristics	181,320,046.03	100	25,183.25	-	181,294,862.78	69,426,835.18	100	25,183.25	-	69,401,651.93

As at 31 December 2022 and at 31 December 2021, the Company have no individually trade receivables to separate provision.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trades receivable (Continued)

The Company's trade receivables with bad debt provision based on credit risk characteristics are as follows:

	2022			2021		
	Estimated doubtful book value (%)	Lifetime ECLs (%)	ECLs proportion	Estimated doubtful book value (%)	Lifetime ECLs (%)	ECLs proportion
Within 1 year	177,584,415.92	-	-	67,590,560.45	-	-
1 to 2 years	1,994,697.02	-	-	1,716,354.47	-	-
2 to 3 years	1,715,749.84	-	-	119,920.26	21	25,183.25
Over 3 years	25,183.25	100	25,183.25	-	-	-
	181,320,046.03		25,183.25	69,426,835.18		25,183.25

The movements of bad debt provision for accounts receivable are as follows:

	Opening balance	Provision	Recovery or reversal	Write-off	Other additions	Closing balance
2022	25,183.25	-	-	-	-	25,183.25
2021	25,183.25	-	-	-	-	25,183.25

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

As at 31 December 2022, the top five balances in respect of trade receivables aggregating RMB172,856,124.66 (As at 31 December 2021: RMB61,638,748.87), accounting for 95% (As at 31 December 2021: 88%) of the total of closing balance of trade receivables. The closing balance in respect of ECLs provision made for the top five balances amounted to 0 (As at 31 December 2021: Nil).

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

	2022	2021
Other receivables	133,345,845.02	180,813,449.46

An aging analysis of other receivables is as follows:

	2022	2021
Within 1 year	4,850,865.23	199,475,527.40
1 to 2 years	128,651,880.26	1,596,194.73
2 to 3 years	423,979.15	–
Over 3 years	2,137,630.50	2,286,928.28
	136,064,355.14	203,358,650.41
Less: Impairment allowance	2,718,510.12	22,545,200.95
	133,345,845.02	180,813,449.46

The category of other receivables by nature is as follows:

	2022	2021
Related party loan	123,000,000.00	129,723,419.65
Transactional intercourse	6,042,076.31	65,703,022.36
Guarantee deposits, staff advances, etc.	7,022,278.83	7,932,208.40
	136,064,355.14	203,358,650.41

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

Changes in impairment allowance recognized for the 12-month expected credit losses and lifetime expected credit losses on other receivables are as follows:

2022

	Stage 1		Stage 2		Stage 3				Total	
	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance
31 December 2021	179,649,000.00	-	1,595,733.78	431,284.32	2,287,225.80	2,287,225.80	19,826,690.83	19,826,690.83	203,358,650.41	22,545,200.95
Additions	4,850,865.23	-	-	-	-	-	-	-	4,850,865.23	-
Derecognition	(52,318,469.67)	-	-	-	-	-	(9,529,661.39)	(9,529,661.39)	(61,848,131.06)	(9,529,661.39)
Write-off	-	-	-	-	-	-	(10,297,029.44)	(10,297,029.44)	(10,297,029.44)	(10,297,029.44)
31 December 2022	132,181,395.56	-	1,595,733.78	431,284.32	2,287,225.80	2,287,225.80	-	-	136,064,355.14	2,718,510.12

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

Changes in impairment allowance recognized for the 12-month expected credit losses and lifetime expected credit losses on other receivables are as follows:

2021

	Stage 1		Stage 2		Stage 3				Total	
	12-month expected credit losses (a group of financial instruments with similar credit risk)	impairment allowance	Lifetime expected credit losses (a group of financial instruments with similar credit risk)	impairment allowance	Credit-impaired financial assets (Lifetime expected credit losses) (group of financial instruments with similar credit risk)		Credit-impaired financial assets (Lifetime expected credit losses) (a single financial instrument)		Book value	impairment allowance
	Book value	allowance	Book value	allowance	Book value	allowance	Book value	allowance	Book value	allowance
31 December 2020	15,365,321.43	-	2,247,363.94	431,284.32	3,077,225.80	3,077,225.80	-	-	20,689,911.17	3,508,510.12
Additions	179,649,000.00	-	-	-	-	-	19,826,690.83	19,826,690.83	199,475,690.83	19,826,690.83
Derecognition	(15,365,321.43)	-	(651,630.16)	-	(790,000.00)	(790,000.00)	-	-	(16,806,951.59)	(790,000.00)
31 December 2021	179,649,000.00	-	1,595,733.78	431,284.32	2,287,225.80	2,287,225.80	19,826,690.83	19,826,690.83	203,358,650.41	22,545,200.95

The movements in impairment allowance for other receivables are as follows:

	Opening balance	Provision	Recovery or reversal	Write-off	Closing balance
2022	22,545,200.95	-	9,529,661.39	10,297,029.44	2,718,510.12
2021	3,508,510.12	19,826,690.83	790,000	-	22,545,200.95

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

The five entities with the largest balances of other receivables at 31 December 2022 are as follows:

	Closing balance	Ratio in other receivables	Nature	Aging	Provision for bad debts
The first	123,206,294.13	91	Transactional intercourse of related party	1 to 2 years	–
The second	3,789,419.76	3	Guarantee deposits	1 to 3 years 、 beyond 3 years	525,761.92
The third	3,598,541.41	3	Transactional intercourse	Within 1 year	–
The fourth	2,995,645.01	2	Staff advances	0 to 3 years 、 beyond 3 years	2,192,450.68
The fifth	295,219.19	–	Transactional intercourse	1 to 3 years 、 beyond 3 years	–
	133,885,119.50	99			2,718,212.60

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

The five entities with the largest balances of other receivables at 31 December 2021 are as follows:

	Closing balance	Ratio in other receivables	Nature	Aging	Provision for bad debts
The first	129,723,419.65	64	Transactional intercourse of related party	Within 1 year	-
The second	42,273,097.12	21	Transactional intercourse	Within 1 year	-
The third	19,826,690.83	10	Transactional intercourse	Within 1 year	19,826,690.83
The fourth	3,789,419.76	2	Guarantee deposits	0 to 3 years · beyond 3 years	525,761.92
The fifth	2,977,788.64	1	Staff advances	0 to 3 years · beyond 3 years	2,192,450.68
	198,590,416.00	98			22,544,903.43

3. Long-term equity investments

	2022			2021		
	Outstanding balance	Provision for impairment	Carrying amount	Outstanding balance	Provision for impairment	Carrying amount
Investment to subsidiaries	992,287,994.68	-	992,287,994.68	992,287,994.68	-	992,287,994.68
Investments in associates	111,123,058.00	-	111,123,058.00	58,159,798.61	-	58,159,798.61
	1,103,411,052.68	-	1,103,411,052.68	1,050,447,793.29	-	1,050,447,793.29

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

2022

Investee-	Opening balance	Movements during the year				Closing balance	Provision for impairment losses at 31 December
		Additions	Investment gains and losses recognized under the equity method-	Cash dividends declared by investee	Other decrease		
<i>Subsidiaries</i>							
Chongqing Iron & Steel Energy	837,609,884.19	-	-	-	-	837,609,884.19	-
Xingang Changlong	154,678,110.49	-	-	-	-	154,678,110.49	-
	992,287,994.68	-	-	-	-	992,287,994.68	-
<i>Associates</i>							
Baocheng Carbon (Note 1)	14,039,012.26	-	4,925,313.06	(2,200,000.00)	-	16,764,325.32	-
Baowu Raw Material (Note 1)	44,120,786.35	-	2,720,729.06	(2,323,084.25)	-	44,518,431.16	-
Baowu Environmental Resource (Note 1)	-	14,700,000.00	803,020.25	-	-	15,503,020.25	-
Baowu Jingcheng (Note 1)	-	34,200,000.00	137,281.27	-	-	34,337,281.27	-
	58,159,798.61	48,900,000.00	8,586,343.64	(4,523,084.25)	-	111,123,058.00	-

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

2021

Investee-	Opening balance	Movements during the year				Closing balance	Provision for impairment losses at 31 December
		Additions	Investment gains and losses recognized under the equity method-	Reduce investment	Cash dividends declared by investee		
<i>Subsidiaries</i>							
Chongqing Iron & Steel Energy	837,609,884.19	-	-	-	-	837,609,884.19	-
Xingang Changlong (Note 2)	28,257,560.41	126,420,550.08	-	-	-	154,678,110.49	-
	865,867,444.60	126,420,550.08	-	-	-	992,287,994.68	-
<i>Joint ventures</i>							
Chongqing Jianwei (Note 1)	-	-	-	-	-	-	-
<i>Associates</i>							
Baocheng Carbon (Note 1)	11,236,717.39	-	3,112,040.20	-	(309,745.33)	14,039,012.26	-
Baowu Raw Material (Note 1)	40,000,000.00	-	5,020,786.35	-	(900,000.00)	44,120,786.35	-
Baowu Environmental Resource (Note 1)	-	-	-	-	-	-	-
Baowu Jingcheng (Note 1)	-	-	-	-	-	-	-
	51,236,717.39	-	8,132,826.55	-	(1,209,745.33)	58,159,798.61	-

Note 1: Please refer to Note V.9.

Note 2: In 2021, the Company acquired 72% of the shares of Xingang Changlong from Chongqing Qianchengsheng Industry Development (重慶千誠實業發展有限公司) and Minsheng Shipping (民生輪船股份有限公司), which are not related parties, with the cash amount at fair value determined to be RMB126,420,000. The purchase date is determined to be January 15. Upon completion of the equity acquisition, the Company will hold 100% of the equity of Xingang Changlong, which will change Xingang Changlong from an associate company to a wholly-owned subsidiary of the Company.

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue

	2022		2021	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	36,289,120,723.90	36,369,484,928.41	37,463,440,579.15	33,818,620,025.02
Revenue from other operations	330,024,169.97	300,332,072.80	2,407,674,024.33	2,380,773,297.59
	36,619,144,893.87	36,669,817,001.21	39,871,114,603.48	36,199,393,322.61

Details of revenue as follows:

	2022	2021
Revenue from contracts with customers	36,617,338,846.75	39,870,296,824.10
Rental income	1,806,047.12	817,779.38
	36,619,144,893.87	39,871,114,603.48

Disaggregation of Revenue from contracts with customers are as follows:

2022

Main product type	Sale of steel products and Billets		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 rods	931,024,554.70		–	931,024,554.70
Billets	52,304,809.69		–	52,304,809.69
Others	–	2,685,362,616.76	2,685,362,616.76	2,685,362,616.76
	33,931,976,229.99	2,685,362,616.76		36,617,338,846.75

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue (Continued)

2021

Main product type	Sale of steel products and		Total
	Billets	Others	
Hot rolled sheets	17,940,118,437.18	–	17,940,118,437.18
Plates	10,266,001,818.85	–	10,266,001,818.85
Bars	68,289,487.23	–	68,289,487.23
Billets	4,943,791,725.51	–	4,943,791,725.51
Others	–	6,652,095,355.33	6,652,095,355.33
	33,218,201,468.77	6,652,095,355.33	39,870,296,824.10

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

Revenue recognised that was included in contract liabilities at the beginning of the year:

	2022	2021
Sales payment in advance	2,185,095,400.45	2,554,165,098.26

5. Investment income

	2022	2021
Investment income of held-for-trading financial assets during the holding period	24,083,835.65	203.69
Investment income from disposal of long-term equity investments–	–	4,732,181.20
Investment income recognised through equity method	8,586,343.64	8,132,826.55
	32,670,179.29	12,865,211.44

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIV. OTHER SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

	2022
Gains/(loss) from disposal of non-current assets, including offset portion of impairment provision for such asset	(6,802,536.85)
Government grants charged in profit or loss, except for those closely related to the ordinary operation and gained constantly at a fixed amount or quantity according to certain standard based on state policies	55,612,608.11
Capital occupied income from non-financial entities	5,112,276.20
Investment income received from disposal of held-for-trading financial assets-	24,083,835.65
Non-operating income and expenses other than the above items	658,427.65
Subtotal	78,664,610.76
Less: Impact of income tax	11,799,691.61
Non-recurring profit or loss attributable to owners of the parent	66,864,919.15

Notes to Financial Statements (Continued)

For the year ended 31 December 2022 (Unit: RMB)

XIV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return/(Loss) on net assets and earnings per share

2022

	Weighted average of return on net assets (%)	Earnings per share (RMB per share)	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	(4.66)	(0.11)	(0.11)
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	(4.97)	(0.12)	(0.12)

2021

	Weighted average of return on net assets (%)	Earnings per share (RMB per share)	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	10.73	0.26	0.26
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	11.57	0.28	0.28