

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)



2021

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 Accounting 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 China Securities Regulatory Commission for information disclosure purpose and on the website of SSE during the Reporting Period
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IMPORTANT NOTICE

- I. The board of directors, 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. Zhang Wenxue, 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 resolution of the Board
According to the auditing by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company for 2021 amounted to RMB2,173 million, and the unappropriated profit as at the end of 2021 amounted to RMB-6.613 billion. As the Company recorded a negative unappropriated profit as at the end of 2021, the Board recommended not to make profit distribution or transfer capital reserve to share capital in 2021 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 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.
- 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.
Siyuanhe Investment	Siyuanhe Equity Investment Management Co., Ltd.
Siyuanhe Industrial Development Fund	Siyuanhe (Chongqing) Iron & Steel Industrial Development and Equity Investment Fund Partnership (LP)
Changshou Iron & Steel, controlling shareholder	Chongqing Changshou Iron & Steel Company Limited
Company, Chongqing Iron & Steel	Chongqing Iron & Steel Company Limited

Section I Definitions (Continued)

Group	Chongqing Iron & Steel Company Limited and its subsidiaries
General Meeting	the general meeting of Chongqing Iron & Steel Company Limited
Board	the board of directors of Chongqing Iron & Steel Company Limited
Supervisory Committee	the supervisory committee 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 2021 to 31 December 2021
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

Chinese name	重慶鋼鐵股份有限公司
Abbreviation of Chinese name	重慶鋼鐵
English name	Chongqing Iron & Steel Company Limited
Abbreviation of English name	CISC
Legal representative	Zhang Wenxue

II. CONTACT INFORMATION

	Secretary to the Board	Securities representative
Name	Zou An	Peng Guo Ju
Correspondence address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Telephone	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

Name of media designated by the Company for information 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)
Website designated by CSRC for publishing annual reports	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 SHARES OF THE COMPANY

Basic Information about the Shares of the Company

Class of shares	Place of listing	Abbreviated name	Stock code	Abbreviated name before change
A shares	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	N/A
H shares	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), Liu Zhenhong (劉珍宏)

Note: On 27 August 2021, the Company received the Letter on Change of Signing Accountants for Chongqing Iron & Steel Company Limited in 2021 from Ernst&Young Hua Ming LLP, and was informed that formerly, Ai Wei (艾維) and Wang Dan (王丹) were assigned as signing accountants providing audit services for the Company. In view of work reallocation, Liu Zhenhong (劉珍宏) was assigned as the signing accountant to replace Wang Dan (王丹). After the change, signing accountants for financial report audit and internal control audit are Ai Wei (艾維) and Liu Zhenhong (劉珍宏).

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

(I) Key Accounting Data

Unit: RMB'000 Currency: RMB

Key accounting data	2021	2020	Increase/ decrease from last year (%)	2019
Operating income	39,849,418	24,489,935	62.72	23,477,597
Net profit attributable to shareholders of the Company	2,274,393	638,479	256.22	925,723
Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss	2,453,195	491,082	399.55	726,508
Net cash flow generated from operating activities	5,621,431	1,337,765	320.21	-405,326

	At the end of 2021	At the end of 2020	Increase/ decrease from last year (%)	At the end of 2019
Net assets attributable to shareholders of the Company	22,375,209	20,038,467	11.66	19,396,003
Total assets	42,995,956	39,949,856	7.62	26,975,726

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

(II) Key Financial Indicators

Key Financial Indicators	2021	2020	Increase/ decrease from last year (%)	2019
Basic earnings per share (<i>RMB per share</i>)	0.26	0.07	271.43	0.10
Diluted earnings per share (<i>RMB per share</i>)	0.26	0.07	271.43	0.10
Basic earnings per share after deducting non-recurring profit and loss (<i>RMB per share</i>)	0.28	0.06	366.67	0.08
Weighted average return on net assets (%)	10.73	3.24	Increase by 7.49 percentage points	4.88
Weighted average return on net assets after deducting non-recurring profit and loss (%)	11.57	2.49	Increase by 9.08 percentage points	3.83

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

Applicable Not applicable

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 2021

Unit: RMB'000 Currency: RMB

	1st Quarter (January – March)	2nd Quarter (April – June)	3rd Quarter (July – September)	4th Quarter (October – December)
Operating income	9,978,422	12,691,517	9,094,279	8,085,200
Net profit attributable to shareholders of the listed company	1,092,412	1,604,629	182,680	-605,328
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	1,077,206	1,757,276	181,930	-563,217
Net cash flow generated from operating activities	-1,031,089	2,577,477	444,766	3,630,277

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. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Non-recurring profit and loss items	Amount for 2021	Note (if applicable)	Amount for 2020	Amount for 2019
Gains or losses on disposal of non-current assets	-185,836	N/A	-20,177	-1,060
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)	15,115	N/A	196,430	144,872
Capital occupancy fee from non-financial enterprises recognized through profit or loss	1,257	N/A	857	8,459
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	8,210	N/A	—	—
Gains or losses on debt restructuring	145,393	N/A	—	—
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	—	N/A	6,803	15,894
Other non-operating income and expenses apart from the abovementioned	-162,941	N/A	-36,516	31,050
Total	-178,802	N/A	147,397	199,215

Explanation on defining of the extraordinary profit or loss items as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 — Extraordinary Gains or Losses as recurring profit or loss items

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	—
Other equity investments	5,000	5,000	—	—
Receivables financing	2,068,546	1,536,724	-531,822	—
Total	2,073,546	2,141,724	68,178	—

XII. OTHERS

Applicable Not applicable

XIII. FINANCIAL HIGHLIGHTS

Unit: RMB '000 Currency: RMB

	2017	2018	2019	2020	2021
Income and profit					
Income	13,236,840	22,638,957	23,477,597	24,489,935	39,849,418
Profit before tax	319,810	1,758,733	890,509	624,387	2,262,884
Taxation	2	(29,300)	(35,214)	(14,092)	(11,504)
Profit for the year	319,808	1,788,033	925,723	638,479	2,274,393
Attributable to					
Shareholders of the Company	320,086	1,787,906	925,723	638,479	2,274,393
Non-controlling interests	(278)	127	—	—	—
Earnings per share attributable to shareholders of the Company – Basic (RMB)	0.04	0.20	0.10	0.07	0.26
Assets and liabilities					
Non-current assets	20,255,286	19,421,096	19,120,443	26,901,448	29,645,294
Current assets	4,757,173	7,512,255	7,855,283	13,048,408	13,350,662
Current liabilities	4,810,947	5,245,076	5,089,715	13,429,248	15,411,421
Non-current liabilities	3,397,548	3,156,610	2,490,008	6,482,141	5,209,326
Net assets	16,803,964	18,531,665	19,396,003	20,038,467	22,375,209
Equity attributable to					
shareholders of the Company	16,730,115	18,531,665	19,396,003	20,038,467	22,375,209
Non-controlling interests	73,849	—	—	—	—

Section III Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

2021 was the first year of the 14th Five-Year Plan, and it was also a crucial year for Chongqing Iron & Steel to consolidate its foundation and realize leapfrog development. Chongqing Iron & Steel actively implemented 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”, overcame the more complex and severe external environment and the impact of the COVID-19 epidemic to effectively respond to challenges, efficiently organized production, strengthened basic management at the grassroots level and improved the system capacity building. The Company made breakthrough progress in various operating indicators, achieved new achievements in operating performance, and the profit reached a record high, creating a new situation of green, low-carbon and high-quality development of Chongqing Iron & Steel.

(1) Optimizing the management system and promoting environmental protection construction

In 2021, the Company actively built green factories and production plants without environmental pollution incidents, and the total pollutant emissions met the standards. With accelerating the implementation of ultra-low emission of exhaust gas, the annual amount of dust reduction of the Company decreased by 21% as compared with 2020. The energy expansion and quality improvement projects such as special waste water treatment system and waste water zero discharge phase II project have been put into operation, and the quality of waste water met the standard consistently. For steel slag, the Company promoted the new construction of primary slag treatment line and the transformation of secondary slag treatment, and implemented the practice of not allowing the solid waste leaving the factory through reduction at source, returning to the factory for utilization, and productization and sale. The Company focused on promoting the continuous improvement of the green development index, and it was awarded the title of “Benchmarking Enterprise for Green Development” in “Looking for the Most Beautiful Green Steel City” event organised by China Metallurgical News Agency in May.

(II) Efficient organization and lean management

In 2021, the Company adhered to the principles of precision, low-consumption, high-efficiency and green production and organization, and implemented lean management, thus the key technical and economic indicators reaching new high repeatedly. In March, the dry coking coal proportion was 329kg/t.Fe and the coal powder injection ratio was 173kg/t.Fe. Both of them have set new historical records. The Company won the title of Champion Furnace for 6 times and Excellent Furnace for 2 times in labor competition organized by CISA and China Baowu. The average smelting cycle of converter has been shortened from 43.09 min in 2020 to 38.74 min, ranking the top three among converters over 200 tons in China. Steel material consumption in September and October was 1,045 kg/t, achieving “finishing in the top four” and ranking the first in Baowu Group. The 1,780 mm production line ranked first for 2 times in Baowu Group in May and August with the hot charge ratio index being 81.78% and 84.22% respectively. The hot charge ratio of the 4,100 mm production line was 50.31% in November, being awarded the title of Champion Production Line for Hot Charge Progress Rate in China Baowu medium and thick plate production lines.

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Comparing with benchmark enterprises and identifying differences comprehensively and precisely, promoting cost reduction and potential exploring

In 2021, taking precise benchmarking as the driving force, the Company further promoted the work of reducing costs and tapping potentials, promoting the improvement of its cost management level, enhancing its ranking in the industry, and gradually narrowing the gap with excellent iron and steel enterprises. It has achieved remarkable results in benchmarking. Its ranking in terms of costs of iron, steel and rolling processes improved significantly. It ranked 44th in terms of profit index per ton of steel among the 86 iron and steel enterprises covered by the statistics of CISA, improving 16 places from the 60th place of last year.

(IV) Strengthening dual-base management and improving system capacity

With the capacity construction of standardized operation system as the core, the Company steadily promoted dual-base management, improved the promotion organization, and focused on strengthening 6S management, "Three Posts" activities and "All Staff Improving Day" activities. The on-site environment has been significantly improved, and the basic management level at the grass-roots level has been greatly increased. The Company comprehensively deepened the top-level design and systematic layout of scientific and technological innovation, improved the innovation ecosystem, and stimulated innovation vitality. 275 patent applications, including 105 invention patents, were filed in 2021 and the number of patent acceptances was four times the number of last year.

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

In 2021, the iron and steel industry continued to deepen the supply-side structural reform, further consolidated the achievements in iron and steel production capacity reduction, promoted the green and low-carbon transformation of the industry, actively responded to the changes in domestic and foreign demand situations. The Company positively ensured stable supply and prices, and maintained the safety and stability of the industrial chain and supply chain. The industry maintained an overall sound operation momentum, laying a good foundation for the high-quality development of the industry.

In the first half of 2021, driven by domestic and foreign demands, the accumulative production of crude steel in China increased by 11.80% as compared with the corresponding period of last year, hitting a record high for the same period. At the same time, the prices of raw materials such as iron ore and coking coal rose sharply, driving the price of steel all the way higher.

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

In the second half of 2021, with the implementation of "dual control", "dual carbon", strict control policy on environmental protection and other national regulatory policies, as well as the adjustment and cancellation of import and export tariffs, the excessive growth of steel production was effectively curbed. At the same time, as influenced by decrease in demands, the price of iron ore dropped significantly and the price of steel decreased sharply.

First, the production of crude steel was uptrend followed by a decline, realizing a decrease as compared with the corresponding period of last year. In the first half of the year, driven by domestic and foreign demand, the cumulative production of crude steel in China was 563 million tonnes, up 11.80% as compared with the corresponding period of last year, hitting a record high for the same period. In the second half of the year, with the implementation of national control policies, the excessive growth of iron and steel production was effectively curbed. The cumulative production of crude steel maintained a year-on-year decline for six consecutive months since July. The cumulative production of crude steel for the year was 1,033 million tonnes, representing a year-on-year decrease of approximately 32 million tonnes or 3.0%. The cumulative apparent consumption of crude steel was approximately 992 million tonnes, representing a year-on-year decrease of 5.3%.

Second, the price of iron ore continued to rise in the first half of the year, and then fell in the second half of the year. The price of imported iron ore rose sharply in the first half of the year, soaring to historical high of US\$230.59/ton on 12 May, which greatly deviated from the fundamentals of supply and demand and seriously affected the stable operation of the iron and steel industry. The decrease in demand for iron ore due to the decline in iron and steel production in the second half of the year resulted in significant drop in the price of iron ore. The imported iron ore for the year added up to 1,120 million tonnes, representing a year-on-year decrease of 3.9%, and the average price was US\$164/ton, representing a year-on-year increase of 55.3%.

Third, the price of steel was in an upward fluctuation and began to decline from a high level in the fourth quarter. Since the beginning of the year, as affected by the sharp rise in the prices of raw materials such as iron ore and coking coal, the price of iron and steel had been rising in the first half of the year. The comprehensive price index of steel in China reached 174.81 points in mid-May, hitting a record high. Subsequently, the price of steel fell from a high level, especially since the fourth quarter, the decrease in demand resulted in sharp decline in the price of steel. By the end of 2021, the comprehensive price index of steel in China was 131.70 points, down 24.7% from the highest point in 2021. The annual average index was 142.03 points, representing a year-on-year increase of 36.46 points.

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

Fourth, the total exported volume of steel was higher than last year, and fell on a monthly basis in the second half of the year. As affected by factors such as the rapid recovery of foreign demand and the sharp rise in international steel prices, the steel exports in China rebounded sharply in 2021 following a decline for 5 consecutive years. In the first half of the year, the steel exports continued to grow. The cumulative exports of steel were 37.38 million tonnes, representing a year-on-year increase of 30.2%; the cumulative imports of steel were 7.35 million tonnes, representing a year-on-year increase of 0.1%. With the effect of policies such as the cancellation of export tax rebates, steel exports continued to decline month-on-month since July. The cumulative exports of steel for the year were 66.9 million tonnes, representing a year-on-year increase of 24.6%; the cumulative imports of steel were 14.27 million tonnes, representing a year-on-year decrease of 29.5%.

Fifth, the profit margin on sales improved significantly, and the industry benefit reached the highest level in history. As affected by factors such as the overall improvement of the national economy and the rise in global commodity prices, the profit of the iron and steel industry in 2021 showed a trend of high followed by low, reaching the highest level in history. The accumulated operating revenue of key large and medium-sized iron and steel enterprises was RMB6.93 trillion for the year, representing a year-on-year increase of 32.7%; the total accumulated profit was RMB352.4 billion, representing a year-on-year increase of 59.7%, hitting a record high; the profit margin on sales reached 5.08%, representing an increase of 0.85 percentage point as compared with the year of 2020.

Source of the above information: Ministry of Industry and Information Technology.

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.

The Company's products are mainly applied in various industries, such as machinery, architecture, engineering, automobile, motorbike, shipbuilding, offshore oil, gas cylinder, boiler as well as oil and gas pipelines. 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.

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

The Company's steel products used in hull structure, boilers and pressure vessels were rewarded the title of "Chinese brand products" and four other products were rewarded the title of "Chongqing's brand products". The Company successively obtained the following titles of honor: national Labor Day certificate, national implementation of performance excellence model advanced enterprises, Chongqing famous trademark, Chongqing quality benefit enterprise and Chongqing contract-abiding and trustworthy Enterprises.

In 2021, the Company ranked No. 400 in Fortune China 500, was awarded as "2021 Excellent Iron and Steel Enterprise Brand in China", "Green Development Benchmark Enterprise" by China Metallurgical News Agency and included as "2021 Top 100 Enterprises with Corporate Social Responsibility in the Chengdu-Chongqing Economic Zone".

Chongqing Iron & Steel, which has integrated into China Baowu, is marching forward with a new attitude towards the goal of high-quality development, striving to build itself into a high-quality green and smart steel manufacturing enterprise, shaping "Chongqing Iron & Steel to be beautiful and picturesque", and becoming a leader in the steel industry in Southwest China. The Company practices the major strategy of "Belt and Road Initiative" and facilitates the win-win cooperation in the iron & steel area, thus promoting the formation of the new advantage and new pattern of mutual promotion of the "dual circulation" between South China and Southwest China and Southeast Asia, and enhancing the competitiveness, innovative ability, controlling force, influence and ability to resist risks.

In 2021, facing complicated and severe external environment and ongoing impact of the COVID-19 pandemic, the Company closely centered on the management theme of "benchmarking and finding differences from excellent enterprises comprehensively, paying close attention to reducing costs and increasing efficiency, refining management, minimizing resource consumption". Substantive results in dual primary-level governance were obtained, manufacturing capacity, systematic capability and management capacity were comprehensively improved, and the efficiency of port, ironmaking, steelmaking, steel rolling were comprehensively enhanced. Moreover, several technical improvement projects were completed and put into production, production efficiency promoted significantly, the main technical and economic indicators were continuously optimized and results of operations and profits have reached a new high so that new ground in the green, low-carbon and high-quality development can be reached.

IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

(I) Flexible system and mechanism advantage

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

(II) Relative targeted market and logistic advantages

The Company is strategically located in Chongqing, an important city in Southwest China, close to the gold fairway of Yangtze River with good transport, and owns unique advantages in geographical location. In the face of various opportunities such as “the western development”, “Belt and Road Initiative”, “the Yangtze River Economic Belt” and “the Chengdu-Chongqing economic rim”, the 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) Cost competitive ability

With the capacity of over 10 million tonnes of steel, the Company strictly strengthens the management and controlling of production and operation, leading the steady improvement of economic and technological indicators, with certain indicators such as utilization coefficient of blast furnaces and hot charge ratio having strong competitiveness in the industry.

(IV) 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. (中鐵物資成都有限公司) and China Communications Materials.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Group produced 6.7446 million tonnes of iron, 7.1155 million tonnes of steel and 7.1565 million tonnes of commodity billet, representing year-on-year growth of 5.74% and 5.59% respectively, which recorded the the highest level in history. The sales volume of commodity billet was 7.1405 million tonnes, representing a year-on-year growth of 4.61%. The operating income was RMB39.849 billion, representing a year-on-year increase of 62.72%, while the total profit was RMB2,263 million, representing a year-on-year increase of 262.42%.

(I) Main business analysis

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

Unit: RMB'000

Item	Current period	Corresponding period of last year	Change (%)
Operating income	39,849,418	24,489,935	62.72
Operating cost	35,950,388	22,658,292	58.66
Selling expenses	81,143	91,929	-11.73
Administrative expenses	504,504	591,920	-14.77
Financial expenses	380,721	132,514	187.31
R&D expenses	11,805	-	Not applicable
Net cash flow from operating activities	5,621,431	1,337,765	320.21
Net cash flow from investing activities	-5,536,088	-711,113	Not applicable
Net cash flow from financing activities	1,048,805	2,476,115	-57.64

Reasons for change in operating income: The increase in operating income was mainly due to the increase in the selling price of commodity billet.

Reasons for change in operating cost: The increase in operating cost was mainly due to the increase in the price of raw materials and fuels.

Reasons for change in financial expenses: The increase in financial expenses was mainly due to the increase in financing and interest expenses; the increase in unrecognized financing costs from lease liabilities.

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 operating activities: The increase in net cash flow from operating activities was mainly due to the significant increase in profit for the current period as compared with that of the last year and proactive measures to decrease in stock by the Company resulting in the decrease in capital occupation of inventories at the end of the period.

Reasons for change in net cash flow from investment activities: The decrease in net cash flow from operating activities was mainly due to the increase 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 repayment of the loans.

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

Detailed notes to the major changes in the Company's profits structure or profits sources

In 2021, the Group realized a total profit of RMB2,263 million, representing a year-on-year increase of 262.42%, which was mainly due to the following reasons: the selling price of commodity billet amounted to RMB4,652/tonne, representing a year-on-year increase of 34.72%, and commodity billet achieved an increase of RMB8,598 million in profit affected by products structure; the sales volume of commodity billet reached 7.1405 million tonnes, representing a year-on-year increase of 4.61%, and achieving an increase of RMB158 million in profit; the Company continuously promoted cost reduction plan, thus key technical and economic indicators improved significantly, all consumption obviously reduced, thus resulting in an increase of RMB893 million in profit from cost reduction in the aspect of process; the increase in prices of coal, ore and scrap steel, thus resulting in a decrease of RMB7,752 million in profit; the Company innovate business model to carry out entrusted processing business, thus resulting in an increase of RMB132 million in profit; others matters resulted in a decrease of RMB404 million in profit in total; among which, the impairment of assets and loss from disposals amounted RMB550 million, representing a year-on-year decrease of RMB165 million in profit; the increase in carbon emission compliance costs, thus resulting in a decrease of RMB127 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 2021, the Group's revenue from main business amounted to RMB37.467 billion, representing a year-on-year increase of 53.87%. In particular, the income from sales of commodity billet products amounted to RMB33.218 billion, representing an increase of RMB9.650 billion as compared with the corresponding period of last year. Firstly, the sales volume of commodity billet was 7.1405 million tonnes, representing a year-on-year increase of 4.61%, resulting in an increase in the sales income of RMB1,052 million; secondly, the sales price of commodity billet was RMB4,652/tonne, representing a year-on-year increase of 34.72%, resulting in an increase in the sales income of RMB8,598 million affected by products structure.

Composition of income from main businesses:

Type	2021		2020		Year-on-year increase in amount (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plate	10,266,002	27.40	7,394,107	30.37	38.84
Hot rolling	17,940,118	47.88	12,385,118	50.85	44.85
Bars	68,289	0.18	1,464,818	6.02	-95.34
Profiles	-	-	1,133,878	4.66	-100.00
Billet	4,943,792	13.20	1,190,733	4.89	315.19
Subtotal	33,218,201	88.66	23,568,654	96.79	40.94
Other	4,248,755	11.34	780,503	3.21	444.36
Total	37,466,956	100.00	24,349,157	100.00	53.87

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	2021 Sales price (RMB/tonne)	2020 Sales price (RMB/tonne)	Year-on-year growth (%)	Income increase (RMB'000)
Plate	4,874	3,603	35.28	2,677,303
Hot rolling	4,659	3,423	36.11	4,759,383
Bars	5,159	3,293	56.67	24,698
Profiles	–	3,299	–	–
Billet	4,225	3,254	29.84	1,136,221
Total of commodity	4,652	3,453	34.72	8,597,605

Sales volumes of commodity billet:

Item	Sales volume for 2021 (Ten thousand tonnes)	Sales volume for 2020 (Ten thousand tonnes)	Year-on-year growth (%)	Income increase (RMB'000)
Plate	210.65	205.25	2.63	194,592
Hot rolling	385.06	361.86	6.41	795,617
Bars	1,324	44.49	–97.02	–1,421,227
Profiles	–	34.37	–100.00	–1,133,878
Billet	117.02	36.59	219.79	2,616,838
Total of commodity	714.05	682.56	4.61	1,051,942

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	37,466,956	33,595,260	10.33	53.87	48.95	Increase by 2.96 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	33,218,201	29,500,477	11.19	40.94	35.64	Increase by 3.47 percentage points
Other	4,248,755	4,094,783	3.62	444.36	408.87	Increase by 6.72 percentage points

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

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

Main business by regions

By regions	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Southwest	24,574,327	22,137,747	9.92	8.55	5.58	Increase by 2.54 percentage points
Other regions	12,892,629	11,457,513	11.13	653.75	622.45	Increase by 3.85 percentage points

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

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)

(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 (%)
Plate	Ten thousand tonnes	209.45	210.65	3.23	3.74	2.63	28.65
Hot rolling	Ten thousand tonnes	382.17	385.06	3.50	5.97	6.41	-5.08
Bars	Ten thousand tonnes	1.97	1.32	0.01	-95.37	-97.02	175.25
Billet	Ten thousand tonnes	122.06	117.02	6.68	219.27	219.80	307.36

Explanation on production and sales

Not applicable

(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 for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Iron and steel	Raw material	28,748,220	85.57	17,393,884	77.12	8.45
Iron and steel	Energy	1,178,376	3.51	1,043,748	4.63	-1.12
Iron and steel	Labor and other	3,668,663	10.92	4,116,898	18.25	-7.33

By products

By products	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Commodity billet	Raw material and energy costs	29,500,477	87.81	21,749,854	96.43	-8.62
Other	Raw material and energy costs	4,094,783	12.19	804,675	3.57	8.62

Other information on cost analysis

Not applicable

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 inequity of major subsidiaries during the Reporting Period

Applicable Not applicable

In March 2019, the Company acquired 28% equity interests in Chongqing Xingang Changlong Logistics Co., Ltd. (“Xingang Changlong”) at a consideration of RMB28,482,000 (excluding transaction service fees). In January 2021, the Company acquired 72% equity interests in Xingang Changlong from non-related parties Chongqing Qiancheng Industrial Development Co., Ltd. and Minsheng Shipping Co., Ltd. at a consideration of RMB126,420,000. Upon completion of the equity acquisition, the Company held 100% equity interest in Xingang Changlong, and Xingang Changlong changed from an associate to a wholly-owned subsidiary of the Company. On 15 January 2021, Xingang Changlong completed the change of business registration.

In August 2020, as approved by the Company, Chongqing Chonggang Building Materials Sales Co., Ltd. was deregistered. In January 2021, the subsidiary was deregistered.

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

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

A. Major customers of the Company

The sales attributable to the five largest buyers amounted to RMB9,871,778,000, representing 24.77% of the total sales for the year, of which the sales attributable to related parties amounted to RMB2,614,514,000, representing 6.56% 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

B. Major suppliers of the Company

Purchases from the top five suppliers amounted to RMB8,125,364,000, accounting for 22.60% of the total purchases for the year, of which purchases from related parties amounted to RMB5,286,551,000, accounting for 14.71% 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

During the Reporting Period, there was no directors or supervisors or their connected persons or any shareholders (to the best knowledge of the board of directors, holding 5% or above of the shares in the Company) having any beneficial interests in the top five suppliers or customers of the Company.

Other explanation

Not applicable

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	Amount for the period	Amount for the previous period	Change in amount for the period as compared with the corresponding period of last year (%)
Selling expenses	81,143	91,929	-11.73
Administrative expenses	504,504	591,920	-14.77
Finance costs	380,721	132,514	187.31
Research and development	11,805	-	Not applicable

4. R&D investment

(1). Table of R&D investment

Applicable Not applicable

Unit: RMB' 000

Expensed R&D investment for the period	1,256,341
Capitalised R&D investment for the period	-
Total R&D investment	1,256,341
Percentage of total R&D investment to revenue (%)	3.15
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	866
Percentage of R&D personnel in the total number of employees of the Company (%)	12.86

Educational structure of R&D personnel

Educational category	Number
Doctoral graduate	3
Master's graduate	78
Undergraduate	530
Junior college	255
High school and below	

Age Structure of R&D Staff

Age category	Age structure Number
Under 30 years old (exclusive)	28
30–40 years old (including 30 years old, excluding 40 years old)	324
40–50 years old (including 40 years old, excluding 50 years old)	269
50–60 years old (including 50 years old, excluding 60 years old)	245
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). Explanations on information

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	2021	2020	Main reasons for changes
Net cash flow from operating activities	5,621,431	1,337,765	Profit for the period increased significantly as compared with the corresponding period of last year, and the Company actively adopted measures to reduce inventories, resulting in a decrease in capital occupation at the end of the period
Net cash flow from investing activities	-5,536,088	-711,113	Increase in fixed assets investment projects
Net cash flow from financing activities	1,048,805	2,476,115	Repayment of borrowings
Net increase in cash and cash equivalents	1,134,148	3,102,767	-

(II) Explanation on material change in profit due to non-principal business

Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities

Applicable Not applicable

1. Assets and liabilities

Unit: RMB' 000

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Cash and bank balances	6,410,645	14.91%	4,943,231	12.37%	29.69%	-
Financial assets held for trading	600,000	1.40%	-	-	N/A	-
Trade receivables	53,885	0.13%	35,041	0.09%	53.78%	Cross-period settlement
Receivables financing	1,536,724	3.57%	2,068,546	5.18%	-25.71%	-
Prepayments	756,710	1.76%	534,516	1.34%	41.57%	Increase in purchase of raw materials and fuels at the end of the year
Other receivables	52,279	0.12%	18,013	0.05%	190.23%	Cross-period settlement
Inventories	3,840,198	8.93%	5,054,908	12.65%	-24.03%	-
Other current assets	100,221	0.23%	394,153	0.99%	-74.57%	Decrease in retained taxes
Long-term equity investments	58,160	0.14%	79,494	0.20%	-26.84%	-
Other equity investments	5,000	0.01%	5,000	0.01%	0.00%	-
Property, plant and equipment	21,891,662	50.92%	16,630,788	41.63%	31.63%	Provisional valuation of construction in progress
Construction in progress	4,174,369	9.71%	2,844,665	7.12%	46.74%	Increase in fixed assets investment projects
Right-of-use assets	518,318	1.21%	4,095,211	10.25%	-87.34%	Repurchase of leased assets
Intangible assets	2,384,882	5.55%	2,394,593	5.99%	-0.41%	-
Goodwill	328,055	0.76%	295,407	0.74%	11.05%	-
Long-term expenses to be amortized	271	0.00%	299,730	0.75%	-99.91%	Repurchase of leased assets, and transfer of related asset improvement expenses to fixed assets
Deferred income tax assets	142,568	0.33%	131,468	0.33%	8.44%	-
Other non-current assets	142,009	0.33%	125,092	0.31%	13.52%	-
Short-term borrowings	2,629,734	6.12%	700,788	1.75%	275.25%	New bank borrowings
Bills payable	1,261,138	2.93%	1,272,291	3.18%	-0.88%	-
Trade payables	4,567,985	10.62%	2,652,728	6.64%	72.20%	Increase in purchase of raw materials and fuel, increase in amounts to be accepted for issuance of Tongbao

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Contract liabilities	2,185,095	5.08%	2,554,165	6.39%	-14.45%	-
Employee benefits	112,844	0.26%	283,969	0.71%	-60.26%	Transfer of incentive funds for 2020
Tax payable	16,744	0.04%	9,177	0.02%	82.46%	Increase in taxes payable at the end of the period
Other payables	2,770,510	6.44%	1,567,618	3.92%	76.73%	Pre-ironmaking Assets Repurchase
Non-current liabilities due within one year	1,582,635	3.68%	4,056,471	10.15%	-60.98%	Repayment of borrowings
Other current liabilities	284,736	0.66%	332,041	0.83%	-14.25%	-
Long-term borrowings	1,792,800	4.17%	450,000	1.13%	298.40%	New bank borrowings
Bonds payable	498,434	1.16%	995,150	2.49%	-49.91%	Reclassification of bonds payable due within one year
Lease liabilities	408,135	0.95%	3,022,612	7.57%	-86.50%	Repurchase of leased assets
Long-term payables	2,301,299	5.35%	1,352,264	3.38%	70.18%	New finance lease
Long-term employee benefits payable	144,977	0.34%	179,557	0.45%	-19.26%	-
Deferred income	56,903	0.13%	35,902	0.09%	58.50%	New government grants
Deferred income tax liabilities	6,778	0.02%	1,176	0.00%	476.36%	Increase in taxable temporary differences
Other non-current liabilities	-	0.00%	445,480	1.12%	-100.00%	Repayment of borrowings

Other explanation

Not applicable

2. Overseas assets

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)

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

Applicable Not applicable

Unit: RMB' 000

Item	Closing carrying amount	Opening carrying amount	Reason for restriction
Cash and bank balances	578,407	245,141	Note 1
Notes receivables	317,202	1,343,223	Note 2
Property, plant and equipment	8,226,586	3,529,913	Note 3
Intangible assets	783,824	1,027,708	Note 4
Long-term equity investments	837,610	837,610	Note 5
Total	10,743,629	6,983,595	–

Note 1: As at 31 December 2021, the Group's cash and bank balances with a carrying amount of RMB578,407,000 (31 December 2020: RMB245,141,000) were restricted for use in issuing bank acceptance bills and letters of credit.

Note 2: As at 31 December 2021, the Group pledged bank acceptance notes with a carrying amount of RMB317,202,000 (31 December 2020: RMB1,343,223,000) to issue bank acceptance bills.

Note 3: As at 31 December 2021, the Group's houses and buildings with a carrying amount of RMB797,066,000 (31 December 2020: RMB987,609,000), machinery and equipment with a carrying amount of RMB7,429,520,000 (31 December 2020: RMB2,542,304,000) were pledged to secure bank borrowings and working capital loan facilities.

Note 4: As at 31 December 2021, the Group's land use rights with a carrying amount of RMB783,824,000 (31 December 2020: RMB1,027,708,000) were pledged to secure bank borrowings and working capital loan facilities. The amortisation of land use rights for the year was RMB21,936,000 (2020: RMB27,459,000).

Note 5: As at 31 December 2021, the Group's equity interests with a carrying amount of RMB837,610,000 (31 December 2020: RMB837,610,000) were pledged to secure working capital loans of RMB450,000,000 (31 December 2020: RMB500,000,000).

4. Other explanations

Applicable Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on industry operating information

Applicable Not applicable

2021 was the opening year of "14th Five-Year Plan", and major adjustments were made to the national industrial policies. In the iron and steel industry, the dual control over both "capacity and production" was implemented, the steel export tax rebates were cancelled, and the goal of "carbon peaking and carbon neutrality" was put forward, etc. Under the effect of these policies, iron and steel industry in China has not only entered a new stage of high-quality development, but also started a new journey of low-carbon development.

1. Iron and steel output decreased. According to the National Bureau of Statistics, in 2021, the production of crude steel and pig iron in China amounted to 1,032.79 million tonnes and 868.57 million tonnes, down 3.0% and 4.3% as compared with the corresponding period of last year, respectively. The production of steel products reached 1,336.67 million tonnes, up 0.6% as compared with the corresponding period of last year. The coke production amounted to 464.46 million tonnes, down 2.2% as compared with the corresponding period of last year.
2. Steel exports increased and imports declined significantly. According to data from the General Administration of Customs, in 2021, the country's cumulative steel exports totaled 66.9 million tons, representing a year-on-year increase of 24.6% and the cumulative steel imports totaled 14.27 million tons, representing a year-on-year decrease of 29.5%.
3. The average price of steel products increased. According to the data from Ministry of Industry and Information Technology, the price of steel products had been rising in the first half of the year. The comprehensive price index of steel products in China reached 174.81 points in mid-May, hitting a record high. Subsequently, the price of steel products fell from a high level, especially since the fourth quarter, the decrease in demand resulted in a sharp decline in the price of steel products. By the end of 2021, the comprehensive price index of steel products in China was 131.70 points, down 24.7% from the highest point in 2021. The average index for the year was 142.03 points, representing a year-on-year increase of 36.46 points.
4. The performance of the Company improved. According to the Ministry of Industry and Information Technology, in 2021, the accumulated operating revenue of key large and medium-sized iron and steel enterprises amounted to RMB6.93 trillion, representing a year-on-year increase of 32.7%; the total accumulated profits amounted to RMB352.4 billion, representing a year-on-year increase of 59.7%, hitting a record high; the profit margin on sales reached 5.08%, representing a year-on-year increase of 0.85 percentage point as compared to 2020.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on industry operating information (Continued)

- Steel stock increased. According to the data from China Iron and Steel Association, the social stock of five types of steels (namely, rebar, wire, hot rolled coil, cold rolled coil, and medium plate) in major cities nationwide reached a peak of 17.77 million tonnes in early March 2020, then fluctuated and decreased, and fell to 7.76 million tonnes at the end of December, representing an increase of 6.3% as compared with that of the beginning of the year and a decrease of 56.3% as compared with the peak.
- Imported ore volumes decreased and the price of imported ore fluctuated wildly. According to data from the General Administration of Customs, in 2021, the whole nation imported an aggregate of 1.124 billion tonnes of iron ore and its concentrates, representing a year-on-year decrease of 3.9%. The total value was RMB1.19 trillion, representing an increase of 39.6%; the average import price was RMB1,062.1/tonne, representing a year-on-year increase of 45.2%. The average import price continued to fall month on month for five consecutive months from August and the average import price decreased by 50.3% in December as compared with the high level for the year to RMB655.9/tonne.

Sources of above data: National Bureau of Statistics, General Administration of Customs, Ministry of Industry and Information Technology, China Iron and Steel Association, etc.

Steel and Iron Industry Operational Information Analysis

- Manufacturing and Sales of Steel Material Based on Processing Techniques
 Applicable Not applicable
- 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 products	Production volume (tonne)		Sales volume (tonne)		Operating income		Operating cost		Gross profit margin (%)	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Plates and strips	5,916,208	5,625,438	5,957,078	5,671,072	28,206,120	19,779,225	25,011,676	18,034,668	11.33	8.82
Others	1,240,322	1,152,054	1,183,391	1,154,494	9,260,836	3,789,429	8,583,584	3,715,186	7.31	1.96

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on industry operating information (Continued)

Steel and Iron Industry Operational Information Analysis (Continued)

3. Steel Material Sales Based on Sales Channels

Applicable Not applicable

4. Manufacturing and Sales of Special Steel Products

Applicable Not applicable

5. Supply of Iron Ore

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Supply source of iron ore	Supply volume (tonne)		Expenditure	
	2021	2020	2021	2020
Self supply	—	—	—	—
Domestic source	844,957	701,296	1,441,351	586,038
Overseas import	11,871,988	9,150,693	12,726,069	7,726,533
Total	12,716,945	9,851,989	14,167,420	8,312,571

6. Supply of steel scrap

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Supply source of steel scrap	Supply volume (tonne)		Expenditure	
	2021	2020	2021	2020
Self supply	247,951	226,334	602,078	526,487
Domestic source	970,582	1,060,532	3,541,029	2,589,265
Overseas import	—	—	—	—
Total	1,218,533	1,286,866	4,143,107	3,115,752

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on industry operating information (Continued)

Steel and Iron Industry Operational Information Analysis (Continued)

7. Others

Applicable Not applicable

(V) Investment Analysis

General analysis of external equity investment

Applicable Not applicable

In 2021, the Company completed equity investment projects of RMB209,620,000 with actual contribution of RMB126,420,000. The main investment projects were as follows:

In December 2020, the Company entered into the Equity Transaction Agreement with Chongqing Qiancheng Industrial Development Co., Ltd. (重慶千誠實業發展有限公司) (“Qiancheng Industrial”) and Minsheng Shipping Co., Ltd. (民生輪船股份有限公司) (“Minsheng Shipping”), respectively. In January 2021, the Company acquired 72% equity interest in Xingang Changlong at RMB126,420,000. Upon the completion of the equity acquisition, the Company held 100% equity interest in Xingang Changlong. On 15 January, Xingang Changlong completed the change of industrial and commercial registration and became a wholly-owned subsidiary of the Company.

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 invested RMB49,000,000 and held 49% equity interest in Baowu Environment Resources. According to the Articles of Association of Baowu Environment Resources, the Company has the corresponding voting rights in the company. On 27 October 2021, Baowu Environment Resources has completed the industrial and commercial registration.

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)

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 invested RMB34,200,000 and held 19% equity interest in Baowu Jingcheng. According to the Articles of Association of Baowu Jingcheng, the Company has the corresponding voting rights in the company. On 23 December 2021, Baowu Jingcheng has completed the industrial and commercial registration.

1. Significant Equity Investment

Applicable Not applicable

2. Significant Non-Equity Investment

Applicable Not applicable

On 16 November 2020, the Resolution on the Lease Renewal and the Final Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 28th meeting of the eighth session of the board of directors and the 19th meeting of the eighth session of the Supervisory Committee of the Company, pursuant to which the Company was approved to enter into the Asset Lease Agreement with Changshou Iron & Steel.

On the same date, the Company entered into the Asset Lease Agreement with Changshou Iron & Steel, agreeing to renew the lease of Changshou Iron & Steel’s production equipment and facilities in 2021 with a lease period commencing on 1 January 2021 and ending up on 31 December 2021, pursuant to which the parties agreed to enter into a purchase agreement for the leased asset during the lease term of the agreement or upon the expiry of the lease term of the agreement for the Company to purchase the leased asset from Changshou Iron & Steel, at which time the parties would confirm the purchase price with reference to the appraised value of the leased asset. For details, please refer to the “Announcement on the Related Party Transaction in relation to the Lease Renewal and Final Purchase of Assets from A Related Party” (Announcement No.: 2020-055) disclosed by the Company on 17 November 2020.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(V) Investment Analysis (Continued)

General analysis of external equity investment (Continued)

2. Significant Non-Equity Investment (Continued)

On 11 June 2021, the Resolution on Related Party Transaction in relation to the Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 39th meeting of the eighth session of the board of directors and the 26th meeting of the eighth session of Supervisory Committee of the Company, to approve the Company to purchase pre-ironmaking assets from Changshou Iron & Steel. The pre-ironmaking assets which the Company may purchase from Changshou Iron & Steel will be used for the Company's own production and operation, which is necessary for the Company's normal production and operation and can ensure the consistent and stable production of the Company. For details, please refer to the "Announcement on the Related Party Transaction in relation to the Purchase of Assets from A Related Party" (Announcement No.: 2021-044) disclosed by the Company on 12 June 2021.

On 23 June 2021, the Company entered into the Asset Acquisition Agreement with Changshou Iron & Steel in respect of the related party transaction for the purchase of preironmaking assets. The aforesaid related party transaction was considered and approved by the Company at the 2021 second extraordinary general meeting held on 21 August 2021. At the same time, the parties completed the asset delivery.

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(V) Investment Analysis (Continued)

General analysis of external equity investment (Continued)

3. Financial Assets Measured at Fair Value

Applicable Not applicable

Unit: RMB'000

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	–
Other equity investments	5,000	5,000	–	–
Receivables financing	2,068,546	1,536,724	–531,822	–
Total	2,073,546	2,141,724	68,178	–

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

Applicable Not applicable

(VI) Major Assets and Equity Disposal

Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(VII) Analysis of principal controlled and investee companies

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公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation and warehouse	100	Acquisition of equity
Chongqing Jianwei Intelligent Technology Co., Ltd. (重慶鑒微智能科技有限公司)	Changshou District, Chongqing	Changshou District, Chongqing	Software and information technology services	50	Establishment by capital
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd. (寶武環科重慶資源循環利用有限公司)	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 Baocheng Carbon Material Co. Ltd. (重慶寶丞炭材有限公司)	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing	10	Acquisition of equity
Baowu Raw Material Supply Co., Ltd.* (寶武原料供應有限公司)	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 steel industry is an important support for the high-quality development of China's economy. During the thirteenth Five-Year-Plan period, the iron and steel industry, as the main battlefield and leader of the supply-side structural reform, carried out the de-capacity work to the world's attention. During the fourteenth Five-Year-Plan period, the supply-side structural reform will remain the main line of the development of the steel industry. To promote the high-quality development of the steel industry, relevant national departments issued a series of supporting policies in 2021, aiming to put forward strict replacement requirements, adjust the export tariff of steel products, cancel the export tax rebate of some steel products, and plan to include steel, cement, chemical and other industries on the carbon emission trading market. In December 2021, the Ministry of Industry and Information Technology issued the "Industry Development Plan for Raw Materials in the fourteenth Five-Year-Plan period, which proposed that the production capacity of bulk products of key raw materials such as crude steel and cement will not increase. In 2021, the iron and steel industry operated smoothly with the highest industry efficiency.

Looking forward, the pace of green and low-carbon transformation of steel enterprises will accelerate in 2022, and green and low-carbon development will be the key task that the steel industry must continue to promote in the future. In the future, the Guiding Opinions on Promoting the High-quality Development of the Iron and Steel Industry and the Implementation Plan for Carbon Peak in the Iron and Steel Industry will be issued to guide the high-quality development of the iron and steel industry and the transformation to green and low-carbon. Under the background of "dual carbon", the supply-side reform of the steel industry is centered at "carbon reduction" embodied by "dual control of production capacity and output" or "dual control of total carbon emissions and intensity". It is expected that the industry will usher in a new round of structural optimization.

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

(II) Development strategy of the Company

Applicable Not applicable

The Company started the layout of green manufacturing and smart manufacturing, launched a new round of development plan, built a high-quality green and intelligent steel enterprise, built “Beautiful Chongqing Iron & Steel, Pastoral Chongqing Iron & Steel”, committed to becoming a leader in the steel industry in Southwest China, and firmly moving towards the goal of high-quality 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 continue to implement the spirit of the important speech and instructions of General Secretary Xi Jinping on the investigation of China Baowu, comprehensively promote the implementation of the “2022–2027 Strategic Plan of Chongqing Iron & Steel”, adhere to the concept of green and low-carbon transformation and upgrading, adhere to the strategy of scientific and technological innovation, earnestly fulfill social responsibilities, and strive to promote the Company to achieve high-quality development goals with a persistent attitude, and make due contributions to the realization of the second centennial goal and the Chinese dream of the great rejuvenation of the Chinese people.

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

(III) Business Plan

Applicable Not applicable

For 2021, the Company planned to produce 8.5 million tonnes of pig iron, with actual production of 6.7446 million tonnes, having completing 79.35% of the plan; planned to produce 10 million tonnes of steel, with actual production of 7.1155 million tonnes, having completing 71.16% of the plan; planned to produce 9.58 million tonnes commodity billet, with actual production of 7.1565 million tonnes, having completing 74.70% of the plan; the planned operating revenue was RMB34.5 billion and RMB39.849 billion was achieved actually, 15.51% beyond the plan. The main reasons for the uncompletion of the production of iron, steel and commodity billet during the Reporting Period were the impact of the national macro policy adjustment, the promotion of the national dual-carbon strategy and the implementation of the crude steel production limit policy, as well as the implementation of dual control over "capacity and production" in the iron and steel industry. The overfulfilling of the plan for operating revenue was mainly due to the significant increase in the price of steel products during the Reporting Period.

For 2022, the Company intended to achieve iron production of 7.22 million tonnes, steel production of 7.12 million tonnes, material production of 7 million tonnes, and operating revenue of RMB42 billion. Based on the business objectives of 2022, the Company will focus on the following aspects: firstly, consolidating the basic safety management system, building the bottom line of safety production and promoting the standardization of safety production; Secondly, 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; Thirdly, enhancing the efficiency of production and organization, optimizing quality control, and promoting the manufacturing capacity to a new level; Fourthly, strengthening equipment management and control, improving equipment status, and facilitating stable and smooth production; Fifthly, 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; Sixthly, adhering to market orientation, giving full play to brand effect and enhancing marketing capability; Seventhly, promoting the implementation of plans, accelerate project construction, and consolidate the foundation of CISL; Eighthly, comprehensively deepening reform, promoting innovative development, and accelerating transformation and upgrading; Ninthly, taking standardized operation as the core, solidly promoting double-base management, and further improving system capabilities; Tenthly, strengthening risk prevention and control through performance-driven development, and promoting the common development of employees and the Company.

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

(IV) Potential risks

Applicable Not applicable

1. The development of the iron and steel industry is still facing many challenges due to the increasing uncertainties at the macro level of the global economy, coupled with the repeated outbreak of the pandemic and other uncertainties. The iron and steel industry is a strong cyclical industry. The national and international situation, macro-economy and industrial policies may have certain impact on the Company's operation.

The Company's response measures: Firstly, continue to carry out organizational reform and improve management efficiency; Secondly, continue to optimize the structure of human resources and improve personnel efficiency; Thirdly, promote technological innovation, improve the innovation mechanism, raise the awareness of intellectual property rights, play the incentive-oriented role, materialize innovation achievements, and form a new innovation landscape; Fourthly, implement the business model of "base management + brand operation" to fully release the brand benefits of "Three Peaks"; Fifthly, continue to promote the synergy of production efficiency to maximize the overall benefits.

2. The environmental protection is becoming increasingly stringent. The national policies such as "dual control", "dual carbon" and strict environmental protection control have further increased the pressure on the Company's environmental protection.

The Company's response measures: Firstly, improve the key indicators of energy consumption and reduce the comprehensive energy consumption per ton of steel; Secondly, deeply explore the potential of energy conservation and carbon reduction, and pursue the ultimate and efficient use of energy; Thirdly, prepare the "Carbon Peak, Carbon Neutrality" plan and implement the "6C" carbon reduction (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); Fourthly, implement the Yangtze River protection plan, rapidly promote "Three Treatments (ultra-low emission of waste gas, zero discharge of waste water and zero discharge of solid waste) and the Four Aspects (cleanness, greenness, beauty and culture), strive to create a national 3A-level tourist attraction, consolidate the achievements which are "Higher than Standards, Better than Urban Areas and Integrated into City"), and promote the construction of green urban steel factories.

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

(IV) Potential risks (Continued)

3. The Company faces certain risks of fluctuations in raw material prices and sales prices of steel products. The Company acquires iron ore mainly through import, which is greatly affected by fluctuations in prices of bulk raw materials.

The Company's response measures: Firstly, insist on taking planning management as the lead, taking supplier management as the core, control the entire process of raw material procurement through the management system to ensure the achievement of procurement objectives; Secondly, build rapidly a reasonable marketing system, accelerate the development of end users, strengthen the elaborate management and control, and improve marketing capabilities.

(V) Other

Applicable Not applicable

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

Applicable Not applicable

Section IV Corporate Governance

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE

Applicable Not applicable

(I) Corporate Governance

The Company established a comprehensive legal person governance system and operated an effective internal control system in strict compliance with the relevant requirements of the Companies Law, Securities Law and relevant requirements of CSRC and the required regulatory standards as required by the regulatory documents such as the Listing Rules of the Stock Exchange.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix X of the Listing Rules as the code for dealing of the Company’s securities by 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 2021.

To the best of knowledge of the Board, the Company had complied with the requirements of the “Corporate Governance Code”, Appendix XIV of 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.

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

The Company firmly believes that the adherence to good corporate governance principles, the enhancement of the transparency and independence of operations and the establishment of an effective accountability system will help ensure the Company’s steady development and increase of shareholders’ value. The Company operates strictly in accordance with the requirements of laws and regulations, and has established a relatively 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.

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

(I) Corporate Governance (Continued)

1. Shareholders and shareholders' meeting: The Company convenes, gives notices of and holds general meetings in strict compliance with the relevant requirements of the Company 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, listens to shareholders' opinions and suggestions to ensure that shareholders, minority shareholders in particular, have equal status and that shareholders have and exercise lawful rights conferred by laws, regulations and the Articles of Association.
2. Controlling shareholder and the 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 the relevant requirements of the Company Law and the Articles of Association without overriding the general meetings to directly or indirectly intervene in the Company's production and operation and important decision-making. At the end of the Reporting Period, none of the Company's capital and assets was appropriated by its substantial shareholders.
3. Directors and the Board: In accordance with the 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, the Working Regulations of the Audit Committee of the Board, the Working Regulations of the Remuneration and Evaluation Committee of the Board, and the Working Regulations of the Nomination Committee of the Board. The Board earnestly fulfilled the duties conferred by the Company Law, the Guidelines for Corporate Governance of Listed Companies, the Articles of Association of the Company and other laws and regulations, convened and held general meetings and earnestly implemented all resolutions of the meetings, and implemented corresponding review and approval procedures for major matters within its authorisations. Under the strategic leading role of the Board, we constantly improved the corporate governance system of the Company, safeguarded the interests of the Company and its shareholders as a whole. Special committees of the Board separately convened meetings in light of their respective responsibilities, putting forward advice and recommendations regarding the Company's medium and long-term development strategy, business plan and investment plan, financial reporting, effectiveness of internal control, remuneration policy for directors and senior management, board structure, director and senior management candidates, which effectively promoted the Board's standardized operation and scientific decision-making.

Section IV Corporate Governance (Continued)

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

(I) Corporate Governance (Continued)

The Board of Directors of the Company were re-elected in 2021 and its work was jointly completed by the two sessions of the Board during the Reporting Period. As of 31 December 2021, the Board of the Company was comprised of 9 members, including 3 independent directors, 2 of whom are professional accountants. The Board had 4 special committees, namely the Strategy Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee. The composition of special committees under the Board was in compliance with relevant requirements.

- Supervisors and the Supervisory Committee: The Supervisory Committee 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, effectively improves the effectiveness of supervision, safeguards the legitimate rights and interests of the Company and its shareholders, to promote the standardized operation of the Company. In strict accordance with the Company 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 Supervisory Committee faithfully and diligently performs its supervisory duties, convenes meetings of the Supervisory Committee in a timely and standardized manner, and reviews the Company's operating conditions, financial position, major decision-making, performance of duties by directors and senior executives in accordance with the law, carries out special investigation and supervision and inspections in an orderly manner, and effectively safeguards the interests of the Company, employees and shareholders.

In 2021, the Company's Supervisory Committee was re-elected and its work was jointly completed by the two sessions of Supervisory Committee during the Reporting Period. As of 31 December 2021, the Company's Supervisory Committee was comprised of 5 members, including 2 supervisors representing staff. The composition of the Supervisory Committee was in compliance with relevant requirements.

- 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, treats all investors fairly to ensure that investors have an equal right to know, and guarantees that investors have a true, accurate, complete and timely understanding of the Company's information. In 2021, the Company's information disclosure continued to be standardized, and it had no undisclosed information that were required to be disclosed.

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

(I) Corporate Governance (Continued)

6. Construction of the internal control system: In 2021, in order to further deepen the construction of the internal control system, improve the relevant working mechanisms, the Company implemented the responsibility for the effective operation of the internal control system of each department, strengthened the audit and supervision of the internal control system, to give effective play to the important role of the internal control system to strengthen the foundation and prevent and control risks. According to the requirements under Basic Standards of Corporate Internal Control and its ancillary guidelines, taking into consideration the factors such as scale of company, industry characteristics, risk appetite and risk tolerance, the Company carried out risk assessment and analysis around the operation of relevant businesses, and sorted out and established a risk list, built the Company's key risk promotion mechanism, comprehensively made use of the information on production, purchase and sales, investment, financing, finance, etc. Through factor analysis, comparative analysis, trend analysis and other methods, operation analysis should be regularly carried out to find existing problems and its reasons in time and make improvements.

The Company establishes and implements effective internal control, timely identifies, scientifically analyzes and evaluates relevant risks that affect the Company's achievement of internal control goals, and reasonably determines risk response strategies, and promotes the integration and co-construction of the three professional systems of risk, internal control and compliance, to promote the establishment through evaluation and improve the level of the internal control management system of each unit; clarifies the scope of authority, approval procedures and corresponding responsibilities for each post to handle business and matters in accordance with the provisions of conventional authorization and special authorization; carries out various businesses in accordance with the principle of incompatible post control, and implements rotation mechanism of sensitive post to separate, restrict and supervise incompatible posts; further promotes transactions on the platform and services on the platform, the Company's steel sales, raw material procurement, material and spare parts procurement, scrap steel procurement and other important businesses have achieved closed-loop management of transactions on the platform without data landing; the quality of raw materials entering the factory is monitored through the method of system and labor, and the supervision for the whole process of pre-, in-and post-procurement is implemented for procurement activities. The procurement process is strictly implemented in accordance with the management methods and detailed rules, and the whole process of bidding approval and contract approval can be traced back.

Section IV Corporate Governance (Continued)

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

(I) Corporate Governance (Continued)

7. Insider registration management: In accordance with relevant requirements, the Company has formulated the Information Insider Management System. During the Reporting Period, the Company did well in the management of confidentiality, registration, filing of insider information and insiders in strict accordance with the above requirements, and there had no inside information leakage or insider transactions.

(II) Corporate Governance Practices

This section was prepared in accordance with the requirements under the Corporate Governance Code and Corporate Governance Report of the Stock Exchange.

The Company has always been committed to improving corporate governance and deems corporate governance as part of value creation with the aim to demonstrate the fulfillment of commitments made by the Board and senior management, maintain transparency and accountability to shareholders and create maximum value for shareholders.

As at 31 December 2021, the Company has complied with the corporate governance principles and all the code provisions (if applicable, including most recommended best practices) (Corporate Governance Code) set out in Appendix 14 to the Listing Rules.

Section IV Corporate Governance (Continued)

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

(II) Corporate Governance Practices (Continued)

1. Securities dealings by Directors and Supervisors

1.1 Directors' and Supervisors' Interests in the Shares of the Company or Associated Corporation

As at 31 December 2021, the interests and short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the SFO) of the directors, supervisors and senior management members in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporation	Capacity	Nature of interest	Total number of shares held (share)	Percentage of number of A Shares of the Company (%)	Percentage of total share capital of the Company (%)	Class of share
Zhou Ya Ping	The Company	Supervisor Representing Staff	Beneficial interest	487,300 Beneficial interest	0.0058	0.0054	A Share
Zhang Li Quan	The Company	Supervisor Representing Staff	Beneficial interest	1,020,000 Beneficial interest	0.0121	0.0114	A Share
Mr. Yao Xiaohu	The Company	Senior Vice President	Beneficial interest	509,900 Beneficial interest	0.0061	0.0057	A Share

Save as disclosed above, as at 31 December 2021, none of the directors, supervisors or their respective associates had any interests in the shares of the Company or its associated corporations.

During the year of 2021, none of the directors or supervisors or their spouses or children under the age of 18 has been granted by the Company the rights to subscribe for the Company's shares.

Section IV Corporate Governance (Continued)

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

(II) Corporate Governance Practices (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)

At no time during the year of 2021 was the Company, its fellow subsidiaries or its Parent Company a party to any contract of significance 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 2021 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 which ended at 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 contract of significance (except service contracts) in which a director or supervisor of the Company was enabled to have a material interest or is substantially interested, whether directly or indirectly, and there was no such contract subsisting at the end of the Reporting Period or at any time during the Reporting Period.

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

(II) Corporate Governance Practices (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 Listing Rules of the 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 as the code for securities transactions by its directors, supervisors, and senior management. After making specific enquiries with all directors and supervisors, the Company confirmed that all directors and supervisors had complied with the requirements of the above code and rules concerning the securities transactions by directors as at the date hereof.

1.5 Independence of Independent Non-executive Directors

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

2. *The Board*

2.1 Composition of the Board

For details, please refer to “Section IV.IV.(I)” of this report.

2.2 Number of Board meetings during the financial year

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

2.3 Directors’ attendance of the Board meetings and general meetings

For details, please refer to “Section IV.VI.(I)” of this report.

Section IV Corporate Governance (Continued)

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

(II) Corporate Governance Practices (Continued)

2. *The Board (Continued)*

2.4 Division of responsibilities between the Board and the management

The Board 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, ensure the establishment and implementation of the Company's good corporate governance structure and procedure. The Board reports the Company's performance and business to the Company's shareholders. The Board is the Company's final decision-making organ other than matters which are required by the Company's Articles of Association, the Listing Rules and other applicable laws and regulations to be subject to approval by shareholders.

The management takes charge of the Company's business operation and implements policies formulated by the Board. The management is accountable to the Board and is required to make decisions for matters prescribed 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 plan which are determined and approved by the Board 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 Hong Kong Stock Exchange during the Reporting Period.

2.6 The Company strictly complied with the provision under Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange during the Reporting Period.

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

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

(II) Corporate Governance Practices (Continued)

2. *The Board (Continued)*

2.8 Particulars of directors and senior management training

During the year, all directors received training required 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 proper understanding of the laws and rules which they should know for carrying out their duties before taking office.

2.9 Board Diversity Policy

The Company has always sought to enhance the effectiveness of the Board and maintain the highest level of corporate governance and recognises the benefits of Board diversity. 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 thinks applicable.

The nomination committee takes the principal responsibility for studying and making recommendations on the selection, selection criteria and procedures of directors of the Company and will fully consider the Board diversity policy in performing the duty.

The nomination committee considers that the current composition of the Board is in line with the actual conditions of the Company. The Board of the Company will formulate the Board diversity policy according to its own business model.

3. *Chairman and President*

The chairman is elected and removed by a majority vote of all directors, serves for a term of 3 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 3 years and is eligible for re-election.

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

Section IV Corporate Governance (Continued)

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

(II) Corporate Governance Practices (Continued)

4. *Non-executive Director*

Non-executive directors of the Company serve for a term of 3 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.
- 6) other matters authorized by the Board.
- 7) according to the regulatory regulations of domestic and overseas listing places, the Strategic and Development Committee is also responsible for the Company's environmental, social and corporate governance (ESG) work, and provides relevant advices to the Board of Directors.

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

(II) Corporate Governance Practices (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(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.

(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.

Section IV Corporate Governance (Continued)

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

(II) Corporate Governance Practices (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(3) Primary responsibilities of the Remuneration and Evaluation Committee (Continued)

- 3) to study the evaluation standards of directors and senior managers, organise the performance evaluation of directors and senior management, review the performance of duties of directors and senior management based on the business goals achieved by the Company, and conduct annual performance evaluation and make recommendations. The Company can entrust a third party to conduct performance evaluation.
- 4) to supervise the implementation of the remuneration system of the Company's directors and senior management and make recommendations.
- 5) to handle other matters authorised by the Board.

(4) Primary responsibilities of the Nomination Committee

- 1) to review structure, number and composition of the Board (including skills, knowledge and experience, and promotion of diversity of gender, social and racial backgrounds, cognition and personal strengths) at least annually, and make recommendations to the Board in respect of proposed changes of the Board for corporate strategy of the Company based on the actual situation of the Company in shareholding structure, asset size, strategic planning and operating activities.
- 2) to study the criteria and procedures of selecting directors, general manager and other senior management, and make recommendations to the Board.
- 3) to select competent candidates of directors, general manager and other senior management.

Section IV Corporate Governance (Continued)

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

(II) Corporate Governance Practices (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(4) Primary responsibilities of the Nomination Committee (Continued)

- 4) to review and make recommendations for candidates of directors, general manager and other senior management.
- 5) to evaluate the independence of independent non-executive directors.
- 6) to review the board diversity policy and recommend any changes to the Board in this regard, and review the progress regularly with reference to all measurable goals set by the Board in terms of board diversity.
- 7) Other duties authorised by the Board.

5.2 Composition of all special committees (as of 31 December 2021)

Strategic Committee	Audit Committee	Nomination Committee	Remuneration and Evaluation Committee
Zhang Wenxue *	Zhang Jinruo *	Sheng Xuejun *	Guo Jiebin*
Song De An	Zhou Ping	Song De An	Song De An
Xie Zhixiong	Sheng Xuejun	Zhang Jinruo	Sheng Xuejun
Lai Xiaomin	Guo Jiebin	Guo Jiebin	Zhang Jinruo
Zou An			
Zhou Ping			

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

Section IV Corporate Governance (Continued)

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

(II) Corporate Governance Practices (Continued)

5. *Committees under the Board (Continued)*

5.3 Work of special committees

For details, please refer to “Section IV. IV(2)-(5)” 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 institutions as the company secretary.

8. *Shareholders' rights*

8.1 Shareholders' right to convene an extraordinary general meeting

In accordance with the Companies Law, the Articles of Association stipulates that: shareholders individually or collectively holding more than 10% of the Company's shares are entitled to request, which should be in written form, 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 agreement or objection to convening an extraordinary general meeting within 10 days of receipt of the requisition.

If the Board agrees to the proposal, it shall issue a note convening the general meeting within 5 days of its decision and shall obtain relevant shareholders' consent in case of any changes to the original requisition.

If the Board disagrees or does not give any feedback within 10 days of receipt of the requisition, shareholders individually or collectively holding more than 10% of the Company's shares have the right to propose, which should be in written form, the convening of an extraordinary general meeting to the Supervisory Committee.

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

(II) Corporate Governance Practices (Continued)

8. Shareholders' rights (Continued)

8.1 Shareholders' right to convene an extraordinary general meeting (Continued)

If the Supervisory Committee agrees to the proposal to convene an extraordinary general meeting, it shall issue a notice convening the general meeting within 5 days of receiving the request and shall seek relevant shareholders' consent in case of any changes to the original proposal.

Failure of the Supervisory Committee to give the notice of the general meeting within prescribed time limit shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and shareholder(s) individually or collectively holding 10% or more of the Company's shares for 90 consecutive days or more may convene and preside over the meeting by itself/themselves.

8.2 Enquiry procedure and available information

According to the provisions of the Articles of Association of the Company, relevant information may be available, including:

- (1) the Articles of Association after paying the cost.
- (2) inspecting and copying, after paying reasonable fees:
 - 1) all parts of the register of shareholders;
 - 2) personal information of the Company's directors, supervisors, general manager and other senior management, including: (a) current and previous name and alias; (b) principal address (residence); (c) nationality; (d) fulltime and all other part-time jobs and titles; (e) identity document and number;
 - 3) counterfoil of corporate bonds;
 - 4) resolutions of the Board meetings;
 - 5) resolutions of the Supervisory Committee meetings;

Section IV Corporate Governance (Continued)

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

(II) Corporate Governance Practices (Continued)

8. Shareholders' rights (Continued)

8.2 Enquiry procedure and available information (Continued)

- (2) inspecting and copying, after paying reasonable fees: (Continued)
 - 6) information about the 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 last financial year, the maximum and minimum prices as well as the aggregate amount paid by the Company;
 - 8) minutes of general meetings.

8.3 Procedure for proposing a resolution

Shareholders individually or collectively holding more than 3% of the Company's shares may put forward a provisional proposal and submit the same in writing to the Board 10 days prior to a general meeting. The Board shall notify other shareholders within 2 days after receiving the proposal, and submit the interim proposal to the general meeting for consideration. The content of the interim proposal shall fall within the authority of the general meeting, with clear topics and specific resolutions therein.

Does corporate governance significantly deviate from laws, administrative regulations and CSRC provisions on the governance of listed companies; If so, please explain the reason.

Applicable Not applicable

II. THE SPECIFIC MEASURES TAKEN BY THE CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER OF THE COMPANY TO ENSURE THE INDEPENDENCE OF THE COMPANY'S ASSETS, PERSONNEL, FINANCE, ORGANIZATION, BUSINESS, ETC., AS WELL AS THE SOLUTIONS, WORK PROGRESS AND FOLLOW-UP WORK PLANS THAT AFFECT THE COMPANY'S INDEPENDENCE

Applicable Not applicable

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

The situation of the controlling shareholder, de facto controller and other units under their control engaged in the same or similar business as the Company, as well as the impact on the Company of horizontal competition or major changes to horizontal competition, the resolution measures taken, the progress of the resolution and the follow-up resolution plan

Applicable Not applicable

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

Section IV Corporate Governance (Continued)

III. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions	Resolutions
2021 First Extraordinary General Meeting	10 March 2021	Announcement of Resolutions Passed at the 2021 First Extraordinary General Meeting (Ann. No.: 2021-015) published on the official website of SSE (http://www.sse.com.cn)	11 March 2021	Considering and passing: <ol style="list-style-type: none"> Resolution on the Service and Supply Agreement and its supplemental agreement and the continuing connected transactions (including the proposed caps) entered into between the Company and China Baowu Resolution on the election of Mr. Zhang Wenxue as a Director of the Company Resolution on the amendments to the Articles of Association and its appendices
2020 Annual General Meeting	29 June 2021	Announcement of Resolutions Passed at the 2020 Annual General Meeting (Ann. No.: 2021-046) published on the official website of SSE (http://www.sse.com.cn)	30 June 2021	Considering and passing: <ol style="list-style-type: none"> The final financial accounts report for the year 2020 The 2020 annual report (full text and summary) The profit distribution plan for the year 2020 The report of the board of directors for the year 2020 The report of the supervisory committee for the year 2020 The proposal for the reappointment of the financial and internal control auditor for the year 2021 The proposal for the proposed budget for the year 2021 The proposal for the signing of the Financial Service Agreement and the connected transactions between the Company and Baowu Finance Company The proposal for the entering into of the 2021-2023 Service and Supply Agreement and the continuing connected transactions (including the annual caps) between the Company and China Baowu

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
2021 Second Extraordinary General Meeting	12 August 2021	Announcement of Resolutions Passed at the 2021 Second Extraordinary General Meeting (Ann. No.: 2021-059) published on the official website of SSE (http://www.sse.com.cn)	13 August 2021	Considering and passing: 1. Resolution on the connected transactions in relation to the purchase of assets from Changshou Iron & Steel 2. Resolution on the remuneration of the members of the ninth session of the Board and the Supervisory Committee 3. Resolution on the election of non-independent Directors of the ninth session of the Board 4. Resolution on the election of the independent Directors of the ninth session of the Board 5. Resolution on the election of the non-employee representative supervisors of the ninth session of the Supervisory Committee

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

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 remuneration from the related parties of the Company
Zhang Wenxue	Chairman (Note 1)	M	58	10 March 2021	30 June 2024	0	0	0 /		221.31	No
Song De An	Vice Chairman	M	56	21 May 2019	30 June 2024	0	0	0 /		0.00	Yes
Xie Zhixiong	Director, President (Note 2)	M	49	11 June 2021	30 June 2024	0	0	0 /		50.32	No
Lai Xiaomin	Director	M	49	12 August 2021	30 June 2024	0	0	0 /		0.00	Yes
Zou An	Director, Senior Vice President, Chief Financial Officer, Secretary to the Board, General Counsel (Note 3)	M	47	15 January 2020	30 June 2024	0	0	0 /		197.91	No
Zhou Ping	Director	M	47	9 July 2020	30 June 2024	0	0	0 /		0.00	Yes
Sheng Xuejun	Director (Independent)	M	52	12 August 2021	30 June 2024	0	0	0 /		6.00	No
Zhang Jinruo	Director (Independent)	M	41	12 August 2021	30 June 2024	0	0	0 /		6.00	No
Guo Jiebin	Director (Independent)	M	41	12 August 2021	30 June 2024	0	0	0 /		6.00	No
Wu Xiao Ping	Chairman of the Supervisory Committee	M	46	9 July 2020	30 June 2024	0	0	0 /		0.00	Yes
Li Huaidong	Supervisor	M	48	12 August 2021	30 June 2024	0	0	0 /		0.00	Yes
Zhu Xing'an	Supervisor	M	47	12 August 2021	30 June 2024	0	0	0 /		0.00	Yes
Zhou Ya Ping	Supervisor Representing Staff	M	58	15 May 2018	30 June 2024	0	487,300	487,300	Allocated to individual accounts under the first, second and third phase of the employee share ownership plans of the Company	56.79	No
Zhang Li Quan	Supervisor Representing Staff	M	59	12 August 2021	30 June 2024	0	1,020,000	1,020,000	Allocated to individual accounts under the first, second and third phase of the employee share ownership plans of the Company and purchased and sold through the secondary market before serving as employee supervisor of the Company	56.49	No
Xie Chao	Senior Vice President	M	40	1 January 2020	30 June 2024	0	0	0 /		191.70	No
Zhang Yong Zhong	Senior Vice President	M	50	30 December 2020	30 June 2024	0	0	0 /		177.66	No
Meng Wenwang	Senior Vice President	M	48	18 February 2022	30 June 2024	0	0	0 /		/	No
Liu Jianrong	Resigned Chairman	M	47	9 July 2020	5 July 2021	0	0	0 /		110.09	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 remuneration from the related parties of the Company
	<i>(Note)</i>									<i>(RMB'000)</i>	
Tu De Ling	Resigned Director	M	58	23 December 2015	12 August 2021	0	1,911,000	1,911,000	Allocated to individual accounts under the first, second and third phase of the employee share ownership plans of the Company	119.20	No
Xin Qing Quan	Resigned Director (Independent)	M	46	4 December 2014	12 August 2021	0	0	0 /		12.00	No
Xu Yi Xiang	Resigned Director (Independent)	M	47	4 December 2014	12 August 2021	0	0	0 /		12.00	No
Wong Chun Wa	Resigned Director (Independent)	M	47	4 June 2015	12 August 2021	0	0	0 /		12.00	No
Wang Cunlin	Resigned Supervisor	M	49	9 July 2020	12 August 2021	0	0	0 /		0.00	Yes
Xu Xudong	Resigned Supervisor	M	49	9 July 2020	12 August 2021	0	0	0 /		0.00	Yes
Zhao Wei	Resigned Supervisor Representing Staff	M	37	12 August 2020	12 August 2021	0	369,800	369,800	Allocated to individual accounts under the first, second and third phase of the employee share ownership plans of the Company	36.25	No
Zhang Wenxue	Resigned President/ <i>(Note 1)</i>	M	58	30 December 2020	11 June 2021	0	0	0 /		/	No
Meng Xiang Yun	Resigned Senior Vice President, Secretary to the Board <i>(Note 1)</i>	F	47	16 August 2018	19 January 2021	0	1,400,000	1,400,000	Allocated to individual accounts under the first, second and third phase of the employee share ownership plans of the Company and purchased and sold through the secondary market after leaving senior management of the Company	12.97	No
Yao Xiaohu	Resigned Senior Vice President	M	55	11 June 2021	17 February 2022	900	509,900	509,000	Allocated to individual accounts under the first, second and third phase of the employee share ownership plans of the Company and purchased and sold through the secondary market before serving as senior management of the Company	89.24	No
Total	/	/	/	/	/	900	5,698,000	5,697,100	/	1,373.93	/

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. Zhang Wenxue as a Director was 10 March 2021, commencing date of the tenure as the Chairman was 7 July 2021, commencing date of the tenure as the President was from 30 December 2020 to 11 June 2021.

Note 2: Commencing date of the tenure of Mr. Xie Zhixiong as the President was 11 June 2021, commencing date of the tenure as a Director was 12 August 2021.

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 Secretary to the Board was 11 June 2021, and commencing date of the tenure as general counsel was 18 March 2022.

Note 4: The tenure of Ms. Meng Xiang Yun as a senior vice president was from 16 August 2018 to 19 January 2021, and the tenure as a secretary to the Board was from 19 December 2018 to 19 January 2021.

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 Wenxue	<p>born in May 1963, 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. 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 supervisory committee, 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.</p>
Song De An	<p>born in February 1965, is a senior economist. He obtained an EMBA degree from PBC School of Finance, Tsinghua University. He currently serves as the vice chairman of the Company, the chairman of the board of directors of Sichuan Desheng Group. 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
Xie Zhixiong	born in April 1972, is a senior engineer. He currently serves as the president and deputy secretary to the party committee of the Company. 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 center, the deputy head and head of the manufacturing management department, the officer of the technical research center, 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). Mr. Xie graduated from Central South University of Technology (中南工業大學) in 1993 with a major in metal materials engineering.
Lai Xiaomin	born in October 1972, is a senior accountant. He currently serves as the Director of the Company and the senior vice president of Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司). 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. (廣東韶關鋼鐵有限公司), and 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). 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).

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
Zou An	born in November 1974, 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.
Zhou Ping	born in December 1974, 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 and 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). Mr. Zhou 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. (四川德勝機械製造有限公司), general manager of Sichuan Desheng Group Iron and Steel Co., Ltd., and general manager of Sichuan Desheng Group Vanadium and Titanium Co., Ltd. Mr. Zhou graduated from Leshan Industrial School (樂山市工業學校) as a machinery manufacturing and processing major 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).

Section IV Corporate Governance (Continued)

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

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

Name	Major Working Experience
Sheng Xuejun	born in August 1969, 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 Université Paul Cézanne – 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.
Zhang Jinruo	born in August 1980, 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 Center of Xiamen University. Mr. Zhang was a lecturer and associate professor at Chongqing University. Mr. Zhang mainly concentrates on research on financial accounting standards, corporate finance, and taxation. Mr. Zhang has published more than forty papers in well-known academic journals both at home and abroad, and has published several academic books. He was selected into the National High-end Accounting Talent Training Project (academic) project, and served in the first batch of accounting consulting experts of Chongqing Finance Bureau and was Chongqing outstanding scholar and teacher (accounting). Mr. Zhang obtained his master's degree in accounting from Xiamen University in 2005 and his doctorate in accounting from Xiamen University in 2008.

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

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

Name	Major Working Experience
Guo Jiebin	born in July 1980, is a member of the Hong Kong Institute of Certified Public Accountants, 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 was an audit manager, senior audit manager and partner of KPMG and KPMG Huazhen LLP. 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.
Wu Xiao Ping	born in May 1975, is a certified public accountant, currently serves as the chairperson of the supervisory committee 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.

Section IV Corporate Governance (Continued)

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

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

Name	Major Working Experience
Li Huaidong	born in September 1973, is a senior economist and policy advisor, currently serves as supervisor of the Company. Mr. Li is the vice president, secretary to the board of directors and head of the management innovation department of Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司), and 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). 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), and the vice president and secretary to the board of directors of Shaoguan Iron and Steel (韶關鋼鐵). Mr. Li graduated from Department of Iron and Steel Metallurgy, Northeastern University in 1995 with a major in steel metallurgy.
Zhu Xing'an	born in July 1974, is a senior engineer, currently serves as supervisor of the Company. He is the deputy officer of Technology Innovation Center and deputy officer of Technology Research Center 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 Guangdong Shaogang Songshan Co., Ltd. (廣東韶鋼松山股份有限公司). 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.

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 Ya Ping	born in May 1963, 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 honor of National Labor Model in 2005 and was elected as a representative of the 17th CPC National Congress in May 2007. He was awarded the honor of "Heroes and Models with Outstanding Contribution" during the celebration of the 60th anniversary of the liberation of Chongqing in September 2019 and was elected as a representative of the 18th CPC National Congress in May 2012.
Zhang Li Quan	born in August 1962, is a senior engineer and currently serves as a staff representative supervisor of the Company. Mr. Zhang served as the deputy head of the Iron Works, head of the Sintering Plant, the director of the Production and Direction Center, 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.

Section IV Corporate Governance (Continued)

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

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

Name	Major Working Experience
Xie Chao	born in September 1981, 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). and 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 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, completed his study in Leshan Normal University majoring in international economics and trade in 2016, and is now a postgraduate student major in Finance in Hong Kong Finance & Economics College.
Zhang Yong Zhong	born in March 1971, is a professor-level senior engineer. He currently serves as a senior vice president of the Company. 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 Company Limited, 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.

Section IV Corporate Governance (Continued)

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

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

Name	Major Working Experience
Meng Wenwang	born in October 1973, senior engineer, currently serves as a senior vice president 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; the deputy secretary of the Party Committee, secretary of the Disciplinary Committee and Chairman of the Labor Union of Chongqing Iron & Steel Company Limited. 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.
Liu Jianrong	born in September 1974, is a senior engineer. He served as the chairman and the secretary of the Party Committee of the Company, a director and the general manager of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司) until July 2021. Mr. Liu successively served as an assistant to the head of the manufacturing management department of Baosteel Baogang Company (寶鋼股份寶鋼分公司), deputy head of the manufacturing management department of Baosteel Special Steel Company (寶鋼股份特殊鋼分公司), deputy head and head of the manufacturing management department of Special Steel Business Unit of Baosteel (寶鋼股份特鋼事業部), head of the manufacturing management department and secretary to the Party Committee of the manufacturing quality control department in Baosteel Special Material and Baosteel Special Steel, assistant to the general manager of Baosteel Special Steel, assistant to the general manager (on secondment) of Shaoguan Iron & Steel (韶關鋼鐵), deputy general manager of Baosteel Special Steel and chairman of Baosteel Special Steel Changcai Co., Ltd. (寶鋼特鋼長材有限公司), member of the Party Committee, director and deputy general manager/senior vice president (in charge) of Shaoguan Iron & Steel, as well as chairman of Guangdong Shaogang Songshan Co., Ltd., a director, the president and deputy secretary to the Party Committee of Shaoguan Iron & Steel and concurrently serves as the vice chairman, the deputy secretary to the Party Committee of Guangdong Shaogang Songshan Co., Ltd.; the president and deputy secretary of the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Liu has extensive experience in production, manufacturing, operation and management as well as corporate governance in the iron and steel engagements. Mr. Liu graduated from Shanghai University of Technology (上海工業大學) majoring in metal pressure processing in 1996 and obtained a master's degree in industrial engineering from Shanghai Jiao Tong University.

Section IV Corporate Governance (Continued)

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

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

Name	Major Working Experience
Tu De Ling	born in January 1963, served as a director of the Company until August 2021. Mr. Tu joined Chongqing Iron & Steel Group in 1988 and successively served as the deputy head of the financial division of Chongqing Iron & Steel Company (Group) Limited, head of the Financial Division and chief accountant of Chongqing Iron & Steel Company Limited, chairman of Chongqing Iron & Steel Electronic Company (重鋼電子公司), the commander of the environmental relocation headquarters and a director of the finance department of Chongqing Iron & Steel Group, the chairman of Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司), and the financial controller and the vice chairman of Chongqing Iron & Steel Company Limited. Mr. Tu graduated from the Department of Accounting of Sichuan Finance and Economics Vocational College as an accounting major in 1984 with a bachelor's degree in economics.
Xin Qing Quan	born in August 1975. He currently is a professor of accounting, a doctoral tutor in the School of Economics and Business Administration of Chongqing University and the head in the Corporate Finance and Accounting Governance Innovation Institute of Chongqing University, and a special professor under the Chang Jiang Scholars Programme (長江學者特聘教授) of Ministry of Education in 2019, the Changjiang (Yangtze River) Scholar award 2016 by the Ministry of Education, selected for Accounting Master Training Project by the Ministry of Finance in 2019, a special researcher of Chinese Government Auditing Research Center (中國政府審計研究中心) and a member of the 5th CPPCC of Chongqing. Mr. Xin graduated from Zhongshan University with a doctoral degree in accounting. He is mainly engaged in the research of financial accounting and corporate management. He served as an independent director of the Company until August 2021.

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
Xu Yi Xiang	born in February 1974,. He currently is a professor in the School of Economics of Southwest University of Political Science and Law and a doctoral tutor. He is the deputy director (Non-executive) of the Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law, and concurrently served as a part-time lawyer in Chongqing Damei Law Firm. He served as an independent director of the Company until August 2021. Mr. Xu graduated from The Eberhard Karls Universität Tübingen of Germany, and obtained a PhD in Law. He is engaged in the research and practical works of the economic and environmental protection laws and policies for a long time, and has hosted various national and other level research projects and his academic papers have been published in several well-known academic journals at home and abroad. Mr. Xu has extensive experience in corporation, environmental laws and practical operations.
Wong Chun Wa	born in June 1974, director of ACT Business Consultants Limited, director of RIW C.P.A. Limited, and an independent nonexecutive director of China Zhongwang Holdings Limited. He served as an independent director of the Company until August 2021. Mr. Wong worked at KPMG and Ernst & Young, and was an independent nonexecutive director and supervisor of Maanshan Iron & Steel Co. Ltd. Mr Wong was awarded a bachelor's degree in accounting by the Hong Kong Polytechnic University in 1996 and is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
Wang Cun Lin	born in October 1972, is an engineer and served as a supervisor, the deputy secretary of the Party Committee, as well as the secretary of the disciplinary committee and Chairman of the labour union of the Company until August 2021. Mr. Wang has extensive experience in human resources management. He has successively served as the general manager of human resources services center of Baogang Group (寶鋼集團), deputy director and director of office (party committee office) of Baoshan Iron & Steel, head of human resources department (party committee organization department) of Baoshan Iron & Steel (寶鋼股份), secretary of the party committee of hot rolling plant of Baoshan Iron & Steel, director of hot rolling plant and manager of hot rolling production line system transformation project group of Baoshan Iron & Steel Co. Ltd. Mr. Wang graduated from University of Science and Technology Beijing majoring in metal pressure processing in 1994, and subsequently obtained a master's degree in business administration from Fudan University.

Section IV Corporate Governance (Continued)

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

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

Name	Major Working Experience
Xu Xudong	born in February 1972, a certified public accountant (non-practising), currently is director of investment in steel industry of China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司). He served as a supervisor of the Company until August 2021. Mr. Xu has extensive experience in corporate governance and investment management of iron and steel enterprises. He has successively served as head of strategic relations, head of planning management of strategic development department of Baogang Group (寶鋼集團), senior manager of industrial planning and senior manager of investment review of planning and development department of Baosteel Group, director of investment review of Baogang Group and director of investment review and director of investment management of Baogang Group. Mr. Xu graduated from Zhongnan University of Finance and Economics (中南財經大學) in 1993 majoring in investment economics and management, and subsequently obtained a master's degree in business administration from Fudan University.
Zhao Wei	born in June 1984, is a senior engineer and currently serves as general manager of Raw Material Procurement Centre of the Company. He served as the employee representative supervisor of the Company until August 2021. Mr. Zhao has a solid professional foundation of iron and steel and extensive experience in production and manufacturing of iron and steel. He successively served as the secretary of the party branch of the second sintering operation area of the sintering plant, director of the general office of the sintering plant, assistant to the director of the sintering plant, and assistant to the director of the smelting plant of Chongqing Iron & Steel Company Limited and the deputy head of the administration department (Party-Mass Work Department). Mr. Zhao graduated from Kunming University of Science and Technology with a major in metallurgical engineering in 2007, and obtained a master's degree in engineering from Chongqing University.

Section IV Corporate Governance (Continued)

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

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

Name	Major Working Experience
Meng Xiang Yun	born in November 1974, is a PRC certified public accountant, a PRC asset appraiser, a PRC certified tax agent (non-practising member), member of the Association of Chartered Certified Accountants (ACCA) and the tenth session of the National Leading Accounting Talent (Enterprise Class) Project of the Ministry of Finance of the PRC (in progress) and a senior accountant. Ms. Meng served as a senior vice president and the secretary to the Board of the Company until January 2021. Ms. Meng formerly served as a senior audit manager of Zhonghua Certified Public Accountants of BDO International, the chief financial officer of Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司) and the financial supervisor of Durkopp Adler, its German subsidiary. Ms. Meng has been serving as the chief accountant of Baosteel Group Co., Ltd. (寶鋼集團有限公司) and acting as a director of Baosteel Development Co., Ltd. (寶鋼發展有限公司), a director of Shanghai Environment and Energy Exchange Company Limited (上海環境能源交易所股份有限公司) and an independent director of CTS International Logistics Corporation Limited (港中旅華貿國際物流股份有限公司) during the period. She has been acting as the chief financial officer of Shanghai Runliangtai Internet of Things Technology Partnership (L.P.) (上海潤良泰物聯網科技合夥企業(有限合夥)) and the chairman of the supervisory committee of Shenzhen Sunsea Communication Technology Co., Ltd. (深圳日海通訊技術股份有限公司). Ms. Meng is familiar with the design of corporate financial management system architecture, is proficient in various financial management and operation modes of large enterprise groups, and has a deep understanding of corporate internal control construction, financial information system design, financial team construction, investment management and financial policies and control. Ms. Meng obtained a bachelor's degree in accounting from Beijing Wuzi University (北京物資學院) in 1996 and a master's degree in management from Shanghai Academy of Social Sciences in 1999.
Yao Xiaohu	born in August 1966, is a senior engineer and served as a senior vice president of the Company until February 2022. 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, the deputy general manager 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.

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 explanation

Applicable Not applicable

1. *Explanations on changes of directors of the Company*

- (1) The Company convened the 31th meeting of the eighth session of the Board on 30 December 2020 and convened the 2021 first extraordinary general meeting on 10 March 2021, at which Mr. Zhang Wenxue was elected as a director of the eighth session of the Board of the Company.
- (2) On 5 July 2021, the Company received a written resignation tendered by Mr. Liu Jianrong, the chairman. Mr. Liu Jianrong tendered his resignation to the Board of the Company as the chairman, a director and a member of the special committee under the Board due to work adjustment.
- (3) On 7 July 2021, the Company convened the 40th meeting of the eighth session of the Board, at which Mr. Zhang Wenxue was elected as the chairman of the eighth session of the Board of the Company.
- (4) On 12 August 2021, the Company convened the 2021 second extraordinary general meeting, at which the re-election of members of the Board was conducted. Mr. Zhang Wenxue, Mr. Song De An, Mr. Xie Zhixiong, Mr. Lai Xiaomin, Mr. Zou An and Mr. Zhou Ping were elected as non-independent directors of the ninth session of the Board of the Company for a term of three years; Mr. Sheng Xuejun, Mr. Zhang Jinruo and Mr. Guo Jiebin were elected as independent (non-executive) directors for the ninth session of the Board of the Company for a term of three years; Mr. Tu Deling, Mr. Xin Qingquan, Mr. Xu Yixiang and Mr. Wong Chunwa resigned due to the expiry of the term of office.

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)

1. Explanations on changes of directors of the Company (Continued)

- (5) On 20 August 2021, the Company convened the first meeting of the ninth session of the Board, at which Mr. Zhang Wenxue was elected as the chairman of the ninth session of the Board of the Company and Mr. Song De An was elected as a vice chairman of the ninth session of the Board of the Company; Mr. Zhang Wenxue, Mr. Song De An, Mr. Xie Zhixiong, Mr. Lai Xiaomin, Mr. Zou An and Mr. Zhou Ping were appointed as members of the Strategy Committee under the ninth session of the Board, and Mr. Zhang Wenxue was appointed as the chairman; Mr. Zhang Jinruo, Mr. Zhou Ping, Mr. Sheng Xuejun and Mr. Guo Jiebin were appointed as members of the Audit Committee under the ninth session of the Board, and Mr. Zhang Jinruo was appointed as the chairman; Mr. Sheng Xuejun, Mr. Song De An, Mr. Zhang Jinruo and Mr. Guo Jiebin were appointed as members of the Nomination Committee under the ninth session of the Board, and Mr. Sheng Xuejun was appointed as the chairman; Mr. Guo Jiebin, Mr. Song De An, Mr. Sheng Xuejun and Mr. Zhang Jinruo were appointed as members of the Remuneration and Evaluation Committee under the ninth session of the Board, and Mr. Guo Jiebin was appointed as the chairman.

2. Explanations on changes of supervisors of the Company

- (1) On 12 August 2021, the Company convened the 2021 second extraordinary general meeting, at which the re-election of members of the Supervisory Committee was conducted. Mr. Wu Xiaoping, Mr. Li Huaidong and Mr. Zhu Xing'an were elected as non-employee representative supervisors of the ninth session of the Supervisory Committee of the Company for a term of three years; on the same date, the Company convened the 8th meeting of the first session of staff congress, at which Mr. Zhou Ya Ping and Mr. Zhang Li Quan were elected as staff representative supervisors of the ninth session of the Supervisory Committee of the Company for a term of three years; Mr. Wang Cunlin, Mr. Xu Xudong and Mr. Zhao Wei resigned due to the expiry of their term of office..
- (2) On 20 August 2021, the Company convened the first meeting of the ninth session of the Board, at which Mr. Wu Xiaoping was elected as the chairman of the ninth session of the Supervisory Committee of the Company.

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 19 January 2021, the Company received a written resignation letter from Ms. Meng Xiang Yun, a senior vice president and secretary to the Board. Due to work adjustments, Ms. Meng Xiang Yun applied to the Board of the Company for resignation as a senior vice president and secretary to the Board.
- (2) On 11 June 2021, the Company received a written resignation letter from Mr. Zhang Wenxue, the president. Due to work adjustments, Mr. Zhang Wenxue applied to the Board of the Company for resignation as the president.

On the same date, the Company held the 39th meeting of the eighth session of the Board, at which Mr. Xie Zhixiong was appointed as the Company's president, Mr. Yao Xiaohu was appointed as a senior vice president of the Company, and Mr. Zou An was appointed as the secretary to the Board and a joint company secretary of the Company.

- (3) On 17 February 2022, the Company received a written resignation letter from Mr. Yao Xiaohu. Due to work reallocation, Mr. Yao Xiaohu applied to the Board of the Company for resignation as a senior vice president.
- (4) On 18 February 2022, the Company held the eighth meeting of the ninth session of the Board, at which Mr. Meng Wenwang was appointed as a senior vice president of the Company.

Section IV Corporate Governance (Continued)

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

(II) Positions by directors, supervisors and senior management currently holding office or having resigned during the reporting period

1. *Positions held at shareholders*

Applicable Not applicable

Name	Name of shareholder entity	Position held at the shareholders	Starting date of the tenure	Ending date of the tenure
Zhang Wenxue	Chongqing Changshou Iron & Steel Company Limited	director, general manager	June 2021	/
Song De An	Chongqing Changshou Iron & Steel Company Limited	vice chairman	November 2019	June 2021
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 Xiao Ping	Chongqing Changshou Iron & Steel Company Limited	supervisor	November 2020	/
Liu Jianrong	Chongqing Changshou Iron & Steel Company Limited	director, general manager	November 2020	June 2021
Xu Xudong	China Baowu Iron and Steel Group Co., Ltd.	director of investment in steel industry	November 2016	/
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. (寶武集團中南鋼鐵有限公司)	senior vice president	November 2020	/
Zhou Ping	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.	chairman	February 2016	/
Wu Xiao Ping	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.	financial controller	January 2016	/
Li Huaidong	Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司)	vice president, Secretary to the Board and head of management innovation department	December 2020	/
Li Huaidong	Guangdong Baoliandi International Operation Management Co., Ltd. (廣東寶聯迪國際運營管理有限公司)	chairman	December 2020	/
Zhu Xing'an	Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司)	deputy director of technology innovation center, deputy director of technology research center	January 2021	/
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)

2. Positions held at other entities (Continued)

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Sheng Xuejun	Chongqing Shariae Law Firm	Part-time lawyer of Dentons, Qianwei Law Firm (重慶潛衛律師事務所)	September 1997	/
Sheng Xuejun	Chongqing Department Store Co., Ltd. (重慶百貨大樓股份有限公司)	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	Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd. (焦作萬方鋁業股份有限公司)	Director, Deputy General Manager, Chief Financial Officer	September 2018	/
Guo Jiebin	Jiaozuo Coal Group ZhaoGu (Xinxiang) Energy Company Limited (焦作煤業集團趙固(新鄉)能源有限責任公司)	director	December 2020	/
Xin Qing Quan	the School of Economics and Business Administration of Chongqing University	professor of accounting and doctoral tutor	September 2013	/
Xin Qing Quan	Chinese Government Auditing Research Center (中國政府審計研究中心)	special researcher	January 2014	/
Xin Qing Quan	Corporate Finance and Accounting Governance Innovation Institute of Chongqing University	head	June 2017	/

Section IV Corporate Governance (Continued)

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

(II) Positions by directors, supervisors and senior management currently holding office or having resigned during the reporting period (Continued)

2. Positions held at other entities (Continued)

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Xu Yi Xiang	Southwest University of Political Science and Law	professor and doctoral tutor	February 2010	/
Xu Yi Xiang	the Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law	deputy director (non-executive)	June 2013	/
Xu Yi Xiang	Chongqing Damei Law Firm	lawyer (part-time)	October 2020	/
Wong Chun Wa	China Zhongwang Holdings Limited	independent non-executive director	August 2008	/
Wong Chun Wa	ACT Business Consultants Ltd.	director	December 2006	/
Wong Chun Wa	RIW C.P.A. Limited	director	March 2008	/
Explanation of positions Held at other entities	Nil			

(III) Remunerations of directors, supervisor and senior management

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 been considered and passed by the Company's Board of Directors and Supervisory Committee.
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IV. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF (CONTINUED)

(III) Remunerations of directors, supervisor and senior management (Continued)

Basis for determining remunerations of Directors, Supervisors and Senior Management

In August 2021, the Company's directors, supervisors, and senior management were re-elected. During the Reporting Period, the Company implemented two remuneration plans for directors, supervisors, and senior management. The details are as follows:

1. Implementation plan for remuneration of the eighth session of directors, supervisors, and senior management
 - (1) the Company convened the 2017 annual general meeting on 15 May 2018, at which the plan for the remunerations of the directors and supervisors of the eighth session of board of directors and Supervisory Committee was considered and approved, which reads as follows: 1) Executive Directors and Supervisors do not receive Directors' and Supervisors' remuneration from the Company or its subsidiaries, but receive emolument based on their specific management functions in the Company. The emolument consists of annual basic salary, performance-related incentive, company-performance related incentive and equity incentive, which is determined by the Board of the Company based on the remuneration standards for Directors and Supervisors of the Company as approved at the general meeting with reference to their functions, responsibilities and the results of the Company. The annual remuneration for independent non-executive Directors is RMB180,000 (before tax). 2) Non-executive directors and external supervisors do not receive remuneration from the Company. 3) In order to facilitate better performance of duties by the Directors, Supervisors and Senior Management, the Company arranged liability insurance for its Directors, Supervisors and Senior Management.
 - (2) According to the Incentive Framework Plan for Senior Management of Chongqing Iron & Steel Company Limited approved by the Board, the Company emphasized the consistency between the company's operating performance and personal interests, and reflected the spirit of co-creation and sharing. The Company and senior management team entered into the performance targets undertaking, the Company put into practice the management principle of taking performance results as the number one valuation standard. The performances will be valued based on the fulfillment level of the undertakings for each month, quarter and year, and remunerations will be paid based on the valuation.

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

(III) Remunerations of directors, supervisor and senior management (Continued)

- | | | |
|---|-----|---|
| Basis for determining remunerations of Directors, Supervisors and Senior Management (Continued) | 2. | Implementation plan for the remuneration of the ninth session of directors, supervisors and senior management |
| | (1) | <p>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 supervisory committee 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.</p> |
| | (2) | <p>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.</p> |

Section IV Corporate Governance (Continued)

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

(III) Remunerations of directors, supervisor and senior management (Continued)

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 RMB13,739,300.
Total remunerations actually received by all Directors, Supervisors and Senior Management at the end of the Reporting Period	13,739,300

(IV) Changes of directors, supervisors and senior management

Applicable Not applicable

Name	Position	Change	Reason for change
Zhang Wenxue	Director, Chairman	Election	Elected in August 2021
Song De An	Director, Vice Chairman	Election	Elected in August 2021
Xie Zhixiong	Director	Election	Elected in August 2021
Lai Xiaomin	Director	Election	Elected in August 2021
Zou An	Director	Election	Elected in August 2021
Zhou Ping	Director	Election	Elected in August 2021
Sheng Xuejun	Independent Director	Election	Elected in August 2021
Zhang Jinruo	Independent Director	Election	Elected in August 2021
Guo Jiebin	Independent Director	Election	Elected in August 2021
Wu Xiao Ping	Supervisor, Chairman of the Supervisory Committee	Election	Elected in August 2021
Li Huaidong	Supervisor	Election	Elected in August 2021
Zhu Xing'an	Supervisor	Election	Elected in August 2021
Zhou Ya Ping	Staff Representative Supervisor	Election	Elected in August 2021
Zhang Li Quan	Staff Representative Supervisor	Election	Elected in August 2021
Xie Zhixiong	President	Appointment	Newly appointed in June 2021
Zou An	Secretary to the Board	Appointment	Newly appointed in June 2021
Meng Wenwang	Senior Vice President	Appointment	Newly appointed in February 2022

Section IV Corporate Governance (Continued)

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

(IV) Changes of directors, supervisors and senior management (Continued)

Name	Position	Change	Reason for change
Liu Jianrong	Director, Chairman	Resigned	Resignation in July 2021 due to work rearrangement
Tu De Ling	Director	Resigned	Resignation in August 2021 due to expiration of term
Xin Qing Quan	Independent Director	Resigned	Resignation in August 2021 due to expiration of term
Xu Yi Xiang	Independent Director	Resigned	Resignation in August 2021 due to expiration of term
Wong Chun Wa	Independent Director	Resigned	Resignation in August 2021 due to expiration of term
Wang Cun Lin	Supervisor	Resigned	Resignation in August 2021 due to expiration of term
Xu Xudong	Supervisor	Resigned	Resignation in August 2021 due to expiration of term
Zhao Wei	Staff Representative Supervisor	Resigned	Resignation in August 2021 due to expiration of term
Zhang Wenxue	President	Resigned	Resignation in July 2021 due to work rearrangement
Meng Xiang Yun	Senior Vice President, Secretary to the Board	Resigned	Resignation in January 2021 due to work rearrangement
Yao Xiaohu	Senior Vice President	Resigned	Newly appointed in June 2021 Resignation in February 2022 due to work rearrangement

(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 32nd meeting of the eighth session of the Board	11 January 2021	Considered and passed: 1. the resolution on the amendment to the Articles of Association and its annex
the 33rd meeting of the eighth session of the Board	29 January 2021	Considered and passed: 1. Resolution on the Service and Supply Agreement and its supplemental agreement and the continuing connected transactions (including the proposed caps) entered into between the Company and China Baowu 2. Resolution on applying for financing from China Reform Financial with the financing amount of RMB1.5 billion
the 34th meeting of the eighth session of the Board	26 February 2021	Considered and passed: 1. Resolution regarding the mandate to the management of the Company to purchase structured deposits or wealth management products with self-owned funds
the 35th meeting of the eighth session of the Board	19 March 2021	Considered and passed: 1. the Proposal on Provision for Asset Impairment for 2020 2. the final financial accounts report for the year 2020 3. the 2020 annual report (full text and summary) 4. the profit distribution plan for the year 2020 5. the environmental and social responsibility report in 2020 6. the report of the board of directors for the year 2020 7. the report on implementation of remuneration for directors, supervisors and senior management in 2020 8. the self-assessment report on internal control in 2020 9. proposal on fixed asset investment in 2021 10. proposal on the renewal of the financial and internal control audit institution in 2021 11. the proposal for the proposed budget for the year 2021 12. the proposal on external donation projects in 2021 13. the proposal on adjusting the organizational structure of the Company 14. The proposal for the signing of the Financial Service Agreement and the connected transactions between the Company and Baowu Finance Company 15. The proposal for the entering into of the 2021–2023 Service and Supply Agreement and the continuing connected transactions (including the annual caps) between the Company and China Baowu

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 36th meeting of the eighth session of the Board	21 April 2021	Considered and passed: <ol style="list-style-type: none">the proposal on adjusting the investment plan for the improvement and reconstruction project for the automation and equipment of the hot rolling production line of the rolling plantthe proposal on supplementing the investment plan for the upgrading project of desulfurization and denitrification of the 1# sintering machine in the iron smelting plantthe proposal on considering three basic management systems including the comprehensive risk management measures of Chongqing Iron & Steel Company Limited
the 37th meeting of the eighth session of the Board	29 April 2021	Considered and passed: <ol style="list-style-type: none">the first quarterly report of 2021the remuneration plan for senior management in 2021–2023
the 38th meeting of the eighth session of the Board	26 May 2021	Considered and passed: <ol style="list-style-type: none">the proposal on convening the 2020 annual general meeting
the 39th meeting of the eighth session of the Board	11 June 2021	Considered and passed: <ol style="list-style-type: none">the proposal on the appointment of senior management of the Companythe proposal on related party transaction for the purchase of Changshou Iron & Steelthe proposal on the Company's applying to 7 financial institutions for a comprehensive credit limit of RMB6.55 billion
the 40th meeting of the eighth session of the Board	7 July 2021	Considered and passed: <ol style="list-style-type: none">The Resolution in relation to the Election of Mr. Zhang Wenxue as the Chairman of the Company

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 41st meeting of the eighth session of the Board	20 July 2021	<p>Considered and passed:</p> <ol style="list-style-type: none"> Resolution on the election of non-independent Directors of the ninth session of the Board Resolution on the election of the independent Directors of the ninth session of the Board Resolution on the remuneration of the members of the ninth session of the Board and the supervisory committee the Proposal in relation to the Adjustment to the Scale of the Fourth Phase of Employee Share Ownership Plan the proposal on convening the 2021 second extraordinary general meeting
the 42nd meeting of the eighth session of the Board	30 July 2021	<p>Considered and passed:</p> <ol style="list-style-type: none"> the proposal on promoting the tenure system and contractual management for managers
the first meeting of the ninth session of the Board	20 August 2021	<p>Considered and passed:</p> <ol style="list-style-type: none"> the proposal on election of the chairman and vice chairman of the ninth session of the Board of Directors of the Company the proposal on appointing members of special committees of the ninth session of the Board of Directors of the Company the proposal on entering into the 2021 Supply Agreement and related party transactions between the Company and Sichuan Desheng
the second meeting of the ninth session of the Board	28 August 2021	<p>Considered and passed:</p> <ol style="list-style-type: none"> 2021 interim report (full text and summary) the proposal on the formation of a joint venture and related party transaction between the Company and Baowu Environment
The third meeting of the ninth session of the Board	28 September 2021	<p>Considered and passed:</p> <ol style="list-style-type: none"> the proposal on the medium-term plan for fixed asset investment in 2021 the proposal on the Company's applying to financial institutions for a comprehensive credit line of RMB3.01 billion and USD200 million

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 4th meeting of the ninth session of the Board	15 October 2021	Considered and passed: <ol style="list-style-type: none">the proposal for the entering into of the Service and Supply Supplemental Agreement and the connected transactions between the Company and Sichuan Desheng
The 5th meeting of the ninth session of the Board	29 October 2021	Considered and passed: <ol style="list-style-type: none">Third quarterly report of 2021
The 6th meeting of the ninth session of the Board	21 December 2021	Considered and passed: <ol style="list-style-type: none">the proposal on formation of a joint venture and connected transactions between the Company and Baosteel Resources Holdings (Shanghai) Co., Ltd.the proposal on the Company's applying for a comprehensive credit line of RMB6.91 billion from 7 financial institutionsthe proposal on amendments to the Work Regulations of the Strategy Committee under the Board of Directorsthe proposal on the disposal of the remaining shares for debt-for-equity swap in the temporary securities account of Chongqing Iron & Steel

Section IV Corporate Governance (Continued)

VI. DUTY PERFORMANCE OF DIRECTORS

(I) Directors' attendance of Board meetings and general meetings

Name of director	Independent director or not	Number of Board meetings	Attendance of Board meetings				Whether failed to attend 2 consecutive meetings in person	Attendance of general meetings
			Attendance in person	Attendance via communication	Attendance by proxy	Absence		
Zhang Wenxue	No	14	14	10	0	0	No	2
Song De An	No	17	16	14	1	0	No	0
Xie Zhixiong	No	6	6	4	0	0	No	0
Lai Xiaomin	No	6	6	5	0	0	No	0
Zou An	No	17	17	13	0	0	No	3
Zhou Ping	No	17	16	14	1	0	No	0
Sheng Xuejun	Yes	6	6	5	0	0	No	0
Zhang Jinruo	Yes	6	6	5	0	0	No	0
Guo Jiebin	Yes	6	6	5	0	0	No	0
Liu Jianrong	No	8	8	6	0	0	No	0
Tu De Ling	No	11	11	9	0	0	No	0
Xin Qing Quan	Yes	11	11	9	0	0	No	0
Xu Yi Xiang	Yes	11	11	9	0	0	No	1
Wong Chun Wa	Yes	11	11	11	0	0	No	0

Explanations on failure to attend 2 consecutive meetings in person

Applicable Not applicable

Number of Board meetings during the year	17
Including: number of physical meetings	1
Number of virtual meetings	13
Number of meetings by both physical and virtual means	3

(II) Objections raised by independent Directors in respect of relevant matters of the Company

Applicable Not applicable

Section IV Corporate Governance (Continued)

VI. DUTY PERFORMANCE OF DIRECTORS (CONTINUED)

(III) Others

Applicable Not applicable

During the Reporting Period, the work of the Board of Directors was completed jointly by the two sessions of the Board of Directors. Members of the eighth session of Board of Directors of the Company include: Liu Jianrong, Song De An, Zhang Wenxue, Tu De Ling, Zou An, Zhou Ping, Xin Qing Quan, Xu Yi Xiang, and Wong Chun Wa. On 12 August 2021, the Company's Board of Directors was re-elected. Members of the ninth session of Board of Directors include: Zhang Wenxue, Song De An, Xie Zhixiong, Lai Xiaomin, Zou An, Zhou Ping, Sheng Xuejun, Zhang Jinruo, Guo Jiebin.

VII. SPECIAL COMMITTEES UNDER THE BOARD

Applicable Not applicable

(1). Membership of special committees under the Board

Special Committee Category	Name
Audit Committee	the eighth session: Xin Qing Quan, Zhou Ping, Xu Yi Xiang, Wong Chun Wa the ninth session: Zhang Jinruo, Zhou Ping, Sheng Xuejun, Guo Jiebin
Nomination Committee	the eighth session: Xu Yi Xiang, Song De An, Xin Qing Quan, Wong Chun Wa the ninth session: Sheng Xuejun, Song De An, Zhang Jinruo, Guo Jiebin
Remuneration and Evaluation Committee	the eighth session: Wong Chun Wa, Song De An, Xin Qing Quan, Xu Yi Xiang the ninth session: Guo Jiebin, Song De An, Sheng Xuejun, Zhang Jinruo
Strategy Committee	the eighth session: Liu Jianrong, Song De An, Zhang Wenxue, Tu De Ling, Zou An, Zhou Ping the ninth session: Zhang Wenxue, Song De An, Xie Zhixiong, Lai Xiaomin, Zou An, Zhou Ping

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(2). During the reporting period, the Audit Committee held 4 meetings

Date	Content of meetings	Important comments and suggestions	Other performance of duties
19 March 2021	At the 12th meeting of the Audit Committee of the eighth session of the Board, views were exchanged on the audit results of Ernst & Young Hua Ming LLP ("Ernst & Young Hua Ming") for the year 2020 and the communication report on related matters, the Company's 2020 internal audit work summary and 2021 internal audit work plan were heard; and the resolution on provision for asset impairment of the Company in 2020, financial accounts for the year 2020, the 2020 annual report, the 2020 profit distribution plan, the 2020 internal control self-evaluation report, the 2021 annual plan budget, the resolution on re-appointment of financial and internal control auditors in 2021, the resolution on the entering into of the Financial Service Agreement and the connected transactions between the Company and Baowu Finance Company, the resolution on the entering into of the 2021-2023 Service and Supply Agreement and the continuing connected transactions (including the annual caps) between the Company and China Baowu.	<p>1. Upon the issue of Auditors' Report for 2020 by Ernst & Young Hua Ming LLP, the Audit Committee under the Board of the Company held a meeting, at which it made a summary of the audit work by Ernst & Young Hua Ming LLP. The Audit Committee was of the opinion that Ernst & Young Hua Ming LLP adhered to the principles of independence in its practice of auditing for the Company, implemented the integration audit in strict accordance with China Standards on Auditing and the relevant provisions of the Enterprise Internal Control Audit Guidance, earnestly performed its duties as an auditor, and the audit fees were reasonable. In this regard, the Audit Committee of the Board recommended to re-appoint Ernst & Young Hua Ming LLP as the Company's auditor for financial and internal control in 2021.</p> <p>Prior to the commencement of annual audit by the auditor, the Audit Committee under the Board communicated with Ernst & Young Hua Ming LLP in respect of the plan for annual audit and specific audit arrangement in 2021, and examined the independence of the auditors concerned. Upon the commencement of audit by Ernst & Young Hua Ming LLP for annual audit, the Audit Committee of the Board communicated and exchanged opinions with the Ernst & Young Hua Ming LLP for annual audit about the problems identified during the auditing and consulted with them for the submitting time of the auditors' report. After the Ernst & Young Hua Ming LLP issued the preliminary audit opinion and before the Company convenes a Board meeting to consider the annual report, the Audit Committee conducted two-way communication with Ernst & Young Hua Ming LLP on the audit.</p>	<p>In 2021, the Audit Committee under the Board of the Company considered and expressed opinions on the entering into of the Financial Service Agreement between the Company and Baowu Finance Company, the entering into of the Service and Supply Agreement between the Company and China Baowu. These related-party transactions are legal and compliant, in line with the Company's development strategy, conducive to the Company's sustainable development, are in the interests of the Company and all shareholders as a whole, and will not harm the interests of the Company and other shareholders, especially non-related shareholders.</p> <p>In 2021, in accordance with relevant laws and regulations, the Audit Committee of the Board of the Company earnestly performed its duties, fully leveraged on the professional level and professional experience of members to provide advice and recommendations for decision-making of the Board.</p>

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(2). During the reporting period, the Audit Committee held 4 meetings (Continued)

Date	Content of meetings	Important comments and suggestions	Other performance of duties
		<p>2. The Audit Committee of the Board of Directors listened carefully to the report on 2020 Internal Audit Work and the Company's 2021 Internal Audit Work Plan, put forward guiding opinions on the work quality of the internal audit of the Company, and required to further promote the full coverage of audit and expand the breadth and depth of audit supervision, studied and analyzed the problems found in internal audit, and suggested to pay attention to the establishment and improvement of long-term mechanism for internal audit problems rectification, plugged management loopholes, improved management performance.</p> <p>3. The Audit Committee under the Board debriefed the major problems found in the audit of 2020 annual report and suggestions for improvement from Ernst & Young Hua Ming LLP, exchanged opinions on issues related the recognition of deferred income tax assets and the assessment of asset impairment losses.</p>	
		<p>The Audit Committee under the Board of the Company earnestly reviewed the Company's 2020 regular financial report and believed that the Company's 2020 regular financial accounting statements could be prepared in accordance with the requirements of Accounting Standard for Business Enterprises, comply with the requirements of the relevant departments of the Ministry of Finance and China Securities Regulatory Commission, and sufficiently reflect the Company's financial position, operating results and cash flow.</p>	
		<p>4. The Audit Committee under the Board of the Company reviewed the Company's self-assessment report on internal control and the internal control audit report issued by Ernst & Young Hua Ming LLP. The Audit Committee under the Board agreed with the Company's self-assessment report on internal control and believed that the Company had established a relatively complete internal control system and standardized business processes. The Company's internal control was generally effective, and found no material defect in the Company's financial report and non-financial reporting.</p>	

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(2). During the reporting period, the Audit Committee held 4 meetings (Continued)

Date	Content of meetings	Important comments and suggestions	Other performance of duties
29 April 2021	The 13th meeting of the Audit Committee of the eighth session of the Board considered the 2021 first quarterly report.	/	
28 August 2021	The first meeting of the Audit Committee of the ninth session of the Board considered the 2021 interim report.	/	
29 October 2021	The second meeting of the Audit Committee of the ninth session of the Board considered the 2021 third quarterly report.	/	

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(3) During the reporting period, the Nomination Committee held 2 meetings

Date	Content of meetings	Important comments and suggestions	Other performance of duties
11 June 2021	The 10th meeting of the Nomination Committee of the eighth session of the Board of Directors considered the resolution on the appointment of senior management personnel of the Company.	After fully understanding the qualifications, professional knowledge, skills, management experience and physical condition of the senior management employed, the Nomination Committee believed that the senior management hired by the Board of Directors are competent for their respective duties, and have required qualifications and conditions for discharging their powers and responsibilities. No circumstance was identified under which they are forbidden to be appointed as senior management of the Company, nor is there any other situations under which they are banned from market entry by the CSRC and such order has not yet been lifted. It has not been publicly condemned or criticized by the China Securities Regulatory Commission. It is approved to appoint Mr. Xie Zhixiong as the Company's president, Mr. Yao Xiaohu as a senior vice president of the Company, and Mr. Zou An as the secretary to the Board of the Company and a joint company secretary, and submit them to the Company's Board of Directors for consideration.	During the Reporting Period, the Company's eighth and ninth session of independent directors were professionals in the sectors of accounting and law. Upon reviewing, such two sessions of independent directors of the Company held no posts other than that of directors in the Company, and had no relationship with the Company and substantial shareholders of the Company as to hinder their independent and objective judgement. During the Reporting Period, the number of listed companies in which the Company's independent directors were independent directors did not exceed five, and the number of listed companies in which they were directors did not exceed seven, which was in compliance with the independence standard under laws and regulations such as the Guidance on Establishment of the Independent Director System in Listed Companies and the Stock Listing Rules. In 2021, the Company completed the re-election, and the work of the Board of Directors this year was completed jointly by the two sessions of the Board of Directors. As of 31 December 2021, the Board of the Company consisted of 9 members, including 3 independent directors. The Board was composed of persons possessing professional quality in iron and steel manufacturing, accounting and law, and with extensive experience in corporate management practices, corporate governance, green development, which met the Company's strategic development goals. The Board of the Company had four special committees, namely the Audit Committee, the Strategy Committee, the Remuneration and Evaluation Committee and the Nomination Committee, of which, the number of independent directors in the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee accounted for three quarters, except for the Strategy Committee, the role of chairman of each special committee was held by different independent directors and the chairman of Audit Committee was professional accountant. The composition of each special committee under the Board is in compliance with relevant requirements.
20 July 2021	The 11th meeting of the Nomination Committee of the eighth session of the Board of Directors considered the resolution on the election of non-independent directors of the ninth session of Board of Directors and the resolution on the election of independent directors of the ninth session of Board of Directors.	The structure and number of members of the ninth session of Board of Directors of the Company comply with the relevant laws and regulations and the Company's Articles of Association. The education background, professional knowledge, skills, management experience and current physical condition of the director candidates are able to meet the requirements of the post, and have the qualifications and conditions corresponding to the exercise of their powers, which are in line with the Company's strategic development goals. Candidates for independent directors are independent and had no relationship with the Company and substantial shareholders of the Company as to hinder their independent and objective judgement. No circumstance was identified under which they are forbidden to be appointed as directors, nor is there any other situations under which they are banned from market entry by the CSRC and such order has not yet been lifted. It has not been publicly condemned or criticized by the China Securities Regulatory Commission.	The diversity and group thinking of the Company's directors in terms of skills, knowledge and experience, as well as cognition and personal advantages, will facilitate the Board to make the best decisions, enhance the efficiency of the Board and improve corporate governance.

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(4). During the Reporting Period, the Remuneration and Evaluation Committee held 3 meetings

Date	Content of meetings	Important comments and suggestions	Other performance of duties
19 March 2021	The 6th meeting of the Remuneration and Evaluation Committee of the eighth session of the Board heard and discussed the report on the implementation of remuneration for directors, supervisors and senior management for 2020.	The members attending the meeting were of the view that the remuneration distribution of the Company's directors, supervisors and other senior management personnel for 2020 was in line with the established remuneration design scheme, and there was no circumstance that harmed the interests of the Company and shareholders, as such, this resolution was approved and submitted to the Board for consideration.	
29 April 2021	The 7th meeting of the Remuneration and Evaluation Committee of the eighth session of the Board heard the remuneration plan for senior management from 2021 to 2023, and exchanged and discussed the issues such as the setting performance appraisal indicators of senior management.	The members attending the meeting were of the view that the 2021–2023 remuneration plan for the Company's senior management was formulated based on the its strategic development and production and operation objectives, as such, 2021–2023 remuneration plan for senior management was approved and submitted to the Board for consideration.	
20 July 2021	The 8th meeting of the Remuneration and Evaluation Committee of the eighth session of the Board heard the resolution on the remuneration of the members of the ninth session of the Board of Directors and the Supervisory Committee.	The members attending the meeting were of the view that the remuneration plan for the members of the ninth session of the Board of Directors and the Supervisory Committee formulated by the Company in line with the future business objectives and human resources orientation and based on the positions and duties of directors in the Company, was in compliance with relevant national laws and regulations and the provisions of the Articles of Association, which will help to enhance the enthusiasm of directors, and contribute to the long-term development of the Company, without harming the interests of the Company and shareholders. The Company purchased liability insurance for directors, supervisors and senior management to compensate them for the economic compensation losses suffered in the performance of their duties (other than liabilities of directors, supervisors and executives due to their violations of laws and regulations and the Articles of Association), which may provide a corresponding guarantee for the Company's directors, supervisors and senior management to perform their duties normally. As such, the resolution on the remuneration of members of the ninth session of the Board of Directors and the Supervisory Committee was approved and submitted to the Board for consideration.	

Section IV Corporate Governance (Continued)

VII. SPECIAL COMMITTEES UNDER THE BOARD (CONTINUED)

(5). During the Reporting Period, the Strategy Committee held one meeting

Date	Content of meetings	Important comments and suggestions	Other performance of duties
19 March 2021	The 3rd meeting of the Strategy Committee of the eighth session of the Board studied and discussed the resolution on fixed asset investment in 2021.	According to the environmental protection / requirements such as the protection of the Yangtze River and the ultra-low emission in the steel industry, taking into consideration the development needs of planning and building a high-quality and green intelligent steel enterprise with a capacity of over 10 million tons, the Company intended to invest in 126 fixed asset projects in 2021, including safety, environmental protection, and employee improvement, smart manufacturing and other categories, with a total investment of RMB2,654,130, and the source of funds for the projects was the Company's own funds and bank financing. The Company's fixed asset investment projects in 2021 were in line with its development needs of production and operation. As such, the resolution on fixed asset investment in 2021 was approved and submitted to the Board for consideration.	

(6). The specific circumstances of the objection

Applicable Not applicable

VIII. EXPLANATION ON THE RISKS OF THE COMPANY FOUND BY THE SUPERVISORY COMMITTEE

Applicable Not applicable

The Supervisory Committee has no objection to the matters relating to supervision during the Reporting Period.

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

(I) Employees

Number of in-service employees of the Parent Company	6,456
Number of in-service employees of major subsidiaries	278
Total number of in-service employees	6,734
Number of retired employees for whom the Parent Company and major subsidiaries need to bear certain expenses	479

Structure of profession

Type of profession	Number of people
Production staff	5,494
Sales staff	82
Technical staff	854
Finance staff	50
Administrative staff	254
Total	6,734

Educational Background

Education level	Number of people
Doctor's degree	3
Master's degree	92
Undergraduate	1,120
Associate diploma	2,203
Polytechnic school level and below	3,316
Total	6,734

Note: the above number of in-service employees is the number of in-service persons of the Company as at the 31 December 2021.

Section IV Corporate Governance (Continued)

IX. EMPLOYEES OF THE PARENT 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 labor in legitimate working time (including the trial period, probationary period and inspection period).

In relation to item III(19) "Payroll and employee benefits payable" under the section headed "Notes to the Financial Statements" of this report, the Group has no forfeiture of contributions under the defined contribution plans (i.e. contributions processed by the employer on behalf of the employee who has left the scheme prior to vesting fully in such contributions). As at 31 December 2021, no forfeited contribution under the defined contribution scheme is available for the Group to reduce the existing level of 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 focus on the overall planning of the human resources department, in the year 2021, benchmarking was conducted to identify gap between itself and leading enterprises, and external training, centralized training, mentoring system and online training were applied to the Company's employee training program in a bid to develop the employees' training, and a total of 48,764 attendances by employees were recorded, with 76.2 hours of training for each employee in average, representing a significant increase as compared with that for 2020. Training indicators such as the implementation rate of the training plan, the certification of professional titles and the certification of professional qualifications have all achieved the target value of the annual plan.

IX. EMPLOYEES OF THE PARENT 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.

As audited by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company in 2021 was RMB2,173 million. As of the end of 2021, the Company's undistributed profit was RMB-6,613 million. Given that the Company's undistributed profit was negative as at the end of 2021, the Board proposed that the Company should not make any distribution of profits, or transfer capital reserve into share capital for the year of 2021 according 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

XI. DISTRIBUTABLE RESERVE

As of 31 December 2021, the Company has no reserves available for distribution to the owners of the Company (the undistributed profit as of the end of 2021 is RMB-6.613 billion, and according to the requirements of the Articles of Association, there are no conditions of distribution for the time being).

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

- (I) Relevant incentive events disclosed in provisional announcements but without subsequent development or changes during implementation

Applicable Not applicable

- (II) Incentive events not disclosed in provisional announcements or with subsequent development

Equity incentive

Applicable Not applicable

Other explanations

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 has 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.

The Company convened the 15th meeting of the seventh session of the Board and the 18th meeting of the seventh session of the Supervisory Committee 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.

XII. 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 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 Supervisory Committee 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, have 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 RMB48.7831 million. So far, the Company has 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.

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 10th 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).

XII. 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 authorized at the 2017 annual general meeting of the Company, the written resolutions of the 14th meeting of the eighth session of the Board and the 10th meeting of the eighth session of the Supervisory Committee have 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.

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, have 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 has 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 Supervisory Committee 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 has repurchased a total of 81,500,000 shares accumulatively, representing approximately 0.91% of its total share capital.

XII. 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 Supervisory Committee 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)".

As at 25 March 2021, the Company has 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 are terminated.

XII. 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 2 July 2021, the Company has 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 is 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 is 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.

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, have 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 of this date, the Company has 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.

Other incentive measures

Applicable Not applicable

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

(III) Share options 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 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.

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

Applicable Not applicable

In 2021, in order to further promote the systematization, standardization and institutionalization of the construction of the Company's internal control system, based on the new business, new problems and new changes, it carried out system benchmarking and review work, and comprehensively reviewed the effectiveness of the design and implementation of its existing rules and regulations, strengthened compliance management, reduced and merged redundant documents, emphasized the identification of risk points in various business processes, refined the responsibilities and key control activities of each position, and clarified the internal control requirements of important business areas and key control links, cleared out the interface of division of responsibilities and straightened out business processes. Besides, the Company reviewed the deviations in the execution of the Company's processes, standardized the Company's production, operation and management behaviors, implemented management responsibilities, and transformed the audit results into management effectiveness in various professional fields. Through the preparation of internal control manuals, self-assessment standards of internal control and other internal control documents, the Company's rules and regulations were connected with the external regulatory requirements of internal control to continuously improve the Company's internal control system capabilities. In 2021, a total of 305 rules and regulations have been revised; 110 new rules and regulations have been added according to the needs of the functional responsibilities. The inapplicable rules and regulations were reduced and merged and a total of 83 copies were abolished. There are 713 effective rules and regulations, and the internal control system is more market-oriented and standardized.

We evaluated the effectiveness of the internal control of the Company for the year ended 31 December 2021 (the reference date of internal control evaluation report) in accordance with the requirements of the Basic Standards for Internal Control of Companies and the corresponding guidance and other regulatory requirements concerning internal control (the "Corporate Internal Control Standard System"), taking into account internal control system and evaluation methods of the Company and based on the day-to-day monitoring and special supervision of internal control. According to the identification criteria of material defects of internal control in the financial reporting of the Company, as at the basis date of internal control evaluation report, material defects of internal control in the financial reporting did not exist. The Company has 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 basis date of internal control evaluation report, there was no material defects in the internal control for non-financial reporting. Please refer to the 2021 Evaluation Report on Internal Control published by the Company on 31 March 2022 for details.

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

Applicable Not applicable

XIV. MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD

Applicable Not applicable

According to the Company Law, Articles of Association and other relevant laws and regulations and rules and systems, the Company implemented management and control over its subsidiaries. The operation decision-making, financial management, personnel management and other work of subsidiaries were brought into the unified management by the Company, which further strengthened the management of subsidiaries, and improved the overall operation efficiency and anti-risk ability of the Company.

In 2021, the Company conducted a special audit on the financial revenue and expenditure of Chongqing Iron and Steel Energy and Environmental Protection Co., Ltd. (重慶鋼鐵能源環保有限公司), and included two subsidiaries, (namely, Chongqing Iron and Steel Energy and Environmental Protection Co., Ltd.(重慶鋼鐵能源環保有限公司)and Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)) into the Company's internal control evaluation scope in 2021 to supervise and evaluate the establishment and implementation of its internal control.

XV. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

Applicable Not applicable

Ernst & Young Hua Ming LLP conducted an audit on the effectiveness of the Company's internal control over financial reporting as at 31 December 2021 in accordance with Enterprise Internal Control Audit Guidance and relevant requirements from the practising guidances of the China Institute of Certified Public Accountants and the audit view is as follows: the Company maintained effective internal control on financial reporting in all material aspects as at 31 December 2021 according to the Basic Standards for Enterprise Internal Control and relevant requirements.

For details, please refer to the 2021 Internal Control Audit Report disclosed by the Company on 31 March 2022.

Whether to disclose the audit report on internal control: Yes

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

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

Nil

XVII. OTHERS

Applicable Not applicable

Section V Environmental and Social Responsibility

I. ENVIRONMENTAL INFORMATION

- (I) Explanation on the performance of environmental protection of companies and its 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 permit management system for pollutant discharging, and fully carried out the enterprise self-monitoring and information disclosure, achieving pollutant discharging according to the law and regulations and with permit. The Company has strictly implemented pollutant reduction and discharging control by strengthening the operation and management of environmental protection facilities. For the whole year of 2021, the total amount of pollutant discharging did not exceed the total permitted index. During the Reporting Period, there was no accident caused by the Company which was subject to environmental protection administrative penalty. 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 Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	160.9	Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	Nil	No
2	Particulate matter	Continuous	41	Coking	Less than Emission Standard of Pollutants for Coking Chemical Industry GB16171-2012	1,289.97	Emission Standard for Pollutants for Coking Chemical Industry GB16171-2012	Nil	No
3	Sulfur dioxide	Continuous				796.09		Nil	No
4	Nitrogen oxides	Continuous				827.2		Nil	No
5	Particulate matter	Continuous	20	Sintering	Less than Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	2,757.3	Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	Nil	No
6	Sulfur dioxide	Continuous				2,604.77		Nil	No
7	Nitrogen oxides	Continuous				5,229.7		Nil	No
8	Particulate matter	Continuous	36	Ironmaking	Less than Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	2,105.5	Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	Nil	No
9	Sulfur dioxide	Continuous				493.55		Nil	No
10	Nitrogen oxides	Continuous				594		Nil	No
11	Particulate matter	Continuous	21	Steelmaking	Less than Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	2,034.3	Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	Nil	No
12	Particulate matter	Continuous	11	Steel Rolling	Less than Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012	481.43	Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012	Nil	No
13	Sulfur dioxide	Continuous				548.59		Nil	No
14	Nitrogen oxides	Continuous				609.4		Nil	No
15	COD	Continuous	1	Central wastewater treatment station	Less than Emission Standard of Water Pollutant for Iron and Steel Industry GB13456-2012	167.19	Emission Standard of Water Pollutant for Iron and Steel Industry GB13456-2012	Nil	No
16	Nitrox	Continuous				17.42		Nil	No
17	Total	Particulate matter: 8,829.4 tonnes, Sulfur dioxide: 4,443 tonnes, Nitrogen oxides: 7,260.3 tonnes, COD: 167.19 tonnes, Nitrox: 17.42 tonnes							
18	Permitted emissions under the pollutant discharging permit	Particulate matter: 15,167.3144 tonnes, Sulfur dioxide: 7,774.523 tonnes, Nitrogen oxides: 14,871.436 tonnes, COD: 481.991 tonnes, Nitrox: 48.199 tonnes							

I. ENVIRONMENTAL INFORMATION (CONTINUED)

- (I) Explanation on the performance of environmental protection of companies and its 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 various pollution control facilities are fully equipped, technically qualified, and operating normally. The environmental protection facilities currently in operation include: 11 wastewater treatment facilities, 123 exhaust gas and dust treatment facilities, of which main outlets of waste water 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 organize emergency repairs for abnormalities or failures. The environmental protection facilities are under sound operating condition.

The wastewater treatment system expansion and quality improvement and comprehensive wastewater utilization projects have been completed and put into operation, which increased the processing capacity by 20,000 cubic meters per day, and the indicators of COD and ammonia nitrogen in the wastewater pollutants have met the emission requirements. The Company's new hazardous waste warehouse has been put into operation, and it has achieved compliant hazardous waste storage. All of the existing pollution control facilities are under sound operating condition with a stable emission up to the standard.

The Company has invested a large amount of funds to carry out ultra-low emission standard transformation, and to carry out comprehensive transformation of organized emission sources, disorganized emission points and clean transportation vehicles that do not meet the requirements of ultra-low emission.

I. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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

Applicable Not applicable

In 2021, the Company's bar materials production line upgrade and transformation project, the wire rods production line upgrade and transformation project, the raw material terminal equipment upgrade and transformation project, the energy efficiency improvement project of waste heat power generation, the surplus gas power generation project, the surplus gas power consumption, steam cascade utilization, newly constructed primary steel slag treatment project, hot coil production line automation capacity and equipment capacity improvement and transformation project, hazardous waste warehouse construction project and other projects have obtained the environmental assessment approvals.

4. *Environmental emergency plan*

Applicable Not applicable

In order to implement the requirements of the laws and regulations on strengthening the environmental protection of enterprises promulgated by the central and local government, 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 formulated the Environmental Emergency Plan (《突發環境事件應急預案》) and carried out environmental protection filing with a period of validity until 16 December 2023 and filling No. of 500115-2020-103-H, so as to actively prevent, control and eliminate environmental emergencies, regulate the emergency disposal of various types of environmental emergencies, to protect public health and property safety.

I. ENVIRONMENTAL INFORMATION (CONTINUED)

- (I) Explanation on the performance of environmental protection of companies and its 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

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) (《國家重點監控企業自行監測及信息公開辦法(試行)》) and the General Rules for Technical Guidance on Self-monitoring of Pollutant Discharging Organizations (《排污單位自行監測技術指南總則(發佈稿)》), the Measures for Environmental Monitoring Management (《環境監測管理辦法》) and the Self-monitoring Program on Environmental Protection in 2021 (《2021年環境自行監測方案》) were formulated and the Company organized daily 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 2021 was filed with the ecology and environment bureau in order to regulate the self-monitoring and information disclosure of the Company and ensure the conscious fulfillment of its legal obligations and social responsibilities. The Company has carried out its self-monitoring and information disclosure in accordance with such program in 2021.

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. Changes in penalties due to environmental incidents over the previous years are as follows:

In 2017, the Company was subject to four administrative penalties for excessive pollutant emissions from wastewater outfalls, totaling RMB200,000; in 2018, the Company was subject to eight administrative penalties for emission problems, totaling RMB900,000; in 2019, the Company was subject to four administrative penalties, totaling RMB1.01 million; and in 2020 and 2021, the Company received no penalties from government departments.

I. ENVIRONMENTAL INFORMATION (CONTINUED)

- (I) Explanation on the performance of environmental protection of companies and its 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

On 9 May 2020, the Ministry of Ecological Environment published The Feedback of the Supervision from the Fourth Ecological and Environmental Protection Supervision Team of the Central Government to Chongqing City, in which, the illegal pile and storage of steel slag of the Company has been reported. In order to effectively rectify the illegal pile and storage of steel slag, the Company has formulated a special rectification plan, completed material removal and sale and re-greened the site, and a standardized pile and storage yard for steel slag has been completed and put into operation. Pursuant to the Working Rules for Chongqing Ecological and Environmental Protection Supervision and Rectification and Check-off (for trial implementation) (Yu Huan Du Ban Fa [2020] No. 2), the Company completed rectification and check-off, and passed the filing and review in 2021.

- (II) Explanation on environmental protection of companies beyond the classification of key pollutant discharging entity

Applicable Not applicable

I. ENVIRONMENTAL INFORMATION (CONTINUED)

(III) Relevant information conducive to ecological protection, pollution control and fulfillment of environmental responsibilities

Applicable Not applicable

In 2021, the Company formulated the Environmental Protection Plan for “Great Protection of the Yangtze River” of Chongqing Iron & Steel, Working Plan for Ultra-low Emissions of Waste Gas, Working Plan for Specific Action of Zero Sewage Discharge in 2021, Working Plan for Specific Action of No Solid Waste Leaving Factory in 2021, clarified work objectives and specific measures of implementation of Great Protection of the Yangtze River by Chongqing Iron & Steel, and the treatment projects of waste gas, waste water and solid waste shall be moved forward and implemented as planned. The Company launched 37 environmental protection projects with an investment of RMB1.56 billion, and launched key projects such as 2 and 3# sintering flue gas denitrification projects, 1# sintering desulfurization and denitrification, etc. After the completion of the projects, the pollutant emissions will reach the ultra-low emission requirements; in terms of wastewater, the Company completed the central wastewater treatment system expansion and quality improvement and wastewater comprehensive utilization project, and pushed forward water management projects such as special wastewater reuse treatment system, rainwater reuse treatment system and central wastewater treatment system zero discharge transformation project (Phase I) as planned, vigorously promoting the replacement of new water with reclaimed water, promoting multi-stage 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 productization certification of blast furnace water slag, desulfurization gypsum, steel slag and resistant material slag, and completed the construction of industrial solid waste warehouses and standardized hazardous waste warehouses to help the Company refine the whole process of hazardous waste management.

I. ENVIRONMENTAL INFORMATION (CONTINUED)

(IV) Measures taken to reduce carbon emissions and its results during the Reporting Period

Applicable Not applicable

In 2021, the Company commissioned and promoted 15 energy-saving and carbon-reducing projects (11 projects applied for in 2021 and 4 projects completed in 2020), of which 7 have been commissioned and 8 are being advanced according to the schedule, and the remaining projects will be commissioned in 2022. When all the projects are put into operation, it will save 134,230 tonnes of coal/year and reduce CO₂ emissions by 448,010 tons/year. Among them, the newly-built converter gas cabinet can carry an additional recovery volume of approximately 252 million Nm³, reducing CO₂ emissions by 155,000 tonnes. The upgrading of dehumidification blower of iron and steel plant can save 4,700 tonnes of coke and reduce CO₂ emissions by 12,000 tonnes per year. The surplus gas consumption and steam gradient utilization project can increase power generation by 69 million kWh and reduce CO₂ emissions by 54,900 tonnes per year. A new set of dehumidification air-blast systemic project for 4# blast furnace can save 9,600 tonnes of coke and reduce carbon dioxide emission by 12,000 tonnes per year. The LT discharge tower intelligent ignition system for steel mill can save natural gas consumption by 1,134,000 m³ per year and reduce CO₂ emission by 3,900 tonnes. The 6# turbine vacuum pump renovation and condenser heat exchange device can increase power generation by 2 million kWh per year and reduce CO₂ emission by 1,050 tonnes. The renovation of sintering excess heat power generation can increase power generation by 100 million kWh per year and reduce CO₂ emission by 55,300 tonnes.

II. SOCIAL RESPONSIBILITY WORK

Applicable Not applicable

The year 2021 was the 100th anniversary of the founding of the Communist Party of China, the first year to start the new journey of building a modernized socialist country, the year to launch the 14th Five-Year Plan of China Baowu, and a key year for the high-quality development of Chongqing Iron & Steel. Guided by Xi Jinping's thought of socialism with Chinese characteristics in the new era, we have gathered the strength of steel and made determined efforts to achieve another record of operating performance, with record high in production scale and profit, and a new situation of green, low-carbon and high-quality development.

As an enterprise with 130 years of history, it is the Company's unshirkable obligation to assume environmental and social responsibility. The Company has been implementing the concept of green development, strengthening energy-saving and environmental management, promoting energy-saving and emission reduction at source, reducing the consumption of and impact on resources and the environment by its products, and creating a green factory. At the same time, through the implementation of employee localization strategy, the Company contributed to the stable development of the economy and society in the operation area, continued to serve the revitalization of villages, and carried out rich and colorful public welfare voluntary activities to prosper the regional economy, improve people's welfare and create a harmonious society.

II. SOCIAL RESPONSIBILITY WORK (CONTINUED)

1. Vigorous efforts for low-carbon development

At the general debate of the 75th session of the UN General Assembly held in September 2020, General Secretary Xi Jinping pointed out that China would increase its nationally determined contribution, and adopt more effective policies and measures to peak the carbon dioxide emissions by 2030, and achieve carbon neutrality by 2060. In 2021, the Central Committee of the Communist Party of China and the State Council issued the Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy, which calls for the accelerated formation of industrial structures and production modes that conserve resources and protect the environment. Bearing in mind its status and responsibilities as a central state-owned enterprise in key industries, China Baowu initiated the establishment of Global Low-carbon Metallurgical Innovation Alliance, formulated a carbon neutrality action plan, and set carbon emission reduction goals — strive to peak carbon emissions by 2023 and achieve carbon neutrality by 2050. Green low-carbon development, energy saving and emission reduction have become the benchmark of China Baowu's all steel bases in China. As a model for the reorganization of China Baowu, Chongqing Iron and Steel, in response to China Baowu's strategic plan, embraces green, low-carbon and circular development, and strives to demonstrate responsibility the well-recognized high-quality steel ecosystem created by China South Steel.

To effectively put the carbon emission peak and carbon neutrality efforts in place, the Company plans to prepare carbon emission peak and low-carbon development plans in line with the China Baowu's master plan for achieving carbon emission peak and the dual carbon roadmap, while, at the same time, preparing action plans for blast furnace and converter processes to reach benchmark levels by 2025 according to the Opinions of the National Development and Reform Commission and other Departments on Tightening Energy Efficiency Constraints to Promote Energy Conservation and Carbon Reduction in Key Areas, with an aim to help the implementation of carbon emission peak and carbon neutrality targets.

In 2021, a total of 15 energy conservation and carbon reduction projects were put into operation or promoted, of which seven have been put into operation and eight are being promoted according to schedule, all of which will be put into operation in 2022. When all the projects are put into operation, it can save 98,430 tons of standard coal/year and reduce the carbon dioxide emission by 281,900 tons/year.

II. SOCIAL RESPONSIBILITY WORK (CONTINUED)

2. Energy and resource conservation

The Company strictly abides by the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other laws and regulations, implements energy and resource conservation in diverse dimensions, fulfills environmental responsibility and helps promote ecological progress. The Company has made solid efforts to promote the construction of energy management system, set up an energy management network, established Energy and Environmental Protection Management Committee and Energy Professional Committee to solve important and difficult issues in energy and environmental protection, and provide strong technical and management support for realizing green development. At present, the Company adopts an energy management system with the version GB/T23331-2020 (ISO50001:2018) Requirements for Energy Management System. At the same time, the Company has established the scrap steel whole-process management system, revised the Management Measures for Scrap Steel Whole Process Management, strengthened the management of scrap steel suppliers, updated the building of the online platform for scrap steel acceptance, enhanced the timeliness and traceability of information transmission of scrap steel acceptance, and improved the utilization rate of scrap steel.

In the first half of 2021, the Company completed the main energy indicators well, with the amount of self-generated electricity and the comprehensive energy consumption per ton of steel hitting the best level in history. In the second half of the year, due to the impact of the "double restriction" policy, the production scale dropped, there was a mismatch between the iron system and the steel system, and the energy consumption indicators such as the iron-steel ratio increased significantly compared with the plan at the beginning of the year, resulting in the deterioration of energy indicators. The overall energy consumption of 550.12kgce/t per ton of steel in 2021 was failed to meet the annual target, but the energy consumption of each production line was generally under control, and the national energy consumption limit was completed.

II. SOCIAL RESPONSIBILITY WORK (CONTINUED)

3. Reducing pollutant discharge

The Company strictly complies with the requirements of laws and regulations such as Air Pollution Prevention and Control of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China and Solid Waste Environmental Pollution Prevention and Control Law of the People's Republic of China, and organized the signing of 2021 Energy Environmental Protection Target Responsibility Statement to fulfill environmental protection responsibilities. The Company started with "ultra-low exhaust gas discharge, zero waste water discharge, no solid waste leaving the factory" to carry out "Treatment of Three Wastes"--waste gas, waste water and solid waste; following the idea of "reduction at source, process control and end treatment", and capitalizing on big data information and intelligent platforms, the Company works to reduce pollution emissions.

The Company has established the Yangtze River Protection Committee, formulated the "Yangtze River Protection", Environmental Protection Plan of Chongqing Iron & Steel in accordance with the Yangtze River Protection Law and the China Baowu Master Plan for Environmental Protection of Yangtze River Basin, clarified specific measures to implement the Yangtze River Protection objectives, and made a rational plan of the implementation path of "ultra-low emission of waste gas", "zero waste water discharge" and "no solid waste leaving the factory". The Company plans to invest RMB3.63 billion and implement 69 environmental protection projects to make its due contribution to the Yangtze River Protection with its own green, low-carbon and high-quality development.

4. No penalty due to environmental incidents in recent years

Green waters and lush mountains are invaluable assets. The Company adheres to the principle of giving priority to ecological and environmental protection, improves the environmental management system, strengthens environmental risk prevention, and effectively improves the corporate green management level. In 2020 and 2021, the Company received no environmental penalties.

In 2017, the Company was subject to four administrative penalties for excessive pollutant emissions from wastewater outfalls, totaling RMB200,000; in 2018, the Company was subject to eight administrative penalties for emission problems, totaling RMB900,000; in 2019, the Company was subject to four administrative penalties, totaling RMB1.01 million; and in 2020 and 2021, the Company received no penalties from government departments.

II. SOCIAL RESPONSIBILITY WORK (CONTINUED)

5. Ensuring supply and stabilizing prices

In 2021, facing a sharp and continuous rise in raw material prices, a shortage of coal and coke resources, the maintenance of the Three Gorges Ship Lock and other severe situations, the Company adhered to the production and operation policy of “increasing scale, adjusting the structure, reducing costs” and the work keynote of “optimal management, minimum consumption, comprehensive benchmarking to identify gaps, close attention paid to cost reduction and efficiency”, focused on supply guarantee and cost reduction, conducted meticulous planning and accurate benchmarking, and continued to enhance its capability for ensuring supply, cost improvement, and risk control. It strives to build the most competitive steel raw material purchasing supply chain in Southwest China, to ensure the stability of the steel supply chain and industry chain.

6. Responsible supply chain

To effectively identify and manage environmental and social risks in each step of the supply chain, the Company strictly controls supplier entry standards, and selects new suppliers based on resources, quality, cost, management and sustainability, with preference given to large and medium-sized enterprises over other enterprises, and preference given to manufacturing enterprises over trading enterprises. At the same time, the Company requires new suppliers to comply with national, local and industry laws and regulations; possess the qualification for lawful production and operation; meet the Company’s requirements for supplier quality, safety and environmental protection system management; ensure the product quality meets the Company’s use requirements and can continue to improve; meet the Company’s requirement of gradual reduction in the comprehensive cost, with strong competitiveness in comprehensive cost performance on the market; suppliers of products with special qualification requirements shall hold the production license or business license stipulated by the state or industry.

On the basis of strictly controlling supplier entry, the Company continues to carry out supplier evaluation to guide suppliers to strengthen social responsibility, pay attention to environmental protection, and use more environmentally friendly products and services. The Company conducts annual evaluation and dynamic evaluation on suppliers according to product attributes and supply characteristics.

II. SOCIAL RESPONSIBILITY WORK (CONTINUED)

7. Boosting industry development

The Company adheres to multi-party linkage, deepens strategic cooperation, speeds up the construction of shared experimental base and shared database, builds a stable communication platform, promotes industry-university-research cooperation, and jointly promotes the construction of high-quality steel ecosystem. In 2021, the Company signed long-term strategic cooperation agreements and communication and exchange platforms as follows: Signed a strategic cooperation framework agreement with Yonggang Group; Signed the purchasing entrustment management agreement and industrial logistics service contract with Ouyeel Industrial Products; Signed a strategic cooperation agreement with Anshan Iron and Steel, launching a “network steel mill” operation model; Cooperation with Wuhan Branch of Baosteel Central Research Institute to conduct “Research on Technology Development and Process Technology Upgrading of Chongqing Iron & Steel” and “Transportation Steel Project”; Cooperated with University of Science and Technology Beijing in the projects of “Research on Q355 Series Steel Cleaning and Hot Delivery Hot Charging Process” and “Hot-rolled Coil Structure Property Forecast System”.

8. Employee localization

In 2021, Chongqing Iron & Steel had 6,734 employees on board; in particular, the number of employees with Chongqing household registration increased from 5,828 in 2019 to 6,040 in 2021, an increase of 3.6%, accounting for 89.7% of the total number of employees. In 2021, a total of 239 people were newly recruited, of whom 152 employees were of Chongqing household registration, accounting for 63.6% of the total number of recruits. In the first half of 2021, the Company carried out “school-enterprise” talent orientation training with Chongqing University of Science and Technology and Chongqing Vocational College of Electronic Engineering, through which, 30 graduates successfully joined the Company. In the fall of 2021, the Company sent personnel to attend special job fairs at Chongqing University, Chongqing University of Science and Technology, Chongqing University of Posts and Telecommunications, Yangtze Normal University, Chongqing Three Gorges College, Chongqing Vocational Institute of Engineering and other colleges and universities in Chongqing. In the end, the Company signed employment agreements with 21 graduates, 11 of whom were of Chongqing household registration, accounting for 52.4% of the total number of recruits.

II. SOCIAL RESPONSIBILITY WORK (CONTINUED)

9. Implementing epidemic prevention and control measures

In 2021, the COVID-19 pandemic was still raging, to protect employees' life safety and physical health, and stabilize the Company's normal production and operation order, the Company continued to improve the system of epidemic prevention and control and institutional guarantee and developed the corresponding prevention and control measures based on specific epidemic situations. The Company leadership led a team to check and supervise the epidemic prevention and control efforts and push ahead of the booster vaccination work, so that the normalized epidemic prevention and control were implemented to the strictest extent.

On 30 July 2021, upon the confirmation of two asymptomatic infected persons in Chongqing, the Company immediately launched an emergency response for epidemic prevention and control and conducted an employee whereabouts check. The local government also dispatched public security and medical personnel to work with the Company's security and staff to form a temporary joint team for epidemic prevention and control to carry out nucleic acid sampling, cleaning, disinfection and physical monitoring. On 2 August, the Company received a notice from the government requiring that the No.12 Building of Xianqu Garden be set as the quarantine point for the employees involved in the COVID-19 infection risk. After seven days of quarantine, all the employees were tested negative for nucleic acid samples four times and were released from quarantine on 8 August.

For details, please refer to the 2021 Environmental, Social and Governance Report of the Company disclosed on 31 March 2022.

III. Consolidation and expansion of achievements in poverty alleviation and rural revitalization

Applicable Not applicable

2021 was a crucial year for the Company to consolidate and expand the achievements of poverty alleviation, comprehensively promote rural revitalization, and ensure a smooth transition and orderly connection between the working mechanism and policy system. The Company insisted on providing targeted assistance and fully supported the development of various businesses in rural areas, so as to accumulate strength for rural revitalization with practical actions.

1. Serving Rural Revitalization

- (1) In order to fulfill corporate social responsibility, actively participate in social welfare undertakings, help rural revitalization, accelerate the construction of urban and rural civilization, improve the rural cultural and sports facilities and environment, and enhance the national fitness awareness, in May 2021, the Company donated RMB142,440 for the construction of 6 new fitness path projects in Tianxing Village, Jiangnan Town, Changshou District.
- (2) In May 2021, the Company set up a counter for the sales of loquat in Tianxing Village, Jiangnan Street to the designated area of the Company to help villagers sell more than 1000 catties of loquat with consumption amount of more than RMB7000.
- (3) On the eve of the National Day, in order to let the people in need to spend a peaceful and happy National Day, and guide the poverty-stricken households to start their own business and become rich, on 28 September 2021, leaders of the Company went to Tianxing Village, Jiangnan Street, to investigate the rural revitalization of Tianxing Village, and carried out national festival condolence activities for all poverty-stricken households. We sent rice, oil and other condolence gifts to poverty-stricken households, brought holiday greetings and carried out friendly exchanges to understand the living conditions of poverty-stricken households in detail, and encouraged them to build confidence, develop planting and breeding, and work hard to achieve prosperity.
- (4) In 2021, agricultural products of RMB770,000 were purchased in poverty-stricken areas (Guangnan County, Yunnan).

III. Consolidation and expansion of achievements in poverty alleviation and rural revitalization (CONTINUED)

2. Supporting Rural Education

In order to support the connection between education and rural revitalization plan, the Company donated RMB100,000 to Chongqing Education Foundation in July 2021, which was targeted to be used at the schools in rural revitalization districts and counties in Chongqing under the "Information Classroom" multimedia teaching equipment project.

3. Care for Special Children Education

- (1) According to the initiative jointly initiated by Chongqing Charity Federation, the Civil Affairs Bureau of Changshou District, the Women's Federation of Changshou District and the Working Committee for Caring for the Next Generation of Changshou District, the Company actively contributed to the society and undertook social responsibilities while improving its operating results. In August 2021, the Company donated RMB50,000 to Chongqing Charity Federation for the psychological care activities for children in difficulties in Changshou District.
- (2) In the morning of October 21, 2021, the Company carried out the public welfare activity of "Help Special Children Grow with Dream of Campus" at the special school in Changshou District, sending love gifts to special children, let them grow with love, and gave 178 condolence gifts during the public welfare activity.
- (3) In order to further carry out the public welfare activity of "Help Special Children Grow with Dream of Campus", deliver caring gifts to special children, and improve the living environment such as canteen dining, on November 24, 2021, the Company donated five 2P Heating and cooling air conditioners to the Special Education School in Changshou District.
- (4) On December 30, 2021, the labor union of the Company led more than 20 volunteers from the labor union, the general branch of the Youth League and Chongqing Iron & Steel Green Peak to visit the Special Education School in Changshou District to carry out the public welfare activity of "Love in Dumplings".

III. Consolidation and expansion of achievements in poverty alleviation and rural revitalization (CONTINUED)

3. Care for Special Children Education (Continued)

In 2022, the Company will continue to take the initiative to assume social responsibilities, promote the stable economic and social development of the places where it operates, and enhance the Company's social image and influence. The Company plans to make external donations of RMB900,000 with its own funds, mainly for rural revitalization and student assistance. The specific plans are as follows:

No.	Donation target	Property type	Donation amount (RMB'000)	Nature	Content of project	Necessity of the project
1	Tianxing Village, Jiangnan Street, Changshou District, Chongqing	Monetary funds	50	Donation to targeted poverty alleviation areas	<ol style="list-style-type: none"> 1. Infrastructure construction, mainly including the construction of new highways, bridges, roads, installation of street lamps, improvement of convenience service center facilities and addition of cultural bulletin boards. 2. assistance to migrant workers. 3. assistance to agricultural products sales. 	To improve the living environment of Tianxing Village, improve the sense of happiness and achievement of villagers, and support rural revitalization.
2	Chongqing Education Foundation	Monetary funds	10	Donation to education	Donation of "Information Classroom" multimedia teaching equipment to schools in rural revitalization areas of Chongqing.	to further improve the education conditions of relatively underdeveloped areas in Chongqing, enhance the level of cultural education, and contribute to the talent cultivation in the region.
3	Changshou Special Education School	Monetary funds	10	Donation to education	in-kind donations.	Improve school education conditions, care for and support special education, and create a good atmosphere of physical and mental health for children in distress.
4	Others	Monetary funds	20	Other donations /		to actively participate in social welfare undertakings and undertake corporate social responsibilities, which will be implemented one by one after the specific project plan is determined.

Section VI Significant Events

I. FULFILLMENT OF COMMITMENTS

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period

Applicable Not applicable

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment made in acquisition report or equity change report	To solve the horizontal competition	China Baowu	<p>1. In view of the overlap of the business of Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司) ("Baosteel"), WISCO Echeng Steel Company Limited (武漢鋼鐵集團鄂城鋼鐵有限責任公司) ("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 various methods such as asset reorganization, business adjustment and entrusted management based on the principle of facilitating the development of the Company and safeguarding the interests of shareholders, minority shareholders in particular.</p> <p>The aforesaid settlement methods include, but are not limited to:</p> <p>(1) Asset reorganization: to gradually sort out and reorganize 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 assets swap, assets transfer or other feasible reorganization methods, so as to eliminate some of the overlapping business;</p>	16 September 2020	No	Yes

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
			<p>(2) Business adjustment: to sort out the business boundaries of Baosteel, Echeng Steel and Chongqing Iron & Steel, and to try its best to achieve differentiated operations among the three listed companies. For example, business differentiation can be realized in different ways, such as asset trading and business division, including but not limited to differentiation in terms of business composition, product grade, application areas and customer groups;</p> <p>(3) Entrusted management: one party entrusts the decision-making and management rights related to the operation of certain relevant assets of the overlapping business to the other party for unified management through the signing of an entrustment agreement;</p> <p>(4) Other feasible solutions within the scope permitted by laws and regulations and relevant policies.</p> <p>The implementation of the above solutions is subject to the fulfillment 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 between Baosteel, Echeng Steel and Chongqing Iron & Steel. The company will fulfill 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 other 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 refusal to acquire 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>			

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
			<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 system and not to use its position as an indirect controlling shareholder of the Company to seek unjustified benefits which may further impair the rights and interests of other shareholders of the 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>			
	To solve the horizontal competition	Strategic Emerging Fund	<p>1. 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 Company to obtain unjustified benefits and will not prejudice the legitimate interests of the Company and other shareholders;</p> <p>2. 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;</p> <p>3. 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 Company, Strategic Emerging Fund will facilitate the transfer of such business opportunities to the Company. If such business opportunities are not yet available for transfer to the Company, or if for other reasons the Company is temporarily unable to obtain such business opportunities, the 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.</p>	16 September 2020	No	Yes

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
To solve the horizontal competition		Changshou Iron & Steel	<p>1. 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.</p> <p>2. During the period when Changshou Iron & Steel is the controlling shareholder of Chongqing Iron & Steel, if Changshou 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.)</p>	1 December 2017	No	Yes
To solve the horizontal competition		Siyuanhe Industrial Development Fund	<p>1. As of 21 December 2018, Siyuanhe Industrial Development Fund has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron & Steel.</p> <p>2. During the period when Siyuanhe Industrial Development Fund is the controlling shareholder of Chongqing Iron & Steel, if Siyuanhe Industrial Development Fund obtains a business opportunity of engaging in the same business as Chongqing Iron & Steel, Siyuanhe Industrial Development Fund 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.) (Note)</p>	21 December 2018	No	Yes

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
	To solve the related party transactions	China Baowu	<p>1. 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.</p> <p>2. China Baowu and other enterprises under its control will not seek the priority to conclude transactions with Chongqing Iron & Steel and its subsidiaries by utilizing its control over Chongqing Iron & Steel.</p> <p>3. 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 agreement by following the principles of justice, fairness, valuable consideration, etc., according to law, perform legal procedures, and in accordance with the requirements of laws, regulations and regulatory documents and the provisions of the Articles of Association of Chongqing Iron & Steel, perform the obligation of information disclosure according to law and related procedures for internal decision-making and reporting for approval, and undertake to neither conduct transactions with Chongqing Iron & Steel and its subsidiaries on unfair terms as compared with market prices, nor engage in activities impairing the legitimate interests of Chongqing Iron & Steel and its shareholders by utilizing such transactions.</p> <p>4. In case of violation of any of the above commitments, China Baowu will undertake the liability according to law and compensate Chongqing Iron & Steel for loss caused thereby.</p>	16 September 2020	No	Yes

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
	To solve the related party transactions	Strategic Emerging Fund	<p>1. 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.</p> <p>2. Strategic Emerging Fund and the enterprises under its control will not seek the priority to conclude transactions with Chongqing Iron & Steel and its subsidiaries by utilizing the concerted action relationship between Strategic Emerging Fund and China Baowu and China Baowu's control over Chongqing Iron & Steel.</p> <p>3. 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 agreement by following the principles of justice, fairness, valuable consideration, etc., according to law, perform legal procedures, and in accordance with the requirements of laws, regulations and regulatory documents and the provisions of the Articles of Association of Chongqing Iron & Steel, perform the obligation of information disclosure according to law and related procedures for internal decision-making and reporting for approval, and undertake to neither conduct transactions with Chongqing Iron & Steel and its subsidiaries on unfair terms as compared with market prices, nor engage in activities impairing the legitimate interest of Chongqing Iron & Steel and its shareholders by utilizing such transactions.</p> <p>4. 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.</p>	16 September 2020	No	Yes

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
	To solve the related party transactions	Changshou Iron & Steel	<p>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 Company Law and the relevant provisions of the Articles of Association of Chongqing Iron & Steel, 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 fulfill the obligation to abstain from voting when the general meeting and the Board vote on the related party transactions involving Changshou Iron & Steel.</p> <p>2. After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, for the possible related party transactions arising from various 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.</p>	1 December 2017	No	Yes

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
	Others	China Baowu and Strategic Emerging Fund	<p>1. China Baowu and its concerted party, Strategic Emerging Fund, undertake to maintain separation from Chongqing Iron & Steel in terms of assets, personnel, finance, organization 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 operating procedures of Chongqing Iron & Steel, interfere with the operating decisions of Chongqing Iron & Steel or harm the legitimate interests of Chongqing Iron & Steel and other shareholders. The promisees and other subsidiaries under their control guarantee that they will not misappropriate the funds of Chongqing Iron & Steel and its subsidiaries under its control in any way.</p> <p>2. The above commitments shall remain in force during the period when China Baowu has control over Chongqing Iron & Steel and Strategic Emerging Fund is acting in concert with China Baowu. In the event of any loss to Chongqing Iron & Steel as a result of the failure to perform the above undertakings by the promisees, the promisees will bear the corresponding liability for compensation.</p>	16 September 2020	No	Yes
	Others	Changshou Iron & Steel	<p>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 CSRC, Stock Exchanges, as well as those of the management system of Chongqing Iron & Steel such as the Articles of Association, exercise the shareholders' rights and fulfill 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 organization.</p>	1 December 2017	No	Yes

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Note: On 16 September 2020, Siyuanhe Industrial Development Fund, China Baowu and Desheng Group signed an Equity Transfer Agreement in respect of the distribution in kind of the 75% equity interests in Changshou Iron & Steel held by Siyuanhe Industrial Development Fund. On the same day, China Baowu entered into an Acting in Concert Agreement with Strategic Emerging Fund and Chongqing Yufu Assets Equity Investment Fund Management Co., Ltd. The change in equity interests is due to Siyuanhe Investment, the original de facto controller of Chongqing Iron & Steel, will transfer the partnership equity in Siyuanhe Industrial Development Fund to Desheng Group. Meanwhile, Siyuanhe Industrial Development Fund will be dissolved and will make distribution in kind to China Baowu and Desheng Group with 75% equity interests in Changshou Iron & Steel in proportion to their respective paid-in capital contributions. China Baowu will be allocated 40% equity interests in Changshou Iron & Steel and enter into an acting in concert agreement with Strategic Emerging Fund to obtain control over Changshou Iron & Steel, thereby indirectly controlling 2,096,981,600 shares of Chongqing Iron & Steel, representing 23.51% of the total share capital of Chongqing Iron & Steel. On 2 December 2020, China Baowu officially became the de facto controller of Chongqing Iron & Steel.

In view of the above, according to Rule 10.1.6 (II) of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Siyuanhe Industrial Development Fund was the related party of the Company in the past twelve months.

(II) 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

(III) 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 THE REPORTING PERIOD

Applicable Not applicable

III. NON-COMPLIANCE GUARANTEE

Applicable Not applicable

IV. EXPLANATION FROM THE BOARD 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 ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS

(I) Company’s analysis and explanation about the reasons for and impact of changes in accounting policy and accounting estimates

Applicable Not applicable

(II) Company’s analysis on the cause and impact of correction of material errors of accounting

Applicable Not applicable

(III) Communication with the previous accounting firm

Applicable Not applicable

(IV) Other explanations

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	4

	Name	Remuneration
Accounting firm for audit of internal control	Ernst & Young Hua Ming LLP	700

Explanations for appointment and removal of accounting firms

Applicable Not applicable

The Company convened the 35th meeting of the eighth session of the Board and the 24th meeting of the eighth session of the Supervisory Committee on 19 March 2021 and the 2020 annual general meeting on 29 June 2021, at which the Proposal for the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2021 was considered and approved. Ernst & Young Hua Ming LLP was re-appointed as the Company's auditor for financial and internal control in 2021 for a term from the approval at the 2020 annual general meeting till the convening of the 2021 annual general meeting. The annual remuneration is RMB2.4 million for financial auditing services and RMB0.7 million for internal control, totaling RMB3.1 million (tax exclusive).

Explanations for change of the accounting firm during the auditing period

Applicable Not applicable

VII. RISK OF SUSPENSION OF LISTING

(I) Reason for risk warning of delisting

Applicable Not applicable

(II) Measures taken by the Company to cancel the suspension of listing

Applicable Not applicable

(III) 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 (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

1. *Events disclosed in provisional announcements but 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 16 November 2020, the Resolution on the Lease Renewal and the Final Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 28th meeting of the eighth session of the Board and the 19th meeting of the eighth session of the Supervisory Committee of the Company, pursuant to which, the Company was approved to enter into the Asset Leasing Contract with Changshou Iron & Steel. On the same day, the Company entered into the Asset Leasing Contract with Changshou Iron & Steel, which agreed on the lease renewal of production equipment and facilities from Changshou Iron & Steel for the year 2021, with the lease term from 1 January 2021 to 31 December 2021, and pursuant to which, the parties agreed to enter into a purchase agreement for the leased asset during the lease term of the contract or upon the expiry of the lease term of the contract for the Company to purchase the leased asset from Changshou Iron & Steel, at which time the parties would confirm the purchase price with reference to the appraised value of the leased asset. For details, please refer to the Announcement on the Related Party Transaction in relation to the Lease Renewal and Final Purchase of Assets from A Related Party (Announcement No.: 2020-055) disclosed by the Company on 17 November 2020.

In order to ensure the stable and continuous running of the production and operation of the Company, on 25 August 2020, the Resolution in relation to the Entering into of the Service and Supply Agreement between the Company and China Baowu and the Continuing Related Party Transaction (Including the Proposed Cap thereunder) was considered and approved at the 26th 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 "Original Agreement") with China Baowu, and the total amount of services and/or materials provided by the Company and its subsidiaries (the "Group") to China Baowu and its subsidiaries ("China Baowu Group") and the total amount of services and/or materials provided by the China Baowu Group to the Group shall not exceed RMB966,710,000 and RMB7,211,620,000, respectively, for the period from the effective date of the Original Agreement to 31 March 2021. For details, please refer to the Announcement on Continuing Related Party Transactions (2020-047) disclosed by the Company on 26 August 2020.

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)*

On 20 November 2020, the Company entered into the Service and Supply Agreement with China Baowu. For details, please refer to the Announcement on the Progress of Continuing Related Party Transactions (Announcement No.: 2020-058) disclosed by the Company on 21 November 2020.

In view of the enlarged production scale of the Company and the increase of China Baowu's demand, the Company intends 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 RMB2,537,100,000 for the period from the effective date of the Original Agreement to 31 March 2021. Save for the changes aforesaid, all 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 Related Party Transaction (Including the Proposed Cap thereunder) entered into was considered and approved at the 33rd meeting of the eighth session of the Board of the Company, and on the same day, the Company entered into the Supplemental Service and Supply Agreement with China Baowu. For details, please refer to the Announcement on the Progress of Continuing Related Party Transactions (Announcement No.: 2021-008) disclosed by the Company on 30 January 2021.

In order to ensure the stable and continuous running of the production and operation of the Company, on 19 March 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement from 2021 to 2023 between the Company and China Baowu and the Continuing Related Party 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 RMB49,741,000,000 and RMB87,990,000,000, 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 and China Baowu entered into the Service and Supply Agreement for a period from 1 April 2021 to 31 December 2023.

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: RMB'000)
Renting	Market price	117,058
Procurement of goods and acceptance of services	Market price	14,746,697
Sale of goods	Market price	8,493,154

3. Matters not disclosed in provisional announcements

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	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
Chongqing Changshou Iron & Steel Company Limited	Controlling Shareholder	Purchase of goods	Purchase of goods	With reference to market price	/	3,509,512	14.15	/	/	/
Baowu Raw Material Supply Co., Ltd.	Subsidiary invested	Purchase of goods	Purchase of goods	With reference to market price	/	2,477,322	9.99	/	/	/
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	1,792,394	7.23	/	/	/
Ouyeel Industrial Products Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to market price	/	822,274	12.13	/	/	/
Guangdong Guangwu Zhongnan Construction Materials Group Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	709,369	2.86	/	/	/
Baosteel Engineering & Technology Group Corporation	Other related party	Purchase of goods	Procurement of products and acceptance of services	With reference to market price	/	669,871	2.12	/	/	/
Shanghai Iron & Steel Exchange Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	626,221	2.53	/	/	/

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	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
Baoshan Iron & Steel Co., Ltd.	Other related party	Purchase of goods	Procurement of products and acceptance of services	With reference to market price	/	614,331	1.95	/	/	/
Shanghai Baoding Energy Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	558,692	2.25	/	/	/
Wugang Resources Group Ezhou Pelletizing Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	466,454	1.88	/	/	/
Ouyeel Blockchain Finance Renewable Resources Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	240,088	0.97	/	/	/
Baosteel Resources International Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	1,475,694	5.95	/	/	/
Baowu Water Technology Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to market price	/	223,016	3.29	/	/	/
Baowu Equipment Intelligent Technology Co., Ltd.	Other related party	Purchase of goods	Procurement of products and acceptance of services	With reference to market price	/	128,785	0.41	/	/	/
Shanghai Baosight Software Co., Ltd.	Other related party	Purchase of goods	Procurement of products and acceptance of services	With reference to market price	/	116,750	0.37	/	/	/
Shanghai Baosteel Shipping Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	61,165	0.25	/	/	/
Baowu Group Echeng Steel Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	55,649	0.22	/	/	/
Taicang Wugang Terminal Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	51,214	0.21	/	/	/
Guangdong Baodi Nanhua Industrial City Development Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to market price	/	30,447	0.45	/	/	/
Baosteel Development Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to market price	/	23,035	0.34	/	/	/
Wuhan Iron & Steel Group Logistics Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to market price	/	19,795	0.29	/	/	/
Zhejiang Zhoushan Wugang Terminal Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	14,686	0.06	/	/	/
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to market price	/	12,719	0.19	/	/	/
Shanghai Ouyeel Purchasing Information Technology Co., Ltd.	Other related party	Purchase of goods	Procurement of products and acceptance of services	With reference to market price	/	10,120	0.03	/	/	/
Wuhan Huafeng Sensing Technology Co., Ltd.	Other related party	Purchase of goods	Procurement of products and acceptance of services	With reference to market price	/	8,617	0.03	/	/	/
Jiangsu Gongchang Roller Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	8,072	0.03	/	/	/
Shanghai Baosteel Xinyue Talent Technology Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to market price	/	7,294	0.11	/	/	/

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	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 Logistics Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to market price	/	3,441	0.05	/	/	/
Others	Other related party	Purchase of goods	/	With reference to market price	/	9,670	0.07	/	/	/
Shanghai Ouyeel Material Technology Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	2,614,514	6.56	/	/	/
Guangdong Guangwu Zhongnan Construction Materials Group Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	2,008,384	5.04	/	/	/
Guangdong Shaogang Songshan Co., Ltd.	Other related party	Sales of goods	Rendering of services	With reference to market price	/	985,540	2.47	/	/	/
Ouyeel Yunshang Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	769,373	1.93	/	/	/
Shanghai Ouyeel Supply Chain Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	410,282	1.03	/	/	/
Chongqing Baocheng Carbon Co., Ltd.	Subsidiary invested	Sales of goods	Sale of goods and energy medium	With reference to market price	/	346,029	0.87	/	/	/
Sichuan Desheng Group Vanadium & Titanium Co., Ltd.	Other related party	Sales of goods	Sales of goods and provision of services	With reference to market price	/	341,940	0.86	/	/	/
Wugang Group Kunming Iron and Steel Co., Ltd.	Other related party	Sales of goods	Rendering of services	With reference to market price	/	224,772	0.56	/	/	/
Wuhan Baosteel Central China Trade Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	200,013	0.50	/	/	/
Baowu Group Echeng Steel Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	135,593	0.34	/	/	/
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	125,326	0.31	/	/	/
Ouyeel Blockchain Finance (Pingxiang) Renewable Resources Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	98,861	0.25	/	/	/
Wugang Group Xiangyang Heavy Equipment Material Co., Ltd.	Other related party	Sales of goods	Rendering of services	With reference to market price	/	75,342	0.19	/	/	/
Baowu Group Echeng Steel Co., Ltd.	Other related party	Sales of goods	Rendering of services	With reference to market price	/	69,219	0.17	/	/	/
Baosteel Huangshi Coated Plate Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	51,851	0.13	/	/	/
Others	Other related party	Sales of goods	/	With reference to market price	/	36,115	0.09	/	/	/
	Total			/	/	23,239,851	/	/	/	/
Particulars of substantial sales return					Nil					
Explanation on related party transactions	They enabled the Company to obtain stable and reliable service supply at a reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output									

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Connected transactions related to acquisition of assets or acquisition or disposal of equity interests

1. *Events disclosed in provisional announcements but 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 16 November 2020, the Resolution on the Lease Renewal and the Final Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 28th meeting of the eighth session of the board of directors and the 19th meeting of the eighth session of the Supervisory Committee of the Company, pursuant to which the Company was approved to enter into the Asset Lease Agreement with Changshou Iron & Steel.

On the same date, the Company entered into the Asset Lease Agreement with Changshou Iron & Steel, agreeing to renew the lease of Changshou Iron & Steel's production equipment and facilities in 2021 with a lease period commencing on 1 January 2021 and ending up on 31 December 2021, pursuant to which the parties agreed to enter into a purchase agreement for the leased asset during the lease term of the agreement or upon the expiry of the lease term of the agreement for the Company to purchase the leased asset from Changshou Iron & Steel, at which time the parties would confirm the purchase price with reference to the appraised value of the leased asset. For details, please refer to the Announcement on the Related Party Transaction in relation to the Lease Renewal and Final Purchase of Assets from A Related Party (Announcement No.: 2020-055) disclosed by the Company on 17 November 2020.

On 11 June 2021, the Resolution on Related Party Transaction in relation to the Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 39th meeting of the eighth session of the board of directors and the 26th meeting of the eighth session of Supervisory Committee of the Company, to approve the Company to purchase pre-ironmaking assets from Changshou Iron & Steel. The pre-ironmaking assets which the Company may purchase from Changshou Iron & Steel will be used for the Company's own production and operation, which is necessary for the Company's normal production and operation and can ensure the consistent and stable production of the Company. For details, please refer to the Announcement on the Related Party Transaction in relation to the Purchase of Assets from A Related Party (Announcement No.: 2021-044) disclosed by the Company on 12 June 2021.

On 23 June 2021, the Company entered into the Asset Acquisition Agreement with Changshou Iron & Steel in respect of the related party transaction for the purchase of pre-ironmaking assets. The aforesaid related party transaction was considered and approved by the Company at the 2021 second extraordinary general meeting held on 12 August 2021, and both parties completed the asset delivery.

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)

3. Events not disclosed in provisional announcements

Applicable Not applicable

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

Applicable Not applicable

(III) Material connected transactions related to joint external investment

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

Applicable Not applicable

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

Applicable Not applicable

On 28 August, 2021, the second meeting of the ninth session of the Board of the Company considered and approved the Resolution on the Formation of Joint Venture and Related Party Transaction between the Company and Baowu Environment, and jointly established Baowu Environment Chongqing Resources Recycling Co., Ltd. ("Baohuan Resources") with Baowu Group Environmental Resources Technology Co., Ltd. ("Baowu Environment"). The Company contributed RMB49,000,000 to hold 49% equity interest in Baohuan Resources. According to the Articles of Association of Baohuan Resources, the Company is entitled to the corresponding voting rights in this company. On 27 October 2021, Baohuan Resources completed the industrial and commercial registration.

On 21 December 2021, the sixth meeting of the ninth session of the Board of the Company considered and approved the Resolution on the Establishment of Joint Venture Company and Related Party Transaction between the Company and Baosteel Resources Holdings (Shanghai) Co., Ltd., approving the establishment of Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. ("Baowu Jingcheng") by the Company and Baosteel Resources Holdings (Shanghai) Co., Ltd. ("Baosteel Resources"). 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 is entitled to the corresponding equity voting rights in this company. On 23 December 2021, Baowu Jingcheng completed the industrial and commercial registration.

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

According to the “Announcement of the Administrator of Chongqing Iron & Steel Company Limited on the Progress of the Implementation of the Reorganisation Plan” (Announcement No.: 2017-111) disclosed by the Company on 25 November 2017, Changshou Iron & Steel lent RMB2,400,000,000 to Chongqing Iron & Steel for the implementation of the Reorganisation Plan. As of 30 June 2021, the Company has repaid the loan in full in advance.

On 16 June 2020, the Resolution in Relation to the Provision of Financing by Chongqing Changshou Iron & Steel Company Limited to the Company was considered and approved at the 23rd meeting of the eighth session of the Board of the Company, pursuant to which Changshou Iron & Steel proposed to provide credit facilities to the Company within the limit of no more than RMB1 billion (RMB1,000,000,000) for a term of three years at an interest rate to be calculated based on the Loan Prime Rate (LPR), and each financing term of less than one year shall be calculated based on the one-year LPR; If the term of each facility is longer than one year, the interest shall be calculated based on the average of the one-year LPR and the five-year LPR applicable at the time of application for the facility. The Company is not required to provide any guarantee for the facility.

Section VI Significant Events (Continued)

XII. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(IV) Claims and liabilities between related parties (Continued)

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

On 6 September 2021, the Resolution on the Company's Application to Financial Institutions for Comprehensive Credit Facilities of RMB3,010,000,000 and USD200,000,000 was considered and approved at the third meeting of the ninth session of the Board of the Company. A syndicated loan of RMB720,860,000 was provided to the Company by China Merchants Bank Co., Ltd. Chongqing Branch, Shanghai Pudong Development Bank Co., Ltd. Chongqing Branch, China Minsheng Banking Corp., Ltd. Chongqing Branch, China CITIC Bank Corporation Limited Chongqing Branch, China Everbright Bank Company Limited Chongqing Branch, Baowu Finance and Ping An Bank Co., Ltd. Chongqing Branch, of which RMB62,610,000 was provided by Baowu Finance to the Company. As of 31 December 2021, the loan was outstanding.

Related parties	Borrowing amount (Unit: RMB' 000)	Interest incurred during the period (Unit: RMB' 000)
Changshou Iron & Steel	126,400	15,674
Baowu Finance	62,610	5,323

3. *Matters 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 party	Related relationship	Maximum daily deposit limit	Deposit interest rate range	Opening balance	Total amount deposited during the period (%)	Total amount withdrawn during the period (%)	Closing balance
Baowu Group Finance Co., Ltd.	Other related party	-	0.30%	949	1,880,429	1,861,935	19,443
Total	/	/	/	949	1,880,429	1,861,935	19,443

2. *Money lending business*

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Related party	Related relationship	Maximum daily deposit limit	Deposit interest rate range	Opening balance	Total amount deposited during the period (%)	Total amount withdrawn during the period (%)	Closing balance
Baowu Group Finance Co., Ltd.	Other related party	200,000	4.65%	500,000	62,610	500,000	62,610
Total	/	/	/	500,000	62,610	500,000	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 party	Related relationship	Type of business	Gross amount	Actual amount incurred
Baowu Group Finance Co., Ltd.	Other related party	Comprehensive credit facilities	2,000,000	311,541

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	/	2021.01.01	2021.12.31	146,018	Contract	Impact on costs and expenses	No	

Description of leases

Not applicable

Section VI Significant Events (Continued)

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

(II) Guarantees

Applicable Not applicable

Unit: RMB'000 Currency: RMB

External Guarantees provided by the Company (excluding those for subsidiaries)														
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														574,349
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)														225,725
Total guarantees provided by the Company (including those for subsidiaries)														
Total amount of guarantees (A + B)														225,725
Total amount of guarantees as a percentage of net assets of the Company (%)														1.01
Including:														
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 guarantee which may subject to joint liability														The above-mentioned guarantee companies bear joint and several liabilities, and there is no event that causes the Company to actually perform joint and several liabilities at present.
Description of guarantee														As at the end of 2021, the Company provided two joint liability guarantees of RMB226,000,000 for Chongqing Iron & Steel Energy Environmental Protection Co., Ltd., a wholly-owned subsidiary of the Company, for a term from 1 January 2021 to 27 September 2022. None of the above guaranteed loans was overdue during the Reporting Period, with no tendency of contract performance and controllable risks.

Section VI Significant Events (Continued)

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

Unit: RMB'000 Currency: RMB

Type	Funding sources	Amount incurred	Outstanding balance	Amount overdue but not recovered
Fund trust	Internal funds	600,000	600,000	–

Other information

Applicable Not applicable

(2) Single Entrusted Wealth Management

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Commencement date of entrusted wealth management	End date of entrusted wealth management	Funding Source	Funding Investment	Determination of returns	Annualized Yield	Expected returns (if any)	Actual Gains or losses	Actual recovery	Legal procedures or not	Whether the future entrusted wealth management plan exist	Provision for impairment (if any)
Huabao Trust Co., Ltd.	Trust	550,000	29 June 2021	25 June 2022	Internal funds	Trust products	Principal and interest repayment	–	–	–	–	Yes	Yes	–
Huabao Trust Co., Ltd.	Trust	50,000	28 December 2021	25 June 2022	Internal funds	Trust products	Principal and interest repayment	–	–	–	–	Yes	Yes	–

Other information

Applicable Not applicable

Section VI Significant Events (Continued)

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(3) Provision for impairment of entrusted wealth management

Applicable Not applicable

2. Entrusted loans

(1) General information of entrusted loans

Applicable Not applicable

Other information

Applicable Not applicable

(2) Individual entrusted loans

Applicable Not applicable

Other information

Applicable Not applicable

(3) Provision for impairment of entrusted loans

Applicable Not applicable

3. Other information

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 Hong Kong Stock Exchange**

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 (the "Listing Rules") during the Reporting Period, and no deviation from the code has been identified.

2. *Model Code for Securities Transactions by Directors*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 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 2021.

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 nonexecutive Directors and one non-executive Director. During the Reporting Period, the work of the Audit Committee throughout the year was jointly completed by the members of the two sessions. The eighth session of the Audit Committee of the Company consists of Mr. Xin Qingquan, Mr. Xu Yixiang, Mr. Wong Chunwa and Mr. Zhou Ping. Mr. Xin Qingquan is the chairman of the Audit Committee. On 12 August 2021, the Board of the Company conducted a re-election. The new members of the ninth session of the Audit Committee are 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 2021 had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

Section VI Significant Events (Continued)

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 Hong Kong Stock Exchange (Continued)

6. Interests or Short Positions

As at 31 December 2021, the interests and short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the Securities and Futures Ordinance ("SFO")) of the directors, supervisors and senior management members in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ Associated Corporation	Capacity	Nature of interest	Total number of Shares interested (Shares)	Percentage of the Company's A share capital (%)	Percentage of total share capital of the Company (%) (%)	Class of shares
Zhou Yaping	the Company	Employee Supervisor	Beneficial interest	487,300 (Long position)	0.0058	0.0054	A share
Zhang Liqun	the Company	Employee Supervisor	Beneficial interest	1,020,000 (Long position)	0.0121	0.0114	A share
Yao Xiaohu	the Company	Senior Vice President	Beneficial interest	509,900 (Long position)	0.0061	0.0057	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.

8. Public Float of H Shares

As at 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.

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 Hong Kong Stock Exchange (Continued)

9. *Marketability Market Value*

Based on the available information to the Company, as at 31 December 2021, the circulating market capitalization of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$1.28)) was approximately HK\$689 million and the circulating market capitalization of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB2.09)) was approximately RMB17.515 billion.

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 scheme and decision-making mechanism, 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 does not have 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 net profit attributable to shareholders of the Company for 2021 amounted to RMB2,173 million, and the unappropriated profit as at the end of 2021 amounted to RMB-6.613 billion. As the Company recorded a negative unappropriated profit as at the end of 2021, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2021 pursuant to Article 250 of the Articles of Association.

Section VI Significant Events (Continued)

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

(II) Related party transactions

1. 2020–2021 continuing related party transaction

In order to ensure the stable and continuous running of the production and operation of the Company, on 25 August 2020, the Resolution in relation to the Entering into of the Service and Supply Agreement between the Company and China Baowu and the Continuing Related Party Transaction (including the Proposed Cap thereunder) was considered and approved at the 26th 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 “Original Agreement”) with China Baowu, and the total amount of services and/or materials provided by the Company and its subsidiaries (the “Group”) to China Baowu and its subsidiaries (“China Baowu Group”) and the total amount of services and/or materials provided by China Baowu Group to the Group shall not exceed RMB966,710,000 and RMB7,211,620,000, respectively, for the period from the effective date of the Original Agreement to 31 March 2021. For details, please refer to the Announcement on Continuing Related Party Transaction (2020–047) disclosed by the Company on 26 August 2020.

On 20 November 2020, the Company entered into the Services and Supply Agreement with China Baowu. For details, please refer to the Announcement on the Progress of Continuing Related Party Transactions (Announcement No.: 2020–058) disclosed by the Company on 21 November 2020.

In view of the enlarged production scale of the Company and the increase of China Baowu’s demand, the Company intends 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 RMB2,537,100,000 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 Related Party Transaction (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 the Continuing Related Party Transactions (Announcement No.: 2021–008) disclosed by the Company on 30 January 2021.

The above-mentioned related party transactions were considered and approved at the 2021 first extraordinary general meeting of the Company held on 10 March 2021.

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 related party transaction

In order to ensure the stable and continuous running of production and operation of the Company, on 19 March 2021, the Resolution in relation to the Service and Supply Agreement for the Period from 2021 to 2023 and the continuing connected transactions (Including the annual caps) entered into between the Company and China Baowu was approved by voting 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. The Company and its subsidiaries (the “Group”) shall provide China Baowu and its subsidiaries (“China Baowu Group”) with products in an aggregate amount of not exceeding RMB49,741 million for the period from 1 April 2021 to 31 December 2023, while China Baowu Group shall provide the Group with products, materials and services in an aggregate amount of not exceeding RMB87,990 million for the period from 1 April 2021 to 31 December 2023. For details, please refer to the Announcement on 2021–2023 Continuing Connected 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. The aforesaid connected transactions were considered and approved at the 2020 annual general meeting of the Company held on 29 June 2021.

3. Financial service agreement and connected transaction

In order to optimize financial management, improve the efficiency of capital utilization and reduce financing costs, the Company intended to cooperate with Baowu Finance Company in financial business based on the principles of legal compliance, equality and voluntariness, controllable risk and mutual benefit, and Baowu Group Finance Co., Ltd. (“Baowu Finance Company”) would provide relevant financial services to the Company and enter into the Financial Service Agreement with the Company. On 19 March 2021, the Resolution in relation to the Financial Service Agreement and the Related Party Transaction entered into between the Company and China Baowu was approved by voting at the 35th meeting of the eighth session of the Board of the Company.

Section VI Significant Events (Continued)

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. *Financial service agreement and connected transaction (Continued)*

The Financial Service Agreement provides for: (1) comprehensive credit services, with a maximum daily credit limit of RMB2 billion provided to the Company; (2) deposit service under the treasury management services, with a maximum daily balance limit of RMB2 billion for deposit cash of deposit service provided to the Company; and (3) treasury management services (other than the deposit service) and the other financial services, with a maximum annual cap of the service charges for services provided to the Company would be RMB1 million (other than acceptance charge, settlement handling fee, handling fee for opening letter of credit and other fees charged by banks on behalf).

On 1 April 2021, the Company entered into the Financial Service Agreement with Baowu Finance Company for a service term from 1 April 2021 to 31 December 2023. The aforesaid connected transaction was considered and approved at the 2020 annual general meeting of the Company held on 29 June 2021.

4. *Purchase of the assets of related party*

On 16 November 2020, the Resolution on the Lease Renewal and the Final Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 28th meeting of the eighth session of the Board and the 19th meeting of the eighth session of the Supervisory Committee of the Company, pursuant to which the Company was approved to enter into the Asset Lease Agreement with Chongqing Changshou Iron & Steel Company Limited ("Changshou Iron & Steel"). On the same date, the Company entered into the Asset Lease Agreement with Changshou Iron & Steel, pursuant to which the parties agreed to enter into a purchase agreement for the leased asset during the lease term of the agreement or upon the expiry of the lease term of the agreement for the Company to purchase the leased asset from Changshou Iron & Steel, at which time the parties would confirm the purchase price with reference to the appraised value of the leased asset. For details, please refer to the Announcement on the Related Party Transaction in relation to the Lease Renewal and Final Purchase of Assets from A Related Party (Announcement No.: 2020-055) disclosed by the Company on 17 November 2020.

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

(II) Related party transactions (Continued)

4. *Purchase of the assets of related party (Continued)*

On 11 June 2021, the Resolution on Related Party Transaction in relation to the Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 39th meeting of the eighth session of the Board and the 26th meeting of the eighth session of Supervisory Committee of the Company, pursuant to which, the Company was approved to purchase pre-ironmaking assets from Changshou Iron & Steel. The pre-ironmaking assets which the Company may purchase from Changshou Iron & Steel will be used for the Company's own production and operation, which is necessary for the Company's normal production and operation and can ensure the consistent and stable production of the Company. For details, please refer to the Announcement on the Connected Transaction in relation to the Purchase of Assets from a Related Party (Announcement No.: 2021-044) disclosed by the Company on 12 June 2021.

On 23 June 2021, the Company entered into the Asset Purchase Agreement with Changshou Iron & Steel in respect of the connected transaction in relation to the purchase of pre-ironmaking assets. The aforesaid connected transaction was considered and approved at the 2021 second extraordinary general meeting of the Company held on 12 August 2021. At the same time, both parties have completed the asset delivery.

5. *Ordinary related transactions*

Based on the needs for production and operation, on 20 August 2021, the Resolution on Related Party Transaction in relation to the Supply Agreement in 2021 and Related Transaction Entered into by the Company and Sichuan Desheng was voted and approved at the 1st meeting of the ninth session of the Board of the Company, agreeing the Supply Agreement entered into by the Company and Sichuan Desheng, and agreeing that the total amount of products/materials selling to Sichuan Desheng shall not exceed RMB987 million during the period from 1 August 2021 to 31 December 2021.

On the same day, the Company and Sichuan Desheng entered into the Supply Agreement. For details, please refer to the Announcement in relation to the Entering of Supply Agreement and Related Party Transaction (Announcement No.: 2021-063) disclosed by the Company on 21 August 2021.

Section VI Significant Events (Continued)

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

(II) Related party transactions (Continued)

6. *Formation of joint venture via capital injection*

On 28 August 2021, the Resolution on Formation of Joint Venture and Related Party Transaction between the Company and Baowu Environment was voted and approved at the 2nd meeting of the ninth session of the Board of the Company, pursuant to which the Company was approved to jointly contribute and establish a JV Company with Baowu Group Environmental Resources Technology Co., Ltd. (寶武集團環境資源科技有限公司) ("Baowu Environment"), of which the Company's proportion of shareholding is 49%, contributing RMB49 million, while Baowu Environment's proportion of shareholding is 51%, contributing RMB51 million. After the establishment of JV Company, it will undertake the relevant solid waste business of the Company, such as steel water slag, steel slag and dust sludge in an orderly manner. For details, please refer to the Announcement in relation to the Related Transaction on the Formation of Joint Venture via Capital Injection (Announcement No.: 2021-067) disclosed by the Company on 30 August 2021.

On 1 November 2021, the Company has entered into the JV Contract with Baowu Environment.

7. *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 voted and approved at the 6th meeting of the ninth session of the Board of the Company, pursuant to which the Company was approved to jointly contribute and establish a JV Company with Baosteel Resources Holdings (Shanghai) Co., Ltd. (寶鋼資源控股(上海)有限公司) ("Baosteel Resources"). The proposed registered capital of the JV Company is RMB180 million, of which the Company's proportion of shareholding is 19%, contributing RMB34.2 million, while Baosteel Resources' proportion of shareholding is 81%, contributing RMB145.8 million. After the establishment of JV Company, it will conduct iron ore blending processing business in 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 2021, the Company has entered into the JV Contract with Baosteel Resources.

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

(III) Release of Share Pledge

On 12 January 2018, the Company received a notice from Changshou Iron & Steel that Changshou Iron & Steel had pledged the 2,096,981,600 unrestricted tradable shares of the Company held by it to China Development Bank Corporation (“CDB”), with Changshou Iron & Steel as the pledger and CDB as the pledgee. The date of registration of the pledge was 11 January 2018.

On 30 March 2021, the Company received from China Securities Depository and Clearing Corporation Limited the Notice on Registration of the Release of Pledged Securities (《證券質押登記解除通知書》), which stated that the registration of the pledge of 2,096,981,600 unrestricted tradable shares to CDB by the Company has been discharged. The time of pledge release was 24 March 2021. The number of accumulative pledged shares of the Company was 0 after Changshou Iron & Steel released the aforesaid share pledge. For details, please refer to the Announcement on Release of Share Pledge (Announcement No.: 2021-023) disclosed by the Company on 31 March 2021.

(IV) Provision of guarantee in favour of a subsidiary

To cope with its business development needs, Chongqing Iron & Steel Energy Environmental Protection Company Limited (重慶鋼鐵能源環保有限公司) (“Chongqing Iron & Steel Energy”) borrowed RMB505 million as a long-term loan from China Construction Bank Changshou Sub-branch (中國建設銀行長壽支行) (“China Construction Bank”) in 2017, and RMB200 million and RMB500 million in the form of finance lease from Chongqing Xinyu Financial Leasing Co., Ltd. (“Xinyu Financial Leasing”) and Cinda Financial Leasing Co., Ltd. (“Cinda Financial Leasing”), respectively, in 2019. As of 15 December 2020, the balance of the above loans were RMB116 million, RMB117 million and RMB342 million, respectively. Prior to the acquisition by the Company of the equity interest in Chongqing Iron & Steel Energy, Chongqing Qianxin Energy Environmental Protection Company Limited (“Qianxin Energy”) was the controlling shareholder of Chongqing Iron & Steel Energy and provided guarantee for the three loans, in the total amount of RMB575 million, made to Chongqing Iron & Steel Energy.

In view of Point 2 of Clause 5 under the Equity Transaction Contract entered into between the Company and Qianxin Group in 15 July 2020, which sets out that “Both parties agree that, from the date of this Contract, Qianxin Group shall no longer be liable for the guarantee on the liabilities of Chongqing Iron & Steel Energy, which shall be the responsibility of the Company accordingly”, the 31st meeting of the eighth session of the Board of the Company was held on 30 December 2020, at which the Resolution in Relation to the Provision of Guarantee to Chongqing Iron & Steel Energy Environmental Protection Company Limited was considered and passed, pursuant to which, the Company was authorized to provide the guarantee in favour of Chongqing Iron & Steel Energy, with the amount of the guarantee being RMB575 million and the term of the guarantee from 1 January 2021 to 27 September 2022. For details, please refer to the Announcement on the Provision of Guarantee in Favour of a Subsidiary (Announcement No.: 2020-068) disclosed by the Company on 31 December 2020.

Section VI Significant Events (Continued)

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

(IV) Provision of guarantee in favour of a subsidiary (Continued)

As of 29 April 2021, the Company has entered into relevant guarantee or agreement with China Construction Bank, Xinyu Financial Leasing and Cinda Financial Leasing. For details, please refer to the Announcement on the Progress of the Provision of Guarantee in Favour of a Subsidiary (Announcement No.: 2021-034) disclosed by the Company on 30 April 2021.

As of 31 December 2021, the above balance of the guarantee amount was RMB226 million.

(V) Changes in equity of shareholders

On 23 September 2021, the Company received the Notice on Change in De Facto Controller's Equity (《關於實際控制人權益變動的通知》) from China Baowu, the de facto controller, and was informed that on 22 September 2021, China Baowu acquired, by way of block trading, 129,815,901 shares of the Company, which were held by Chongqing Huanya Building Materials Co., Ltd. (重慶環亞建材有限公司) and accounted for 1.46% of the total share capital of the Company, at a transaction price of RMB2.62 per share.

Prior to the change in equity, China Baowu, as the de facto controller of the Company, indirectly controlled 2,096,981,600 shares of the Company, accounting for 23.51% of the total share capital of the Company, through directly holding 40% equity interest in Changshou Iron & Steel and obtaining control over Changshou Iron & Steel by entering into an acting in concert agreement with Strategic Emerging Investment Fund. Upon the change in equity, China Baowu will control a total of 2,226,797,501 shares of the Company, accounting for 24.97% of the total share capital of the Company, of which China Baowu will directly hold 1.46% and indirectly control 23.51%.

(VI) Disposal of remaining shares for debt settlement

According to the provisions of the Reorganisation Plan regarding the withdrawal and disposal of debt repayment funds and shares for debt settlement, after the expiry of three years from the announcement of the completion of the implementation of the Reorganisation Plan, the Company is required to comprehensively sort out the specific situation of the repayment of various types of debt funds and the receiving of shares involved in the reorganisation, and the remaining funds will be used to replenish the Company's liquidity; a disposal proposal will be made for the remaining shares in the temporary securities account.

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

(VI) Disposal of remaining shares for debt settlement (Continued)

On 21 December 2021, the Resolution regarding the Disposal of the Remaining Shares for Debt Settlement in the Temporary Securities Account of Chongqing Iron & Steel was considered and approved at the 6th meeting of the ninth session of the Board of the Company, the matters of which are set out below:

1. In accordance with the provisions of the Reorganisation Plan and the debt-servicing shares that are reserved for settlement, it is agreed that:
 - (1) The above remaining 55,539,560 debt-servicing shares are intended to be disposed of by way of open tender offer at a price not lower than the average closing price of the share during the 20 trading days prior to the date of the announcement of the resolution of the board of directors, on a “highest bidder first” basis, for the announcement period of 15 days. The cash proceeds from the tender offer will be used to replenish the Company’s liquidity.
 - (2) The remaining portion, if any, after repayment with the 6,510,100 shares that have been reserved, will be disposed of through the above mentioned open tender offer.
2. The management is authorised to formulate and announce the public tender offer proposal after the approval of this resolution upon consideration at the general meeting, organise on-site public bidding activities, identify the transferee according to the principle of highest bidder first and enter into the Sales Confirmation Letter with the transferee. In the event that the bidding is aborted, the management has the right to adjust the price limit and the announcement period according to the actual situation, re-publish an announcement and organise the public bidding transaction. In order to ensure the openness and transparency of the bidding activities, the Company may entrust a notary to supervise the bidding activities on site. After the confirmation of the transaction, the Company will request the FIPCC to transfer the shares to the transferee.

The above matters have yet to be submitted to the general meeting of the Company for consideration. Subject to the consideration and approval at the general meeting, the Company will formulate the public tender offer proposal as soon as possible, and fulfill its information disclosure obligations in a timely manner in strict compliance with the relevant laws and regulations and the requirements of the Listing Rules. For details, please refer to the Announcement of Disposal of Remaining Shares for Debt Settlement through Open Tender Offer (Announcement No.: 2021-077) disclosed by the Company on 22 December 2021.

Section VII Movement of Shares and the Particulars of Shareholders

I. MOVEMENT OF SHARE

(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

Total number of ordinary shareholders as at the end of the Reporting Period	198,620
Total number of ordinary shareholders on the close of the end of month before the disclosure of the Annual Report	192,693
Total number of holders of preference shares with restored voting rights as at the end of the Reporting Period	0
Total number of holders of preference shares with restored voting rights on the close of the end of month before the disclosure of Annual Report	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: share

Shareholdings of the Top Ten Shareholders

Name of shareholder (Full name)	Increase/ Decrease in the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Number of shares held subject to trading moratorium Status of shares	Number	Type of shareholder
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Nil	0	Domestic non State-owned legal
HKSCC NOMINEES LIMITED	982,600	532,223,221	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
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.24	0	Nil	0	State-owned legal
Chongqing Guochuang Investment and Management Co., Ltd.	0	278,288,059	3.12	0	Nil	0	State-owned legal
Bank of Chongqing Co., Ltd.	0	226,042,920	2.53	0	Nil	0	State-owned legal
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
China Shipbuilding Industry Complete Logistics Co., Ltd.	0	211,461,370	2.37	0	Nil	0	State-owned legal
Bank of Communications, Co., Ltd. Chongqing Branch	0	140,760,305	1.58	0	Nil	0	Unknown

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	Shareholdings of tradable shares without trading limitations	Type and number of shares	
		Type	Number
Chongqing Changshou Iron & Steel Company Limited	2,096,981,600	RMB denominated ordinary shares	2,096,981,600
HKSCC NOMINEES LIMITED	532,223,221	Overseas listed foreign shares	532,223,221
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
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
Bank of Communications, Co., Ltd. Chongqing Branch	140,760,305	RMB denominated ordinary shares	140,760,305

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	There is no connection between Chongqing Changshou Iron & Steel Company Limited, the controlling shareholder of the Company, and the other 9 shareholders, nor are they persons acting in concert regulated in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Companies' Shareholders. The Company is not aware of any connected relationship among the other 9 shareholders or whether they are acting in concert.
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Preferred shareholders with restored voting rights and their shareholding	N/A
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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 incorporation 12 October 2017

Principal operations Permitted items: terminal operation; import and export of goods and technology (Projects subject to approval of relevant departments in accordance with the laws shall be approved by the relevant departments before being carried out, and specific operation projects are subject to approvals or permits from the relevant departments).

General items: engaged in technology development, technology transfer, technical services and technical management consultation in the fields of steel, metallurgical mineral, coal, chemical engineering, electric power and transportation; sale of steel raw materials; warehousing service (excluding storage of hazardous articles); leasing of proprietary property and equipment; and corporate management and consulting services (Except for items that are subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licence(s) in accordance with the laws)

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*

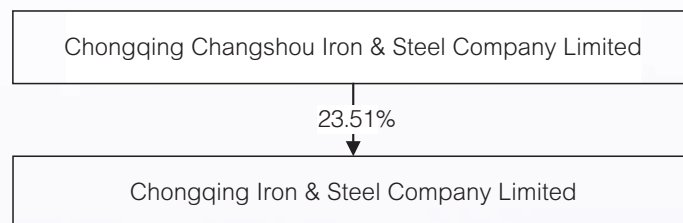
Applicable Not applicable

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

Applicable Not applicable

5 *The ownership and control relationship between the Company and its 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 incorporation	1 January 1992
Principal operations	Operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation. (Projects subject to approval of relevant departments in accordance with the laws shall be approved by the relevant departments before being carried out)

Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period	As of 31 December 2021, China Baowu directly or indirectly holds more than 5% of the equity interest in other listed companies as follows: 62.29% equity interest in of Baoshan Iron & Steel Co., Ltd., 50.50% equity interest in Shanghai Baosight Software Co. Ltd., 55.91% equity interest in Maanshan Iron & Steel Company Limited, 50.02% equity interest in Xinjiang Bayi Iron & Steel Co., Ltd., 53.05% equity interest in SGIS Songshan Co., Ltd., 60.52% equity interest in Shanghai Baosteel Packaging Co., Ltd., 63.31% equity interest in Shanxi Taigang Stainless Steel Co., Ltd., 21.60% equity interest in Tibet Mineral Development Co., Ltd., 16.28% equity interest in Da Ming International Holdings Limited, 11.75% equity interest in Beijing Shougang Co., Ltd., 14.06% equity interest in China Pacific Insurance (Group) Co., Ltd., 14.00% equity interest in Nanjing Yunhai Special Metals Co., Ltd., 12.09% equity interest in New China Life Insurance Company Limited and 10.23% equity interest in Shanxi Securities Co., Ltd, 8.29% equity interest in Shanghai Rural Commercial Bank Co., Ltd..
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Other explanation	Nil
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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*

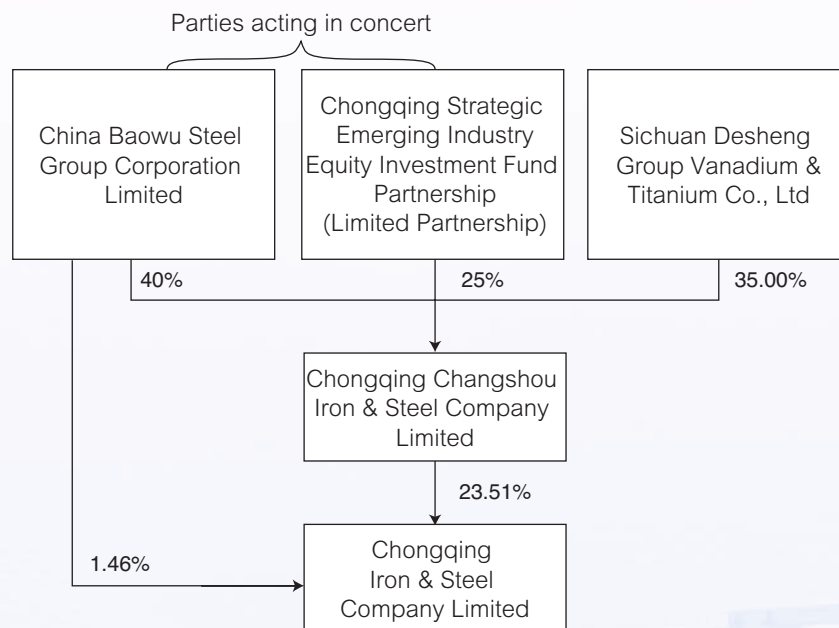
Applicable Not applicable

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

Applicable Not applicable

5 *The ownership and control relationship between the Company and its de facto controller*

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

On 23 September 2021, the Company received the Notice on Change in De Facto Controller's Equity (《關於實際控制人權益變動的通知》) from China Baowu, the de facto controller, and was informed that on 22 September 2021, China Baowu acquired, by way of block trading, 129,815,901 shares of Chongqing Iron & Steel, which were held by Chongqing Huanya Building Materials Co., Ltd. (重慶環亞建材有限公司) and accounted for 1.46% of the total share capital of Chongqing Iron & Steel, at a transaction price of RMB2.62 per share.

Prior to the change in equity, China Baowu, as the de facto controller of Chongqing Iron & Steel, indirectly controlled 2,096,981,600 shares of the Company, accounting for 23.51% of the total share capital of the Company, through directly holding 40% equity interest in Changshou Iron & Steel and obtaining control over Changshou Iron & Steel by entering into an acting in concert agreement with Strategic Emerging Fund. Upon the change in equity, China Baowu will control a total of 2,226,797,501 shares of Changshou Iron & Steel, accounting for 24.97% of the total share capital of Changshou Iron & Steel, of which China Baowu will directly hold 1.46% and indirectly control 23.51%.

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 Bonds

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	Issuance date	Value date	Due date	Balance of bonds	Interest rate (%)	Method of principal repayment and interest payment	Trading market	Eligibility arrangement of investors (if any)	Trading mechanism	Whether there is risk of termination of listing for trading
The 2020 first tranche of medium-term notes (Type 1) of Chongqing Iron & Steel Company Limited	20 Chongqing Iron & Steel MTN001A	102000390	19 March 2020	19 March 2020	19 March 2020	517,788	4.64	Payment of interest every year and prepayment of principal on due date	National interbank bond market	N/A	Inter-bank bond	No market trading mechanism
The 2020 first tranche of medium-term notes (Type 2) of Chongqing Iron & Steel Company Limited	20 Chongqing Iron & Steel MTN001B	102000391	19 March 2020	19 March 2020	19 March 2020	518,603	5.13	Payment of interest every year and prepayment of principal on due date	National interbank bond market	N/A	Inter-bank bond	No market trading mechanism

Measures taken by the Company to respond to the risk of termination of bond listing for trading

Applicable Not applicable

Overdue and outstanding bonds

Applicable Not applicable

Notes on overdue debts

Applicable Not applicable

Section IX Relevant Information on Bonds (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

Applicable Not applicable

On 21 May 2019, Chongqing Iron & Steel Company Limited (the “Company”) held the 2018 annual general meeting, at which the Proposal for the Grant of General Mandate to the Board of Directors to Issue Debt Financing Instruments was considered and approved. The Company was approved to apply to the National Association of Financial Market Institutional Investors (the “NAFMII”) for new registration and issuance of debt financing instruments of 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, etc. 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 2 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.

Section IX Relevant Information on Bonds (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)

According to the requirement on the investors' option to sell back contained in the Prospectus of the 2020 First Tranche of Medium-Term Notes of Chongqing Iron & Steel Company Limited, the sell back was registered for the 2020 first tranche of medium-term notes (Type 1) of the Company (bond abbreviation: 20 Chongqing Iron & Steel MTN001A; bond code: 102000390.IB) from 29 January 2022 to 18 February 2022, the sell back result is now presented as follows:

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

Section IX Relevant Information on Bonds (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 adjustment to interest rate of debt financing instruments for the period (Continued)
 - 9) Interest payment date: 19 March of each year during the duration period shall be the interest payment date. If the investors exercise the option to sell back the medium-term notes, the interest payment date for the sale back of part of the medium-term notes shall be 19 March 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) Adjustment to the interest rate: At the end of the second year of the duration period of the medium-term notes, the issuer shall exercise the option to adjust the coupon rate, and the coupon rate of the medium-term notes shall be adjusted to 2.60% within 1 year after the duration period (from 19 March 2022 to 19 March 2023).
- (2) Results of sale back of 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)

Section IX Relevant Information on Bonds (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 sale back of medium-term notes (Continued)

- 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.

3. Intermediaries providing services for bond issuance and duration business

Name of intermediary	Office Address	Name of signing accountants	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 Bonds (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 proceeds	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
The 2020 first tranche of medium-term notes (Type 1) of Chongqing Iron & Steel Company Limited	500,000	500,000	—	—	—	Yes
the 2020 First Tranche of Medium-term Notes (Type 2) of Chongqing Iron & Steel Company Limited	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

Section IX Relevant Information on Bonds (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)

5. *Information on the adjustment to credit rating results*

Applicable Not applicable

Other explanation

Applicable Not applicable

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 Bonds (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	2021	2020	Increase/ decrease from last year (%)	Reasons
Net profit after deducting nonrecurring profit or loss	2,453,195	491,082	399.55	An increase in profits
Current ratio	0.87	0.97	-10.31	—
Quick Ratio	0.62	0.60	3.33	—
Gearing Ratio (%)	47.96	49.84	Deceased by 1.88 percentage points	—
Debt-to-EBITDA ratio	0.37	0.14	164.29	An increase in profits
Interest coverage (times)	5.65	3.30	71.21	An increase in profits
Cash interest coverage (times)	12.56	5.94	111.45	An increase in net cash flow
EBITDA interest coverage (times)	8.01	6.23	28.57	An increase 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 2021

AUDITOR'S REPORT



Ernst & Young Hua Ming (2022) 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, which comprise the consolidated and company statement of financial position as at 31 December 2021, and the consolidated and company income statement, the consolidated and company statements of changes in equity and the statements of cash flows for 2021, 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 2021, and the consolidated and company's financial performance and cash flows for 2021 in accordance with Accounting Standards for Business Enterprises.

(II) BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. 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 judgement, 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.

(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 matter :

How our audit addressed the key audit matter :

Recognition of Revenue

In 2021, the total revenue amounted to RMB39,849,418,000 in the consolidated financial statements, including the sales revenue of steel billets and steel products amounted to RMB33,218,201,000, which is 83.36% of the total revenue in the consolidated financial statements. The total revenue amounted to RMB39,871,115,000 in the company financial statements, including the sales revenue of steel billets and steel products amounted to RMB33,218,201,000, which is 83.31% 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.23, 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 2021

(III) KEY AUDIT MATTERS (CONTINUED)

Key audit matter :

How our audit addressed the key audit matter :

Recognition of deferred tax assets

As of 31 December 2021, deferred tax assets of RMB142,568,000 were recognized in the consolidated financial statements regarding to deductible temporary differences and deductible tax losses; deferred tax assets of RMB121,492,000 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.26, Note III.31, 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

(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, other than the financial statements and our auditor's report thereon.

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

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

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

(V) RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the management is responsible for assessing Chongqing Iron and Steel Company Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate Chongqing Iron and Steel Company Limited 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 2021

(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 the auditing standards 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 the auditing standards, 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 the Chongqing Iron and Steel Company Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Chongqing Iron 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.
- (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.

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

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: Liu Zhenhong

Beijing,
the People's Republic of China 30 March 2022

Consolidated Statement of Financial Position

Year ended 31 December 2021

Assets	31 December 2021	31 December 2020
Current assets:		
Cash and bank balances	6,410,645	4,943,231
Including: Funds deposited to finance companies	19,443	949
Financial assets held for trading	600,000	–
Trade receivables	53,885	35,041
Receivables financing	1,536,724	2,068,546
Prepayments	756,710	534,516
Other receivables	52,279	18,013
Inventories	3,840,198	5,054,908
Other current assets	100,221	394,153
Total current assets	13,350,662	13,048,408
Non-current assets :		
Long-term equity investments	58,160	79,494
Other equity investments	5,000	5,000
Property, plant and equipment	21,891,662	16,630,788
Construction in progress	4,174,369	2,844,665
Right-of-use assets	518,318	4,095,211
Intangible assets	2,384,882	2,394,593
Goodwill	328,055	295,407
Long-term prepaid expenses	271	299,730
Deferred tax assets	142,568	131,468
Other non-current assets	142,009	125,092
Total non-current assets	29,645,294	26,901,448
Total assets	42,995,956	39,949,856
Current liabilities		
Short-term borrowings	2,629,734	700,788
Notes payable	1,261,138	1,272,291
Trade payables	4,567,985	2,652,728
Contract liabilities	2,185,095	2,554,165
Employee benefits payable	112,844	283,969
Taxes payable	16,744	9,177
Other payables	2,770,510	1,567,618
Non-current liabilities due within one year	1,582,635	4,056,471
Other current liabilities	284,736	332,041
Total current liabilities	15,411,421	13,429,248

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Financial Position (Continued)

Year ended 31 December 2021

Assets	31 December 2021	31 December 2020
Non-current liabilities :		
Long-term borrowings	1,792,800	450,000
Bonds payable	498,434	995,150
Lease liabilities	408,135	3,022,612
Long-term payables	2,301,299	1,352,264
Long-term employee benefits payable	144,977	179,557
Deferred income	56,903	35,902
Deferred tax liabilities	6,778	1,176
Other non-current liabilities	–	445,480
Total non-current liabilities	5,209,326	6,482,141
Total liabilities	20,620,747	19,911,389
Shareholders' equity :		
Share capital	8,918,602	8,918,602
Capital reserves	19,282,147	19,282,147
Less: Treasury shares	–	65,940
Special reserves	18,593	22,184
Surplus reserves	606,991	606,991
Unappropriated profit	(6,451,124)	(8,725,517)
Total shareholders' equity	22,375,209	20,038,467
Total liabilities and shareholders' equity	42,995,956	39,949,856

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

Year ended 31 December 2021

	附註五	2021	2020
Revenue		39,849,418	24,489,935
Less: Cost of sales		35,950,388	22,658,292
Taxes and surcharges		161,626	172,493
Distribution and selling expenses		81,143	91,929
General and administrative expenses		504,504	591,920
Research and development costs		11,805	–
Finance expenses		380,721	132,514
Including: Interest expenses		486,273	271,072
Interest income		112,939	69,528
Add : Other income		58,298	196,430
Investment income		16,343	6,803
Including: Share of profits and losses of joint ventures and associates		8,133	–
Impairment losses on credit		(19,052)	(23)
Impairment losses on assets		(348,552)	(364,917)
Gain on disposal of items of property, plant and equipment		(4,734)	–
Operating profit		2,461,534	681,080
Add: Non-operating income		149,697	2,703
Less: Non-operating expenses		348,347	59,396
Total profit		2,262,884	624,387
Less: Income tax expenses/(credit)		(11,509)	(14,092)
Net Profit		2,274,393	638,479

The accompanying notes form an integral part of these financial statements

Consolidated Income Statement (Continued)

Year ended 31 December 2021

	附註五	2021	2020
Breakdown by continuity of operations			
Net profit from continuing operations		2,274,393	638,479
Breakdown by attributable interests			
Net profit attributable to shareholders of the parent		2,274,393	638,479
Non-controlling interests		-	-
Other comprehensive income after tax		-	-
Total comprehensive income		2,274,393	638,479
Total comprehensive income attributable to shareholders of the parent		2,274,393	638,479
Total comprehensive income attributable to non-controlling interests		-	-
Earnings per share:			
Basic earnings per share (RMB/share)		0.26	0.07
Diluted earnings per share (RMB/share)		0.26	0.07

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

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	19,282,147	65,940	-	22,184	606,991	(8,725,517)	20,038,467
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	2,274,393	2,274,393
(II) shareholders' contribution and decrease in share capital								
1. Amount decreased during the year	-	-	(65,940)	-	-	-	-	65,940
(III) Special reserve								
1. Amount established during the year	-	-	-	-	30,460	-	-	30,460
2. Amount utilized during the year	-	-	-	-	(34,051)	-	-	(34,051)
III. Closing balance for the year	8,918,602	19,282,147	-	-	18,593	606,991	(6,451,124)	22,375,209

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2021

2020

	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	19,282,147	62,314	-	14,573	606,991	(9,363,996)	19,396,003
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	638,479	638,479
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	84,334	-	-	-	-	(84,334)
2. Amount decreased during the year	-	-	(80,708)	-	-	-	-	80,708
(III) Special reserve								
1. Amount established during the year	-	-	-	-	29,564	-	-	29,564
2. Amount utilized during the year	-	-	-	-	(21,953)	-	-	(21,953)
III. Closing balance for the year	8,918,602	19,282,147	65,940	-	22,184	606,991	(8,725,517)	20,038,467

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	附註五	2021年	2020年
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		39,596,096	23,942,238
Receipts of taxes refunds		236,375	19,761
Other cash received relating to operating activities		152,632	387,232
Sub-total of cash inflows from operating activities		39,985,103	24,349,231
Cash paid for purchase of goods and services		31,838,827	20,923,245
Cash paid to and on behalf of employees		1,490,404	1,206,760
Cash paid for all types of taxes		610,989	605,904
Other cash paid relating to operating activities		423,452	275,557
Sub-total of cash outflows from operating activities		34,363,672	23,011,466
Net cash flows from operating activities		5,621,431	1,337,765
II. Cash flows from investing activities:			
Cash received from disposal of investments		–	433,000
Cash received from return on investments		1,209	6,803
Proceeds from disposal of items of property, plant and equipment		7,627	–
Other cash received relating to investing activities		60,762	–
Sub-total of cash inflows from investing activities		69,598	439,803
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets		4,891,325	223,158
Cash paid for acquisition of investments		600,000	84,236
Net cash payments for acquisition of subsidiaries and other business units		114,361	843,522
Sub-total of cash outflows from investing activities		5,605,686	1,150,916
Net cash flows from investing activities		(5,536,088)	(711,113)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2021

	附註五	2021年	2020年
III. Cash flows from financing activities:			
Cash received from borrowings		4,774,465	2,742,480
Other cash received relating to financing activities		1,745,241	1,478,358
Sub-total of cash inflows from financing activities		6,519,706	4,220,838
Cash repayments of borrowings		4,306,332	1,251,050
Cash paid for distribution of dividends or profits, and for interest expenses		345,740	203,007
Other cash paid relating to financing activities		818,829	290,666
Sub-total of cash outflows from financing activities		5,470,901	1,744,723
Net cash flows from financing activities		1,048,805	2,476,115
IV. Effect of changes in exchange rate on cash and cash equivalents		—	—
V. Net increase/(decrease) in cash and cash equivalents		1,134,148	3,102,767
Add: Cash and cash equivalents at the beginning of the year		4,698,090	1,595,323
VI. Cash and cash equivalents at the end of the year	56	5,832,238	4,698,090

The accompanying notes form an integral part of these financial statements

Statement of Financial Position of the Parent Company

Year ended 31 December 2021

Assets	31 December 2021	31 December 2020
Current assets:		
Cash and bank balances	6,410,521	4,925,021
Including: Cash in other financial institutions	19,443	949
Financial assets held for trading	600,000	–
Trade receivables	69,402	39,503
Receivables financing	1,536,724	2,062,046
Prepayments	833,678	516,190
Other receivables	180,813	17,181
Inventories	3,815,186	5,015,067
Other current assets	98,251	383,123
Total current assets	13,544,575	12,958,131
Non-current assets :		
Long-term equity investments	1,050,448	917,104
Other equity investments	5,000	5,000
Property, plant and equipment	20,791,030	15,705,686
Construction in progress	4,175,296	2,844,665
Right-of-use assets	518,318	4,095,211
Intangible assets	2,307,776	2,329,901
Long-term prepaid expenses	271	299,730
Deferred tax assets	121,492	87,653
Other non-current assets	102,289	87,173
Total non-current assets	29,071,920	26,372,123
Total assets	42,616,495	39,330,254

The accompanying notes form an integral part of these financial statements

Statement of Financial Position of the Parent Company (Continued)

Year ended 31 December 2021

Liabilities and shareholders' equity	31 December 2021	31 December 2020
Current liabilities :		
Short-term borrowings	2,629,734	700,788
Notes payable	1,261,138	1,256,400
Trade payables	4,676,051	2,692,577
Contract liabilities	2,185,095	2,554,123
Employee benefits payable	108,454	280,322
Taxes payable	13,915	6,822
Other payables	2,690,068	1,565,471
Non-current liabilities due within one year	1,355,853	3,711,113
Other current liabilities	284,736	332,036
Total current liabilities	15,205,044	13,099,652
Non-current liabilities :		
Long-term borrowings	1,792,800	450,000
Bonds payable	498,434	995,150
Lease liabilities	408,135	3,022,612
Long-term payables	2,301,299	1,125,491
Long-term employee benefits payable	144,977	179,557
Deferred income	56,903	35,902
Other non-current liabilities	–	445,480
Total non-current liabilities	5,202,548	6,254,192
Total liabilities	20,407,592	19,353,844
Shareholders' equity :		
Share capital	8,918,602	8,918,602
Capital reserves	19,313,090	19,313,090
Less: Treasury shares	–	65,940
Special reserves	13,365	19,398
Surplus reserves	577,012	577,012
Unappropriated profit	(6,613,166)	(8,785,752)
Total shareholders' equity	22,208,903	19,976,410
Total liabilities and shareholders' equity	42,616,495	39,330,254

The accompanying notes form an integral part of these financial statements

Income Statement of the Parent Company

Year ended 31 December 2021

	2021	2020
Revenue	39,871,115	24,486,676
Less: Cost of sales	36,199,393	22,731,657
Taxes and surcharges	152,251	168,062
Distribution and selling expenses	81,143	91,572
General and administrative expenses	474,042	580,949
Research and development costs	11,805	–
Finance expenses	354,752	112,667
Including: Interest expenses	468,909	251,069
Interest income	112,900	69,371
Add: Other income	14,886	175,565
Investment income	12,865	6,791
Including: Share of profits and losses of joint ventures and associates	8,133	–
Impairment losses on assets	(348,552)	(364,474)
Impairment losses on credit	(19,037)	–
Gain on disposal of items of property, plant and equipment	(4,734)	–
Operating profit	2,253,157	619,651
Add: Non-operating income	149,482	2,697
Less: Non-operating expenses	263,648	59,396
Total profit	2,138,991	562,952
Less: Income tax expenses/(credit)	(33,595)	(19,462)
Net Profit	2,172,586	582,414
Including: Net profit from continuing operations	2,172,586	582,414
Other comprehensive income after tax	–	–
Total comprehensive income	2,172,586	582,414

The accompanying notes form an integral part of these financial statements

Statement of changes in Equity of the Parent Company

Year ended 31 December 2021

	2021							Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,313,090	65,940	-	19,398	577,012	(8,785,752)	19,976,410
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	2,172,586	2,172,586
(II) shareholders' contribution and decrease in share capital								
1. Amount decreased during the year	-	-	(65,940)	-	-	-	-	65,940
(III) Special reserves								
1. Amount established during the year	-	-	-	-	26,400	-	-	26,400
2. Amount utilized during the year	-	-	-	-	(32,433)	-	-	(32,433)
III. Closing balance for the year	8,918,602	19,313,090	-	-	13,365	577,012	(6,613,166)	22,208,903

The accompanying notes form an integral part of these financial statements

Statement of changes in Equity of the Parent Company (Continued)

Year ended 31 December 2021

	2020							
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,313,090	62,314	-	14,573	577,012	(9,368,166)	19,392,797
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	582,414	582,414
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	84,334	-	-	-	-	(84,334)
2. Amount decreased during the year			(80,708)					80,708
(III) Special reserves								
1. Amount established during the year	-	-	-	-	25,908	-	-	25,908
2. Amount utilized during the year	-	-	-	-	(21,083)	-	-	(21,083)
III. Closing balance for the year	8,918,602	19,313,090	65,940	-	19,398	577,012	(8,785,752)	19,976,410

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows of the Parent Company

Year ended 31 December 2021

	2021	2020
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	39,592,838	23,939,650
Receipts of taxes refunds	193,192	–
Other cash received relating to operating activities	152,553	384,574
Sub-total of cash inflows from operating activities	39,938,583	24,324,224
Cash paid for purchase of goods and services	32,285,474	21,174,171
Cash paid to and on behalf of employees	1,427,542	1,190,067
Cash paid for all types of taxes	556,784	581,329
Other cash paid relating to operating activities	409,481	269,804
Sub-total of cash outflows from operating activities	34,679,281	23,215,371
Net cash flows from operating activities	5,259,302	1,108,853
II. Cash flows from investing activities:		
Cash received from disposal of investments	–	433,000
Cash received from return on investments	1,209	6,791
Proceeds from disposal of items of property, plant and equipment	7,627	–
Disposal of a subsidiary	4,732	–
Other cash received relating to investing activities	60,762	–
Sub-total of cash inflows from investing activities	74,330	439,791
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	4,891,302	223,078
Cash paid for investments	600,000	84,236
Net cash payments for acquisition of subsidiaries and other business units	114,420	849,610
Sub-total of cash outflows from investing activities	5,605,722	1,156,924
Net cash flows from investing activities	(5,531,392)	(717,133)

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows of the Parent Company (Continued)

Year ended 31 December 2021

	2021	2020
III. Cash flows from financing activities:		
Cash received from borrowings	4,774,465	2,742,480
Other cash received relating to financing activities	1,745,241	1,478,358
Sub-total of cash inflows from financing activities	6,519,706	4,220,838
Cash repayments of borrowings	4,071,880	1,134,500
Cash paid for distribution of dividends or profits, and for interest expenses	314,265	185,858
Other cash paid relating to financing activities	718,818	194,051
Sub-total of cash outflows from financing activities	5,104,963	1,514,409
Net cash flows from financing activities	1,414,743	2,706,429
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	-	-
V. Net increase in cash and cash equivalents	1,142,653	3,098,149
Add: Cash and cash equivalents at the beginning of the year	4,689,461	1,591,312
VI. Cash and cash equivalents at the end of the year	5,832,114	4,689,461

The accompanying notes form an integral part of these financial statements

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 129,815,901 ordinary shares of the Company in September 2021 with a shareholding percentage of 1.46%. As of 31 December 2021, Baowu Group and Changshou Iron and Steel held a total of 2,226,797,501 ordinary shares of the Company, with a shareholding percentage of 24.97%.

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

The financial statements were approved by the Board of Directors of the Company on 30 March 2022. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

The scope of consolidation of the consolidated financial statements is determined on the basis of control, and refer to Note VI for the changes in this year.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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 2021, the Group’s current liabilities exceeded current assets by RMB2,060,759,000. 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 RMB6.246 billion obtained by the Group as of December 31, 2021, 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 2021 and the results of their operations and cash flows for the year ended 31 December 2021.

2. Accounting period

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

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 combination 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 combination, and that control is not transitory. In a business combination involving entities under common control, the entity that, at the combination date, obtains control of another combining entity is the absorbing party, while that other combining entity is the entity being absorbed. The combination date is the date on which the absorbing entity effectively obtains control on the entity being absorbed.

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

Business combination not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving entities under common control, the entity that, on the acquisition date, obtains control of another combining entity is the acquirer, while that other combining entity is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Business combination

Business combination not involving entities under common control (Continued)

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is initially recognised 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 net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where 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 is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the fair value of the consideration transferred (or the fair value of the equity securities issued), together with the fair value of the Group's previously held equity interest in the acquiree. 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 net identifiable assets, the Group recognises the remaining difference in profit or loss.

If the business combination is achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in profit or loss. The changes in the value of its previously held equity interest in the acquiree recognised in other comprehensive income shall be recognised on the same basis as would be required if the acquiree had disposed directly of the related assets or liabilities. The changes in equity interest shall be converted into profit or loss, with the exception of profit or loss, other comprehensive income and retained profits

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company, including separable parts of an enterprise or investee and structured entities controlled by the Company, etc.

In preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as those of the Company. All intra-group assets, liabilities, equity interests, income, expenses and cash flow are eliminated in full on consolidation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

5. Consolidated financial statements (Continued)

Where the amount of losses of a subsidiary attributable to the non-controlling shareholders in the current period exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the day on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values 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 operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative consolidated financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

The Group's control over an investee is re-assessed if change in relevant facts and situations causes changes in one or more of the control substances.

6. Classification of Joint arrangement and Joint operation

Joint arrangement is classified as either joint venture or joint operation. A joint operation is a joint arrangement whereby the joint operators have the rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint operators have the rights to the net assets of the arrangement.

A joint operator recognizes the following items in relation to its interest in a joint operation: its solely-held assets, and its share of any assets held jointly; its solely-assumed liabilities, and 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; its solely-incurred expenses, and its share of any expenses incurred jointly.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Cash and cash equivalents

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

8. Foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded, on initial recognition in the functional currency using the spot exchange rate prevailing at the dates of transactions. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are 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 that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions, and the amount denominated in the functional currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments

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

Recognition and derecognition of financial instruments

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

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 Group's consolidated balance sheet) when:

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

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

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Group committed to purchase or sell a financial asset.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at 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 accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets 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.

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

Debt instrument investment at amortized cost

The Group 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. Financial assets at amortised cost are subsequently measured using the effective interest method. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Debt instrument investment 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Equity instrument investment at fair value through other comprehensive income

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

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 assets

Based on the expected credit losses ("ECLs"), the Group recognises an allowance for ECLs for the financial assets measured at amortised cost and debt investments at fair value through other comprehensive income.

For accounts receivable accounts receivable that do not contain a significant financing component, the Group applies the simplified approach to recognise a loss allowance based on lifetime ECLs.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Impairment of financial assets (Continued)

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

The Group assesses the ECLs of financial instruments by individual or group. Considered the characteristics of different customers' credit risk, the Group assesses the ECLs of accounts receivable and other receivables based on the ageing profile. The Group assesses the ECLs of receivables financing, by considering the characteristics of the acceptors' credit risk.

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 VIII.3.

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

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 recognised amounts; and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

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. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of the ECLs settle at the balance sheet date, and (ii) the amount initially recognized less the cumulative amortization recognized in accordance with the guidance for revenue recognition.

Transfers of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised 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) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability.

10. Inventories

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

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is assigned by using weighted average method. Costs of spare parts, lower valued consumables and packing materials shall be amortized on the immediate written-off or amortization in stage basis.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is recognized in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, so that the net realizable value is higher than the carrying amount, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the decline in value of inventories. The amount of the reversal is recognized in current profit or loss.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The provision for decline in value of inventories is made on an individual basis.

The Groups adopts the perpetual inventory system.

11. Long-term equity investments

Long-term equity investments consist of equity investments in subsidiaries and an associate.

Long-term equity investments are recognized at initial investment cost upon acquisition. For a long-term equity investment acquired through a business combination under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. Any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The portion recognized based on changes in the investee's equity (other than net profit or loss, other comprehensive income and profit appropriation) is charged to profit or loss upon disposal of such long-term equity investment. For those partially disposed equity investments, gains or losses upon disposal are proportionately recognized in profit or loss when they still constitute long-term equity investments after the disposal and are fully charged to profit or loss when they are reclassified to financial instruments after the disposal. For business combination involving entities not under common control, the initial investment cost should be the cost of acquisition (for step acquisitions not under common control, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree held before the acquisition date and the additional investment cost paid on the acquisition date), which is the sum of the fair value of assets transferred, liabilities incurred or assumed and equity instruments issued. If the equity investments in the acquiree involve other comprehensive income prior to the acquisition date, when disposing of the investments, the relevant other comprehensive income will be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The portion recognized based on changes in the investee's equity (other than net profit or loss, other comprehensive income and profit appropriation) is charged to profit or loss upon disposal of such long-term equity investment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

The initial investment cost of a long-term equity investment acquired otherwise than through a business combination shall be determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price has been paid plus those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for those acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

The cost method is applied for long-term equity investments in the financial statements of the Parent Company when the investee is controlled by the Company. Control refers to the power over the investee such that the Company is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

When the cost method is adopted, long-term equity investments are recorded at initial investment cost. Adjusting the cost of long-term equity investment by adding or withdrawing investment. Profits or cash dividends declared to be distributed by the investee should be recognized as investment income for the period.

The equity method is applied for long-term equity investments when the investees are significantly influenced by the Group. 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 investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the excess is included in the initial investment cost. Where the initial investment cost is less than the investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

When the equity method is adopted, the investor recognizes its investment income and adjusts the carrying amount of the investment based on the post-acquisition change in the investor's share of net assets of the investee. The recognition of the investee's results should be based on the fair values of the individual identifiable assets of the investee according to the Group's accounting policies and accounting period. The gains and losses resulting from intercompany transactions with the investee should be eliminated to the extent of the amount attributable to the investor according to the shareholding (but if the gains and losses belong to asset impairment losses, they should be entirely recognized). The recognition should be based on the adjusted net profit of the investee. The investor's share of profit distributions or cash dividends declared by the investee is deducted from the carrying amount of the investment. The Group recognizes net losses incurred by the investee to the extent that the carrying amount of the investment and other long-term equity interests that are investment in the investee in substance is reduced to zero, except for which the investor has an extra obligation to assume loss of it. For the changes of equity in an investee other than profit or loss, the investor adjusts the carrying amount of the investment and recognized it in shareholders' equity.

When long-term equity investments are disposed of, the difference between the carrying amount and the actual proceeds received should be charged to profit or loss. For long-term equity investments under the equity method, if the method would not be adopted after the disposal, the basis of the accounting treatment on the related other comprehensive income under original equity method is the same as that on disposal of related assets or liabilities by the investee, the amount recognized in the equity on the changes in other equity movements except for the net profit or loss, other comprehensive income and profit appropriation, should be all charged to the profit or loss; if the equity method would continue to be adopted after the disposal, the basis of the accounting treatment on the related other comprehensive income under the original equity method is the same as that on disposal of related assets or liabilities by the investee, the amount recognized in the equity on the changes in other equity movements except for the net profit or loss, other comprehensive income and profit distribution, should be charged to profit or loss in proportion.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Property, plant and equipment

PPE are recognized in situations when it is probable that their related future economic benefits will flow into the Group, and their cost can be measured reliably. The subsequent expenditure is recorded in the cost of PPE only if the conditions above are met and the carrying amount of parts which had been replaced shall be derecognized; otherwise, is charged to profit or loss.

PPE are initially recorded taking discard expenses into consideration. The purchase cost of PPE comprises its purchase price, related taxes, and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

The depreciation of PPE is calculated on the straight-line basis. The estimated useful lives, estimated residual values, and the annual depreciation rates of each category of PPE are as follows:

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

If the various components of fixed assets have different useful lives or provide economic benefits to the enterprise in different ways, different depreciation rates and depreciation methods are applicable.

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

13. Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalized before the construction reaches the condition for intended use and other relevant expenses.

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

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Borrowing costs

Borrowing costs are interests and other expenses arising from borrowings of the Group, including borrowing interest, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

All the borrowing costs that are directly attributable to construction or production of all qualifying assets are capitalized and other borrowing costs are treated as an expense. A qualifying asset is defined as a PPE, investment property or inventory that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Right-of-use assets

The right-of-use assets of the Group mainly include plants and buildings and machineries and other equipment.

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.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

16. Intangible assets

Intangible assets are recognized if and only if it is probable that the related economic benefits will flow into the Group and the costs of which can be measured reliably. Intangible assets are measured at cost initially. However, for an intangible asset acquired in the business combination not under common control whose fair value can be reliably measured, it is separately recognized and is measured at its fair value.

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Intangible assets (Continued)

The useful lives of the Group's intangible assets are as follows:

Item	Useful life (years)
Land use rights	50
Patent and non-patent technology	3.4

Land use rights that are acquired by the Group are generally accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights and buildings, are accounted for as intangible assets and PPE, respectively. Payments for the land and buildings acquired are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as PPE.

Intangible assets with finite useful lives are amortized over the useful lives on the straight-line basis. The Group reviews the useful lives and amortization method of intangible assets with finite useful lives, and adjusts them if appropriate, at least at the end of each reporting year.

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognized in profit or loss in which it is incurred. Expenditure on the development phase is capitalized 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 future 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) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Expenditure in the development phase that does not meet the above criteria is recognized in profit or loss in which it is incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND 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.

An asset's recoverable amount is calculated as the higher of the asset's fair value less costs of sale and the present value of estimated future cash flows of the assets. The recoverable amount is calculated for an individual asset unless it is not applicable, in which case the recoverable amount is determined for the asset groups to which the asset belongs. An asset group is recognized based on whether the cash inflows generated by the asset group are largely independent to those of other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment allowance is provided.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, 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.

When testing an asset group to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group, excluding the amount of goodwill allocated, for impairment, i.e., the Group determines and compares the recoverable amount with the related carrying amount and recognises any impairment loss. After that, the Group tests the asset, including goodwill, for impairment, the carrying amount of the related asset group is compared to its recoverable amount. If the carrying amount of the asset group is higher than its recoverable amount, the amount of the impairment loss is firstly used to reduce the carrying amount of the goodwill allocated to the asset group, and then used to reduce the carrying amount of other assets (other than the goodwill) within the asset group, on a pro-rata basis of the carrying amount of each asset.

Impairment losses cannot be reversed in subsequent accounting periods.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Long-term prepaid expenses

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

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

19. Payroll and employee benefits payable

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits that the Group provides to the spouses, children and dependents of employees, the late employees' family and other beneficiaries also shall be deemed as employee benefits.

Short-term employee benefits payable

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

Post-employment benefits (defined contribution plans)

Expenditures for employees' endowment insurance and unemployment insurance managed by the local government established by the Group are capitalized in the related assets or charged to profit or loss.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Payroll and employee benefits payable (Continued)

Post-employment benefits (defined benefit plan) (Continued)

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.

The past service costs are recognized as expenses for the current period when the defined benefit plan is modified or when the Group recognizes relevant restructuring costs or termination benefits, whichever occurs earlier.

Net interest is calculated by multiplying net liabilities or net assets of the defined benefit plan by the discount rate. 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

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the entity cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or 2) when the entity recognizes cost or expenses related to a restructuring that involves 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)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the start of the lease term, when the actual fixed payment changes, the expected amount payable of the guarantee residual value changes, the index or ratio used to determine the lease payment changes, the purchase option, the renewal option, or the evaluation of the termination option. When the result or actual exercise situation changes, the Group remeasures the lease liability based on the present value of the lease payment after the change.

21. Provisions

Except for contingent considerations or contingent liabilities assumed for business combination not under common control, a provision is recognized if:

- (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.

Provisions are initially measured at the best estimate of the expenditure required to settle the present obligation, after considering risks, uncertainties, present value, etc. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Share-based payments

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment. An equity-settled share-based payment is a transaction in which the Group receives services and uses shares or other equity instruments as consideration for settlement.

An equity-settled share-based payment in exchange for services received from employees is measured at the fair value of the equity instruments granted to the employees. If such equity-settled share-based payment could vest immediately, related costs or expenses at an amount equal to the fair value on the grant date are recognised, with a corresponding increase in capital reserves; if such equity-settled share-based payment could not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group at each balance sheet date during the vesting period recognises the services received for the current period as related costs and expenses, with a corresponding increase in capital reserves, at an amount equal to the fair value of the equity instruments at the grant date, based on the best estimate of the number of equity instruments expected to vest. The fair value is determined using the binomial model.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled share-based award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Share-based payments (Continued)

The cost of cash-settled transactions is measured at the fair value of the liability which is determined on the basis of shares or other equity instruments of the Group. It is initially recognised at the fair value on the grant date together with the consideration of terms and conditions on which the equity instruments are granted. If the rights under a cash-settled share-based payment could vest immediately, related costs or expenses at an amount equal to the fair value on the grant date are recognised, with a corresponding increase in liability. If the rights under a cash-settled share-based payment could not vest until the completion of services for a vesting period, or until achievement of a specified performance condition, the Group at each balance sheet date during the vesting period recognises the services received for the current period as related costs and expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. The liability is measured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in profit or loss.

23. Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Group has fulfilled its performance obligations in the contracts, that is, when the customer obtains control of relevant goods or services. Control of relevant goods or services refers to the ability to direct the use of the goods, or the provision of the services, and obtain substantially all of the remaining benefits from the goods or services.

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. The revenue is recognised at the point that the customers signed the receipts based on the following indicators, which include: a present right to payment for goods, the transfer of significant risks and rewards of ownership of goods, the transfer of legal title to goods, the transfer of physical possession of goods, the customer's acceptance of goods.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Revenue from contracts with customers (Continued)

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 is an agent and recognises revenue in the amount of any fee or commission to which it expects to be entitled from the customer. 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.

24. Contract liabilities

The Group recognizes a contract liability based on the relationship between performance of obligations and customer payments.

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

25. Government grants

Government grants are recognized in profit or loss, when they are highly probable to be received and all conditions are fulfilled. If a government grant is in form of monetary asset, it is measured at the amount received or receivable. If a government grant is in form of nonmonetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at the nominal amount.

Asset-related government grants are recognized when the government document designates that the government grants are used for constructing or forming long-term assets. If the government document is inexplicit, the Company should make a judgement based on the basic conditions to obtain the government grants, and recognizes them as asset-related government grants if the conditions are to form long-term assets through construction or other method. Otherwise, the government grants should be income-related.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Government grants (Continued)

A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related costs or expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss or offset against relevant costs over the periods in which the related costs are recognized; (b) if the grant is a compensation for related costs or expenses or losses already incurred, it is recognized immediately in profit or loss or offset against relevant costs for the current period.

A government grant related to asset can be either accounted by reducing the carrying amount of the asset or by being recognized as deferred income, and evenly amortized systematically and reasonably to profit or loss over the useful life of the related asset (government grants measured at the nominal amount should be recognized in profit or loss immediately for the period). When the asset is sold, transferred, discarded or destroyed within the useful life, the related deferred income should be recognized in profit or loss immediately.

26. Income tax

Income tax comprises current tax and deferred tax, and is normally recognized as credit or expense in profit or loss, except for goodwill arising from a business combination or items that have been recognized directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, and the differences between the carrying amounts of some items that have a tax base but are not recognized as assets and liabilities and their tax base, the Group adopts the liability method for the provision of deferred tax.

Deferred tax liabilities are recognised 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Income tax (Continued)

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

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 realised 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 Group 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 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 asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group 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 liabilities and assets 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 liabilities or assets are expected to be settled or recovered.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Lease

Identification of lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Lease

As a lessee

For the general accounting treatment of the Group as a lessee, please refer to Note XIII.2.

Lease modifications

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

- (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

- (1) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or
- (2) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Lease (Continued)

As a lessee (Continued)

Short-term lease

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease. The Group elected not to recognize a right-of-use asset or lease liability of the short-term lease of machinery and motor vehicles. The Group recognises lease payments on short-term leases in the costs of the related asset or profit or loss on a straight-line basis.

As a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As lessor in operating leases

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.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group applies the requirements in Note III.23 to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As a lessee

If the asset transfer in a sale and leaseback transaction is a sale, the Group, as the lessee, measures the right-of-use asset formed by the sale and leaseback based on the part of the original asset's book value that is related to the right-of-use acquired by the leaseback, and only transfers it to the right of the lessor recognizes the relevant gains or losses; if the transfer of assets in a sale and leaseback transaction does not belong to a sale, the Group, as the lessee, continues to recognize the transferred assets and recognizes a financial liability equal to the transfer proceeds. The Group accounts for the financial liability applying Note III.9

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

28. Share repurchase

The payment and transaction costs made on the repurchase of own equity instruments account for a deduction from equity. Issuance (including refinancing), repurchase, sale or cancellation of the own equity instruments shall be treated as changes in equity.

29. Safety production funds

Safety production provided according to the regulations are included in costs of related products or profit or loss, and credited to the specialised reserves. They are treated differently when being utilised: (i) the specialised reserves are offset against for those attributable to the expense nature; or (ii) the cumulative expenditures are recognised as a fixed asset for those attributable to the fixed asset nature when the working condition for the intended use is reached, and at the same time, specialised reserves are offset against with the full depreciation of the fixed asset, at the same amount.

30. Fair value measurement

The Group measures held “other current assets-notes receivable” and equity investment instruments at fair value 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value, giving priority to the use of relevant observable inputs, and using unobservable inputs only when observable inputs are unavailable or not feasible to obtain.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

30. Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized 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.

31. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting 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 judgements which have a significant effect on the amounts recognised in the financial statements:

Business model

The classification of financial assets at initial recognition depends on the Group's business model for managing financial assets. When determining the business model, the Group considers the methods to include evaluation and report financial asset performance to key management, the risks affecting the performance of financial assets and the risk management, and the manner in which the relevant management receives remuneration. When assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and judge the reason, timing, frequency and value of the sale before the maturity date of the financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Contractual cash flow characteristics

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of financial instruments

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

Notes to Financial Statements (Continued)

Year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future cash flows expected to be derived from the asset to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in Note V.16

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. 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 together with future tax planning strategies.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

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.

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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

IV. TAXES

1. Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (“VAT”)	The taxable revenue from sale of goods	VAT payable is the difference between VAT output and less deductible VAT input for the current year. VAT output has been calculated by applying a rate of 13% to the taxable value
Other tax rate: 6%、9%		
Housing 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%	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	RMB2.4-3.5 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%

IV. TAXES (CONTINUED)

2. Tax benefits

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)

Year ended 31 December 2021

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Items	31 December 2021	31 December 2020
Bank deposits	5,832,238	4,698,090
Other monetary assets	578,407	245,141
	6,410,645	4,943,231
Including : the total amount of restricted cash and bank balances due to mortgage, pledge or freeze.	578,407	245,141

As at 31 December 2021, 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

	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss		
Debt instrument investment	600,000	–

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)

Year ended 31 December 2021

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

3. Trade receivables

Credit period of trade receivables is generally within one-month. Trade receivables are non-interest-bearing.

An ageing analysis of accounts receivable is as follows:

	31 December 2021	31 December 2020
within 1 year	52,069	34,885
1 – 2 year	1,836	25
2 – 3 year	25	204
Above 3 year	1,018	975
Subtotal	54,948	36,089
Less: Provision for bad debts	1,063	1,048
Total	53,885	35,041

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

3. Trade receivables (Continued)

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

	2021					2020				
	Book value		Impairment allowance		carrying amount	Book Value		Impairment allowance		carrying amount
	Amount	Proportion	Amount	Provision		Amount	Provision	Amount	Provision	
		(%)		(%)		(%)		(%)		
Receivables that are subject to provision by group with similar credit risk characteristics	54,948	100	1,063	2	53,885	36,089	100	1,048	3	35,041

As at 31 December 2021 and at 31 December 2020, the Company have no individually trade receivables to separate provision.

The expected credit losses on the accounts receivable by age are as follows:

	31 December 2021			31 December 2020		
	Estimated doubtful book value	Lifetime ECLs (%)	ECLs proportion	Estimated doubtful book value	Lifetime ECLs (%)	ECLs proportion value
Within 1 year	52,069	–	–	34,885	–	–
1-2 years	1,836	1	20	25	24	6
2-3 years	25	100	25	204	33	67
Over 3 years	1,018	100	1,018	975	100	975
	54,948		1,063	36,089		1,048

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

3. Trade receivables (Continued)

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

	Opening balance	Provision	Recovery or reversal	Write-off	Other increase	Closing balance
2021	1,048	15	–	–	–	1,063
2020	1,000	23	–	–	25	1,048

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 2021, the top five balances in respect of trade receivables aggregating RMB50,130,000(As at 31 December 2020: RMB33,689,000), accounting for 91% (As at 31 December 2020: 93%) 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 2020: Nil).

4. Receivables financing

	31 December 2021	31 December 2020
Notes receivable	1,536,724	2,068,546

The Group endorses and discounts partial of bank acceptance bills in daily money management, aiming at receiving contractual cashflow 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)

Year ended 31 December 2021

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

4. Receivables financing (Continued)

	31 December 2021	31 December 2020
Commercial acceptance bill	200	200
Bank acceptance bill	1,536,524	2,068,346
	1,536,724	2,068,546

Pledged notes receivable as follows:

	31 December 2021	31 December 2020
Bank acceptance bill	317,202	1,343,223

Please refer to Note V.57. for restricted notes receivable at the year-end.

Notes receivable endorsed or discounted but not yet mature at the balance sheet date are as follows:

	31 December 2021		31 December 2020	
	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 bill	3,025,542	–	371,545	–

As at 31 December 2021, none of the Notes receivable was transferred to trade receivable by the Group (31 December 2020: Nil).

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

5. Prepayments

Ageing analysis as follows:

	31 December 2021		31 December 2020	
	Book value	Proportion (%)	Book value	Proportion (%)
Within 1 year	750,719	99	527,781	99
1-2 years	5,991	1	6,729	1
Over 3 years	–	–	6	–
	756,710	100	534,516	100

As at 31 December 2021, the closing balances of the top five prepayments balances in aggregate to RMB436,821,000 (As at 31 December 2020: RMB244,398,000), representing 58% (As at 31 December 2020: 46%) of the total closing balances of prepayments at the end of reporting year.

6. Other receivables

	31 December 2021	31 December 2020
Other receivables	52,279	18,013

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

6. Other receivables (Continued)

An ageing analysis of other receivables is as follows:

	31 December 2021	31 December 2020
Within 1 year	70,670	16,196
1 – 2 year	1,866	236
2 – 3 year	–	2,011
Above 3 year	2,288	3,078
	74,824	21,521
Less: Impairment allowance	22,545	3,508
	52,279	18,013

Other receivables presented by nature as follow:

	31 December 2021	31 December 2020
Prepayments for trading	66,211	1,733
Guarantee deposits, staff advances, etc.	7,426	18,352
Others	1,187	1,436
	74,824	21,521

Notes to Financial Statements (Continued)

Year ended 31 December 2021

V. NOTES TO ITEMS IN 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:

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)	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 characteristics)	Credit-impaired financial assets (Lifetime expected credit losses) (a single financial instrument)	Book value	allowance	Book value	allowance	Book value
Opening balance	16,196	-	2,247	430	3,078	3,078	-	-	21,521	3,508
Accrual	50,844	-	-	-	-	-	19,827	19,827	70,671	19,827
Write-off	(16,197)	-	(381)	-	(790)	(790)	-	-	(17,368)	(790)
Closing balance	50,843	-	1,866	430	2,288	2,288	19,827	19,827	74,824	22,545

2020

	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)	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 characteristics)	Credit-impaired financial assets (Lifetime expected credit losses) (a single financial instrument)	Book value	allowance	Book value	allowance	Book value
Opening balance	76,315	-	2,247	430	3,078	3,078	-	-	81,640	3,508
Accrual	16,196	-	-	-	-	-	-	-	16,196	-
Write-off	(76,315)	-	-	-	-	-	-	-	(76,315)	-
Closing balance	16,196	-	2,247	430	3,078	3,078	-	-	21,521	3,508

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

6. Other receivables (Continued)

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

	Opening balance	Provision	Reversal	Write-off	Closing balance
2021	3,508	19,827	(790)	–	22,545
2020	3,508	–	–	–	3,508

As at 31 December 2021, the five largest other receivables are as follows:

Company	31 December 2021	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	42,273	56	Transactional intercourse	Within 1 year	–
The second	19,827	26	Transactional intercourse	Within 1 year	19,827
The third	3,789	5	Guarantee deposits	0 to 3 years	526
The fourth	2,978	4	Staff advances	0 to 3 years	2,192
The fifth	2,550	3	Transactional intercourse	Within 1 year	–
	71,417	94			22,545

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

6. Other receivables (Continued)

As at 31 December 2020, the five largest other receivables are as follows:

Company	31 December 2020	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	12,000	55	Guarantee deposits	Within 1 year	–
The second	1,500	7	Guarantee deposits	Within 1 year	–
The third	1,026	5	Staff advances	0 to 3 years	1,026
The fourth	598	3	Guarantee deposits	Within 1 year	–
The fifth	426	2	Guarantee deposits	Within 1 year	–
	15,550	72			1,026

7. Inventories

	31 December 2021			31 December 2020		
	Book value	Provision for decline in value	Carrying amount	Book value	Provision for decline in value	Carrying amount
Raw materials	2,277,521	136,616	2,140,905	3,374,493	136,616	3,237,877
Work in progress	749,717	32,962	716,755	1,228,511	–	1,228,511
Finished goods	747,742	76,510	671,232	316,818	–	316,818
Low value consumables and maintenance and spare parts	362,755	51,449	311,306	419,562	147,860	271,702
Total	4,137,735	297,537	3,840,198	5,339,384	284,476	5,054,908

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

7. Inventories (Continued)

Provision for inventories

2021

	Opening balance	Provision	Decrease		Closing balance
			Reversal or Write-off	Others	
Raw materials	136,616	–	–	–	136,616
Work in progress	–	32,962	–	–	32,962
Finished goods	–	76,510	–	–	76,510
Low value consumables and maintenance and spare parts	147,860	–	96,411	–	51,449
	284,476	109,472	96,411	–	297,537

2020

	Opening balance	Provision	Decrease		Closing balance
			Reversal or Write-off	Others	
Raw materials	136,616	–	–	–	136,616
Low value consumables and maintenance and spare parts	135,984	13,342	1,466	–	147,860
	272,600	13,342	1,466	–	284,476

Notes to Financial Statements (Continued)

Year ended 31 December 2021

V. NOTES TO ITEMS IN 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)

Year ended 31 December 2021

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

8. Other current assets

	31 December 2021	31 December 2020
Input VAT to be verified	92,218	–
Prepaid stamp duty	–	2,323
Prepaid corporate income tax	–	5,912
Input VAT to be credited	8,003	385,918
	100,221	394,153

9. Long-term equity investments

	31 December 2021			31 December 2020		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Joint ventures	–	–	–	–	–	–
Associate	58,160	–	58,160	79,494	–	79,494
	58,160	–	58,160	79,494	–	79,494

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

9. Long-term equity investments (Continued)

2021

Investees	Opening balance	Increase/(decrease)			Closing balance	impairment allowance at year-end
		Investment income recognised through equity method	cash dividends declared	Other changes		
Joint venture						
Chongqing Jianwei Intelligent Technology Co., Ltd.(Chongqing Jianwei) (Note 1)	-	-	-	-	-	-
Associate						
Xingang Changlong (Note 2)	28,258	-	-	(28,258)	-	-
Chongqing Baocheng Carbon Material Co., Ltd. (Baocheng Carbon) (Note 3)	11,236	3,112	(309)	-	14,039	-
Baowu Raw Material Supply Co., Ltd. (Baowu Raw Material) (Note 4)	40,000	5,021	(900)	-	44,121	-
Baowu Environmental Science Chongqing Resource Recycling Co., Ltd. (Baowu Environmental Resource) (Note 4)	-	-	-	-	-	-
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd (Baowu Jingcheng) (Note 5)	-	-	-	-	-	-
	79,494	8,133	(1,209)	(28,258)	58,160	-

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

9. Long-term equity investment (Continued)

2020

Investees	Opening balance	Investments increased	Increase/(decrease)		Closing balance	Impairment allowance at year-end
			Investment income recognised through equity method	Other changes		
Joint venture						
Chongqing Jianwei Intelligent Technology Co., Ltd (Chongqing Jianwei) (Note 1)	-	-	-	-	-	-
Associate						
Xingang Changlong (Note 1)	28,258	-	-	-	28,258	-
Baocheng Carbon (Note 3)	-	11,236	-	-	11,236	-
Baowu Raw Material (Note 4)	-	40,000	-	-	40,000	-
	28,258	51,236	-	-	79,494	-

Note 1: The Company and Jianwei digital technology (Chongqing) Co., Ltd contributed RMB2,500,000 to establish Chongqing Jianwei (豐微數字科技(重慶)有限公司) individually. Up to 31 December 2021, the Company has not paid such contributions. According to the Article of Chongqing Jianwei, the Company possesses 50% equity voting right.

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. Please refer to Note VI.1.

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

9. Long-term equity investment (Continued)

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.

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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

10. Other equity investments

Non-tradable equity instruments measured at fair value and the changes of which are included in other comprehensive income at the end of the year.

31 December 2021 and 31 December 2020

	Accumulated fair value changes recorded in other comprehensive income	Fair value	Dividends Income		Reason for being designated as fair value through other comprehensive income
			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	-	-	Intended to hold in long-term and earn investment income

11. Property, plant and equipment

	31 December 2021	31 December 2020
Property, plant and equipment	21,887,753	16,605,635
Property, plant and equipment to be disposed of	3,909	25,153
	21,891,662	16,630,788

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

11. Property, plant and equipment (Continued)

2021

	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
Cost				
Opening balance	13,632,365	8,592,665	10,807	22,235,837
Purchase	–	3,436,110	3,986	3,440,096
Transfers from construction in progress	1,359	2,527,683	–	2,529,042
Transfers from Long-term prepaid expenses	–	369,764	–	369,764
Business combinations not involving entities under common control	214,771	39,729	156	254,656
Disposal or retirements (Note 1)	(174,952)	–	–	(174,952)
Transfer into property, plant and equipment to be disposed of	(11,939)	(412,051)	(1,016)	(425,006)
Closing balance	13,661,604	14,553,900	13,933	28,229,437
Accumulated depreciation				
Opening balance	2,634,356	2,990,535	5,311	5,630,202
Provided	329,834	573,324	1,232	904,390
Disposal or retirements	(27,016)	–	–	(27,016)
Transfer into property, plant and equipment to be disposed of	(2,627)	(162,279)	(986)	(165,892)
	2,934,547	3,401,580	5,557	6,341,684
Provision for impairment				
Opening balance	–	–	–	–
Provided	9,312	249,772	30	259,114
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of (Note 1)	(9,312)	(249,772)	(30)	(259,114)
Closing balance	–	–	–	–
Carrying amount				
At the end of the year	10,727,057	11,152,320	8,376	21,887,753
At the beginning of the year	10,998,009	5,602,130	5,496	16,605,635

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

11. Property, plant and equipment (Continued)

2020

	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
Cost				
Opening balance	13,630,917	7,917,445	10,911	21,559,273
Purchase	–	26,619	–	26,619
Transfers from construction in progress	–	276,301	–	276,301
Business combinations not involving entities under common control	170,730	779,776	287	950,793
Disposal or retirements	(23,547)	(25)	(216)	(23,788)
Transfer into property, plant and equipment to be disposed of	(145,735)	(407,451)	(175)	(553,361)
Closing balance	13,632,365	8,592,665	10,807	22,235,837
Accumulated depreciation				
Opening balance	2,343,907	2,768,312	4,790	5,117,009
Provided	314,356	378,150	777	693,283
Disposal or retirements	(3,371)	–	(86)	(3,457)
Transfer into property, plant and equipment to be disposed of	(20,536)	(155,927)	(170)	(176,633)
Closing balance	2,634,356	2,990,535	5,311	5,630,202
Provision for impairment				
Opening balance	–	–	–	–
Provided	125,199	226,372	4	351,575
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	(125,199)	(226,372)	(4)	(351,575)
Closing balance	–	–	–	–
Carrying amount				
At the end of the year	10,998,009	5,602,130	5,496	16,605,635
At the beginning of the year	11,287,010	5,149,133	6,121	16,442,264

Note 1: The cost and accumulated depreciation of the property, plant and equipment disposed of this year are RMB174,952,000 and RMB27,016,000, which are the plants and buildings scrapped and demolished in 2021. 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 RMB259,114,000 in total.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

11. Property, plant and equipment (Continued)

PPE leased out under operating lease are as follows:

	2021	2020
Plants and buildings	7,113	11,125

PPE without certificates of ownership are as follows:

	Carrying amount	Reason for lacking certificates of ownership
Workshop in Changshou district	982,082	Application materials in preparation

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

Property, plant and equipment to be disposed of:

	2021	2020
Machineries and other equipment	3,909	25,153

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

12. Construction in progress

	31 December 2021			31 December 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Reconstruction from section steel into double high rods	134,946	–	134,946	467,058	–	467,058
Upgrading of rolling mill	1,191,223	–	1,191,223	597,109	–	597,109
Upgrading and transformation project of raw material terminal equipment for logistics transportation	78,890	–	78,890	189,082	–	189,082
Sintering machine upgrade and transformation and waste heat power generation project	262,281	–	262,281	249,345	–	249,345
High-efficiency transformation project of the second series of converters in the steelmaking plant	–	–	–	199,768	–	199,768
Upgrading of blast furnace process	72,566	–	72,566	246,666	–	246,666
Improvement of continuous caster	349,376	–	349,376	127,389	–	127,389
Newly built 50000m ³ /h oxygen generator	321,807	–	321,807	38,833	–	38,833
High efficiency utilization of surplus gas and steam cascade utilization project	383,940	–	383,940	73,688	–	73,688
Upgrading of blast furnace blast system	91,193	–	91,193	82,746	–	82,746
No 2&3 Sintering flue gas desulfurization upgrading project	130,388	–	130,388	–	–	–
Upgrading and reconstruction of information system	8,137	–	8,137	–	–	–
Transformation of pellet desulfurization and denitrification	–	–	–	3,778	–	3,778
No 1 Sintering flue gas desulfurization upgrading project	50,962	–	50,962	–	–	–
Upgrading of wastewater treatment system and environmental protection	19,542	–	19,542	–	–	–
Upgrading of coking process	20,426	–	20,426	83,057	–	83,057
Upgrading of the safety and efficiency of the first series' smelting area in steelmaking plant	181,762	–	181,762	37,345	–	37,345
Upgrading of hot rolling thin coil production line in rolling mill	29,474	–	29,474	–	–	–
Construction of 1#-6# coke oven flue gas desulfurization and denigration system	108,598	–	108,598	–	–	–
Water supply and drainage network renovation project	25,374	–	25,374	–	–	–
Waste water treatment and utilization project	81,900	–	81,900	–	–	–
Upgrading of wharves and berths	39,040	–	39,040	–	–	–
Others	592,544	–	592,544	448,801	–	448,801
	4,174,369	–	4,174,369	2,844,665	–	2,844,665

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

12. Construction in progress (Continued)

Changes in significant projects for 2021

Name of project	Budget	Opening balance	Current year additions	Transferred to PPE	Transferred to long-term prepaid expenses	Other changes	Closing balance	Invest proportion of budget	Source of funds
Reconstruction from section steel into double high rods	805,170	467,058	144,651	(476,763)	-	-	134,946	76%	Self-owned funds
Upgrading of rolling mill	1,825,740	597,109	1,150,244	(527,446)	-	(28,684)	1,191,223	96%	Self-owned funds
Upgrading and transformation project of raw material terminal equipment for logistics transportation	707,007	189,082	44,342	(154,534)	-	-	78,890	33%	Self-owned funds
Sintering machine upgrade and transformation and waste heat power generation project	324,890	249,345	24,447	-	(11,511)	-	262,281	93%	Self-owned funds
Upgrading of blast furnace process	775,785	246,666	53,326	(129,408)	(98,018)	-	72,566	72%	Self-owned funds
Improvement of continuous caster	773,340	127,389	318,927	(96,940)	-	-	349,376	64%	Self-owned funds
Newly built 50000m ³ /h oxygen generator	450,000	38,833	282,974	-	-	-	321,807	72%	Self-owned funds
High efficiency utilization of surplus gas and steam cascade utilization project	811,000	73,688	349,766	(39,514)	-	-	383,940	52%	Self-owned funds
Upgrading of blast furnace blast system	151,660	82,746	45,995	(37,548)	-	-	91,193	85%	Self-owned funds
No 2&3 Sintering flue gas desulfurization upgrading project	200,000	-	130,388	-	-	-	130,388	65%	Self-owned funds
Upgrading and reconstruction of information system	213,476	11,995	166,442	(170,300)	-	-	8,137	84%	Self-owned funds
Transformation of pellet desulfurization and denitrification	100,000	3,778	-	-	-	(3,778)	-	-	Self-owned funds

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

12. Construction in progress (Continued)

Changes in significant projects for 2021 (continued)

Name of project	Budget	Opening balance	Current year additions	Transferred to PPE	Transferred to long-term prepaid expenses	Other changes	Closing balance	Invest proportion of budget	Source of funds
No 1 Sintering flue gas desulfurization upgrading project	180,000	-	50,962	-	-	-	50,962	28%	Self-owned funds
Upgrading of wastewater treatment system and environmental protection	167,950	83,057	17,608	(81,123)	-	-	19,542	60%	Self-owned funds
Upgrading of coking process	80,415	37,345	4,498	(21,417)	-	-	20,426	68%	Self-owned funds
Upgrading of the safety and efficiency of the first series' smelting area in steelmaking plant	254,748	-	181,762	-	-	-	181,762	71%	Self-owned funds
Upgrading of hot rolling thin coil production line in rolling mill	399,350	-	29,474	-	-	-	29,474	7%	Self-owned funds
Construction of 1#-6# coke oven flue gas desulfurization and denigration system	165,000	-	108,598	-	-	-	108,598	66%	Self-owned funds
Water supply and drainage network renovation project	62,907	1,184	25,375	-	(1,185)	-	25,374	42%	Self-owned funds
Waste water treatment and utilization project	227,013	-	81,900	-	-	-	81,900	36%	Self-owned funds
Upgrading of wharves and berths	234,836	17,928	21,112	-	-	-	39,040	17%	Self-owned funds
Others	3,838,066	617,462	770,844	(794,049)	(1,084)	(629)	592,544	36%	Self-owned funds
		2,844,665	4,003,635	(2,529,042)	(111,798)	(33,091)	4,174,369		

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

12. Construction in progress (Continued)

Changes in significant projects for 2020

Name of project	Budget	Opening balance	Current year additions	Transferred to PPE	Transferred to long-term prepaid expenses	Closing balance	Invest proportion of budget	Source of funds
Reconstruction from section steel into double high rods	632,170	60	466,998	-	-	467,058	74%	Self-owned funds
Upgrading of rolling mill	1,825,740	-	597,109	-	-	597,109	33%	Self-owned funds
Upgrading and transformation project of raw material terminal equipment for logistics transportation	209,007	15,539	174,953	(1,410)	-	189,082	91%	Self-owned funds
Sintering machine upgrade and transformation and waste heat power generation project	324,890	-	276,377	(15,928)	(11,104)	249,345	85%	Self-owned funds
High-efficiency transformation project of the second series of converters in the steelmaking plant	219,134	270	218,864	-	(19,366)	199,768	100%	Self-owned funds
Upgrading of blast furnace process	775,785	2,620	499,454	(17,300)	(238,108)	246,666	65%	Self-owned funds
Improvement of continuous caster	773,340	38	173,845	(46,494)	-	127,389	22%	Self-owned funds
Newly built 50000m ³ /h oxygen generator	450,000	-	38,833	-	-	38,833	9%	Self-owned funds
High efficiency utilization of surplus gas and steam cascade utilization project	811,000	198	73,490	-	-	73,688	9%	Self-owned funds
No 2&3 Sintering flue gas desulfurization upgrading project	168,207	104,208	63,999	(168,207)	-	-	100%	Self-owned funds

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

12. Construction in progress (Continued)

Changes in significant projects for 2020 (continued)

Name of project	Budget	Opening balance	Current year additions	Transferred to PPE	Transferred to long-term prepaid expenses	Closing balance	Invest proportion of budget	Source of funds
Upgrading of blast furnace blast system	151,660	–	82,746	–	–	82,746	55%	Self-owned funds
Ironmaking plant sintering No. 2 Ironmaking plant sintering	15,950	7,866	4,174	–	(12,040)	–	75%	Self-owned funds
Transformation of the main pumping frequency conversion system of the third sintering plant	6,474	5,928	198	–	(6,126)	–	95%	Self-owned funds
Transformation of pellet desulfurization and denitrification	100,000	3,705	73	–	–	3,778	4%	Self-owned funds
Upgrading and reconstruction of continuous caster breakout detection system	3,650	3,147	–	(3,147)	–	–	86%	Self-owned funds
Plant road function improvement project	8,324	3,040	3,707	(6,747)	–	–	81%	Self-owned funds
Upgrading of wastewater treatment system and environmental protection	167,950	1,306	81,751	–	–	83,057	49%	Self-owned funds
Upgrading of coking process	80,415	–	50,048	(12,703)	–	37,345	62%	Self-owned funds
Others	1,704,649	23,933	456,200	(4,365)	(26,967)	448,801	28%	Self-owned funds
		171,858	3,262,819	(276,301)	(313,711)	2,844,665		

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

13. Right-of-use assets

2021

	Plants and buildings	Machineries and other equipment	Total
Cost			
Opening balance	16,483	4,100,325	4,116,808
Transferred to PPE	–	3,447,314	3,447,314
年末餘額	16,483	653,011	669,494
Closing balance	16,483	653,011	669,494
Accumulated depreciation	532	21,065	21,597
Opening balance provided	3,190	270,391	273,581
Transferred to PPE	–	144,002	144,002
Closing balance	3,722	147,454	151,176
Provision for impairment			
Opening balance and closing balance	–	–	–
Carrying amount			
At the end of the year	12,761	505,557	518,318
At the beginning of the year	15,951	4,079,260	4,095,211

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

13. Right-of-use assets (Continued)

2020

	Plants and buildings	Machineries and other equipment	Total
Cost			
Opening balance	–	–	–
Current year additions	16,483	4,100,325	4,116,808
Closing balance	16,483	4,100,325	4,116,808
Accumulated depreciation			
Opening balance	–	–	–
Provided	532	21,065	21,597
Closing balance	532	21,065	21,597
Provision for impairment			
Opening balance and closing balance	–	–	–
Carrying amount			
At the end of the year	15,951	4,079,260	4,095,211
At the beginning of the year	–	–	–

In 2020, the Group signed a long-term lease agreement and a lease agreement with purchase rights. The Group treated this as lease modifications and recognised the right-of-use assets on the date of the lease agreement and the approval date of the lease agreement by the shareholders meeting (whichever is later).

In 2021, the board of Directors and the shareholders' meeting the Company approved the purchase of machineries which were originally leased from Changshou Iron and Steel, and the Company terminated the assets recognized as the right-of-use assets and transferred them to PPE accordingly.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

14. Intangible assets

2021

	Land use rights	Patent and non-patent technology	Total
Cost			
Opening balance	2,921,830	16,500	2,938,330
Business combinations not involving entities under common control	19,091	–	19,091
Purchases	40,492	–	40,492
Closing balance	2,981,413	16,500	2,997,913
Accumulated amortization			
Opening balance	541,725	2,012	543,737
Provided	64,465	4,829	69,294
Closing balance	606,190	6,841	613,031
Provision for impairment			
Opening and closing balance	–	–	–
Carrying amount			
At end of the year	2,375,223	9,659	2,384,882
At beginning of the year	2,380,105	14,488	2,394,593

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

14. Intangible assets (Continued)

2020

	Land use rights	Patent and non-patent technology	Total
Cost			
Opening balance	2,871,067	–	2,871,067
Business combinations not involving entities under common control	50,763	16,500	67,263
Closing balance	2,921,830	16,500	2,938,330
Accumulated amortization			
Opening balance	478,953	–	478,953
Provided	62,772	2,012	64,784
Closing balance	541,725	2,012	543,737
Provision for impairment			
Opening and closing balance	–	–	–
Carrying amount			
At end of the year	2,380,105	14,488	2,394,593
At beginning of the year	2,392,114	–	2,392,114

As at 31 December 2021, there was no land use right for which the Group had not obtained title certificates (31 December 2020: Nil). For details of intangible assets with ownership restricted, please refer to Note V.57.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

15. Goodwill

2021

	Opening balance	Increase Business combinations not involving entities under common control	Decrease Disposal	Closing balance
Goodwill				
Chongqing Iron & Steel Energy	295,407	–	–	295,407
Xingang Changlong	–	32,648	–	32,648
Less: Provision for impairment (a)				
Chongqing Iron & Steel Energy	–	–	–	–
Xingang Changlong	–	–	–	–
Total	295,407	32,648	–	328,055

2020年

	Opening balance	Increase Business combinations not involving entities under common control	Decrease Disposal	Closing balance
Goodwill				
Chongqing Iron & Steel Energy	–	295,407	–	295,407
Less: Provision for impairment (a)				
Chongqing Iron & Steel Energy	–	–	–	–
Total	–	295,407	–	295,407

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

15. Goodwill (Continued)

The Group acquired Xingang Changlong in January 2021, resulting in RMB32,648,000 of goodwill. Refer to Note VI.1 for the calculation of goodwill.

(a) Impairment

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

	31 December 2021	31 December 2020
Electric power processing group	295,407	295,407
Terminal asset group	32,648	–
	328,055	295,407

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 2021. 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 RMB32,648,000 on 31 December 2021. 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)

Year ended 31 December 2021

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

15. Goodwill (Continued)

(a) Impairment (Continued)

Terminal asset group (Continued)

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

	Electric power processing group	Terminal asset group
Sales growth rate during the forecast period	0%	0%
Sustainable growth rate	0%	0%
Discount Rate	12.34%	11.97%

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

2021年

	Opening balance	Increase	Amortization	Other decrease	Closing balance
Leasehold improvement	299,730	111,798	(41,493)	(369,764)	271

2020年

	Opening balance	Increase	Amortization	Other decrease	Closing balance
Leasehold improvement	–	313,711	(13,981)	–	299,730

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.13.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

17. Deferred tax assets/liabilities

Details of deferred tax assets and deferred tax liabilities without offset are as follows:

	31 December 2021		31 December 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible losses	140,507	21,076	290,473	43,571
Provision for assets impairment	536,473	80,471	312,867	46,930
Post-employment and termination benefits	192,967	28,945	232,657	34,899
Deferred income	56,903	8,535	35,902	5,385
ECLs	23,608	3,541	4,556	683
	950,458	142,568	876,455	131,468

	31 December 2021		31 December 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax liabilities				
Fair value adjustments arising from business combinations not involving entities under common control	45,187	6,778	7,840	1,176
	45,187	6,778	7,840	1,176

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

17. Deferred tax assets/liabilities (Continued)

Particulars of deferred tax assets unrecognized are presented as follows:

	31 December 2021	31 December 2020
Deductible losses	–	3,414,427
Deductible temporary differences	359,504	673,480
	359,504	4,087,907

The aforesaid unrecognized deductible losses will be due in the following years:

	31 December 2021	31 December 2020
2021	–	3,413,129
2022	–	1,298
	–	3,414,427

18. Other non-current assets

	31 December 2021	31 December 2020
Prepaid for construction	67,235	87,173
Leasing risk fund	39,720	37,919
Prepaid for land-transferring fees	35,054	–
	142,009	125,092

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

19. Short-term borrowings

	31 December 2021	31 December 2020
Guarantee and mortgage loan	850,803	200,211
Credit loan	1,778,931	500,577
	2,629,734	700,788

As of 31 December 2021, the Group mortgaged land use rights with a carrying amount of RMB783,824,000 and buildings with a carrying amount of RMB797,066,000 to obtain mortgage loans of RMB850,000,000 from the bank. As of 31 December 2020, the Group mortgaged land use rights with a carrying amount of RMB185,625,000 and buildings with a carrying amount of RMB135,255,000 to obtain mortgage loans of RMB200,000,000 from the bank.

As of 31 December 2021, the annual interest rate for the above borrowings was 3.30%-3.83% (31 December 2020: 3.80%-5.22%).

As at 31 December 2021, none of the short-term borrowings overdue (31 December 2020: Nil).

20. Notes payable

	31 December 2021	31 December 2020
Bank acceptance notes	1,261,138	1,272,291

As at 31 December 2021 and 31 December 2020, the age of notes payable of the Group was all within 6 months and none of the notes payable overdue. As at 31 December 2021, the Group's notes payable was issued with a pledge of notes receivable of RMB317,202,000 (2020: RMB1,343,223,000, a pledge of notes receivable).

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

21. Trade payables

Trade payable bear no interest and normally would liquidate within one month.

	31 December 2021	31 December 2020
Within 1 year	4,541,426	2,642,743
1-2 years	18,801	6,107
2-3 years	4,869	100
Over 3 years	2,889	3,778
	4,567,985	2,652,728

As at 31 December 2021, accounts payable aged over 1 year amounted to RMB26,559,000 (31 December, 2020: RMB9,985,000), mainly due to payment for goods and services, and these amounts are still in the process of settlement.

22. Contract liabilities

	31 December 2021	31 December 2020
Contract for goods	2,185,095	2,554,165

As at 31 December 2021, VAT of advances of RMB284,736,000 were disclosed as other current liabilities (31 December 2020: RMB332,041,000)

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

23. Employee benefits payable

2021

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	230,842	1,144,215	1,310,230	64,827
Post-employment benefits – defined contribution plans	27	118,929	118,929	27
Termination benefits	53,100	51,350	56,460	47,990
	283,969	1,314,494	1,485,619	112,844

2020

2020年	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	206,046	1,086,622	1,061,826	230,842
Post-employment benefits – defined contribution plans	27	93,949	93,949	27
Termination benefits	51,070	53,330	51,300	53,100
	257,143	1,233,901	1,207,075	283,969

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

23. Employee benefits payable (Continued)

Details of short-term employee benefits

2021

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	23,127	840,119	843,309	19,937
Staff welfare	—	69,382	69,378	4
Social security contributions	—	83,467	83,467	—
Including: Medical insurance	—	72,179	72,179	—
Work injury insurance	—	11,288	11,288	—
Maternity insurance premium	—	—	—	—
Housing fund	—	87,749	87,749	—
Labor union funds and employee education funds	41,485	30,542	27,256	44,771
Incentive fund <i>note</i>	166,230	31,425	197,655	—
Others	—	1,531	1,416	115
	230,842	1,144,215	1,310,230	64,827

2020

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	—	719,735	696,608	23,127
Staff welfare	—	18,239	18,239	—
Social security contributions	—	72,682	72,682	—
Including: Medical insurance	—	63,921	63,921	—
Work injury insurance	—	8,761	8,761	—
Maternity insurance premium	—	—	—	—
Housing fund	—	78,815	78,815	—
Labor union funds and employee education funds	25,701	30,921	15,137	41,485
Incentive fund <i>note</i>	180,345	166,230	180,345	166,230
	206,046	1,086,622	1,061,826	230,842

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

23. Employee benefits payable (Continued)

Note: On 15 May 2018, the 2017 Annual General Meeting passed “the Employee Share Ownership Plan from 2018 to 2020 (draft) of Chongqing Iron and Steel Company Limited” and authorized the board of directors to deal with relevant matters regarding employee share ownership plan. On 30 December 2020, the thirty-one meeting of the eighth session of the Board passed the incentive fund for 2020. Based on the results of 2020 annual performance appraisal, the Group determined the list of employees who participated in the incentive fund and accrued the incentive fund which was paid in full in May 2021. After that, there is no new employee share ownership plan.

Details of defined contribution plans

2021

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	115,320	115,320	27
Unemployment insurance	–	3,609	3,609	–
Subtotal	27	118,929	118,929	27

2020

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	91,230	91,230	27
Unemployment insurance	–	2,719	2,719	–
Subtotal	27	93,949	93,949	27

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

24. Taxes payable

Items	31 December 2021	31 December 2020
Value-added tax (VAT)	924	1,189
Environmental protection tax	10,500	6,823
Stamp duty	5,024	–
Others	296	1,165
	16,744	9,177

25. Other payables

	31 December 2021	31 December 2020
Other payables	2,770,510	1,567,618

	31 December 2021	31 December 2020
Amount due to acquisition of leased assets	1,339,362	–
Project payment payable	888,498	1,079,523
Rural network loan repayment	158,338	114,581
Guarantee deposits	152,613	125,989
Carbon emission	129,610	37,689
Large and medium-sized reservoir resettlement support fund	51,378	36,664
Collected amount for another in disposal of leased assets	37,392	–
Reserve funds for the reorganization <i>Note</i>	400	146,371
Others	12,919	26,801
	2,770,510	1,567,618

Note: As of 3 January 2021, it has been three years since the announcement on the completion of the Company's restructuring plan. The company recognized the gains on reorganization of RMB145,393,000 of debts that were due but not yet declared, as detailed in note V.50.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

26. Non-current liabilities due within one year

	31 December 2021	31 December 2020
Long-term borrowings due within 1 year (<i>Note V.27</i>)	179,390	166,271
Bonds payable due within 1 year (<i>Note V.28</i>)	537,957	38,411
Other non-current liabilities due within 1 year (<i>Note V.33</i>)	–	2,255,572
Including: loan of judicial reorganization financial loan	–	2,255,002
	–	570
Long-term payables due within 1 year (<i>Note V.30</i>)	741,391	521,205
Lease liabilities due within 1 year (<i>Note V.29</i>)	123,897	1,075,012
	1,582,635	4,056,471

27. Long-term borrowings

	31 December 2021	31 December 2020
Credit loan	800,749	–
Pledge loan	450,581	500,646
Mortgage and guaranteed loan	720,860	115,625
Less: Long-term borrowings due within 1 year (<i>Note V.26</i>)	179,390	166,271
Closing balance	1,792,800	450,000

As at 31 December 2021, the annual interest rate of the above long-term borrowings was 3.60%-4.65% (31 December 2020: 4.650%-5.635%).

As at 31 December 2021, none of the long-term borrowings overdue (31 December 2020: Nil).

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

27. Long-term borrowings (Continued)

As at 31 December 2021, the Group pledged 100% equity interest in Chongqing Iron & Steel Energy to obtain pledged loans of RMB450,000,000 from the bank (31 December 2020: RMB500,000,000); As of 31 December 2020, the Group mortgaged machineries with a carrying amount of RMB3,425,422,000 to obtain mortgage loans of RMB720,860,000 from the bank (31 December 2020: Chongqing Qianxin Group Co., Ltd. ("Qianxin Group") provided a full third party joint liability guarantee for the Group to obtain guarantees and mortgage loans of RMB115,625,000 from the bank.).

Analysis on due date of long-term borrowings is as follows:

	31 December 2021	31 December 2020
Spot or within 1 year	179,390	166,271
1-2 years	737,800	75,000
2-5 years	1,055,000	375,000
	1,972,190	616,271

28. Bonds payable

	31 December 2021	31 December 2020
Short-term financing bonds	1,036,391	1,033,561
Less: Bonds payable due within 1 year (Note V.26)	537,957	38,411
Closing balance	498,434	995,150

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

28. Bonds payable(Continued)

As of 31 December 2021, the balance of bonds payable is listed as follows:

Name	Face value	Issuance date	Maturity	Issuance amount	Opening balance	Issued	Interest accrued	Discount and premium amortization	Less : due within 1 year	Closing balance
Short-term financing bonds(20Chongqing Iron & Steel MTN001A)	0.1	2020/3/19	3 years	500,000	498,131	-	18,242	1,415	(517,788)	-
Short-term financing bonds(20Chongqing Iron & Steel MTN001B)	0.1	2020/3/19	3 years	500,000	497,019	-	20,169	1,415	(20,169)	498,434
Total				1,000,000	995,150	-	38,411	2,830	(537,957)	498,434

As of 31 December 2020, the balance of bonds payable is listed as follows:

Name	Face value	Issuance date	Maturity	Issuance amount	Opening balance	Issued	Interest accrued	Discount and premium amortization	Less : due within 1 year	Closing balance
Short-term financing bonds(20Chongqing Iron & Steel MTN001A)	0.1	2020/3/19	3 years	500,000	-	500,000	19,373	(3,000)	(18,242)	498,131
Short-term financing bonds(20Chongqing Iron & Steel MTN001B)	0.1	2020/3/19	3 years	500,000	-	500,000	21,688	(4,500)	(20,169)	497,019
Total				1,000,000		1,000,000	41,061	(7,500)	(38,411)	995,150

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

28. Bonds payable(Continued)

Analysis on due date of bonds payable is as follows:

	31 December 2021	31 December 2020
Within 1 year	537,957	38,411
2-3 years	498,434	995,150
	1,036,391	1,033,561

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%.

29. Lease liabilities

	31 December 2021	31 December 2020
Opening balance	4,097,624	–
Increase	–	4,116,808
Interest	126,679	5,151
Payment	262,872	24,335
Decrease for purchase assets	3,429,399	–
	532,032	4,097,624
Less: Lease liabilities due within 1 year (Note V.26)	123,897	1,075,012
Closing amount	408,135	3,022,612

In 2021, the Company purchased the machineries leased from Changshou Iron and Steel and terminated the recognition of the related lease liabilities. Refer to Note V.13.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

30. Long-term payables

	31 December 2021	31 December 2020
Long-term payables	3,042,690	1,873,469
Less: Long-term payables due within 1 year (<i>Note V.26</i>)	741,391	521,205
Closing balance	2,301,299	1,352,264

Long-term payables

	31 December 2021	31 December 2020
Leaseback	2,301,299	1,352,264

As at 31 December 2021, the annual interest rate of the above long-term payables was 4.00%-5.46% (31 December 2020: 4.00%-5.46%).

As at 31 December 2021, none of the long-term payables overdue (31 December 2020: Nil).

As at 31 December 2021, the Group and the leasing company carried out the leaseback business and financed RMB3.9 billion. The Group used machinery and equipment with a book value of RMB4,004,098,000 as the subject matter and the lease term is 3-5 years. As of 31 December 2021, the balance of leaseback payables is RMB3,042,690,000 (31 December 2020: 1,873,469,000).

Analysis on due date of long-term payables as follows:

	31 December 2021	31 December 2020
Spot or within 1 year	741,391	521,205
1-2 years	570,622	518,315
2-5 years	1,730,677	833,949
Total	3,042,690	1,873,469

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

31. Long-term employee benefits payable

2021

	Opening balance	Accrued	Less : Due within 1 year	Closing balance
Termination benefits	137,077	11,579	50,840	97,816
Net liabilities of the defined benefit plan	42,480	5,191	510	47,161
	179,557	16,770	51,350	144,977

2020

	Opening balance	Accrued	Less : Due within 1 year	Closing balance
Termination benefits	162,807	27,240	52,970	137,077
Net liabilities of the defined benefit plan	38,930	3,910	360	42,480
	201,737	31,150	53,330	179,557

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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

V. NOTES TO ITEMS IN 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:

	31 December 2021	31 December 2020
Discount rate	2.40%	2.75%
Retirement age		
Male	60	60
Female	50/55	50/55
Benefits increase rate	4.00-8.00%	4.00-8.00%

The Group adjusted the payment obligations based on the average mortality rate of Chinese residents determined by the “China Life Insurance Industry Experience Life Table (2010-2013)”, and included the future payment obligation generated by the adjusted internal retirement plan into the current profit and loss after being discounted at the interest rate of national debt for the same period as of 31 December 2021. As of December 31, 2021, the liabilities expected to be paid within 12 months are classified to the short-term employee compensation payable.

Net liabilities of the 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 principal actuarial assumptions used as at the balance sheet date are as follows:

	31 December 2021	31 December 2020
Discount rate	3.30%	3.75%
Turnover rate	1.50%	1.50%

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

31. Long-term employee benefits payable(Continued)

Net liabilities of the defined benefit plan (Continued)

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:

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	(5,957)	0.50	6,655
Leaving rate	0.50	(1,544)	0.50	1,655
Death rate	5.00	(528)	5.00	551

2020

	Increase (%)	Increase/ (decrease) in present value of defined benefit obligations	Decrease (%)	Increase/ (decrease) in present value of defined benefit obligations
Discount rate	0.50	(3,870)	0.50	4,430
Leaving rate	0.50	(1,330)	0.50	1,430
Death rate	5.00	(390)	5.00	420

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

31. Long-term employee benefits payable(Continued)

Net liabilities of the defined benefit plan (Continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the balance sheet date. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

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

	2021	2020
Current service costs	3,591	2,540
Net interest expense	1,600	1,370
Net post-employment benefits	5,191	3,910
Charged to administrative expenses	3,591	2,540
Charged to finance expenses	1,600	1,370
	5,191	3,910

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

	2021	2020
Amount at beginning of the year	42,480	38,930
Charged to profit or loss	5,191	3,910
Current service costs	3,591	2,540
Net interest expense	1,600	1,370
Charged to other comprehensive income	–	–
Other movement	(510)	(360)
Defined benefit due within one year	(510)	(360)
Amount at the end of the year	47,161	42,480

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

32. Deferred income

Government grants	Opening balance	Increase	Decrease	Closing balance
2021	35,902	23,370	2,369	56,903
2020	38,271	–	2,369	35,902

As at 31 December 2021, details of government grants as follows :

	Opening balance	Increase	Recognition during the year as other income	Closing balance	Related to assets/ income
Grants for construction of environmental protection equipment and facilities	5,714	23,370	(119)	28,965	Related to assets
Grants for recycle heat power station	30,188	–	(2,250)	27,938	Related to assets
	35,902	23,370	(2,369)	56,903	

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

32. Deferred income (Continued)

As at 31 December 2020, details of government grants as follows :

	Opening balance	Increase	Recognition during the year as other income	Closing balance	Related to assets/ income
Grants for construction of environmental protection equipment and facilities	5,833	–	(119)	5,714	Related to assets
Grants for recycle heat power station	32,438	–	(2,250)	30,188	Related to assets
	38,271	–	(2,369)	35,902	

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.

33. Other non-current liabilities

	2021	2020
Other non-current liabilities	–	2,701,052
Less: Other non-current liabilities due within 1 year (Note V.26)	–	2,255,572
Closing balance	–	445,480

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

33. Other non-current liabilities (Continued)

	31 December 2021	31 December 2020
Borrowings from non-financial institutions financial loan	–	445,480

According to the reorganization plan, Changshou Iron & Steel provided loan of RMB2.4 billion to the Company for the execution of the reorganization plan. The loan term is 7 years, which is from 24 November 2017 to 23 November 2024, and interest rate is 4.9% per annum. The repayment was completed on January 8, 2021.

Changshou Iron & Steel provided financing facilities of RMB1 billion to the Company for 3 years, from 1 July 2020 to 30 June 2023, with interest rate of 4.25% per annum. The repayment was completed in August 2021. As of 31 December 2021, the Company has not used the financing facility.

Analysis on due date of other non-current liabilities as follows:

	31 December 2021	31 December 2020
Due within 1 year	–	2,255,572
2 to 5 year (within 5 year)	–	445,480
	–	2,701,052

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

34. Share capital

2021

	Opening balance	Increase/(decrease) during the current year					Sub-total	Closing balance
		New shares issued	Bonus shares	Reserve transferred to shares	Others			
Restricted shares	36,662	–	–	–	(36,662)	(36,662)	–	
A shares	36,662	–	–	–	(36,662)	(36,662)	–	
Non-restricted shares	8,881,940	–	–	–	36,662	36,662	8,918,602	
A shares	8,343,813	–	–	–	36,662	36,662	8,380,475	
H shares	538,127	–	–	–	–	–	538,127	
	8,918,602	–	–	–	–	–	8,918,602	

2020

	Opening balance	Increase/(decrease) during the current year					Sub-total	Closing balance
		New shares issued	Bonus shares	Reserve transferred to shares	Others			
Restricted shares	31,500	–	–	–	5,162	5,162	36,662	
A shares	31,500	–	–	–	5,162	5,162	36,662	
Non-restricted shares	8,887,102	–	–	–	(5,162)	(5,162)	8,881,940	
A shares	8,348,975	–	–	–	(5,162)	(5,162)	8,343,813	
H shares	538,127	–	–	–	–	–	538,127	
	8,918,602	–	–	–	–	–	8,918,602	

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

34. Share capital (Continued)

On 11 January 2018, Changshou Iron & Steel pledged 2,096,981,600 non-restricted shares of the Company to China Development Bank. The pledge period started from 11 January 2018, to the pledge registration is released through China Securities Depository and Clearing Co., Ltd. (中國證券登記結算有限責任公司). The purpose of this pledge was to provide security for Changshou Iron & Steel to borrow RMB2.4 billion from China Development Bank. The loan term is 7 years, which is from 30 November 2017 to 29 November 2024. On 26 January 2021, Changshou Iron & Steel repaid the loan above in advance and released the pledge of shares.

The Company considered and approved the Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading at the 18th meeting of the eighth session of the board of directors of the Company. The Company repurchased a total of 50,000,000 A shares, representing approximately 0.56% of its total share capital. In June 2020, 44,838,000 shares were transferred to the Company's third-phase employee stock ownership plan related special securities accounts in a non-trading transfer method. In August 2021, 36,662,000 shares were transferred to the Company's fourth-phase employee stock ownership plan related special securities accounts in a non-trading transfer method.

35. Capital reserve

2021 and 2020

	Opening balance	Increase	Decrease	Closing balance
Share premium	18,454,409	–	–	18,454,409
Other capital reserves	827,738	–	–	827,738
	19,282,147	–	–	19,282,147

36. Treasury shares

	Opening balance	Increase	Decrease	Closing balance
Treasury shares	65,940	–	65,940	–

In March, the Company repurchased a total of 50,000,000 A shares, representing approximately 0.56% of its total share capital. In June 2020, 44,838,000 shares were transferred to the relevant special securities account of the company's third-phase employee stock ownership plan at a rate of RMB1.8 per share in a non-trading transfer method, and In August 2021, 36,662,000 shares were transferred to the relevant special securities account of the company's fourth-phase employee stock ownership plan at a rate of RMB1.8 per share in a non-trading transfer method. Please refer to Note V.34.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

37. Special reserve

Safety fund	Opening balance	Increase	Decrease	Closing balance
2021	22,184	30,460	34,051	18,593
2020	14,573	29,564	21,953	22,184

Special reserve 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 reserve

For the year ended 31 December 2021 and 31 December 2020

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	606,991	–	–	606,991

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.

39. Unappropriate profit

	2021	2020
Opening balance	(8,725,517)	(9,363,996)
Add: Net profit attributable to the shareholders of the parent	2,274,393	638,479
Closing balance	(6,451,124)	(8,725,517)

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

40. Revenue

	2021		2020	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	37,466,956	33,595,260	24,349,157	22,554,529
Revenue from other operations	2,382,462	2,355,128	140,778	103,763
	39,849,418	35,950,388	24,489,935	22,658,292

Details of revenue as follows:

	2021	2020
Revenue from contracts with customers	39,848,601	24,489,038
Rentals	817	897
	39,849,418	24,489,935

Disaggregation of Revenue from contracts with customers are as follows:

2021

Main Product	Sale of steel products and Billets	Others	Total
Hot rolled sheets	17,940,118	–	17,940,118
Plates	10,266,002	–	10,266,002
Bars	68,289	–	68,289
Billets	4,943,792	–	4,943,792
Others	–	6,630,400	6,630,400
	33,218,201	6,630,400	39,848,601

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

40. Revenue (Continued)

2020

Main Product	Sale of steel products and Billets	Others	Total
Hot rolled sheets	12,385,118	–	12,385,118
Plates	7,394,107	–	7,394,107
Bars	1,464,818	–	1,464,818
Wire Rods	1,133,878	–	1,133,878
Billets	1,191,023	–	1,191,023
Others	–	920,094	920,094
	23,568,944	920,094	24,489,038

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

The details of revenue recognized from remaining contract obligation for the year:

	2021	2020
Sale of goods	2,554,165	1,145,615

Note: 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

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

	2021	2020
Due within 1 year	2,185,095	2,554,165

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

41. Taxes and surcharges

	2021	2020
Land use right tax	43,528	42,281
Housing property tax	34,776	33,992
Environmental protection tax	44,924	34,961
Stamp duty	24,523	16,159
City maintenance and construction tax	8,081	26,297
Education surcharge	3,463	11,084
Local education surcharge	2,309	7,700
Others	22	19
	161,626	172,493

42. Distribution and selling expenses

	2021	2020
Transportation expenses	35,345	55,879
Labor costs	30,515	22,076
Incentive funds	—	2,732
Depreciation and amortization	723	386
Others	14,560	10,856
	81,143	91,929

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

43. General and administrative expenses

	2021	2020
Labor costs	158,881	158,256
Depreciation and amortization	113,341	113,779
Loss on suspension of production	88,721	94,951
Incentive funds	–	62,343
Consulting and services expenses	35,410	36,808
Termination benefits	38,235	24,778
Environmental protection cost	19,512	21,781
Safety expense	101	11,183
Repair cost	13,178	7,496
Auditors' fee	3,100	2,950
Net defined benefits	–	2,540
Rental	1,715	–
Others	32,310	55,055
	504,504	591,920

44. Research and development expenses

	2021	2020
Labor costs	2,869	–
Raw materials	2,587	–
Depreciation and amortization	6,349	–
	11,805	–

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

45. Finance expense

	2021	2020
Interest expense	486,273	271,072
Less: Interest income	112,939	69,528
Net exchange loss	(7,155)	(79,801)
Others	14,542	10,771
	380,721	132,514

46. Other income

	2021	2020
Government grants related to the ordinary course of business	58,298	196,430

Government grants related to the ordinary courses of business are as follows:

	2021	2020	Relate to assets or income
Grants for recycle heat power project	2,250	2,250	Relate to assets
Others	119	119	Relate to assets
Special fund for industrial development	—	144,000	Relate to income
Position stability subsidies	—	4,360	Relate to income
Subsidies for product R & D	9,355	12,910	Relate to income
Innovation-driven project rewards	1,409	11,183	Relate to income
Tax refund	43,183	19,761	Relate to income
Others	1,982	1,847	Relate to income
	58,298	196,430	

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

47. Investment income

	2021	2020
Investment income recognised through equity method	8,133	–
Gains from business combination not involving entities under common control which is achieved in stages <i>Note</i>	8,210	–
Gains on financial assets held for trading	–	6,803
	16,343	6,803

Note: This Gains is due to the merger of Xingang Changlong, a business combination not involving entities under common control, in the current year. Please refer to Note V.9.

48. Impairment losses on credit

	2021	2020
Loss from impairment of accounts receivable	(15)	(23)
Loss from impairment of other receivables	(19,037)	–
	(19,052)	(23)

49. Impairment losses on assets

	2021	2020
Loss from write-down of inventories	(89,438)	(13,342)
Loss from impairment of fixed assets	(259,114)	(351,575)
	(348,552)	(364,917)

The Group recognised PPE's impairment loss of RMB259,114,000, 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)

Year ended 31 December 2021

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

50. Non-operating income

	2021	2020	Amount included in non-recurring profit or loss
Incomes from fines	1,250	254	1,250
Gains on reorganization of debts <i>Note</i>	145,393	–	145,393
Others	3,054	2,449	3,054
	149,697	2,703	149,697

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 RMB145,393,000 for the current year.

51. Non-operating expense

	2021	2020	Amount included in non-recurring profit or loss
Carbon emission	164,953	37,689	164,953
Losses from disposal of non-current assets <i>Note</i>	181,102	20,177	181,102
Losses from fines	1,087	1,452	1,087
Others	1,205	78	1,205
	348,347	59,396	348,347

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)

Year ended 31 December 2021

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

52. Expenses by nature

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

	2021	2020
Raw materials and low value consumables, maintenance and spare parts, etc.	30,898,811	20,039,099
Movement in finished goods and work in progress	47,870	(784,556)
Labor costs	1,279,914	1,203,055
Repair costs	1,560,004	1,135,047
Depreciation and amortization	1,288,758	793,645
Transportation and inspection fee	678,088	298,596
Rental not recognised as lease liabilities	3,497	286,724
Loss on suspension of production	88,721	94,951
Office charges	8,359	35,535
Safety expenses	30,460	25,908
Others	663,358	214,137
	36,547,840	23,342,141

53. Income tax expense

	2021	2020
Current income tax	–	108
Deferred tax	(11,509)	(14,200)
	(11,509)	(14,092)

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

53. Income tax expense (Continued)

Income tax expense reconciliation from profit before tax

	2021	2020
Profit before tax	2,262,884	624,387
Tax rate	15.00%	15.00%
Tax at the statutory tax rate	339,433	93,658
Effect of different tax rate for subsidiary	(6,304)	164
Costs, expenses and losses not deductible for tax	31,773	346
Adjustment in respect of current tax of previous periods	(2,451)	–
Utilization of deductible losses and deductible temporary differences from prior years	(400,276)	(156,105)
Recognized unrecognized deductible losses and deductible temporary differences from prior years	–	(36,839)
Effect of unrecognized deductible temporary differences	26,316	84,684
	(11,509)	(14,092)
Tax credit at the Group's effective tax rate	(11,509)	(14,092)

All the Group's profit is from Mainland China.

54. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the current year attributable to the 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.

	2021	2020
	<i>RMB per share</i>	<i>RMB per share</i>
Basic earnings per share		
Continuing operations	0.26	0.07

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

54. Earnings per share (Continued)

	2021	2020
Earnings		
Profit attributable to ordinary shareholders of the Company (RMB) Continuing operations (RMB)	2,274,393,000	638,479,000
Number of shares		
Weighted average number of ordinary shares outstanding (<i>Note</i>)	8,894,160,734	8,872,021,167

Note: Due to the change of treasury shares, the number of ordinary shares or potential ordinary shares outstanding of the Company changed. The weighted average number of ordinary shares outstanding during the year was 8,894,160,734 shares, which was used to calculate the current earnings per share.

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

	2021	2020
Government grants received	12,746	248,121
Interest income	112,939	68,671
Guarantees and deposit	26,947	70,440
	152,632	387,232

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

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

Other cash paid relating to operating activities

	2021	2020
General and administrative expenses	208,447	163,519
Distribution and selling expenses	49,906	66,407
Intercourse funds paid	64,945	14,463
Carbon emission paid	73,032	–
Others	27,122	31,168
	423,452	275,557

Other cash received relating to investing activities

	2021	2020
Assets-related government grants received	23,370	–
Collected amount for another in disposal of leased assets	37,392	–
	60,762	–

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

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

Other cash received relating to financing activities

	2021	2020
Receipt of non-trading transfer payment for treasury shares	65,940	80,708
Receipt of leaseback	1,679,301	1,397,650
	1,745,241	1,478,358

Other cash paid relating to financing activities

	2021	2020
Share repurchase	–	84,334
Repayment of operating ordinary obligations from the reorganization	578	4,035
Payment of the lease rent	297,046	22,349
Payment of leaseback	521,205	179,948
	818,829	290,666

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

56. Supplementary information to the consolidated cash flow statement

(1) Supplement information to the consolidated cash flow statement

Reconciliation from net profit to cash flows from operating activities:

	2021	2020
Net profit	2,274,393	638,479
Add: Impairment provision	348,552	364,917
Credit loss	19,052	23
Depreciation of property plant and equipment	904,390	693,283
Depreciation of right-of-use assets	273,581	21,597
Amortization of intangible assets	69,294	64,784
Amortization of long-term prepaid expenses	41,493	13,981
Amortization of deferred income	(2,369)	(2,369)
Losses on disbursing of PPE	185,836	20,177
Financial expenses	477,723	248,257
Investment losses	(16,343)	(6,803)
Increase in deferred tax assets	(11,100)	(14,169)
Decrease in deferred tax liabilities	(409)	(31)
Increase in inventories	1,130,302	(1,094,210)
Increase in operating receivables	(2,337,772)	(2,536,940)
Increase/(decrease) in operating payables	2,268,399	2,922,834
Others	(3,591)	3,955
Net cash flow from operating activities	5,621,431	1,337,765

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

56. Supplementary information to the consolidated cash flow statement

(2) Major financing activities not involving cash receipts and payments:

	2021	2020
Bank acceptance bill collected from leaseback	–	100,000

(3) Endorsement amount of notes receivable with no cash receipts and payments

	2021	2020
Endorsement amount of notes receivable	5,848,092	4,261,715
Including: Payment for goods and labor	3,184,522	2,944,231
Payment for equipment and construction	2,663,570	1,317,484

(4) Components of cash and cash equivalents:

	2021	2020
Cash	5,832,238	4,698,090
Wherein: Cash on hand	–	–
Bank deposit available on demand for payment	5,832,238	4,698,090
Cash and cash equivalents at the end of the year	5,832,238	4,698,090

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

56. Supplementary information to the consolidated cash flow statement

(5) Information about subsidiaries and other business units acquired:

	2021	2020
Prices paid to acquire subsidiaries and other business units		
Including: the amount paid for acquiring 100% equity interest in Chongqing Iron & Steel Energy	–	837,610
The amount paid for acquiring 72% equity interest in Xingang Changlong	114,420	–
Security deposit paid for acquiring 72% equity interest in Xingang Changlong	–	12,000
Cash and cash equivalents paid to acquire subsidiaries and other business units	114,420	849,610
Less: Cash and cash equivalents held by subsidiaries and other business units when acquired	59	6,088
Net cash paid to acquire subsidiaries and other business units	114,361	843,522

57. Assets with ownership or use right restricted

	2021	2020
Cash and bank balances	578,407	245,141 (Note 1)
Receivables financing	317,202	1,343,223 (Note 2)
Property, plant and equipment	8,226,586	3,529,913 (Note 3)
Intangible assets	783,824	1,027,708 (Note 4)
equity interest	837,610	837,610 (Note 5)
	10,743,629	6,983,595

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

57. Assets with ownership or use right restricted (Continued)

Note 1: As at 31 December 2021, the Group had cash and bank balances amounted to RMB578,407,000 (31 December 2020: RMB245,141,000) restricted for bank acceptance notes and letter of credit.

Note 2: As at 31 December 2021, the Group pledged bank acceptance notes with a carrying amount of RMB317,202,000 (31 December 2020: RMB1,343,223,000) for issuing bank acceptance.

Note 3: As at 31 December 2021, the plants and buildings with a carrying amount of RMB797,066,000 (31 December 2020: RMB987,609,000) and machineries and other equipment with a carrying amount of RMB7,429,520,000 (31 December 2020: 2,542,304,000) were pledged to banks to secure the bank loans and facilities granted to the Group.

Note 4: As at 31 December 2021, the land use right with a carrying amount of RMB783,824,000 (31 December 2020: RMB1,027,708,000) 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 RMB21,936,000(31 December 2020: RMB27,459,000).

Note 5: As at 31 December 2021, the equity interest with a carrying amount of RMB837,610,000 (31 December 2020: RMB837,610,000) was pledged to secure the bank loans of RMB450,000,000(31 December 2020: RMB500,000,000)

58. Foreign currency monetary items

	2021			2020		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash and bank balances						
Wherein:						
USD	38	6.3757	242	672	6.5249	4,385
HKD	6	0.8176	5	6	0.8416	5
			247			4,390

Notes to Financial Statements (Continued)

Year ended 31 December 2021

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

58. Foreign currency monetary items (Continued)

	2021			2020		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Trade receivables						
Wherein: USD	31,688	6.3757	202,033	156,920	6.5249	1,023,887
			202,033			1,023,887

	2021			2020		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Prepayments						
Wherein: USD	9,994	6.3757	63,719	-	-	-
			63,719			-

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VI. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business combinations not involving entities under common control

During the year, the Company acquired a 72% of equity interest in Xingang Changlong from the non-related parties Chongqing Qiancheng Industry Development Co., Ltd and Minsheng Shipping Co., Ltd, at the consideration of cash of RMB126,420,000. The fair value was RMB126,420,000 according to the assessment. The combination date has been determined to be January 15. After the acquisition, the Company holds a 100% of the equity interest in Xingang Changlong, which has changed from an associate to a subsidiary.

The fair value and carrying amount of the identifiable assets and liabilities of Xingang Changlong on the purchase date are as follows:

	15 January 2021	15 January 2021
	Fair value	Carrying amount
Assets:		
Cash and bank balances	59	59
Trade receivables	10,920	10,920
Other receivables	4	4
Property, plant and equipment	254,656	219,901
Construction in process	115	1,043
Intangible assets	19,091	12,844
Total assets	284,845	244,771
Liabilities:		
Trade payables	24,064	24,064
Employee benefits payable	1,331	1,331
Taxes payable	310	310
Other payables	79,889	79,889
Long-term borrowings	43,000	43,000
Deferred tax liabilities	6,011	–
Total liabilities	154,605	148,594
Net assets	130,240	96,177
The equity proportion of the acquisition	72%	
The proportion of fair value of the acquiree's identifiable assets and liabilities held by the Group according to the acquisition	93,772	
Goodwill	32,648	
	126,420	<i>Note</i>

Note: The amount is RMB126,420,000 in cash paid by the Company in the business combination including the security deposit paid in 2020 of RMB12,000,000.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VI. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combinations not involving entities under common control (Continued)

The fair value of the acquiree's identifiable assets and liabilities obtained in the business combination has been assessed by Chongqing Huakang Assets Appraisal Land and Real Estate Appraisal Co., Ltd. (重慶華康資產評估土地房地產估價有限責任公司) and issued Chongqing Appraisal Report (2021) No. 219 "Chongqing Iron and Steel Co., Ltd. For the purpose of the report, the assessment and determination of the "Asset Evaluation Report on the Fair Value Evaluation Project of Xingang Changlong's identifiable assets and liabilities involved in the consolidation of consideration and apportionment." (重慶鋼鐵股份有限公司以財務報告為目的進行合併對價分攤所涉及的新港長龍各項可辨認資產、負債公允價值評估項目資產評估報告)

The assets of Xingang Changlong that could not be separately recognised formed goodwill of RMB32,648,000.

The operating results and cash flow of Xingang Changlong from the date of purchase to the end of the year are listed as follows:

	From 15 January to 31 December 2021
Revenue	74,176
Profit	5,373
Net cash flow	61

2. Other changes in the scope of consolidation

Other changes in the scope of consolidation in the year as follows:

	Place of incorporation	Nature of business	Total proportion of ownership interest held by the Group (%)	Total proportion of voting rights held by the Group (%)	Reason for no longer being a subsidiary	Date of business registration
Chongqing CIS Building Materials Sales Co., Ltd. ("Building Materials Sales")	Changshou Economic Development District, Chongqing	Trade industry	100	100	cancellation	15 January 2021

In August 2020, the president's office meeting approved the cancellation of Building Materials Sales. In January 2021, the cancellation registration was completed.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VII. INTERESTS IN OTHER ENTITIES

1. Equity in subsidiary

Composition of significant subsidiaries

Name of the subsidiary	Main operating place	Place of registration	Business nature	Registered capital <i>'0000</i>	shareholding proportion	
					Direct	Indirect
Chongqing Iron and Steel Energy.	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Electricity production and sales	52,569.49	100	–
Xingang Changlong.	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Transportation and warehousing industry	110,000	100	–

On 31 December 2021, there was no subsidiary with non-controlling interests that are material to the Group. After acquired a 72% of the equity interest by the Company, Xingang Changlong has changed from an associate to a subsidiary. Refer to Note VI.1.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VII. INTERESTS IN OTHER ENTITIES

2. Equity in joint and associates

	principal place of business	Domicile	Business nature	registered capital	Shareholding ratio(%)		Accounting policy
					Direct	Indirect	
<i>Joint venture</i>							
Chongqing Jianwei (Note 1)	Changshou District, Chongqing	Changshou District, Chongqing	Software and information technology services	5,000	50	–	Equity method
<i>Associate</i>							
Baocheng Carbon (Note 2)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Manufacturing industry	33,333	10	–	Equity method
Baowu Raw Materials (Note 3)	Shanghai Free Trade Zone	Shanghai Free Trade Zone	Trading industry	500,000	8	–	Equity method
Baowu Environmental Resource (Note 4)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Manufacturing industry	100,000	49	–	Equity method
Baowu Jingcheng (Note 5)	Zhoushan, Zhejiang Province	Zhoushan, Zhejiang Province	Manufacturing industry	180,000	19	–	Equity method

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Equity in joint and associates (Continued)

Note 1: The Company's subscription to Chongqing Jianwei is RMB2,500,000. As at the balance sheet date, the company has not paid such contributions, and Chongqing Jianwei has not begun to operate.

Note 2: 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 3: 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 4: 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 5: 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:

	2021	2020
Associates		
Carring amount of investment	58,160	79,494
Total amount calculated by shareholding ratio as follows	8,133	—
Net profit	8,133	—
Other comprehensive income	—	—
Total comprehensive income	—	—

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

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

Financial assets

31 December 2021	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	6,410,645
Trade receivables	-	-	53,885	53,885
Receivables financing (acquired by standards)	1,536,724	-	-	1,536,724
Other receivables	-	-	52,279	52,279
Other equity investment (designated)	5,000	-	-	5,000
Financial assets held for trading (acquired by standards)	-	600,000	-	600,000
	1,541,724	600,000	6,516,809	8,658,533

31 December 2020	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	-	-	4,943,231	4,943,231
Trade receivables	-	-	35,041	35,041
Receivables financing (acquired by standards)	2,068,546	-	-	2,068,546
Other receivables	-	-	18,013	18,013
Other equity investment (designated)	5,000	-	-	5,000
	2,073,546	-	4,996,285	7,069,831

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Classification of financial instruments (Continued)

Financial liabilities	Financial liabilities measured at amortized cost	
	31 December 2021	31 December 2020
Short-term borrowings	2,629,734	700,788
Notes payable	1,261,138	1,272,291
Trade payables	4,567,985	2,652,728
Other payables	2,770,510	1,567,618
Non-current liabilities due within one year	1,582,635	4,056,471
Long-term borrowings	1,792,800	450,000
Bonds payable	498,434	995,150
Lease liabilities	408,135	3,022,612
Long-term payables	2,301,299	1,352,264
Other non-current liabilities	–	445,480
	17,812,670	16,515,402

2. Transfers of financial assets

Transferred financial assets that are derecognised in their entirety in which continuing involvement exists

As at 31 December 2021, 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 RMB3,025,542,000 (31 December 2020: RMB386,783,000). As of 31 December 2021, 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, and therefore, derecognizes the book value of it and its related settled accounts payable. The maximum loss and undiscounted cash flow of continuing involvement and repurchase are equal to its book value. The Group believes that continued involvement in fair value is not significant.

In 2021, 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. Endorsements were incurred evenly throughout this year.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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 related to these financial instruments and the Group's risk management policies adopted to reduce such risks are described as follows.

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 from financial instruments by diversified investment and business portfolio and develops risk management policies accordingly to mitigate the risk of overconcentration on any single industry, particular region or particular counterparties.

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of trade receivables are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant.

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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Credit risk (Continued)

Maximum credit risk exposure the Group faced at each balance sheet date is the total amount received from customer less impairment.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. 2.

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 91% (31 December 2020:93%) 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.

Criteria for judging significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been 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.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Credit risk (Continued)

Definition of credit-impaired asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- (1) Significant financial difficulty of the issuer or the debtor;
- (2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties 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 credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Credit risk (Continued)

Definition of credit-impaired asset (Continued)

As at 31 December 2021, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

Item	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
Cash and bank balance	6,410,645	–	–	–	–	6,410,645
Accounts receivable	–	–	–	–	54,948	54,948
Receivables financing	1,536,724	–	–	–	–	1,536,724
Other receivables	50,843	1,866	22,115	–	–	74,824
	7,998,212	1,866	22,115		54,948	8,077,141

As at 31 December 2020, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

Item	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
Cash and bank balance	4,943,231	–	–	–	–	4,943,231
Accounts receivable	–	–	–	–	36,089	36,089
Receivables financing	2,068,546	–	–	–	–	2,068,546
Other receivables	16,196	2,247	3,078	–	–	21,521
	7,027,973	2,247	3,078		36,089	7,069,387

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk 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 2021, the Group's current liabilities already exceeded current assets by RMB2,060,759,000 (31 December 2020: RMB380,840,000).

The rest maturity date analysis of financial liabilities measured at undiscounted contract cash flows is as follows:

	31 December 2021					
	Carrying amount	Undiscounted contract				
		amount	Within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	2,629,734	2,656,298	2,656,298	-	-	-
Notes payable	1,261,138	1,261,138	1,261,138	-	-	-
Trade payables	4,567,985	4,567,985	4,567,985	-	-	-
Other payables	2,770,510	2,770,510	2,770,510	-	-	-
Non-current liabilities due within one year	1,582,635	1,605,752	1,605,752	-	-	-
Long-term borrowings	1,792,800	1,995,938	75,167	800,565	1,120,206	-
Bonds payables	498,434	556,781	5,481	551,300	-	-
Lease liabilities	408,135	444,950	6,897	146,018	292,035	-
Long-term payables	2,301,299	2,565,485	106,907	624,403	1,834,175	-
	17,812,670	18,424,837	13,056,135	2,122,286	3,246,416	-

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Liquidity risk (Continued)

	31 December 2020					
	Carrying amount	Undiscounted contract amount	Within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	700,788	705,378	705,378	–	–	–
Notes payable	1,272,291	1,272,291	1,272,291	–	–	–
Trade payables	2,652,728	2,652,728	2,652,728	–	–	–
Other payables	1,567,618	1,567,618	1,567,618	–	–	–
Non-current liabilities due within one year	4,056,471	4,092,290	4,092,290	–	–	–
Long-term borrowings	450,000	528,077	21,216	95,865	410,996	–
Bonds payables	995,150	1,108,139	10,439	48,850	1,048,850	–
Lease liabilities	3,022,612	3,289,586	142,782	1,399,332	1,747,472	–
Long-term payables	1,352,264	1,547,724	70,864	573,576	903,284	–
Other current liabilities	445,480	492,255	18,060	19,196	454,999	–
	16,515,402	17,256,086	10,553,666	2,136,819	4,565,601	–

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 risk

Interest risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market interest variation. The market interest rate variation risk faced by the Company mainly correlated with its loans with the interest measured by the floating interest rate.

The Group's revenue and operating cash flows are largely unaffected by fluctuation in market interest rate. As at 31 December 2021, all the Group's bank loans were calculated by stable interest rate.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk 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 12.94% (2020: 40.17%) 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).

2021

	Exchange rate Increase/ (Decrease)%	Net profit Increase/ (Decrease)	Total shareholders' equity Increase/ (Decrease)
RMB depreciation against the U.S. dollar	1	(1,381)	(1,381)
RMB appreciation against the U.S. dollar	(1)	1,381	1,381

2020

	Exchange rate Increase/ (Decrease)%	Net profit Increase/ (Decrease)	Total shareholders' equity Increase/ (Decrease)
RMB depreciation against the U.S. dollar	1	(10,285)	(10,285)
RMB appreciation against the U.S. dollar	(1)	10,285	10,285

Notes to Financial Statements (Continued)

Year ended 31 December 2021

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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 maximize shareholders' value.

The Group manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to externally imposed capital requirements constraints and monitors capital using debt-to-asset ratio. In 2021 and 2020, there had been no change in the objectives, policies or procedures of capital management of the Group.

	31 December 2021	31 December 2020
Debt-to-asset ratio	47.96%	49.84%

IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	5,000	5,000
Receivables financing	–	1,536,724	–	1,536,724
Financial assets held for trading	–	–	600,000	600,000
	–	1,536,724	605,000	2,141,724

Notes to Financial Statements (Continued)

Year ended 31 December 2021

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Assets and liabilities measured at fair value (Continued)

As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	5,000	5,000
Receivables financing	–	2,068,546	–	2,068,546
	–	2,068,546	5,000	2,073,546

2. Assets and liabilities disclosed at fair value

As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	–	1,730,834	–	1,730,834
Bonds payable	–	497,115	–	497,115
Lease liabilities	–	–	389,818	389,818
Long-term payables	–	2,161,518	–	2,161,518
	–	4,389,467	389,818	4,779,285

Notes to Financial Statements (Continued)

Year ended 31 December 2021

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Assets and liabilities disclosed at fair value (Continued)

As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	–	437,244	–	437,244
Bonds payable	–	948,283	–	948,283
Lease liabilities	–	–	3,004,650	3,004,650
Long-term payables	–	1,122,827	–	1,122,827
Other non-current liabilities	–	408,607	–	408,607
	–	2,916,961	3,004,650	5,921,611

3. Fair value estimation

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

	Carrying Amount		Fair value	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Long-term borrowings	1,792,800	450,000	1,730,834	437,244
Bonds payable	498,434	995,150	497,115	948,283
Lease liabilities	408,135	3,022,612	389,818	3,004,650
Long-term payables	2,301,299	1,352,264	2,161,518	1,122,827
Other non-current liabilities	–	445,480	–	408,607
	5,000,668	6,265,506	4,779,285	5,921,611

Notes to Financial Statements (Continued)

Year ended 31 December 2021

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Fair value estimation (Continued)

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 values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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 2021, non-performance risks underlying long-term borrowings and other non-current liabilities were appraised as immaterial.

4. Unobservable input value

Below is a summary of significant unobservable inputs of fair value measurements within Level 3:

	Fair value at end of year	Valuation technique	Unobservable inputs	Benchmark interest rate
Trust products classified as Financial assets held for trading	2021:600,000 2020: -	Discounted cash flow method	Yield of Similar products in private market	2021:4.2% 2020: -

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)

Year ended 31 December 2021

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Adjustment of fair value measurement

Reconciliation of recurring fair value measurements within Level 3 is as follows:

2021

	Opening balance	Transfer into	Transfer out of	Total gains or losses		Purchase	Issue	Sale	Settlements	Closing balance	Changes in unrealized gains or losses
				Through profit or loss	Through other comprehensive income						
		Stage 3	Stage 3								
Financial assets held for trading	-	-	-	-	-	600,000	-	-	-	600,000	-

2020

	Opening balance	Transfer into	Transfer out of	Total gains or losses		Purchase	Issue	Sale	Settlements	Closing balance	Changes in unrealized gains or losses
				Through profit or loss	Through other comprehensive income						
		Stage 3	Stage 3								
Financial assets held for trading	400,000	-	-	6,803	-	33,000	-	-	(439,803)	-	-

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY 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	4,000,000	23.51	23.51

Changshou Iron & Steel is the controlling shareholder.

2. Subsidiary.

Please refer to note VII. Interests in other entities for details of the Company's subsidiaries.

3. Joint ventures and associates

Please refer to note VII. Interests in other entities for details of the Company's joint ventures and associates.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about other related parties of the Company

Company name	Relationship between the Company and the other related parties
Sichuan Desheng Group Vanadium & Titanium Co., Ltd. (“Desheng Vanadium & Titanium”) 四川德勝集團鈦鈷有限公司 (“德勝鈦鈷”) 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”)	shareholder of Changshou Iron & Steel Former controlling shareholder of
Baowu Group 寶武集團	Changshou Iron & Steel 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
Warburg Trust Company Limited (“ Warburg Trust “) 華寶信託有限責任公司 (“華寶信託”)	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
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

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)**4. Information about other related parties of the Company (Continued)**

Company name	Relationship between the Company and the other related parties
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 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
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", formerly known as "Shanghai Huagongbao E-commerce Co., Ltd. ("Huagongbao).")上海化工寶數位科技有限公司("化工寶數位", 曾用名"上海歐冶化工寶電子商務有限公司"("歐冶化工"))	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
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

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about other related parties of the Company (Continued)

Company name	Relationship between the Company and the other related parties
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
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
SGIS Songshan Co.,Ltd.(“SGIS”) 廣東韶鋼松山股份有限公司(“廣東韶鋼”)	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

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about other related parties of the Company (Continued)

Company name	Relationship between the Company and the other related parties
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
Ouyeel Blockchain (Pingxiang) Renewable Resources Co., Ltd. (“Ouyeel Pingxiang “)歐冶鏈金(萍鄉)再生資源有限公司(“歐冶萍鄉”)	Baowu Group’s subsidiary
Xinjiang Bayi Iron & Steel Co., Ltd. (Xinjiang Bayi) 新疆八一鋼鐵股份有限公司(“新疆八一”)	Baowu Group’s subsidiary
Shanghai Baosteel Engineering Consulting Co., Ltd. (Baosteel Engineering Consulting)上海寶鋼工程諮詢有限公司(“寶鋼工程諮詢”)	Baowu Group’s subsidiary
Shanghai Baosteel Stainless Steel Co., Ltd. (“Baosteel Stainless”) 上海寶鋼不銹鋼有限公司(“寶鋼不銹鋼”)	Baowu Group’s subsidiary
Wisco Kunming Iron & Steel Co. Ltd. (“ Kunming Iron & Steel “) 武鋼集團昆明鋼鐵股份有限公司(“昆明鋼鐵”)	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 “) 江蘇共昌軋輥股份有限公司(“共昌軋輥”)	Baowu Group’s associate
Masteel Gongchang United Roll Co., Ltd. (“ Gongchang United “) 馬鋼共昌聯合軋輥有限公司(“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

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions

(1) Related party transactions of received services

Related party	Content of transaction	2021	2020
Ouyeel Industry	Receiving of services	822,274	–
Baosteel Engineering	Receiving of services	195,109	–
Baosight Software	Receiving of services	113,620	5,810
Baowu Equipment	Receiving of services	78,173	8,668
Baodi Nanhua	Receiving of services	30,447	–
Baosteel Development	Receiving of services	23,035	–
Wisco Logistics	Receiving of services	19,795	–
Baosteel Co., Ltd	Receiving of services	12,699	530
Baosteel Xinyue	Receiving of services	7,294	–
Ouyeel Purchasing	Receiving of services	4,697	–
Ouyeel Logistics	Receiving of services	3,441	605
Shaogang Engineering	Receiving of services	441	–
Baosteel Energy Service	Receiving of services	330	142
Steel Home Information	Receiving of services	190	–
Huafeng Sensing	Receiving of services	73	36
Baoneng Information	Receiving of services	30	–
Siyuanhe Investment	Receiving of services	17	–
Baowu Group	Receiving of services	5	2,783
	Receiving of services		
Xingang Changlong	(Note 1)	–	41,599
Baosteel Shipping	Receiving of services	–	30,265
Wuhan Iron & Steel	Receiving of services	–	12,325
Meishan Iron & Steel	Receiving of services	–	283
Total		1,311,670	103,046

Note 1: Xingang Changlong has become a wholly owned subsidiary of the Company this year.

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)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(2) Related party transactions of purchased goods

Related party	Content of transaction	2021	2020
Baowu Raw Materials	Supply raw materials	2,477,322	337,286
Baosteel Resources	Supply raw materials	1,792,394	272,215
Baosteel International	Supply raw materials	1,475,694	–
Zhongnan Building Materials	Supply billet	709,369	–
Shanghai Steel	Supply billet	626,221	–
Baosteel Co., Ltd.	Supply raw materials	601,632	266,266
Baoding Energy	Supply raw materials	558,692	208,018
Ezhou Pellets	Supply raw materials	466,454	–
Ouyeel Blockchain Finance	Supply scrap steel	240,088	–
Baosteel Shipping	Supply raw materials	61,165	–
Echeng Iron and Steel	Supply raw materials	55,649	–
Taicang Wugang	Supply raw materials	51,214	–
Baowu Equipment	Supply spare parts and equipment	48,357	612
Wugang Wharf	Supply raw materials	14,686	–
Huafeng Sensing	Supply spare parts and equipment	8,544	7,868
Gongchang Roll	Supply spare parts	8,072	–
Ouyeel Purchasing	Supply spare parts and equipment	5,351	1,047
Baosight Software	Supply spare parts and equipment	3,130	5,099
Baocheng Carbon	Supply spare parts	1,642	4,836
Gongchang United	Supply spare parts	1,580	–
Ouyeel Cloud	Supply billet	1,310	–
Baosteel Casting	Supply spare parts	320	–
Environmental technology	Supply billet		
Wuhan		513	–
Baojing Information	Supply spare parts	300	–
Wisco Port	Supply raw materials	139	–

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(2) Related party transactions of purchased goods

Related party	Content of transaction	2021	2020
Ouyeel International	Supply raw materials	127	22,147
HGB Digital	Supply chemical materials	44	–
Daxing Baohua	Supply billet	39	–
Ouyeel Blockchain Finance	Supply raw materials	–	65,755
Baosteel Stainless	Supply spare parts	–	82
Baosteel Engineering	Supply spare parts	–	85
Total		9,210,048	1,191,316

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.

(3) Related party transactions of purchased fixed assets and construction services

Related party	Content of transaction	2021	2020
Changshou Iron & Steel	Purchase pre-ironmaking assets	3,509,512	–
Baosteel Engineering	Construction services	474,762	182,739
Baowu Water	Construction services	223,016	–
Meishan Research Institute	Construction services	12,719	8,023
Baowu Equipment	Construction services	2,255	2,052
Kunlun Information	Construction services	1,716	–
Baosteel Casting	Construction services	499	–
Baosteel Engineering Consulting	Construction services	428	–
Ouyeel Purchasing	Construction services	72	198
Total		4,224,979	193,012

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)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(4) Sale of goods and rendering of services to related parties

Related party	Content of transaction	2021	2020
Ouyeel Material	Production materials	2,614,514	455,405
Zhongnan Building Materials	Production materials	2,008,384	–
SGIS	Technical services	985,540	–
Ouyeel Cloud	Production materials	769,373	359,999
Shanghai Ouyeel	Production materials	410,282	–
Baocheng Carbon	Production materials		
	Energy medium	346,029	132,511
Desheng Vanadium & Titanium	Production materials		
	Technical services	341,940	–
Kunming Iron & Steel	Technical services	224,772	–
Baosteel Huazhong	Production materials	200,013	29,094
Echeng Iron and Steel	Production materials	135,593	–
Baosteel Resources	Production materials	125,326	–
Ouyeel Pingxiang	Production materials	98,861	16,218
Xiangyang Equipment	Technical services	75,342	–
Echeng Iron and Steel	Technical services	69,219	–
Baosteel Huangshi	Production materials	51,851	–
Xinjiang Bayi	Technical services	15,928	–
Baosteel West	Production materials	10,891	–
HGB Digital	Production materials	6,290	–
Environmental Technology	Production materials		
Wuhan		2,849	–
Baowu Water	Energy medium	54	–
Baosteel Engineering	Energy medium	54	34
Ouyeel Industry	Production materials	24	–
Baodi Nanhua	Energy medium	10	–
Baowu Equipment	Energy medium	9	–
Baosteel Development	Energy medium	6	–
Wuhan Iron & Steel	Production materials	–	11,661
Xingang Changlong	Production materials	–	1,200
Total		8,493,154	1,006,122

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)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(5) lessee

As a lessee Name of lessor	Types of asset leased	Lease expenses for 2021	Lease expenses for 2020
Changshou Iron & Steel	Machineries and other equipment (<i>Note 1</i>)	117,058	189,823

As a lessor Name of lessor	Type of assets leased	Lease income for 2021	Lease income for 2020
Xingang Changlong	Plant and buildings	–	48

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) Guarantee

Guarantee provided by related parties:

2020

Guaranteed party	Note	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Siyuanhe Investment	1	300,000	2017/12/27	2020/12/26	Yes
Changshou Iron & Steel	2	1,000,000	2019/10/08	2020/10/08	Yes

Note 1: According to the reorganization plans, the Company applied for a loan of RMB1.1 billion from China Development Bank, and Siyuanhe Investment provided guarantee for the loan above. By the end of December 31, 2020, the loan has been fully paid off, and the guarantee has been fulfilled this year.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(6) Guarantee (Continued)

Note 2: On 8 October 2019, the Company obtained banking facilities of RMB1 billion from China Minsheng Bank Chongqing Branch, Changshou Iron & Steel provided guarantee, free of charge. The guarantee period was 1 year. In 2020, the guarantee has been fulfilled.

The Company and its subsidiaries have no guarantee provided by related parties in 2021.

(7) Borrowings from related parties

Related parties	2021 Amount borrowed	2020 Amount borrowed
Changshou Iron & Steel	126,400	445,480
Baowu Finance	62,610	500,000
Total	189,010	945,480

Pursuant to the reorganization plan in 2017, Changshou Iron & Steel provided RMB2.4 billion loans to the Company for its execution of the reorganization plan. The loan term is 7 years, which is from 24 November 2017 to 23 November 2024, and bears interest at the rate of 4.9% (31 December 2020: 4.9%) per annum. The loan was fully repaid in 8 January 2021.

Changshou Iron & Steel provided the Company with a financing facility of 1 billion yuan in 2020 with a financing period of 3 year, from July 1, 2020 to June 30, 2023. The interest rate is 4.25% per annum. The Company successively borrowed RMB126,400,000 from Changshou Iron & Steel in 2021, and the total borrowed amount is RMB571,880,000. As of 31 December 2021, the Company has repaid the above borrowings in full.

In 2021, the Company obtained a syndicated loan of RMB720,860,000, including RMB62,610,000 borrowed from Baowu Finance on 30 September 2021. As of December 31, 2021, the Company had not yet repaid the above borrowings. Please refer to Note V.27.

On March 6, 2020, Baowu Finance provided the Company with a one-year credit loan of RMB500,000,000, which was repaid on 5 March 2021.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(8) Interest income received from a related party

Related party	2021	2020
Baowu Finance	348	–

(9) Interest fee paid to related parties

Related parties	2021	2020
Changshou Iron & Steel	15,674	133,605
Baowu Finance	5,323	17,292
	20,997	150,897

(10) Letter of credit obtained from a related party

Related party	Amount	2021		2020		
		Balance	Charges	Amount	Balance	Charges
Baowu Finance	491,817	201,197	368	–	–	–

(11) Notes discounted by a related party

Related party	2021		2020	
	Amount discounted	Charges/Interest	Amount discounted	Charges/Interest
Baowu Finance	329,387	–	–	–

As at 31 December 2021, 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)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(12) Bill custody/collection by related party

Related party	Amount	2021		2020		
		Balance	Charges	Amount	Balance	Charges
Baowu Finance	2,246,213	921,893	–	–	–	–

In 2021, Baowu Finance has not charged the Group for the bill custody/collection service.

(13) 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 2021 is RMB178,790,000 and RMB520,504,000 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.

(14) Remuneration of key management personnel

Related party	2021	2020
Remuneration of key management personnel	13,744	30,335

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(14) Remuneration of key management personnel (Continued)

	2021					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
Director-executive director:						
Zhang Wenxue (note 1) (note 2) (note 3)	-	2,064	67	43	40	2,214
Song De An (note 1) (note 2)	-	-	-	-	-	-
Lai Xiaomin (note 1)	-	-	-	-	-	-
Xie Zhixiong (note 1) (note 3)	-	426	39	21	17	503
Zou An (note 1) (note 3)	-	1,840	57	43	40	1,980
Zhou Ping (note 1)	-	-	-	-	-	-
Liu Jianrong (note 4)	-	1,023	32	24	22	1,101
Tu Deling (note 6)	-	1,131	22	22	17	1,192
Director-non-executive director:						
Sheng Xuejun (note 1)	-	60	-	-	-	60
Zhang Jingruo (note 1)	-	60	-	-	-	60
Guo Jiebin (note 1)	-	60	-	-	-	60
Xin Qingquan (note 6)	-	120	-	-	-	120
Xu Yixiang (note 6)	-	120	-	-	-	120
Wang Zhenhua (note 6)	-	120	-	-	-	120
Supervisor:						
Wu Xiaoping (note 5) (note 7)	-	-	-	-	-	-
Li Huaidong (note 5)	-	-	-	-	-	-
Zhu Xingan (note 5)	-	-	-	-	-	-
Zhou Yaping (note 5)	-	472	36	34	27	569
Zhang Liquan (note 5)	-	522	16	15	12	565
Wang Cunlin (note 6)	-	-	-	-	-	-
Xu Xudong (note 6)	-	-	-	-	-	-
Zhao Wei (note 6)	-	309	20	19	15	363
Senior Management:						
Yao Xiaohu (note 3)	-	842	19	18	14	893
Xie Chao	-	1,821	36	34	27	1,918
Zhang Yongzhong	-	1,627	67	43	40	1,777
Meng Xiangyun	-	119	4	3	3	129
Total	-	12,736	415	319	274	13,744

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(14) Remuneration of key management personnel (Continued)

Directors Mr. Song De An, Mr. Lai Xiaomin and Mr. Zhou Ping, Supervisor Mr. Wu Xiaoping, Mr. Wang Cunlin, Mr. Xu Xudong, Mr. Li Huaidong and Mr. Zhou Xingan did not receive remuneration from the Company throughout this year.

The five highest paid employees during the year included three directors and two Senior Management (2020: two directors, a supervisor and two Senior Management), details of whose remuneration are set out above.

There is no Employee Share Ownership Plan in 2021. In 2020, 10 directors, supervisors and senior management members participated in the Fourth Employee Share Ownership Plan, their sharing account for 44.6% of the Fourth Employee Share Ownership Plan, please refer to Note V.23.

Note 1: On 12 August 2021, the board of directors of the Company held its general election. Mr. Zhang Wenxue, Mr. Song De An, Mr. Lai Xiaomin, Mr. Xie Zhixiong, Mr. Zou An and Mr. Zhou Ping were elected as executive directors of the ninth board of directors of the Company for a term of three years. Mr. Sheng Xuejun, Mr. Zhang Jinruo and Mr. Guo Jiebin were elected as independent non-executive directors of the ninth Board of Directors for a term of three years.

Note 2: On 20 August 2021, Mr. Zhang Wenxue was elected as the chairman of the ninth board of directors and Mr. Song De An was elected as the vice chairman of the ninth board of directors of the Company.

Note 3: On 11 June 2021, Mr. Zhang Wenxue resigned as the president. The board of directors appointed Mr. Xie Zhixiong as the president of the Company, Mr. Yao Xiaohu as a senior vice president of the Company and Mr. Zou An as the secretary to the board of directors and a joint company secretary of the Company.

Note 4: On 5 July 2021, Mr. Liu Jianrong resigned as the chairman.

Note 5: On 12 August 2021, the Company's supervisory committee held its general election. Mr. Wu Xiao Ping, Mr. Li Huaidong and Mr. Zhu Xing'an were appointed as non-employee representative supervisors of the ninth session of the Company's supervisory committee for a term of office of three years. Mr. Zhou Yaping and Mr. Zhang Liquan were elected as the staff representative supervisors of the ninth session of the supervisory committee of the Company for a term of office of three years.

Note 6: On 12 August 2021, Mr. Tu Deling, Mr. Xin Qingquan, Mr. Xu Yixiang, Mr. Wang Zhenhua, Mr. Wang Cunlin, Mr. Xu Xudong and Mr. Zhao Wei resigned due to the expiration of their terms of office.

Note 7: On 20 August 2021, the supervisory committee elected Mr. Wu Xiaoping as the chairman of the ninth supervisory committee.

Note 8: On 19 January 2021, Ms. Meng Xiangyun resigned as a senior vice president and secretary of the board.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(14) Remuneration of key management personnel (Continued)

	2020					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
Director-executive director:						
Liu Jian Rong	–	4,233	–	32	22	4,287
Li Yong Xiang	–	703	4	18	12	737
Tu De Ling	–	1,683	27	31	22	1,763
Wang Li	–	700	–	–	–	700
Zou An	–	3,233	–	32	22	3,287
Director-non-executive director:						
Zhang Shuo Gong	–	104	–	–	–	104
Zhang Jin Gan	–	–	–	–	–	–
Song De An	–	–	–	–	–	–
Xin Qing Quan	180	–	–	–	–	180
Xu Yi Xiang	180	–	–	–	–	180
Wang Zhen Hua	180	–	–	–	–	180
Zhou Zhu Ping	–	–	–	–	–	–
Zhou Ping	–	–	–	–	–	–
Supervisor:						
Wu Xiao Ping	–	–	–	–	–	–
Wang Cun Lin	–	–	–	–	–	–
Xu Xu Dong	–	–	–	–	–	–
Xiao Yu Xin	–	2,213	4	19	12	2,248
Zhao Wei	–	287	27	28	22	364
Lu Jun Yong	–	–	–	–	–	–
Yin Dong	–	–	–	–	–	–
Zhou Ya Ping	–	397	27	31	22	477
Senior Management:						
Zhang Wen Xue	–	–	–	–	–	–
Xie Chao	–	1,683	27	31	22	1,763
Zhang Yong Zhong	–	–	–	–	–	–
Lv Feng	–	4,078	4	35	26	4,143
Zhang Li Quan	–	1,683	27	31	22	1,763
Zeng Jing	–	1,683	27	31	22	1,763
Meng Xiang Yun	–	4,083	4	35	26	4,148
Wang Bu Lin	–	2,213	4	19	12	2,248
Total	540	28,976	182	373	264	30,335

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due to or from related parties

(1) Trade receivables

Related party	2021	2020
Echeng Iron and Steel	1,556	–
Baocheng Carbon	637	–
Baosteel Engineering	99	38
Baowu Water	61	–
Ouyeel Industry	17	–
Baodi Nanhua	11	–
Ouyeel Blockchain Finance	–	18,327
Wuhan Iron & Steel	–	13,177
Total:	2,381	31,542

(2) Receivables financing

Related party	2021	2020
SGIS	363,348	–
Baocheng Carbon	111,391	44,144
Kunming Iron & Steel	78,547	–
Desheng Vanadium & Titanium	52,271	–
Echeng Iron and Steel	28,922	–
Baosteel Huazhong	1,869	–
Environmental Technology Wuhan	500	–
Ouyeel Material	–	111
Total:	636,848	44,255

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due to or from related parties (Continued)

(3) Other receivables

Related party	2021	2020
SGIS	42,273	–
Baocheng Carbon	4	–
Ouyeel Industry	1	–
Changshou Iron & Steel	–	500
Xingang Changlong	–	171
Total:	42,278	671

(4) Prepayments

Related party	2021	2020
Baosteel International	63,719	–
Baoding Energy	53,940	35,369
Baosteel Resources	29,672	–
Baosteel Engineering	3,303	45,181
Baowu Raw Materials	2,001	5,960
Baosteel Co., Ltd.	–	7,963
Baosteel Casting	–	42
Total	152,635	94,515

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due to or from related parties (Continued)

(5) Contract liabilities

Related party	2021	2020
Ouyeel Material	267,389	219,316
Zhongnan Building Materials	82,656	–
Baocheng Carbon	44,794	12,108
Shanghai Ouyeel	3,227	–
Baosteel Huazhong	2,162	13,347
Desheng Vanadium & Titanium	1,798	–
Baosteel Huangshi	55	–
HGB Digital	52	420
Ouyeel Cloud	7	11,279
Baosteel West	–	1,919
Total	402,140	258,389

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due to or from related parties (Continued)

(6) Trade payables

Related party	2021	2020
Ouyeel Industry	726,478	–
Baosteel Engineering	303,942	94
Baowu Water	150,081	–
Baowu Equipment	94,539	6,365
Baosteel Development	83,086	–
Baosteel Resources	42,233	–
Baosight Software	34,044	1,074
Baodi Nanhua	10,196	–
Taicang Wugang	4,850	–
Wugang Wharf	2,172	–
Baosteel Co., Ltd.	1,540	–
Ouyeel Blockchain Finance	893	–
Ouyeel Logistics	867	–
Wisco Logistics	623	–
Environmental Technology Wuhan	580	–
Shaogang Engineering	219	–
Baosteel Shipping	45	29,076
Changshou Iron & Steel	–	17,875
Huafeng Sensing	–	7,026
Xingang Changlong.	–	6,718
Ouyeel International	–	1,368
Ouyeel Purchasing	–	1,033
Baosteel Energy Service	–	150
Meishan Research Institute	–	12
Wuhan Iron & Steel	–	6
Total	1,456,388	70,797

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due to or from related parties (Continued)

(7) Note payables

Related party	2021	2020
Baowu Water	30,394	–
Baosteel Shipping	15,569	–
Baowu Equipment	13,710	10,030
Ouyeel Purchasing	5,241	412
Taicang Wugang	3,660	–
Baosight Software	800	1,659
Wugang Wharf	677	–
Meishan Research Institute	500	3,106
Baosteel Development	490	–
Shaogang Engineering	280	–
Gongchang Roll	265	–
Kunlun Information	259	–
Baodi Nanhua	235	–
Baosteel Engineering	202	174,774
Huafeng Sensing	78	–
Baosteel Engineering Consulting	57	–
Baosteel Energy Service	50	–
Huafeng Sensing	–	1,070
Baocheng Carbon	–	600
Baoneng Information	–	513
Xingang Changlong.	–	83
Total	72,467	192,247

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due to or from related parties (Continued)

(8) Other payables

Related party	2021	2020
Changshou Iron & Steel	1,339,362	–
Baowu Water	2,846	–
Baowu Equipment	1,641	1,621
Huafeng Sensing	720	–
SGIS	497	–
Baoneng Information	268	354
Baodi Nanhua	220	–
Baosight Software	167	330
Ouyeel Purchasing	76	217
Meishan Research Institute	41	3,918
Ouyeel Material	–	3,000
Ouyeel Logistics	–	208
Baosteel Engineering	–	50
Total	1,345,838	9,698

(9) Short-term borrowings

Related party	2021	2020
Baowu Finance	–	500,000

(10) Non-current liabilities due within one year

Related party	2021	2020
Changshou Iron & Steel	–	3,212,306

Notes to Financial Statements (Continued)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due to or from related parties (Continued)

(11) Long-term borrowings

Related party	2021	2020
Baowu Finance	62,610	–

(12) Lease liabilities

Related party	2021	2020
Changshou Iron & Steel	–	2,490,580

(13) Other non-current liabilities

Related party	2021	2020
Changshou Iron & Steel	–	445,480

(14) Right-of-use assets

Related party	2021	2020
Changshou Iron & Steel	–	3,447,314

(15) Trusteeship

2021

Trustor	Trustee	The type of asset to delegate/outsource	Balance	Aggregate amount	Income realized
The Company	Warburg Trust	Other assets custody	600,000	600,000	–

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)

Year ended 31 December 2021

X. RELATED PARTY AND RELATED PARTY 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 2021, The Company has funds deposited to Baowu Finance amounting to RMB19,443,000.

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

	2021	2020
Contracted, but not provided for		
Capital commitments	4,558,664	5,371,446
Investment commitments	56,600	116,445
Contracted, but not provided for	4,615,264	5,487,891

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.

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

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 thirty-first meeting of the eighth board of directors of the Company approved that the Company provided guarantee of RMB115 million for the loan of Chongqing Iron & Steel Energy to China Construction Bank, Changshou Sub-branch. The guarantee period is from 1 January 2021 to 9 August 2021. As of 31 December 2021, the guarantee has been completed. The company provides guarantee to its wholly owned subsidiary Chongqing Iron & Steel Energy for the financing from Chongqing BHD Financial Leasing Co., Ltd (重慶鈔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, 2021, the balance of guarantee is RMB225.72 million.

XII. EVENTS AFTER BALANCE SHEET DATE

As of the approval date of this financial statement, the Group has no other material events after the balance sheet that need to be disclosed.

XIII. 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.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment information (Continued)

(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.

(3) Information of significant customers

The Group generated revenue from one customer (2020: one) that reached or exceeded 10% of the Group's revenue, which accounting for 21% of the Group's revenue (2020: 19%).

Information of customer whose revenue in 2021 reaches or exceeds 10% of the Group's revenue is as follows:

Name of Customer	Revenue (註1)	Proportion of the Group's revenue (%)
Baowu Group and its subsidiaries	7,805,185	20

Information of customer whose revenue in 2020 reaches or exceeds 10% of the Group's revenue is as follows:

Name of Customer	Revenue (註1)	Proportion of the Group's revenue (%)
Qianxin Group	4,540,067	19

Note: The revenue above was the total amount generated from Baowu Group and its subsidiaries for the current year by the Group (2020: The revenue above was the total amount generated from Qianxin Group and its subsidiaries by the Group).

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease

(1) As a lessor

The Group rent partial of plants and buildings with lease term of 1 to 5 years, thus develops into operating lease. According to the lease contracts, the yearly rental required to adjust based on market rental. The revenue related to plants and buildings lease during the year ended in 31 December 2021 was RMB818,000(2020: RMB897,000), please refer to Note V.11. for more details.

Operating lease

The profit relating to operating lease is as follows:

	2021	2020
Lease income	818	897

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	2021	2020
Within 1 year	281	344
1 – 2 year (Within 2 year)	89	174
2 – 3 year (Within 3 year)	74	81
3 – 4 year (Within 4 year)	–	61
	444	660

Please refer to Note V. 11 for more details about PPE leased out under operating lease.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease (Continued)

(2) As a lessee

	2021	2020
Lease liability interest expense	126,679	5,151
Short-term lease expenses through profit or loss subject to simplified treatment	3,497	311,504
Total cash outflows related to lease	265,238	330,688

The Group has lease contracts for various items of machineries and other equipment, motor vehicles and plants and buildings used in its operations. Generally, the Group is restricted from subleasing the underlying assets. Part of the lease contract contains terms of purchase.

(3) Leaseback

	2021	2020
Cash inflow from leaseback	1,679,301	1,397,650
Cash outflow from leaseback	521,205	179,948

(4) Other information

For right-of-use assets, please refer to Note V.13; For lease liabilities, please refer to Note V.29.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Trade receivables

Credit period of trade receivables is generally within one-month. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables is as follows:

	31 December 2021	31 December 2020
Within 1 year	67,591	39,408
1 – 2 year	1,716	120
Above 3 year	120	–
	69,427	39,528
Less: Impairment allowance	25	25
	69,402	39,503

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

	2021			2020						
	Book value	Impairment allowance	carrying amount	Book Value	Impairment allowance	carrying amount				
	Amount Proportion	Amount Provision		Amount Proportion	Amount Provision					
	(%)	(%)		(%)	(%)					
Receivables that are subject to provision by group with similar credit risk characteristics	69,427	100	25	–	69,402	39,528	100	25	–	39,503

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

As at 31 December 2021 and at 31 December 2020, the Company have no individually trade receivables to separate provision.

The expected credit losses on the accounts receivable by age are as follows:

	31 December 2021			31 December 2020		
	Estimated doubtful book value	Lifetime ECLs (%)	ECLs proportion (%)	Estimated doubtful book value	Lifetime ECLs (%)	ECLs proportion (%)
Within 1 year	67,591	–	–	39,408	–	–
1-2 years	1,716	–	–	–	–	–
2-3 years	–	–	–	120	21	25
Over 3 years	120	21	25	–	–	–
	69,427		25	39,528		25

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 customers of other products, the Group's contract price usually expires within 30 days after the delivery of the product, and the expected credit loss risk of accounts receivable is relatively low.

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

	Opening balance	Provision	Reversal	Write-off	Closing balance
2021	25	–	–	–	25
2020	25	–	–	–	25

As at 31 December 2021, the balance of the top five accounts receivable of the Company totaled RMB61,639,000 (31 December 2020: RMB38,203,000), accounting for 88% of the total balance of accounts receivable (31 December 2020: 97%), without provision for bad debts (31 December 2020: Nil).

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

	31 December 2021	31 December 2020
Other receivables	180,813	17,181

Aging analysis:

	31 December 2021	31 December 2020
Within 1 year	199,475	15,365
1 – 2 year	1,596	236
2 – 3 year	–	2,011
Above 3 year	2,287	3,077
	203,358	20,689
Less: Impairment allowance	22,545	3,508
	180,813	17,181

Other receivables presented by nature

	31 December 2021	31 December 2020
Balance due from related parties	129,724	–
Transactional intercourse	65,702	1,733
Guarantee deposits, staff advances, etc.	7,932	18,956
	203,358	20,689

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

Changes in impairment allowance recognised 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		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)		Total	
	Book value	impairment allowance (%)	Book value	impairment allowance (%)	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance	Book value	impairment allowance
Opening balance	15,365	-	2,247	431	3,077	3,077	-	-	20,689	3,508		
Accrual	179,649	-	-	-	-	-	19,827	19,827	199,476	19,827		
Write-off	(15,366)	-	(651)	-	(790)	(790)	-	-	(16,807)	(790)		
Closing balance	179,648	-	1,596	431	2,287	2,287	19,827	19,827	203,358	22,545		

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2020

	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) characteristics	impairment allowance	Book value (%)	impairment allowance
	Book value		Book value		Book value		Book value	
Opening balance	76,211	-	2,247	431	3,077	3,077	81,535	3,508
Accrual	15,366	-	-	-	-	-	15,366	-
Write-off	(76,212)	-	-	-	-	-	(76,212)	-
Closing balance	15,365	-	2,247	431	3,077	3,077	20,689	3,508

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

	Opening balance	Increase	Reversal	Write-off	Closing balance
2021	3,508	19,827	790	-	22,545
2020	3,508	-	-	-	3,508

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

As at 31 December 2021, the five top other receivables are as follows:

Company	Closing Balance	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	129,724	64	Balance due from related parties	Within 1 year	–
The second	42,273	21	Transactional intercourse	Within 1 year	–
The third	19,827	10	Transactional intercourse	Within 1 year	19,827
The fourth	3,789	2	Guarantee deposits	1-3 years	526
The fifth	2,978	1	Petty cash	1-3 years	2,192
	198,591	98			22,545

As at 31 December 2020, the five top other receivables are as follows:

Company	Closing Balance	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	12,000	58	Guarantee deposits	Within 1 year	–
The second	1,500	7	Guarantee deposits	Within 1 year	–
The third	1,026	5	Petty cash	1-3 years	1,026
The fourth	598	3	Guarantee deposits	Within 1 year	–
The fifth	426	2	Guarantee deposits	Within 1 year	–
	15,550	75			1,026

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

	31 December 2021			31 December 2020		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Subsidiary	992,288	–	992,288	837,610	–	837,610
Joint ventures	–	–	–	–	–	–
Associate	58,160	–	58,160	79,494	–	79,494
	1,050,448	–	1,050,448	917,104	–	917,104

2021

Investees	Opening balance	Increase/(decrease)				Closing balance
		Investment increased	Investment through equity recognised method	Investment increased	cash dividends declared	
<i>Subsidiaries</i>						
Chongqing Iron & Steel Energy (Note 3)	837,610	–	–	–	–	837,610
Xingang Changlong (Note 2)	28,258	126,420	–	–	–	154,678
	865,868	126,420	–	–	–	992,288
<i>Joint ventures</i>						
Chongqing Jianwei (Note 1)	–	–	–	–	–	–
<i>Associate</i>						
Baowu Raw Material (Note 4)	40,000	–	5,021	–	(900)	44,121
Baocheng Carbon (Note 4)	11,236	–	3,112	–	(309)	14,039
Baowu Environmental Resource (Note 4)	–	–	–	–	–	–
Baowu Jingcheng (Note 4)	–	–	–	–	–	–
	51,236	–	8,133	–	(1,209)	58,160

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

2020

Investees	Opening balance	Increase/(decrease)			Closing balance
		Investments increased	Investments decreased	Investment income recognized through equity method	
<i>Subsidiary</i>					
Chongqing Iron & Steel Energy (Note 3)	-	837,610	-	-	837,610
Building Materials Sales (Note 1)	-	-	-	-	-
	-	837,610	-	-	837,610
<i>Joint venture</i>					
Chongqing Jianwei (Note 4)	-	-	-	-	-
<i>Associate</i>					
Baowu Raw Material (Note 4)	-	40,000	-	-	40,000
Xingang Changlong (Note 2)	28,258	-	-	-	28,258
Baocheng Carbon (Note 4)	-	11,236	-	-	11,236
	28,258	51,236	-	-	79,494

Note 1: The Company incorporated Building Materials Sales and the amount of the subscribed contribution is RMB10 million. Building Materials Sales was cancelled on 15 January 2021. As of the cancellation date, the Company has not yet paid the above capital contribution.

Note 2: please refer to Note VI 1.

Note 3: On December 31, 2021, the Company pledged 100% equity of Chongqing Iron and Steel Energy to obtain a working capital loan of RMB450,581,000 from China Merchants Bank Co. Ltd.

Note 4: please refer to Note V 9.

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue

	2021		2020	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	37,463,441	33,818,620	24,346,866	22,628,246
Revenue from other operations	2,407,674	2,380,773	139,810	103,411
	39,871,115	36,199,393	24,486,676	22,731,657

Details of revenue as follows:

	2021	2020
Revenue from contracts with customers	39,870,298	24,485,779
Revenue from lease	817	897
	39,871,115	24,486,676

Disaggregation of Revenue from contracts with customers are as follows:

2021

Main Product	Sale of steel products and Billets	Others	Total
Hot rolled sheets	17,940,118	–	17,940,118
Plates	10,266,002	–	10,266,002
Bars	68,289	–	68,289
Billets	4,943,792	–	4,943,792
Others	–	6,652,097	6,652,097
	33,218,201	6,652,097	39,870,298

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XIV NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS(CONTINUED)

4. Revenue (Continued)

2020

Main Product	Sale of steel products and Billets	Others	Total
Hot rolled sheets	12,384,426	–	12,384,426
Plates	7,392,779	–	7,392,779
Bars	1,464,547	–	1,464,547
Wire Rods	1,133,878	–	1,133,878
Billets	1,191,023	–	1,191,023
Others	–	919,126	919,126
	23,566,653	919,126	24,485,779

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

The details of expected revenue recognized from remaining contract obligation:

	2021	2020
Sale of goods	2,554,165	1,105,972

5. Investment income

	2021	2020
Investment income of financial assets held for trading	–	6,791
Investment income from disposal of long-term investment	4,732	–
Investment income from long-term equity investments under equity method	8,133	–
	12,865	6,791

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XV. OTHER SUPPLEMENTARY INFORMATION

1. Non-recurring profit or loss

	2021
Gains/(loss) from disposal of non-current assets, including offset portion of impairment provision for such asset	(185,836)
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	15,115
Capital occupied income from non-financial entities	1,257
Gains on reorganization of debts	145,393
Gain on the remaining equity remeasured at fair value after loss of control	8,210
Non-operating income and expenses other than the above items	(162,941)
Sub-total	(178,802)
Less: Impact of income tax	-
Non-recurring profit or loss attributable to owners of the parent	(178,802)

Notes to Financial Statements (Continued)

Year ended 31 December 2021

XV. OTHER SUPPLEMENTARY INFORMATION

2. Return on net assets and earnings per share

2021

	<i>Weighted average return on net assets (%)</i>	Earnings per share (RMB per share)	
		Basic earnings per share	Diluted Earnings per share
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

2020

	Weighted average return on net assets (%)	Earnings per share (RMB per share)	
		Basic earnings per share	Diluted Earnings per share
Net profit attributable to ordinary shareholders of the Company	3.24	0.07	0.07
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	2.49	0.06	0.06

Chongqing Iron & Steel Company Limited
30 March 2022