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## **Chongqing Iron & Steel Company Limited** **重慶鋼鐵股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
*(在中華人民共和國註冊成立的股份有限公司)*

(Stock Code: 1053)

### **ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSET IMPAIRMENT AND ASSET DISPOSAL FOR 2022**

This announcement is made by the board of directors of Chongqing Iron & Steel Company Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

At the 24<sup>th</sup> meeting of the ninth session of the board of directors and the 13<sup>th</sup> meeting of the ninth session of the supervisory committee of the Company held on 30 March 2023, the Proposal on Provision for Asset Impairment and Asset Disposal for 2022 was considered and approved by voting, details of which are as follows:

#### **I. SUMMARY OF THE PROVISION FOR ASSET IMPAIRMENT AND ASSET DISPOSAL**

In order to better present its assets and financial conditions in a true, accurate and fair manner, the Company prudentially conducted a comprehensive review of its assets as at the end of 2022 in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies. The net realizable value and recoverable amounts in respect of various assets were fully assessed and analyzed, and impairment provision was made for assets that might be subject to impairment losses and such assets were scrapped and disposed of. The Company’s current credit impairment loss and asset impairment loss is RMB241,220,000 in total, and the asset disposal gain is RMB1,890,000, which will reduce the net profit attributable to the shareholders of the listed company for the year 2022 by RMB239,330,000, exceeding 10% of the audited net profit of the Company for the last accounting year.

The Company makes provision for bad debts based on the amount of expected credit losses during the entire duration of the receivables. The Company's inventory is measured at the lower of cost and net realizable value as at the balance sheet date, and a provision for inventory write-down shall be made while the net realizable value of the inventory is lower than its cost. Fixed assets are measured at the lower of carrying amount and recoverable amount as at the balance sheet date. An asset's recoverable amount should be calculated as the higher of its fair value less disposal costs and the present value of its estimated future cash flows. If the asset's recoverable amount is less than its carrying amount, a provision for impairment of the fixed asset is made.

A breakdown of the Company's current credit impairment loss, asset impairment loss and asset disposal gain by category is set out as follows:

*Unit: RMB0'000*

<b>Project</b>	<b>Amount for the current period</b>	<b>Percentage in the audited net profit of 2021 (%)</b>	<b>Amount for the previous period</b>
Credit impairment loss	-948	-0.42	1,905
Inventory write-down loss	14,207	6.25	8,944
Impairment loss on fixed assets	10,863	4.78	25,911
Subtotal of impairment loss on assets	24,122	10.61	36,760
Less: asset disposal gain	189	0.08	-18,200
<b>Total</b>	<b>23,933</b>	<b>10.53</b>	<b>54,960</b>

## II. PARTICULARS OF THE PROVISION FOR ASSET IMPAIRMENT

### (I) Bad debt provision

After testing, the Company should make a balance of bad debt provision of RMB3,830,000 at the end of 2022 and a balance of bad debt provision of RMB23,610,000 before 2022, and has made a provision of RMB50,000 for the current year. The reversal for the current period is RMB9,530,000, and the write-off for the current period is RMB10,300,000.

*Unit: RMB0'000*

Item	Balance at the beginning of the period	Provision in the current period	Reversal in the current period	Written off in the current period	Balance at the end of the period
Accounts receivable	106	5	-	-	111
Other receivables	2,255	-	-953	-1,030	272
Subtotal	<u>2,361</u>	<u>5</u>	<u>-953</u>	<u>-1,030</u>	<u>383</u>

### (II) Provision for inventory write-down

After testing, the Company should make a balance of inventory write-down provision of RMB299,630,000 at the end of 2022 and a balance of inventory write-down provision of RMB297,540,000 before 2022, and has made a provision of RMB142,070,000. The reversal for the current period is RMB139,980,000.

*Unit: RMB0'000*

Item	Opening balance of impairment provision	Provision amount for the current period	Written off amount for the current period	Closing balance of impairment provision
Raw materials	13,662	8,223	-	21,885
Goods in process	3,296	4,657	-3,296	4,657
Goods in stock	7,651	1,245	-7,651	1,245
Low-value consumables and repair parts	5,145	82	-3,051	2,176
Subtotal	<u>29,754</u>	<u>14,207</u>	<u>-13,998</u>	<u>29,963</u>

1. Due to the continuous low steel prices and the firm prices of bulk raw fuels, after testing, the net realizable value of inventories such as ore, coal, goods in progress and finished goods held by the Company at the end of the year was lower than its cost, resulting in an impairment of RMB141,250,000; certain of the materials and spare parts of the subsidiary were old and the corresponding units were out of service, and a full impairment of RMB820,000 was recorded. To sum up, a provision of RMB142,070,000 was made for inventory impairment for the current period.
2. In 2022, the goods in progress and goods in stock that were impaired in 2021 were subsequently processed and sold, and the corresponding inventory impairment provision of RMB109,470,000 was written off; the Company disposed of the repair spare parts that were impaired in previous years, and the corresponding inventory impairment provision written off was RMB30,510,000. To sum up, a provision of RMB139,980,000 was written off for inventory impairment for the current period.

### (III) Provision for impairment of fixed assets

In 2022, the Company sorted out the details of fixed assets to be dismantled in 2023 and made a provision of RMB108,630,000 for impairment of such fixed assets based on the implementation plan of fixed asset investment projects and the actual situation of project construction.

*Unit: RMB0'000*

Category	Original amount	Accumulated depreciation	Net value	Provision for impairment for the current period
Equipment	10,726	3,890	6,836	6,836
Buildings and structures	5,948	1,921	4,027	4,027
Total	<u>16,674</u>	<u>5,811</u>	<u>10,863</u>	<u>10,863</u>

### III. LOSS OF THE ASSET DISPOSAL

#### (I) Disposal of fixed assets for which provision for impairment have been accrued in previous years

*Unit: RMB0'000*

Item	Net value	Provision for impairment	Estimated recoverable amount	Actual disposal gain	Affect the decrease in current profit and loss
Equipment	21,867	21,555	312	535	-223
Of which: disposed of	11,166	10,854	312	535	-223
to be disposed of	10,701	10,701	–	–	–
Buildings and structures	841	841	–	–	–
Total	<u>22,708</u>	<u>22,396</u>	<u>312</u>	<u>535</u>	<u>-223</u>

#### (II) Disposal of repair spare parts which provision for impairment have been accrued in previous years

*Unit: RMB0'000*

Item	Net value	Provision for impairment	Estimated recoverable amount	Actual disposal gain	Affect the decrease in current profit and loss
Repair parts	3,051	3,051	–	137	-137

#### (III) Disposal of assets without provision for impairment loss

In 2022, the Company has no provision for impairment loss of RMB1,710,000 on the net value of the assets directly reported as a loss, which mainly represented a loss of RMB1,660,000 on the net value of the assets directly reported as a loss on the decommissioning of the first phase of CCPP coke oven gas regeneration return pipeline network and support by Chongqing Iron & Steel Energy.

To sum up, the total gains on asset disposal for the year 2022 were RMB1,890,000.

#### **IV. IMPACT OF THE PROVISION FOR ASSET IMPAIRMENT AND ASSET DISPOSAL ON THE COMPANY**

The losses of credit impairment and asset impairment of the Company for the current period are amounted to RMB241,220,000 in total and the gain of asset disposal is amounted to RMB1,890,000, resulting in a decrease of RMB239,330,000 in the net profit attributable to the shareholders of the listed company for the year 2022.

The Company will strengthen asset management, control new credit impairment loss or asset impairment loss, and accelerate the disposal of assets for which asset impairment provisions have been made.

#### **V. OPINIONS OF THE INDEPENDENT DIRECTORS AND THE SUPERVISORY COMMITTEE ON PROVISION FOR ASSET IMPAIRMENT AND ASSET DISPOSAL**

##### **(I) Opinions of independent directors**

1. The total of credit impairment loss and asset impairment losses of the Company for the year 2022 was RMB241,220,000, and the gain of asset disposal was RMB1,890,000, resulting in a decrease of RMB239,330,000 in the net profit attributable to the shareholders of the listed company for the year 2022. The provision for asset impairment and asset disposal has complied with the accounting principle of prudence, and was made on the basis of sufficient supporting information, and would enable a better reflection of the Company's assets and financial conditions in a true, accurate and fair manner. The provision for asset impairment and asset disposal has complied with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies, and the decision making procedures for the provision are in compliance with the requirements of the relevant laws and regulations and the regulations of the Company, without causing any prejudice to the legitimate interests of the Company and its minority shareholders.
2. Approving the Proposal on Provision for Asset Impairment and Asset Disposal for 2022 of the Company.

## **(II) Opinions of the supervisory committee**

The provision for asset impairment and asset disposal for 2022 made by the Company has complied with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies, as well as the accounting principle of prudence; the provision was made on the basis of sufficient supporting information, and would enable a better reflection of the Company's assets and financial conditions in a true, accurate and fair manner; and the decision making procedures for the provision are in compliance with the requirements of the relevant laws and regulations and the Articles of Association of the Company.

By order of the Board  
**Chongqing Iron & Steel Company Limited**  
**Zou An**  
*Secretary to the Board*

Chongqing, China, 31 March 2023

*As at the date of this announcement, the Directors of the Company are: Mr. Xie Zhixiong (Executive Director), Mr. Meng Wenwang (Executive Director), Mr. Zou An (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lai Xiaomin (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Mr. Zhang Jinruo (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).*