

重慶鋼鐵股份有限公司

Chongqing Iron & Steel Company Limited

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

2022  
Interim Report

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Documents Available for Inspection	A copy of interim report, containing the signature of the current head of the Company and company seal
	A copy of interim financial accounting report, 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
	Originals of all documents and announcements of the Company disclosed in the media designated by China Securities Regulatory Commission for information disclosure purpose and on the websites of SSE and the HKEx during the Reporting Period
	Copies of other relevant documents

## IMPORTANT NOTICE

- I. The Board, the Supervisory Committee and directors, supervisors and senior management of the Company warrant that there are no false representations, misleading statements contained in or material omissions from this interim report and individually and collectively accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.
- II. All directors of the Company attended Board meetings.
- III. This interim report has not been audited.
- IV. Mr. Zhang Wenxue, head of the Company, and Mr. Zou An, the Chief Financial Officer and Ms. Lei Xiaodan, the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the interim report.
- V. The profit distribution proposal or proposal to transfer capital reserve to share capital for the Reporting Period as approved by the Board by way of resolution
- Nil
- VI. Risk warning in respect of forward-looking statements
- Applicable     Not applicable
- The forward-looking statements in this interim report, such as the future plans, are subject to uncertainties and do not constitute the Company's substantive undertakings to investors. Investors should pay attention to 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 truthfulness, accuracy and completeness of the interim report disclosed by the Company or not
- No
- X. Major Risk Warning
- No
- XI. Others
- Applicable     Not applicable



# Section 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), a limited partnership incorporated under the laws of the PRC
Si Chuang Desheng, Desheng Group	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.
Changshou Iron & Steel, controlling shareholder	Chongqing Changshou Iron & Steel Company Limited
Company, Chongqing Iron & Steel	Chongqing Iron & Steel Company Limited
Group	Chongqing Iron & Steel Company Limited and its subsidiaries
General Meeting	the general meeting of Chongqing Iron & Steel Company Limited
Board	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 2022 to 30 June 2022
RMB, RMB'000, RMB0'000, RMB00'000'000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan, RMB hundred million yuan

## Section II Company Profile and Major Financial Indicator

### 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

	<b>Secretary to the Board</b>	<b>Securities Representative</b>
Name	Zou An	Peng Guoju
Correspondence address	No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing	No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Telephone	86-23-6898 3482	86-23-6898 3482
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E-mail	ir_601005@baowugroup.com	ir_601005@baowugroup.com

### III. CHANGES IN 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	<a href="http://www.cqgt.cn">http://www.cqgt.cn</a>
E-mail	ir_601005@baowugroup.com
Query index for the change during the Reporting Period	There are no changes incurred during the Reporting Period

## Section II Company Profile and Major Financial Indicator (Continued)

### IV. CHANGE IN DISCLOSURE OF INFORMATION AND PLACE FOR INSPECTION

Name of newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website for posting the interim report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> (SSE) <a href="https://sc.hkex.com.hk">https://sc.hkex.com.hk</a> (HKEx)
Place for inspection of the interim report	Secretariat of the Board of the Company
Query index for the change during the Reporting Period	There was no change during the Reporting Period

### V. BASIC INFORMATION ABOUT THE SHARES OF THE COMPANY

<b>Class of shares</b>	<b>Place of listing</b>	<b>Abbreviated name</b>	<b>Stock code</b>	<b>Stock name before change</b>
A shares	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	N/A
H shares	The Stock Exchange of Hong Kong Limited	Chongqing Iron	01053	N/A

### VI. OTHER RELATED INFORMATION

Applicable     Not applicable

## Section II Company Profile and Major Financial Indicator (Continued)

### VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

#### (I) Key Accounting Data

Unit: RMB'000 Currency: Renminbi

Key accounting data	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)
Revenue	<b>18,016,176</b>	22,669,939	-20.53
Net profit attributable to shareholders of the Company	<b>516,416</b>	2,697,041	-80.85
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	<b>546,619</b>	2,834,482	-80.72
Net cash flow from operating activities	<b>936,511</b>	1,546,388	-39.44

  

	At the end of the Reporting Period	At the end of last year	Change from the end of last year to the end of the Reporting Period (%)
Net assets attributable to shareholders of the Company	<b>22,896,001</b>	22,375,209	2.33
Total assets	<b>39,856,278</b>	42,995,956	-7.30

## Section II Company Profile and Major Financial Indicator (Continued)

### VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (CONTINUED)

#### (II) Key Financial Indicators

Key financial indicators	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)
Basic earnings per share (RMB per share)	<b>0.06</b>	0.30	-80.00
Diluted earnings per share (RMB per share)	<b>0.06</b>	0.30	-80.00
Basic earnings per share after non-recurring profit or loss (RMB per share)	<b>0.06</b>	0.32	-81.25
Weighted average return on net assets (%)	<b>2.28</b>	12.61	Increased by 10.33 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	<b>2.41</b>	13.25	Increased by 10.84 percentage points

Explanation on the major financial data and financial indicators

Applicable  Not applicable

### VIII. DIFFERENCE IN ACCOUNTING DATA BETWEEN THE PRC ACCOUNTING STANDARDS AND OVERSEAS ACCOUNTING STANDARDS

Applicable  Not applicable



## Section II Company Profile and Major Financial Indicator (Continued)

### IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Applicable  Not applicable

Unit: RMB'000 Currency: Renminbi

Non-recurring profit or loss	Amount	Note (if applicable)
Gains or losses on disposal of non-current assets	-7	
Government grants charged in the profit or loss for the current period (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)	3,125	
Capital occupied income from non-financial entities recognized through profit or loss	2,209	
Non-operating income and expenses other than the above items	-35,530	
<b>Total</b>	<b>-30,203</b>	

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

### X. OTHERS

Applicable  Not applicable

# Section III Management Discussion and Analysis

## I. EXPLANATION ON THE SITUATION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING

### (I) Information on the Industry

In the first half of 2022, the steel industry operated generally stable, featuring “hovered at high levels and declined” momentum, nevertheless.

First, crude steel production fell year-on-year. According to the National Bureau of Statistics, crude steel production ascended on a monthly basis from January-May this year, and then fell in June for the first time compared to last month. There were 90.73 million tonnes of production in June, representing decrease of 5.88 million tonnes on a monthly basis, or 3.3%. There were 527 million tonnes of crude steel production from January-June, representing a year-on-year decrease of 36.45 million tonnes, or 6.5%.

Second, steel prices rose and then dropped. Since the beginning of this year, steel prices slowly trended upwards to a high point in mid-April and then continued to fall. According to the China Iron & Steel Association ("CISA"), as of the end-June, China's steel composite price index was 122.52, decreased by 7.0% as compared to the beginning of the year, and dropped 14.0% from the annual high-point.

Third, steel inventories rose year-on-year. As of end-June, CISA's key statistical enterprises steel inventory amounted 16.95 million tonnes, up 23.1% year-on-year. Five major steel social inventory amounted 12.52 million tonnes in 21 cities, up 9.3% year-on-year.

Fourth, the industry efficiency declined significantly. According to the National Bureau of Statistics, the total profits of ferrous metal smelting and rolling processing industry amounted RMB82.6 billion from January-June, representing a decrease of 68.7% year-on-year; while loss-making enterprises recorded total losses of RMB41 billion, representing an increase of 442.4%.

Fifth, iron ore mining was in the rapid growth of investment. According to the National Bureau of Statistics, During January to June, the investment in ferrous metal mining industry and ferrous metal smelting and rolling processing industry recorded a cumulative growth rate of 76.1% and 1.6% year-on-year, an increase of 74.6 percentage points and 24.7 percentage points over the same period last year, respectively. (Source: MIIT)

## Section III Management Discussion and Analysis (Continued)

### I. EXPLANATION ON THE SITUATION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING (CONTINUED)

#### (II) Explanation on the Main Business

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: 4100mm wide and thick plate, 2700mm medium plate, 1780mm hot rolled sheet, high speed wire rods and bar materials.

The Company's products are 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.

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. The Company ranks No. 316 in 2022 Fortune China 500.

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" 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.

## Section III Management Discussion and Analysis (Continued)

### II. 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) Brand advantage

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

### III. DISCUSSION AND ANALYSIS ON OPERATION

In the first half of 2022, due to the impact of overlapping factors such as the intensified global inflation pressure, the sporadic and recurring pandemic, as well as the poor operation both on the supply and industrial chains, which had struck a severe blow to the production and profitability of steel enterprises, the Company faced extraordinarily severe risks and challenges. The Company adopted an economic operation model with strict management, minimum consumption and low cost, and invested limited resources in the production of high value-added products according to the profitability to ensure the maximum benefit of the Company. The accumulated iron, steel and commercial billet production in the first half of 2022 was 3,698,000 tonnes, 3,845,900 tonnes and 3,808,800 tonnes respectively, representing a year-on-year decrease of 20.66%, 23.55% and 21.57%.

- (1) Overcoming the production pressure and the technical and economic indicators repeatedly reaching record-breaking high. In the “comprehensive alignment for difference, to create a world first-class enterprises” labour competition in China Baowu, the No. 1 blast furnace was granted the honorary title of the “Most Improved 2000-class Furnace” for low-carbon and low-consumption in the first quarter of the blast furnace economic operation labour competition; the average hot charging rate of hot-coil production line in the first quarter reached 78.78%, which won the third place for hot charging rate in the first quarter of the hot rolling process efficiency improvement labour competition in China Baowu. In April, the heat delivery rate of 4100 production line was 64.86%. The average life of a series of continuous casting tundish in steel-making was 19.17 furnaces in May, both of which had set new record high.
- (2) Comprehensive aligning for difference to promote cost reduction and efficiency work. In 2022, by targeting precision alignment as the driver, the Company further promoted the endeavours in cost reduction implementation by insisting on “all costs can be reduced”, practicing strict management, promoting refined management, and continuously stepping up precision research through comprehensive coordination and deployment, with concerted efforts to promote the implementation, which the industry ranking of coking, sintering, hot rolling process improved considerably compared to the same period of previous year.
- (3) Innovating business model and building a collaborative and efficient steel ecosystem. The Company promoted the layout of “steel plant network”, achieving a breakthrough in company scale and improved market share. On 30 December 2021, the Company officially signed a strategic cooperation agreement with Sichuan Ya’an Anshan Iron and Steel Co., Ltd. (“Anshan Iron and Steel”), to launch an operational model featuring “steel plant network”. On 21 February 2022, Chongqing Iron & Steel and Anshan Iron and Steel officially opened the “steel plant network”, making a substantial breakthrough.
- (4) Reducing comprehensive financing costs. By introducing green financial credits, improving capital planning and management, strengthening budget accuracy, and reducing the amount of ineffective funds and other methods, we have tightened the control of capital costs and drastically reduced the scale of interest-bearing liabilities. As of 30 June 2022, the Company’s interest-bearing liabilities decreased from RMB10,490 million at the beginning of the year to RMB6,910 million, a cumulative decrease of RMB3,580 million, or 34%. In terms of funding cost, with the support of the policy to continue to promote the stable but decreasing effective lending rate, the cost of new short-term borrowing this year was more than 30% lower than the current LPR.

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. In 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 RMB42,000 million. There has been no significant change in the possible future development of the Company’s business and the Company’s outlook for the financial year of 2022 since the publication of the Company’s annual report for the year ended 31 December 2021.



## Section III Management Discussion and Analysis (Continued)

### III. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

Material change in the operation of the Company during the Reporting Period and the events occurred in the Reporting Period which have and are expected to have in the future a significant effect on the operation of the Company

Applicable  Not applicable

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

#### (I) Main business analysis

##### 1 Analysis of changes in certain items from financial statements

Unit: RMB'000 Currency: Renminbi

Item	Current period	Corresponding period of last year	Change (%)
Revenue	<b>18,016,176</b>	22,669,939	-20.53
Cost of sales	<b>16,784,705</b>	19,185,057	-12.51
Distribution and selling expenses	<b>38,921</b>	42,999	-9.48
General and administrative expenses	<b>166,364</b>	245,709	-32.29
Finance expenses	<b>231,105</b>	207,597	11.32
Research and development expenses	<b>104,832</b>	75,591	38.68
Net cash flow from operating activities	<b>936,511</b>	1,546,388	-39.44
Net cash flow from investing activities	<b>-1,841,168</b>	-1,864,545	N/A
Net cash flow from financing activities	<b>-2,379,299</b>	354,050	-772.02

Reasons for change in management expenses: The decrease in management expenses was mainly due to the decrease in losses from the suspension of work.

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

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

Reasons for change in net cash flow from financing activities: The decrease in net cash flow from financing activities was mainly due to the repayment of borrowings.

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (I) Main business analysis (Continued)

2 *Detailed description of major changes in the Company's type of business, profit structure or profit sources*

Applicable       Not applicable

In the first half of 2022, the Group realized a total profit of RMB636 million, representing a year-on-year decrease of 2,061 million, which was mainly due to the following reasons: the selling price of commodity billet amounted to RMB4,522/tonne, representing a year-on-year decrease of 0.72% and resulting in an decrease of RMB376 million in profit; the sales volume of commodity billet reached 3,745,800 tonnes, representing a year-on-year decrease of 21.21%, and achieving a decrease of RMB831 million in profit; the increase in prices of raw materials, such as ore, coal, alloy, scrap steel, etc., resulted in a decrease of RMB1,429 million in profit. The Company continuously promoted the cost reduction plan, and further promoted the work of reducing costs and tapping potentials. The Company also stepped up precision research, and the hot charging rate of the hot-coil production line and the thick plate production line progressed with great stride. We have made an effort to be more prudent in production organization and adjusted our production policy from efficient operation to economic operation, achieving a decrease of RMB444 million in process cost.

In the first half of 2022, the Group's revenue from main business amounted to RMB17,821 million, representing a year-on-year decrease of 20.48%. In particular, the income from sales of commodity billet amounted to RMB16,937 million, representing a decrease of RMB4,719 million as compared with the corresponding period of last year. Firstly, the sales volume of commodity billet was 3,745,800 tonnes, representing a year-on-year decrease of 21.21%, resulting in a decrease in the sales income of RMB4,343 million; secondly, the average sales price of commodity billet was RMB4,522/tonne, representing a year-on-year decrease of 0.72%, resulting in a decrease in the sales income of RMB376 million.

## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (I) Main business analysis (Continued)

2 Detailed description of major changes in the Company's type of business, profit structure or profit sources (Continued)

Composition of revenue from principal operations:

Type	First half of 2022		First half of 2021		Year-on-year growth (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plates	<b>5,996,760</b>	<b>33.65</b>	6,112,700	27.28	-1.90
Hot rolled coils	<b>9,346,746</b>	<b>52.45</b>	11,050,037	49.30	-15.41
Bars	<b>128,262</b>	<b>0.72</b>	134	–	95,617.91
Double high rods	<b>1,113,210</b>	<b>6.25</b>	–	–	–
Wire rods	<b>347,681</b>	<b>1.95</b>	–	–	–
Steel billets	<b>3,994</b>	<b>0.02</b>	4,493,015	20.05	-99.91
Sub-total of commodity billets	<b>16,936,653</b>	<b>95.04</b>	21,655,886	96.63	-21.79
Others	<b>884,242</b>	<b>4.96</b>	754,398	3.37	17.21
<b>Total</b>	<b>17,820,895</b>	<b>100.00</b>	22,410,284	100.00	-20.48

## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (I) Main business analysis (Continued)

2 Detailed description of major changes in the Company's type of business, profit structure or profit sources (Continued)

Sales prices of steel products:

Item	Sales price in the first half of 2022 (RMB/tonne)	Sales price in the first half of 2021 (RMB/tonne)	Year-on-year growth (%)	Income increase (RMB'000)
Plates	<b>4,743</b>	4,779	-0.75	-45,519
Hot rolled coils	<b>4,449</b>	4,594	-3.16	-304,632
Bars	<b>3,979</b>	4,763	-16.46	-25,270
Double high rods	<b>4,153</b>	–	–	–
Wire rods	<b>4,393</b>	–	–	–
Steel billets	<b>4,105</b>	4,201	-2.29	-93
Total	<b>4,522</b>	4,555	-0.72	-375,514

Sales volumes of steel products:

Item	Sales volume for the first half of 2022 (Ten thousand tonnes)	Sales volume for the first half of 2021 (Ten thousand tonnes)	Year-on-year growth (%)	Income increase (RMB'000)
Plates	<b>126.44</b>	127.92	-1.16	-70,421
Hot rolled coils	<b>210.09</b>	240.54	-12.66	-1,398,660
Bars	<b>3.223</b>	–	–	153,398
Double high rods	<b>26.806</b>	–	–	1,113,210
Wire rods	<b>7.92</b>	–	–	347,681
Steel billets	<b>0.10</b>	106.96	-99.91	-4,488,928
Total	<b>374.58</b>	475.42	-21.21	-4,343,719

## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (I) Main business analysis (Continued)

- 2 Detailed description of major changes in the Company's type of business, profit structure or profit sources (Continued)

Principal operations by sectors, products and regions:

Unit: RMB'000 Currency: Renminbi

Main operations by sectors						
By sectors	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Iron and steel	17,820,895	16,605,456	6.82	-20.48	-12.12	-8.86

Main operations by products						
By products	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Steel products	16,936,653	15,725,199	7.15	-21.79	-13.56	-8.85
Others	884,242	880,257	0.45	17.21	24.91	-6.13



## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (I) Main business analysis (Continued)

2 Detailed description of major changes in the Company's type of business, profit structure or profit sources (Continued)

By regions	Main operations by regions					
	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Southwest region	12,252,969	11,494,020	6.19	-9.86	0.98	-10.07
Other regions	5,567,926	5,111,436	8.20	-36.85	-31.97	-6.58
<b>Total</b>	<b>17,820,895</b>	<b>16,605,456</b>	<b>6.82</b>	<b>-20.48</b>	<b>-12.12</b>	<b>-8.86</b>

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

Applicable       Not applicable

## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (III) Analysis of assets and liabilities

Applicable       Not applicable

##### 1. Assets and liabilities

Unit: RMB'000    Currency: Renminbi

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	2,880,483	7.22%	6,410,645	14.91%	-55.07%	Repayment of borrowings
Financial assets held for trading	-	0.00%	600,000	1.40%	-100.00%	Redemption of wealth management products
Trade receivables	63,882	0.16%	53,885	0.13%	18.55%	-
Receivables financing	1,018,586	2.55%	1,536,724	3.57%	-33.72%	Bill discounting
Prepayments	951,406	2.38%	756,710	1.76%	25.73%	-
Other receivables	80,863	0.20%	52,279	0.12%	54.68%	Immediate refund of VAT receivable
Inventories	4,421,481	11.08%	3,840,198	8.93%	15.14%	-
Other current assets	131,002	0.33%	100,221	0.23%	30.71%	Adjustment of income tax paid in advance
Long-term equity investments	105,218	0.26%	58,160	0.14%	80.91%	Capital injection of Baowu Jingcheng and Baowu Environment
Other equity investments	5,000	0.01%	5,000	0.01%	0.00%	-
Property, plant and equipment	23,963,353	60.04%	21,891,662	50.92%	9.46%	-
Construction in progress	2,833,184	7.10%	4,174,369	9.71%	-32.13%	Provisional valuation of completion of construction project to be fixed
Right-of-use assets	453,528	1.14%	518,318	1.21%	-12.50%	-
Intangible assets	2,398,936	6.01%	2,384,882	5.55%	0.59%	-
Goodwill	328,055	0.82%	328,055	0.76%	0.00%	-
Long-term expenses to be amortized	254	0.00%	271	0.00%	-6.27%	-
Deferred income tax assets	99,599	0.25%	142,568	0.33%	-30.14%	Decrease in deductible temporary differences resulting from the write-off of the provision to inventory impairment, etc.
Other non-current assets	121,448	0.30%	142,009	0.33%	-14.48%	-
Short-term borrowings	1,235,643	3.10%	2,629,734	6.12%	-53.01%	Repayment of borrowings
Bills payable	324,413	0.81%	1,261,138	2.93%	-74.28%	Discharge of bills upon maturity

## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (III) Analysis of assets and liabilities

##### 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
Trade payables	4,004,838	10.03%	4,567,985	10.62%	-12.33%	–
Contract liabilities	2,979,444	7.47%	2,185,095	5.08%	36.35%	Increase in order quantity
Employee benefits	102,657	0.26%	112,844	0.26%	-9.03%	–
Tax payable	26,169	0.07%	16,744	0.04%	56.29%	Increase in VAT due from subsidiaries
Other payables	2,022,653	5.07%	2,770,510	6.44%	-26.99%	–
Non-current liabilities due within one year	2,096,444	5.25%	1,582,635	3.68%	32.47%	Completion of put-back, discharge of medium-term note (type 1) and reclassification of bond payable and long-term borrowings due within one year
Other current liabilities	387,328	0.97%	284,736	0.66%	36.03%	Increase in prepayment and amounts of tax involved
Long-term borrowings	1,223,000	3.06%	1,792,800	4.17%	-31.78%	Reclassification upon maturity within one year
Bonds payable	–	0.00%	498,434	1.16%	-100.00%	Reclassification upon maturity within one year
Lease liabilities	343,997	0.86%	408,135	0.95%	-15.71%	–
Long-term payables	2,029,792	5.09%	2,301,299	5.35%	-11.80%	–
Long-term employee benefits payable	116,549	0.29%	144,977	0.34%	-19.61%	–
Deferred income	60,817	0.15%	56,903	0.13%	6.88%	–
Deferred income tax liabilities	6,533	0.02%	6,778	0.02%	-3.61%	–

##### Other explanation

Applicable  Not applicable

## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (III) Analysis of assets and liabilities (Continued)

2. *Overseas assets*

Applicable  Not applicable

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

Applicable  Not applicable

Unit: RMB'000 Currency: Renminbi

Item	Closing carrying amount	Opening carrying amount	Reason for restriction
Cash and bank balances	<b>307,673</b>	578,407	Note 1
Notes receivables	<b>278,410</b>	317,202	Note 2
Property, plant and equipment	<b>7,271,407</b>	8,226,586	Note 3
Intangible assets	<b>293,184</b>	783,824	Note 4
Long-term equity investments	<b>837,610</b>	837,610	Note 5
<b>Total</b>	<b>8,988,284</b>	10,743,629	–

*Note 1:* As at 30 June 2022, the Group had cash and bank balances amounted to RMB307,673,000 (31 December 2021: RMB578,407,000) restricted for bank acceptance notes and letter of credit.

*Note 2:* As at 30 June 2022, the Group pledged bank acceptance notes with a carrying amount of RMB278,410,000 (31 December 2021: RMB317,202,000) for issuing bank acceptance.

*Note 3:* As at 30 June 2022, the plants and buildings with a carrying amount of RMB91,218,000 (31 December 2021: RMB797,066,000) and machineries and other equipment with a carrying amount of RMB180,189,000 (31 December 2021: 7,429,520,000) were pledged to banks to secure the bank loans and facilities granted to the Group.

*Note 4:* As at 30 June 2022, the land use right with a carrying amount of RMB293,184,000 (31 December 2021: RMB783,824,000) 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 RMB4,086,000 (31 December 2021: RMB21,936,000).

*Note 5:* As at 30 June 2022, the equity interest with a carrying amount of RMB837,610,000 (31 December 2021: RMB837,610,000) was pledged to secure the bank loans of RMB35,000,000 (31 December 2021: RMB450,000,000).

## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (III) Analysis of assets and liabilities (Continued)

##### 4. Others

Applicable  Not applicable

#### (IV) Investment Analysis

##### 1. General analysis of external equity investment

Applicable  Not applicable

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

On 28 August 2021, the Resolution on Formation of Joint Venture and Related Party Transaction between the Company and Baowu Group Environmental Resources Technology Co., Ltd. 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 agreed to 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 Resource”). 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 completed the first capital injection of RMB4,900,000 in January 2021 and the second capital injection of RMB9,800,000 in June 2022.

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



## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (IV) Investment Analysis (Continued)

##### 1. General analysis of external equity investment (Continued)

##### (1) Significant Equity Investment

Applicable  Not applicable

##### (2) Significant Non-Equity Investment

Applicable  Not applicable

##### (3) Financial Assets Measured at Fair Value

Applicable  Not applicable

Unit: RMB'000 Currency: Renminbi

Item	Opening balance	Closing balance	Changes in the reporting period	Effects on the profit for the reporting period
Financial assets held for trading	600,000	–	-600,000	24,084
Other equity investments	5,000	<b>5,000</b>	–	–
Receivables financing	1,536,724	<b>1,018,586</b>	-518,138	–
<b>Total</b>	<b>2,141,724</b>	<b>1,023,586</b>	<b>-1,118,138</b>	<b>24,084</b>

#### (V) Major Assets and Equity Disposal

Applicable  Not applicable

## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

#### (VI) 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責任公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation and warehouse	100	Acquisition of equity
Chongqing Jianwei Intelligent Technology Co., Ltd. (重慶鑿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 Baowu Carbon Material Co. Ltd. (重慶寶武炭材有限公司)	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

#### (VII) Structured entities under the control of the Company

Applicable       Not applicable

## Section III Management Discussion and Analysis (Continued)

### V. OTHER DISCLOSURE

#### (I) Potential Risks

Applicable       Not applicable

1. The iron and steel industry is a strong cyclical industry, due to the impact of overlapping factors such as the intensified global inflation pressure, the sporadic and recurring pandemic, as well as the poor operation both on the supply and industrial chains, the industrial competition has become increasing fierce, which 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.

## Section III Management Discussion and Analysis (Continued)

### V. OTHER DISCLOSURE (CONTINUED)

#### (I) 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.

#### (II) Other disclosure

Applicable     Not applicable

# Section IV Corporate Governance

## I. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions	Resolutions
2021 Annual General Meeting	30 June 2022	Announcement of Resolutions Passed at the 2021 Annual General Meeting (Ann. No.: 2022-019) published on the official website of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	1 July 2022	Considering and passing the following resolutions: <ol style="list-style-type: none"><li>1. The report of the board of directors for the year 2021</li><li>2. The report of the supervisory committee for the year 2021</li><li>3. The final financial accounts report for the year 2021</li><li>4. The 2021 annual report (full text and summary)</li><li>5. The profit distribution plan for the year 2021</li><li>6. The proposal for the proposed budget for the year 2022</li><li>7. The proposal for the re-appointment of the financial and internal control auditor for the year 2022</li><li>8. The proposal on the disposal of the remaining shares for debt-for-equity swap in the temporary securities account of Chongqing Iron &amp; Steel</li></ol>

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)

### II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable  Not applicable

Name	Position	Change
Yao Xiaohu	Staff Representative Supervisor	Election
Zou An	General Counsel	Appointment
Meng Wenwang	Senior Vice President	Appointment
Zhang Li Quan	Staff Representative Supervisor	Resigned
Yao Xiaohu	Senior Vice President	Resigned

Details on changes in directors, supervisors and senior management of the Company

Applicable  Not applicable

On 17 February 2022, the Company received a written resignation tendered by Mr. Yao Xiaohu. Mr. Yao Xiaohu resigned as a senior vice president due to work adjustment.

On 18 February 2022, the Company convened 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.

On 18 March 2022, the Company convened the ninth meeting of the ninth session of the Board, at which Mr. Zou An was appointed as the general counsel of the Company.

On 5 August 2022, the Company received a written resignation tendered by Mr. Zhang Li Quan. Due to reaching the lawful age for retirement, Mr. Zhang Li Quan resigned as a staff representative supervisor; on the same date, the Company convened the 15th meeting of the first session of staff congress, at which Mr. Yao Xiaohu was elected as a staff representative supervisor.



## Section IV Corporate Governance (Continued)

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

Interim proposals on profit distribution and the proposal on transferring capital reserve to share capital

Profit distribution or transfer of capital reserve to share capital	No
Number of bonus shares for every 10 shares ( <i>share</i> )	/
Dividends for every 10 shares ( <i>RMB</i> ) (tax inclusive)	/
Number of shares transferred for every 10 shares ( <i>share</i> )	/
Relevant explanation on proposals on profit distribution and transfer of capital reserve to share capital	Not applicable

### IV. EQUITY INCENTIVE PLAN, EMPLOYEE SHARE OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

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

Applicable  Not applicable

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

*Equity incentive*

Applicable  Not applicable

*Other explanations*

Applicable  Not applicable

*Employee share ownership plan*

Applicable  Not applicable

### IV. EQUITY INCENTIVE PLAN, EMPLOYEE SHARE OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

#### (II) Incentive events not disclosed in extraordinary announcements or with subsequent development (Continued)

In order to establish and improve the mechanism of sharing the benefits and risks of employees and owners of the Company, and to improve the cohesion of employees and the competitiveness of the Company, to retain core employees, and to integrate the interests of the management, the core and mainstay personnel and the shareholders, aiming to facilitate the long-term and stable development of the Company and improvement of the shareholder 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.

According to the authorization by 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 held 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.

### IV. EQUITY INCENTIVE PLAN, EMPLOYEE SHARE OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

#### (II) Incentive events not disclosed in extraordinary announcements or with subsequent development (Continued)

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

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.

## Section IV Corporate Governance (Continued)

### IV. EQUITY INCENTIVE PLAN, EMPLOYEE SHARE OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

#### (II) Incentive events not disclosed in extraordinary announcements or with subsequent development (Continued)

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 have been signed and issued in writing on 27 December 2019, by 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.

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.

### IV. EQUITY INCENTIVE PLAN, EMPLOYEE SHARE OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

#### (II) Incentive events not disclosed in extraordinary announcements or with subsequent development (Continued)

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.

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.

### IV. EQUITY INCENTIVE PLAN, EMPLOYEE SHARE OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

#### (II) Incentive events not disclosed in extraordinary announcements or with subsequent development (Continued)

As at 3 August 2021, according to the “Single Asset Management Plan of Huatai Asset Management for Employee Share Ownership Plan No. 4 of Chongqing Iron & Steel (華泰資管重慶鋼鐵員工持股計劃4號單一資產管理計劃)”, an aggregate of 9,061,800 A shares of the Company, representing approximately 0.102% of the total share capital of the Company, 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



# 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. In the first half of 2022, 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:

Major No.	pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm <sup>3</sup> )	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	155.4	Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	Nil	No
2	Particulate matter	Continuous	41	Coking	Less than Emission Standard of	334.2	Emission Standard for Pollutants	Nil	No
3	Sulfur dioxide	Continuous			Pollutants for Coking Chemical Industry GB16171-2012	324.84	for Coking Chemical Industry GB16171-2012	Nil	No
4	Nitrogen oxides	Continuous				432.8		Nil	No
5	Particulate matter	Continuous	20	Sintering	Less than Emission Standard of Air	832.6	Emission Standard of Air Pollutants	Nil	No
6	Sulfur dioxide	Continuous			Pollutants for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	900.25	for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	Nil	No
7	Nitrogen oxides	Continuous				2,968.63		Nil	No
8	Particulate matter	Continuous	36	Ironmaking	Less than Emission Standard of Air	591.5	Emission Standard of Air Pollutants for	Nil	No
9	Sulfur dioxide	Continuous			Pollutants for Ironmaking Industry GB28663-2012	140.7	Ironmaking Industry GB28663-2012	Nil	No
10	Nitrogen oxides	Continuous				199.51		Nil	No

## Section V Environmental and Social Responsibility (Continued)

### I. INTRODUCTION OF GENERAL MEETINGS (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)

#### 1. Pollutant discharging (Continued)

No.	Major pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm <sup>3</sup> )	Total emissions (tonnes)	Pollutant emission standards implemented	Approved total emissions	Are there excessive emissions
11	Particulate matter	Continuous	21	Steelmaking	Less than Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	507.9	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	210.4	Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012	Nil	No
13	Sulfur dioxide	Continuous				217.3		Nil	No
14	Nitrogen oxides	Continuous				487.9		Nil	No
15	COD	Continuous	1	Central wastewater treatment station	Less than Emission Standard of Water Pollutant for Iron and Steel Industry GB13456-2012	84.3	Emission Standard of Water Pollutant for Iron and Steel Industry GB13456-2012	Nil	No
16	Nitrox	Continuous				7.04		Nil	No
17	Total	Particulate matter: 2,632 tonnes, Sulfur dioxide: 1,583.07 tonnes, Nitrogen oxides: 4,088.84 tonnes, COD: 84.3 tonnes, Nitrox: 7.04 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							

#### 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, 110 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.

## Section V Environmental and Social Responsibility (Continued)

### 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 (Continued)*

The wastewater treatment system waste water zero discharge phase I project has been completed and put into operation, which increased the deep processing capacity by 10,000 cubic meters per day, and the indicators of COD and ammonia nitrogen in the wastewater pollutants have met the emission requirements. The Company has carried out ultra-low exhaust gas emission standard complying transformation, completed the construction of the 2 and 3# sintering flue gas denitrification projects, implemented the construction of coke oven flue gas desulfurization and denitration and 1# sintering flue gas desulfurization and denitrification and other projects. The newly-constructed hazardous waste and solid waste warehouses of the Company have been put into operation, and they have 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.

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

Applicable       Not applicable

In the first half of 2022, the Company obtained the environmental impact assessment approval for the newly constructed primary steel slag treatment project, the hot coil production line automation capacity and equipment capacity improvement and transformation project, the newly constructed low-grade slag pellet bank project, the newly constructed wire rods and bar materials 110Kv power station project, and the 110Kv power station project supporting 2, 3# sintering desulfurization. It completed the environmental protection acceptance check for the new hazardous waste warehouses, the upgrading and transformation of environmental protection facilities in raw material terminal, the bar materials production line upgrading and transformation, the wire rods production line upgrading and transformation, the sintering excess heat project, the newly-built converter gas cabinet and other projects.

## Section V Environmental and Social Responsibility (Continued)

### 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)

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, 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 17 June 2025 and filling No. of 5001152022060010, 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.

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)》), 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 formulated the Measures for Environmental Monitoring Management (《環境監測管理辦法》) and the Self-monitoring Program on Environmental Protection in 2022 (《2022年環境自行監測方案》) and 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 2022 was filed with the ecology and environment bureau. The Company has completed its self-monitoring annual report and information disclosure for 2021.

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

Applicable  Not applicable

7. *Other environmental information required to be disclosed*

Applicable  Not applicable

## Section V Environmental and Social Responsibility (Continued)

### I. ENVIRONMENTAL INFORMATION (CONTINUED)

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

Applicable  Not applicable

(III) Explanation on subsequent development or changes in environmental information disclosed during the Reporting Period

Applicable  Not applicable

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

Applicable  Not applicable

In 2022, the Company formulated the Working Plan for “Great Protection of the Yangtze River” of Chongqing Iron & Steel for 2022, the Working Plan for Ultra-low Emissions of Waste Gas and A-class Environmental Performance Enterprise Creation of Chongqing Iron & Steel, the Working Plan for Specific Action of Zero Sewage Discharge in 2022, the Working Plan for Action of No Solid Waste Leaving Factory in 2022, clarified work objectives and specific measures of implementation of Great Protection of the Yangtze River by the Company, and the treatment projects of waste gas, waste water and solid waste shall be moved forward and implemented as planned. The Company launched 68 environmental protection projects with planned investment of approximately RMB2.3 billion. In terms of waste gas, the Company launched key projects such as 2 and 3# sintering flue gas denitrification projects, 1# sintering flue gas desulfurization and denitrification project, etc. After the completion of the projects, the pollutant emissions will reach the ultra-low emission requirements; in terms of waste water, the Company completed central wastewater treatment system zero discharge transformation project (Phase I), and implemented the water management projects such as special wastewater reuse treatment system, rainwater reuse treatment system, vigorously promoted the replacement of new water with reclaimed water, promoted 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.

## Section V Environmental and Social Responsibility (Continued)

### I. ENVIRONMENTAL INFORMATION (CONTINUED)

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

Applicable     Not applicable

In the first half of 2022, the Company actively promoted energy-saving and carbon-reduction projects and put into operation the 5#, 6# coke ovens waste gas residual heat recovery project, the project of the flue gas residual heat recovery for 3 heating furnaces in the hot rolling thin coil production line, the project of 1# unit of subcritical surplus gas power generation and the project of energy-saving reform for the 13 heating furnaces in the Series No.1 steelmaking. The residual heat recovery steam was integrated into the low pressure steam pipe network for power generation, and the self-generation rate was 75.8% in the first half of the year, which can save 54,000 tonnes of coal/year and reduce CO2 emissions by 141,500 tons/year.

### II. DETAILS OF CONSOLIDATION AND EXPANSION OF ACHIEVEMENTS IN POVERTY ALLEVIATION AND OTHER WORKS SUCH AS RURAL REVITALIZATION

Applicable     Not applicable

To fulfill corporate social responsibility, actively participate in social welfare undertakings, promote rural revitalization, and contribute to social development, during the Reporting Period, the Company used its own funds to make external donations of RMB160,000, of which, RMB60,000 was donated to the Chongqing Red Cross Foundation for its hearing disability support public welfare project; and RMB100,000 was donated to the Chongqing Education Development Foundation for the construction of "information classrooms" in rural schools in Chongqing. The Company signed a support agreement with Tianxing Village in Jiangnan Subdistrict, Changshou District, to implement the "Light Up Village Project", building foot bridges, upgrading the position of the village organization, creating a cultural policy bulletin board, and improving the living environment, with an estimated investment of RMB484,000. Through procurement and assisting of sales, the Company purchased poverty-alleviation materials from Guangnan County in Yunnan Province in two batches, with a worth of more than RMB2.6 million.



# 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 &amp; 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 &amp; 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 &amp; 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 &amp; 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 &amp; 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 &amp; Steel, the company will try its best to give Chongqing Iron &amp; 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 &amp; 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 &amp; 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 &amp; 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 &amp; 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 &amp; Steel has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron &amp; Steel.</p> <p>2. During the period when Changshou Iron &amp; Steel is the controlling shareholder of Chongqing Iron &amp; Steel, if Changshou Iron &amp; Steel obtains a business opportunity of engaging in the same business as Chongqing Iron &amp; Steel, Changshou Iron &amp; Steel shall concede the business opportunity to Chongqing Iron &amp; Steel and can invest only after Chongqing Iron &amp; 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

## 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 &amp; 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 &amp; Steel and its subsidiaries by utilizing its control over Chongqing Iron &amp; Steel.</p> <p>3. China Baowu and other enterprises under its control will avoid and reduce unnecessary transactions with Chongqing Iron &amp; Steel and its subsidiaries. In the case of indeed necessary and unavoidable transactions, China Baowu and other enterprises under its control and Chongqing Iron &amp; 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 &amp; 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 &amp; Steel and its subsidiaries on unfair terms as compared with market prices, nor engage in activities impairing the legitimate interests of Chongqing Iron &amp; 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 &amp; 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		<ol style="list-style-type: none"> <li>The Strategic Emerging Fund will ensure the business independence and asset integrity of Chongqing Iron &amp; Steel, as well as independent and integral production, supply and marketing system and other auxiliary and supporting systems.</li> <li>Strategic Emerging Fund and the enterprises under its control will not seek the priority to conclude transactions with Chongqing Iron &amp; 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 &amp; Steel.</li> <li>Strategic Emerging Fund and the enterprises under its control will avoid and reduce unnecessary transactions with Chongqing Iron &amp; 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 &amp; 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 &amp; 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 &amp; Steel and its subsidiaries on unfair terms as compared with market prices, nor engage in activities impairing the legitimate interest of Chongqing Iron &amp; Steel and its shareholders by utilizing such transactions.</li> <li>In case of violation of any of the above commitments, Strategic Emerging Fund will undertake the liability according to law and compensate Chongqing Iron &amp; Steel for loss caused thereby.</li> </ol>	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	<ol style="list-style-type: none"> <li>1. After the implementation of the bankruptcy reorganisation plan of Chongqing Iron &amp; Steel, Changshou Iron &amp; 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 &amp; Steel, exercise the rights of shareholders, or urge the directors nominated by Changshou Iron &amp; 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 &amp; Steel.</li> <li>2. After the implementation of the bankruptcy reorganisation plan of Chongqing Iron &amp; Steel, for the possible related party transactions arising from various reasonable reasons, Changshou Iron &amp; 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 &amp; Steel and other shareholders.</li> </ol>	1 December 2017	No	Yes
Others		China Baowu and Strategic Emerging Fund	<ol style="list-style-type: none"> <li>1. China Baowu and its concerted party, Strategic Emerging Fund, undertake to maintain separation from Chongqing Iron &amp; 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 &amp; Steel, interfere with the operating decisions of Chongqing Iron &amp; Steel or harm the legitimate interests of Chongqing Iron &amp; Steel and other shareholders. The promisees and other subsidiaries under their control guarantee that they will not misappropriate the funds of Chongqing Iron &amp; Steel and its subsidiaries under its control in any way.</li> <li>2. The above commitments shall remain in force during the period when China Baowu has control over Chongqing Iron &amp; Steel and Strategic Emerging Fund is acting in concert with China Baowu. In the event of any loss to Chongqing Iron &amp; Steel as a result of the failure to perform the above undertakings by the promisees, the promisees will bear the corresponding liability for compensation.</li> </ol>	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
	Others	Changshou Iron & Steel	During the period when Changshou Iron & Steel holds the shares of Chongqing Iron & Steel, Changshou Iron & Steel will, in strict compliance with the rules of 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.	1 December 2017	No	Yes

### II. USE OF CAPITAL BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES DURING THE REPORTING PERIOD

Applicable  Not applicable

### III. GUARANTEE IN VIOLATION OF REGULATION

Applicable  Not applicable

### IV. AUDIT ON INTERIM REPORT

Applicable  Not applicable

### V. CHANGES AND HANDLING OF MATTERS INVOLVED IN NON-STANDARD AUDIT OPINIONS OF 2021 ANNUAL REPORT

Applicable  Not applicable

## Section VI Significant Events (Continued)

### VI. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable  Not applicable

### VII. MATERIAL LITIGATION AND ARBITRATION

Material litigations and arbitrations occurred during the Reporting Period  No material litigations and arbitrations occurred during the Reporting Period

### VIII. SUSPECTED VIOLATIONS OF LAWS AND REGULATIONS OF, PUNISHMENTS TO AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, AND DE FACTO CONTROLLERS

Applicable  Not applicable

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

Applicable  Not applicable

### X. MATERIAL RELATED PARTY TRANSACTIONS

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

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

Applicable  Not applicable

## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY 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*

Applicable       Not applicable

On 19 March 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement from 2021 to 2023 between the Company and China Baowu and the Continuing 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 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 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. On 1 April 2021, the Company and China Baowu entered into the Service and Supply Agreement. For details, please refer to the Announcement on 2021–2023 Continuing Related Party Transactions (Announcement No.: 2021–021) and the Announcement on the Progress of 2021–2023 Continuing Related Party Transactions (Announcement No.: 2021–024) disclosed by the Company on 20 March 2021 and 2 April 2021, respectively.

In view of the enlarged production scale of the Company and the increase of China Baowu’s demand, the Company 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.

## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

In order to ensure the stable and continuous running of the production and operation of the Company, on 19 March 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement from 2021 to 2023 between the Company and China Baowu and the Continuing 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.

Due to the development of the Company's innovative business model and the professional integration of China Baowu, it is necessary to increase the types and amounts of transactions for the products supplied by the Group to the China Baowu Group in 2022 and 2023 under the original agreement, and to increase the amounts of raw materials, production materials and services provided by the China Baowu Group to the Group. Accordingly, the Company intends to enter into the Supplemental Services and Supply Agreement (the “Supplemental Agreement”) with China Baowu, which provides for an addition of the type of “solid waste” products and services to be provided by the Group to the China Baowu Group and for the provision of products and/or services by the Group to the China Baowu Group, the total amount shall be adjusted upwards to not more than RMB23,856 million in 2022 and to not more than RMB28,026 million in 2023; at the same time, for the provision of products and/or services by China Baowu Group to the Group, the total amount shall be adjusted upwards to not more than RMB47,773 million in 2022 and to not more than RMB53,583 million in 2023. Other than the above changes, the other terms of the original agreement remain unchanged. On 8 July 2022, at the 15th Meeting of the ninth session of the Board of the Company, the Resolution in relation to the Entering into of the Supplemental Service and Supply Agreement between the Company and China Baowu and the Continuing Related Party Transactions (Including the Revision of the Proposed Cap) was voted on and passed, pursuant to which the Company was approved to enter into a supplemental agreement with China Baowu. On the same date, the two parties entered into the supplemental agreement. For details, please refer to the Announcement on the Progress of 2021–2023 Continuing Related Party Transactions (Announcement No.: 2022–022) disclosed by the Company on 9 July 2022.

## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY 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)
Procurement of goods and acceptance of services	Market price	5,173,241
Sale of goods	Market price	3,212,373

##### 3. Matters not disclosed in provisional announcements

Applicable  Not applicable

Unit: RMB'000 Currency: Renminbi

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
Baosteel Resources International Co., Ltd	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	2,445,361	16.37	/	/	/
Guangdong Guangwu Zhongnan Construction Materials Group Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	709,369	4.75	/	/	/
Ouyeel Industrial Products Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	503,603	3.37	/	/	/
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	353,210	2.36	/	/	/



## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

##### 3. Matters not disclosed in provisional announcements (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	Market transaction price	Reason for the difference between Transaction price and market reference price
Baowu Raw Material Supply Co., Ltd.	Subsidiary invested	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	311,381	2.08	/	/	/
Shanghai Baoding Energy Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	268,276	1.80	/	/	/
Baosteel Engineering & Technology Group Corporation	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	162,660	1.09	/	/	/
Baowu Water Technology Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	102,157	0.68	/	/	/
Ouyeel Blockchain Finance Renewable Resources Co., Ltd., West Branch	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	83,268	0.56	/	/	/
Baowu Equipment Intelligent Technology Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	57,466	0.38	/	/	/
Baosteel Development Co., Ltd.	Other related party	Purchase of goods	Receipt of services	With reference to market price	/	51,765	9.97	/	/	/
Taicang Wugang Terminal Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	31,777	0.21	/	/	/

## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

##### 3. Matters not disclosed in provisional announcements (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	Receipt of services, procurement of goods	With reference to market price	/	27,459	0.18	/	/	/
Shanghai Baosight Software Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	20,877	0.14	/	/	/
Shanghai Baosteel Shipping Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	18,378	0.12	/	/	/
Zhejiang Zhoushan Wugang Terminal Co., Ltd.	Other related party	Purchase of goods	Receipt of services, procurement of goods	With reference to market price	/	8,819	0.06	/	/	/
Guangdong Baodi Nanhua Industrial City Development Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to market price	/	7,481	1.44	/	/	/
Others	Other related party	Purchase of goods	/	With reference to market price	/	9,934	0.07	/	/	/
Shanghai Ouyeel Material Technology Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	1,245,542	6.97	/	/	/
Guangdong Guangwu Zhongnan Construction Materials Group Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	1,066,297	5.96	/	/	/
Shanghai Ouyeel Supply Chain Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	541,100	3.03	/	/	/
Chongqing Baocheng Carbon Co., Ltd.	Subsidiary invested	Sales of goods	Sales of goods, energy medium	With reference to market price	/	250,467	48.23	/	/	/
Baoshan Iron & Steel Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	69,255	0.39	/	/	/
Baosteel Metals Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	16,599	0.09	/	/	/
Baowu Environmental Science Chongqing Resource Recycling Co., Ltd.	Subsidiary invested	Sales of goods	Sales of goods	With reference to market price	/	9,738	0.05	/	/	/

## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

##### 3. Matters not disclosed in provisional announcements (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	Market transaction price	Reason for the difference between Transaction price and market reference price
Ouyeel Industrial Products Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	6,801	0.04	/	/	/
Others	Other related party	Sales of goods	/	With reference to market price	/	6,574	0.04	/	/	/
<b>Total</b>				/	/	<b>8,385,614</b>	/	/	/	/

Particulars of substantial sales return

Nil

Explanation on related party transactions

They enabled the Company to obtain stable and reliable service supply at a reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output

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

##### 1. Events disclosed in provisional announcements 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

## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY 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

3. *Events not disclosed in provisional announcements*

Applicable  Not applicable

#### (IV) Amounts due to or from related parties

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

Applicable  Not applicable

## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

#### (IV) Amounts due to or from related parties (Continued)

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

Applicable       Not applicable

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 Group Finance Co., Ltd. ("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 30 June 2022, the balance of the loan provided by Baowu Finance to the Company was RMB59,480,000.

Related party	Amount borrowed (Unit: RMB'000)	Interest in the current period (Unit: RMB'000)
Baowu Finance	59,480	1,380

3. *Events not disclosed in provisional announcements*

Applicable       Not applicable

## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Financial businesses between the Company and related financial companies, the Company's controlling financial companies and related parties

Applicable  Not applicable

1. *Deposit business*

Applicable  Not applicable

Unit: RMB'000 Currency: Renminbi

Related party	Related relationship	Maximum daily deposit limit	Range of deposit interest rate	Opening balance	Amount incurred during the period		Closing balance
					Total amount deposited during the period	Total amount withdrawn during the period	
Baowu Finance	Other related party	-	0.35%-1.97%	19,443	6,212,353	5,614,576	617,220
Total	/	/	/	19,443	6,212,353	5,614,576	617,220

2. *Loan business*

Applicable  Not applicable

Unit: RMB'000 Currency: Renminbi

Related party	Related relationship	Loan facility	Range of loan interest rate	Opening balance	Amount incurred during the period		Closing balance
					Total loan amount during the period	Total amount repaid during the period	
Baowu Finance	Other related party	200,000	4.65%	62,610	-	3,130	59,480
Total	/	/	/	62,610	-	3,130	59,480



## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Financial businesses between the Company and related financial companies, the Company's controlling financial companies and related parties (Continued)

3. *Credit granting business or other financial services*

Applicable  Not applicable

*Unit: RMB'000 Currency: Renminbi*

Related party	Related relationship	Business type	Total amount	Actual amount occurred
Baowu Finance	Other related party	Comprehensive credit facilities	200,000	108,528

4. *Others*

Applicable  Not applicable

(VI) Other material related party transactions

Applicable  Not applicable

(VII) Others

Applicable  Not applicable

## Section VI Significant Events (Continued)

### XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION

#### 1 Trust, contracted businesses and leasing affairs

Applicable     Not applicable

##### (1) Trust

Applicable     Not applicable

##### (2) Contracted businesses

Applicable     Not applicable

##### (3) Leasing affairs

Applicable     Not applicable

Unit: RMB'000    Currency: Renminbi

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Whether a related party transaction	Connected relationship
Chongqing Iron & Steel Company (Group) Limited	Chongqing Iron & Steel Company Limited	Equipment	/	2021.01.01	2025.12.31	73,009	Contract	Affecting the costs	No	

Explanations on leasing affairs

Not applicable.

## Section VI Significant Events (Continued)

### XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

#### 2 Significant guarantees that were performed or not yet performed during the Reporting Period

Applicable       Not applicable

*Unit: RMB'000    Currency: Renminbi*

External Guarantees provided by the Company (excluding those for subsidiaries)															
Guarantor	Relationship between the guarantor and the Company	Guaranteed party	Amount guaranteed	Effective date of guarantee (date of executing the agreement)	Commencement date of guarantee	Maturity date of guarantee	Type of guarantee	Principal debt	Collateral (if any)	Whether the guarantee had been completely performed	Whether the guarantee is overdue	Overdue amount of guarantee	Counter-guarantee	Guarantee to related party or not	Connected relationship
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)															/
<b>Guarantees provided by the Company to its subsidiaries</b>															
Total amount of guarantees provided to subsidiaries during the Reporting Period															225,725
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)															105,713
<b>Total guarantees provided by the Company (including those for subsidiaries)</b>															
Total amount of guarantees (A + B)															105,713
Total amount of guarantees as a percentage of net assets of the Company (%)															0.47
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 liabilities, and there is no event that causes the Company to actually perform joint liabilities at present.
Description of guarantee															As at June 2022, the Company provided two joint liability guarantees of RMB106,000,000 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)

### XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

#### 3 Other significant contracts

Applicable  Not applicable

### XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable  Not applicable

#### (I) Relevant disclosure made according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

##### 1. *Compliance of Corporate Governance Code*

To the best of knowledge of the Board, the Company had complied with the requirements of the “Corporate Governance Code” as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the Reporting Period, and was not aware of any deviation from the Code.

##### 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 of the Listing Rules as the code for trading 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 six months ended 30 June 2022.

##### 3. *Interim dividend*

Given the fact that the accumulated undistributed profit of the Company remained negative as of the end of the Reporting Period, the Company does not recommend distribution of any interim dividend for the six months ended 30 June 2022 pursuant to the provision of Article 250 of the Articles of Association.

##### 4. *Purchase, Sale or Redemption of Listed Securities of the Company*

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

##### 5. *Major acquisition and disposal of subsidiaries and affiliates*

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

## Section VI Significant Events (Continued)

### XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

Applicable     Not applicable

#### (I) Relevant disclosure made according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Continued)

##### 6. *Audit Committee*

The Audit Committee is comprised of three independent non-executive directors and one non-executive director, namely, Mr. Zhang Jinruo, Mr. Sheng Xuejun, Mr. Guo Jiebin and Mr. Zhou Ping with Mr. Zhang Jinruo acting as the chairman of the Audit Committee.

The unaudited interim financial report of the Company for the six months ended 30 June 2022 had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

##### 7. *Interests or Short Positions*

As at 30 June 2022, the interests or 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 or senior management members of the Company in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Listing Rules and the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporations	Capacity	Nature of interests	Total number of interested shares held (share)	Percentage in the share capital of A shares of the Company (%)	Percentage in the total share capital of the Company (%)	Class of shares
Zhou Yaping	The Company	Supervisor representing staff	Beneficial interests	487,300 (long position)	0.006	0.005	A share
Zhang Liqun	The Company	Supervisor representing staff	Beneficial interests	1,020,000 (long position)	0.012	0.011	A share

## Section VI Significant Events (Continued)

### XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

#### (II) Related party transactions

##### 1. *Related investment*

On 21 December 2021, the Resolution on Formation of Joint Venture and Related Party Transaction between the Company and Baosteel Resources Holdings (Shanghai) Co., Ltd. was voted on and approved at the 6th meeting of the ninth session of the Board of the Company. Based on business development need, the Company intends 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, among 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 2022, the Company has entered into the JV Contract with Baosteel Resources. For details, please refer to the Announcement in relation to the Progress of the Related Investment (Announcement No.: 2022-001) disclosed by the Company on 6 January 2022.

##### 2. *2021–2023 continuing related party transactions*

On 19 March 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement from 2021 to 2023 between the Company and China Baowu and the Continuing 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 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 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. On 1 April 2021, the Company and China Baowu entered into the Service and Supply Agreement. For details, please refer to the Announcement on 2021–2023 Continuing Related Party Transactions (Announcement No.: 2021-021) and the Announcement on the Progress of 2021–2023 Continuing Related Party Transactions (Announcement No.: 2021-024) disclosed by the Company on 20 March 2021 and 2 April 2021, respectively.



## Section VI Significant Events (Continued)

### XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

#### (II) Related party transactions (Continued)

##### 2. *2021–2023 continuing related party transactions (Continued)*

Due to the development of the Company's innovative business model and the professional integration of China Baowu, it is necessary to increase the types and amounts of transactions for the products supplied by the Group to the China Baowu Group in 2022 and 2023 under the original agreement, and to increase the amounts of raw materials, production materials and services provided by the China Baowu Group to the Group. Accordingly, the Company intends to enter into the Supplemental Services and Supply Agreement (the "Supplemental Agreement") with China Baowu, which provides for an addition of the type of "solid waste" products and services to be provided by the Group to the China Baowu Group and for the provision of products and/or services by the Group to the China Baowu Group, the total amount shall be adjusted upwards to not more than RMB23,856 million in 2022 and to not more than RMB28,026 million in 2023; at the same time, for the provision of products and/or services by China Baowu Group to the Group, the total amount shall be adjusted upwards to not more than RMB47,773 million in 2022 and to not more than RMB53,583 million in 2023. Other than the above changes, the other terms of the original agreement remain unchanged.

On 8 July 2022, at the 15th Meeting of the ninth session of the Board of the Company, the Resolution in relation to the Entering into of the Supplemental Service and Supply Agreement between the Company and China Baowu and the Continuing Related Party Transactions (Including the Revision of the Proposed Cap) was voted on and passed, pursuant to which the Company was approved to enter into a supplemental agreement with China Baowu. On the same date, the two parties entered into the supplemental agreement. For details, please refer to the Announcement on the Progress of 2021–2023 Continuing Related Party Transactions (Announcement No.: 2022–022) disclosed by the Company on 9 July 2022.

On 29 August 2022, at the 2022 first extraordinary general meeting of the Company, the Resolution in relation to the Entering into of the Supplemental Service and Supply Agreement between the Company and China Baowu and the Continuing Related Party Transactions (Including the Revision of the Proposed Cap) was considered and passed.

## Section VI Significant Events (Continued)

### XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

#### (III) Changes in equity of shareholders

On 25 May 2022, Chongqing Iron & Steel received the Letter Regarding the Increase in Shares of Chongqing Iron and Steel from Zhongnan Iron and Steel, and was informed that from 11 May to 25 May 2022, Zhongnan Iron and Steel had acquired 89,186,037 A shares of Chongqing Iron & Steel through the secondary market bidding trading system of the Shanghai Stock Exchange, accounting for 1% of the total share capital of Chongqing Iron & Steel. Prior to the change in equity, Zhongnan Iron and Steel did not hold any shares of Chongqing Iron & Steel; upon the change in equity, Zhongnan Iron and Steel holds a total of 89,186,037 shares of Chongqing Iron & Steel, accounting for 1% of the total share capital of Chongqing Iron & Steel. For details, please refer to the INDICATIVE ANNOUNCEMENT ON CHANGES IN SHAREHOLDERS' EQUITY (Announcement No. 2022-011) disclosed by the Company on 26 May 2022.

On 14 June 2022, Chongqing Iron & Steel received the Letter Regarding the Increase in Shares of Chongqing Iron and Steel from Zhongnan Iron and Steel, and was informed that from 31 May to 14 June 2022, Zhongnan Iron and Steel had acquired 89,186,106 A shares of Chongqing Iron & Steel through the secondary market bidding trading system of the Shanghai Stock Exchange, accounting for 1% of the total share capital of Chongqing Iron & Steel. Prior to the change in equity, Zhongnan Iron and Steel held 89,186,037 shares of Chongqing Iron & Steel, accounting for 1% of the total share capital of Chongqing Iron & Steel; upon the change in equity, Zhongnan Iron and Steel holds a total of 178,372,143 shares of Chongqing Iron & Steel, accounting for 2% of the total share capital of Chongqing Iron & Steel. For details, please refer to the INDICATIVE ANNOUNCEMENT ON CHANGES IN SHAREHOLDERS' EQUITY (Announcement No. 2022-016) disclosed by the Company on 15 June 2022.

#### (IV) Re-appointment of accounting firm

On 31 May 2022, at the 13th meeting of the ninth session of the Board and the 8th meeting of the ninth session of the supervisory committee of the Company, the Resolution in Relation to the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2022 was passed by voting. The Company will reappoint Ernst & Young Hua Ming LLP as the financial and internal control auditor of the Company for the year 2022, and the audit fees for 2022 will be RMB3.1 million (tax exclusive, including subsidiaries), including financial audit fees of RMB2.4 million and internal control audit fees of RMB0.7 million. For details, please refer to the ANNOUNCEMENT ON RE-APPOINTMENT OF ACCOUNTING FIRM (Announcement No. 2022-014) disclosed by the Company on 31 May 2022.

On 30 June 2022, at the 2021 annual general meeting of the Company, the Resolution in Relation to the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2022 was considered and passed.

### XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

#### (V) Withdrawal from investment in a joint venture

On 28 June 2022, the Company convened the fourteenth meeting of the ninth session of the Board at which the Resolution on Withdrawal from Investment in Jianwei Intelligent was considered and approved. As neither of the shareholders has completed its capital contribution since the establishment of Chongqing Jianwei Intelligent Technology Co., Ltd. (“Jianwei Intelligent”), the joint venture company, on 12 December 2019, nor has it actually commenced operation, in order to optimise the industrial structure, the Company intends to withdraw from its investment in Jianwei Intelligent. For details, please refer to the ANNOUNCEMENT ON WITHDRAWAL FROM INVESTMENT IN A JOINT VENTURE COMPANY (Announcement No. 2022-018) disclosed by the Company on 29 June 2022.

On 8 August 2022, Jianwei Intelligent completed its industrial and commercial deregistration.

## Section VII Movement of Shares and the Particulars of Shareholders

### I. INFORMATION ON CHANGES IN SHARE CAPITAL

#### (I) Table of movement of shares

1. *Table of movement of shares*

During the Reporting Period, the total number of shares and the structure of the share capital of the Company remained unchanged.

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 occurred from the Reporting Period up to the disclosure date of the interim report (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. PARTICULARS OF SHAREHOLDERS

#### (I) Total number of shareholders:

Total number of ordinary shareholders as of the end of the Reporting Period	184,246
Total number of preferential shareholders with resumed voting rights as of the end of the Reporting Period	0

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

### II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period

*Unit: share*

#### Shareholdings of top ten shareholders

Name of shareholder (full name)	Increase/ Decrease during Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Pledged, marked or frozen			Type of shareholder
				Number of shares held subject to trading moratorium	Status of shares	Number	
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Nil	0	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	35,400	532,258,621	5.97	0	Unknown	—	Foreign legal person
Chongqing Qianxin Group Co., Ltd.	0	427,195,760	4.79	0	Pledged	427,190,070	State-owned legal person
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.24	0	Nil	0	State-owned legal person
Chongqing Guochuang Investment and Management Co., Ltd.	0	278,288,059	3.12	0	Nil	0	State-owned legal person
Bank of Chongqing Co., Ltd.	0	226,042,920	2.53	0	Nil	0	State-owned legal person
Industrial Bank Co., Ltd. Chongqing Branch	0	219,633,096	2.46	0	Nil	0	State-owned legal person
Baowu Group Zhongnan Steel Co., Ltd.	216,899,843	216,899,843	2.43	0	Nil	0	State-owned legal person
Agricultural Bank of China Limited Chongqing Branch	0	216,403,628	2.43	0	Nil	0	Unknown
China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司)	0	211,461,370	2.37	0	Nil	0	State-owned legal person

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

### II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of 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	532,258,621	Overseas listed foreign shares	532,258,621
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
Baowu Group Zhongnan Steel Co., Ltd.	216,899,843	RMB denominated ordinary shares	216,899,843
Agricultural Bank of China Limited Chongqing Branch	216,403,628	RMB denominated ordinary shares	216,403,628
China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司)	211,461,370	RMB denominated ordinary shares	211,461,370
Description of accounts designated for share repurchase among the top ten shareholders	N/A		
Description of the entrusting/being entrusted voting rights or waiving voting rights of the above shareholders	N/A		



## II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

### (II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period (Continued)

The above shareholders' connected relationship or concerted action

Chongqing Changshou Iron & Steel Company Limited is the controlling shareholder of the Company, Chongqing Changshou Iron & Steel Company Limited and Baowu Group Zhongnan Steel Co., Ltd. are under common control by China Baowu Steel Group Corporation Limited, a de facto controller of the Company, thus the two are related parties, and has no associated relationship with the other 8 shareholders and they are not parties acting in concert as stipulated in the Administrative Measures for Management of Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies. The Company is also not aware of whether there is any associated relationship among the other 8 shareholders or whether they are parties acting in concert.

Preferential shareholders with resumed voting rights and their shareholding N/A

#### ***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

### III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Applicable     Not applicable

*Unite: share*

Name	Title	Shareholding at the beginning of the Reporting Period	Shareholding at the end of the Reporting Period	Increase/Decrease in shareholding during the Reporting Period	Reason for changes in shareholding
Zhou Yaping	Supervisor	487,300	487,300	0 /	
Zhang Liqun	Supervisor	1,020,000	1,020,000	0 /	
Yao Xiaohu	Supervisor	509,900	509,900	0 /	

*Other information*

Applicable     Not applicable

Mr. Yao Xiaohu resigned as the senior vice president on 17 February 2022 and was re-elected as the staff representative supervisor on 5 August 2022.

- (II) Information on incentive share option granted to directors, supervisors and senior management during the Reporting Period

Applicable     Not applicable

- (III) Other information

Applicable     Not applicable

### IV. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE DE FACTO CONTROLLER

Applicable     Not applicable

## Section VIII Relevant Information on Preference 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: Renminbi

Name of bond	Abbreviated name	Stock code	Issuance date	Value date	Due date	Balance of bonds	Interest rate (%)	Method of principal and interest repayment	Trading market	Eligibility arrangement of investors (if any)	Trading mechanism	Whether there is risk of termination of listing for trading
Chongqing Iron & Steel Company Limited 2020 first tranche of medium-term notes (Type 2)	20 Chongqing Iron & Steel	102000391 MTN001B	19 March 2020	19 March 2020	19 March 2023	498,984	5.13	Payment of interest every year and prepayment of principal on due date	National inter-bank market	N/A	Inter-bank bond market trading mechanism	No

## 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)

1. *Basic information on debt financing instruments of non-financial enterprises (continued)*

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

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

Applicable  Not applicable

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

Applicable  Not applicable

Other explanation

Not applicable.

4. *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

Other explanation

Not applicable.

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

Applicable  Not applicable

## Section IX Relevant Information on Bonds (Continued)

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

(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) Major accounting data and financial indicators

Applicable  Not applicable

Unit: RMB'000 Currency: Renminbi

Major Indicators	At the end of the Reporting Period	At the end of last year	Change from the end of last year to the end of the Reporting Period (%)	Reasons
Current ratio	0.72	0.87	-17.24	/
Quick Ratio	0.39	0.62	-37.10	An increase in non-current liabilities due within one year
Gearing Ratio (%)	42.55	47.96	Deceased by 5.41 percentage points	/

  

	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)	Reasons
Net profit after deducting non-recurring profit or loss	546,619	2,834,482	-80.72	A decrease in profits
Debt-to-EBITDA ratio	0.19	0.26	-26.92	/
Interest coverage (times)	4.28	11.81	-63.76	A decrease in profits
Cash interest coverage (times)	6.94	7.20	-3.61	/
EBITDA interest coverage (times)	8.73	14.23	-38.65	A decrease in profits
Loan repayment ratio	100.00	100.00	0.00	/
Interest payment ratio	100.00	100.00	0.00	/

### II. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

Applicable  Not applicable



# Section X Financial Report

## Consolidated Balance Sheets

As at 30 June 2022

### I. AUDITOR'S REPORT

Applicable  Not applicable

### II. FINANCIAL STATEMENTS

Unit: RMB '000

Assets	Note V	30 June 2022	31 December 2021
<b>Current assets</b>			
Cash and bank balances	1	<b>2,880,483</b>	6,410,645
Including: Deposits in finance company		<b>790,849</b>	19,443
Financial assets held for trading	2	–	600,000
Trade receivables	3	<b>63,882</b>	53,885
Receivables financing	4	<b>1,018,586</b>	1,536,724
Prepayments	5	<b>951,406</b>	756,710
Other receivables	6	<b>80,863</b>	52,279
Inventories	7	<b>4,421,481</b>	3,840,198
Other current assets	8	<b>131,002</b>	100,221
<b>Total current assets</b>		<b>9,547,703</b>	13,350,662
<b>Non-current assets</b>			
Long-term equity investments	9	<b>105,218</b>	58,160
Other equity investments	10	<b>5,000</b>	5,000
Fixed assets	11	<b>23,963,353</b>	21,891,662
Construction in progress	12	<b>2,833,184</b>	4,174,369
Right-of-use assets	13	<b>453,528</b>	518,318
Intangible assets	14	<b>2,398,936</b>	2,384,882
Goodwill	15	<b>328,055</b>	328,055
Long-term deferred expenditures	16	<b>254</b>	271
Deferred tax assets	17	<b>99,599</b>	142,568
Other non-current assets	18	<b>121,448</b>	142,009
<b>Total non-current assets</b>		<b>30,308,575</b>	29,645,294
<b>Total assets</b>		<b>39,856,278</b>	42,995,956

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Consolidated Balance Sheets (Continued)

As at 30 June 2022

#### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

Liabilities and shareholders' equity	Note V	30 June 2022	31 December 2021
<b>Current liabilities</b>			
Short-term borrowings	19	<b>1,235,643</b>	2,629,734
Notes payable	20	<b>324,413</b>	1,261,138
Trade payables	21	<b>4,004,838</b>	4,567,985
Contract liabilities	22	<b>2,979,444</b>	2,185,095
Employee benefits payable	23	<b>102,657</b>	112,844
Taxes payable	24	<b>26,169</b>	16,744
Other payables	25	<b>2,022,653</b>	2,770,510
Non-current liabilities due within one year	26	<b>2,096,444</b>	1,582,635
Other current liabilities		<b>387,328</b>	284,736
<b>Total current liabilities</b>		<b>13,179,589</b>	15,411,421
<b>Non-current liabilities</b>			
Long-term borrowings	27	<b>1,223,000</b>	1,792,800
Bonds payable	28	–	498,434
Lease liabilities	29	<b>343,997</b>	408,135
Long-term payables	30	<b>2,029,792</b>	2,301,299
Long-term employee benefits payable	31	<b>116,549</b>	144,977
Deferred income	32	<b>60,817</b>	56,903
Deferred tax liabilities	17	<b>6,533</b>	6,778
<b>Total non-current liabilities</b>		<b>3,780,688</b>	5,209,326
<b>Total liabilities</b>		<b>16,960,277</b>	20,620,747

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Consolidated Balance Sheets (Continued)

*As at 30 June 2022*

## II. FINANCIAL STATEMENTS (CONTINUED)

*Unit: RMB '000*

Liabilities and shareholders' equity	Note V	30 June 2022	31 December 2021
<b>Shareholders' equity</b>			
Share capital	33	<b>8,918,602</b>	8,918,602
Capital reserves	34	<b>19,282,147</b>	19,282,147
Special reserves	35	<b>22,969</b>	18,593
Surplus reserves	36	<b>606,991</b>	606,991
Unappropriated profit	37	<b>(5,934,708)</b>	(6,451,124)
<b>Total shareholders' equity</b>		<b>22,896,001</b>	22,375,209
<b>Total liabilities and shareholders' equity</b>		<b>39,856,278</b>	42,995,956

The financial statements have been signed by:

*Legal Representative:*  
**Zhang Wenxue**

*Chief accountant:*  
**Zou An**

*Head of the accounting department:*  
**Lei Xiaodan**

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Consolidated Income Statement

For the six months ended 30 June 2022

### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

	<i>Note V</i>	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
<b>Revenue</b>	38	<b>18,016,176</b>	22,669,939
Less: Cost of sales	38	<b>16,784,705</b>	19,185,057
Taxes and surcharges	39	<b>75,111</b>	77,932
Distribution and selling expenses	40	<b>38,921</b>	42,999
General and administrative expenses	41	<b>166,364</b>	245,709
R&D expenses	42	<b>104,832</b>	75,591
Finance expenses	43	<b>231,105</b>	207,597
Including: Interest expenses		<b>157,545</b>	249,514
Interest income		<b>39,581</b>	47,270
Add: Other income	44	<b>29,472</b>	28,149
Investment income	45	<b>26,765</b>	310
<b>Operating profit</b>		<b>671,375</b>	2,863,513
Add: Non-operating income	46	<b>751</b>	966
Less: Non-operating expenses	47	<b>36,288</b>	167,556
<b>Total profit</b>		<b>635,838</b>	2,696,923
Less: Income tax expenses/(credit)	48	<b>119,422</b>	(118)

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Consolidated Income Statement (Continued)

*For the six months ended 30 June 2022*

#### II. FINANCIAL STATEMENTS (CONTINUED)

*Unit: RMB '000*

	<i>Note V</i>	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
<b>Net Profit</b>		<b>516,416</b>	2,697,041
Breakdown by continuity of operations			
Net profit from continuing operations		<b>516,416</b>	2,697,041
Breakdown by attributable interests			
Net profit attributable to shareholders of the parent company		<b>516,416</b>	2,697,041
Non-controlling interests			
<hr/>			
<b>Other comprehensive income after tax</b>			
<hr/>			
<b>Total comprehensive income</b>		<b>516,416</b>	2,697,041
Including:			
Total comprehensive income attributable to shareholders of the parent company		<b>16,416</b>	2,697,041
Total comprehensive income attributable to non-controlling interests			
<hr/>			
<b>Earnings per share</b>	49		
Basic earnings per share ( <i>RMB/share</i> )		<b>0.06</b>	0.30
Diluted earnings per share ( <i>RMB/share</i> )		<b>0.06</b>	0.30

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

	For the six months ended 30 June 2022							
	Share capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Total shareholders' equity
<b>I. Closing balances of the preceding year and opening balances of the current year</b>	<b>8,918,602</b>	<b>19,282,147</b>	<b>-</b>	<b>-</b>	<b>18,593</b>	<b>606,991</b>	<b>(6,451,124)</b>	<b>22,375,209</b>
<b>II. Changes in the current period</b>								
(I) Total comprehensive income	-	-	-	-	-	-	516,416	516,416
(II) Shareholders' contribution and decrease in share capital								
1. Amount increased during the period	-	-	-	-	-	-	-	-
2. Amount decreased during the period	-	-	-	-	-	-	-	-
(III) Special reserves								
1. Amount established during the period	-	-	-	-	18,941	-	-	18,941
2. Amount utilized during the period	-	-	-	-	(14,565)	-	-	(14,565)
<b>III. Closing balance for the period</b>	<b>8,918,602</b>	<b>19,282,147</b>			<b>22,969</b>	<b>606,991</b>	<b>(5,934,708)</b>	<b>22,896,001</b>

The accompanying notes form an integral part of these financial statements



## Section X Financial Report

### Consolidated Statement of Changes in Equity (Continued)

*For the six months ended 30 June 2022*

## II. FINANCIAL STATEMENTS (CONTINUED)

*Unit: RMB '000*

	For the six months ended 30 June 2021							
	Share capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Total shareholders' equity
<b>I. Closing balances of the preceding year and opening balances of the current period</b>	8,918,602	19,282,147	65,940	-	22,184	606,991	(8,725,517)	20,038,467
<b>II. Changes in the current period</b>								
(I) Total comprehensive income	-	-	-	-	-	-	2,697,041	2,697,041
(II) Shareholders' contribution and decrease in share capital								
1. Amount increased during the period	-	-	-	-	-	-	-	-
2. Amount decreased during the period	-	-	-	-	-	-	-	-
(III) Special reserves								
1. Amount established during the period	-	-	-	-	15,202	-	-	15,202
2. Amount utilized during the period	-	-	-	-	(7,703)	-	-	(7,703)
<b>III. Closing balance for the period</b>	8,918,602	19,282,147	65,940	-	29,683	606,991	(6,028,476)	22,743,007

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

	<i>Note V</i>	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		<b>19,674,054</b>	21,176,838
Receipts of taxes refunds		<b>8,601</b>	15,546
Other cash received relating to operating activities	50	<b>63,284</b>	73,678
Sub-total of cash inflows from operating activities		<b>19,745,939</b>	21,266,062
<hr style="border-top: 1px dashed black;"/>			
Cash paid for purchase of goods and services		<b>17,577,201</b>	18,673,079
Cash paid to and on behalf of employees		<b>791,679</b>	837,948
Cash paid for all types of taxes		<b>376,656</b>	89,146
Other cash paid relating to operating activities	50	<b>63,892</b>	119,501
Sub-total of cash outflows from operating activities		<b>18,809,428</b>	19,719,674
<hr style="border-top: 1px dashed black;"/>			
Net cash flows from operating activities	51	<b>936,511</b>	1,546,388

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Consolidated Statement of Cash Flows (Continued)

*For the six months ended 30 June 2022*

#### II. FINANCIAL STATEMENTS (CONTINUED)

*Unit: RMB '000*

<i>Note V</i>	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments	<b>600,000</b>	–
Cash received from return on investments	<b>28,607</b>	310
Other cash received relating to investing activities	–	–
<hr/>		
Sub-total of cash inflows from investing activities	<b>628,607</b>	310
<hr style="border-top: 1px dashed black;"/>		
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	<b>2,420,875</b>	1,200,406
Cash paid for investments	<b>48,900</b>	550,000
Net cash payments for acquisition of subsidiaries and other business units	51	114,449
<hr/>		
Sub-total of cash outflows from investing activities	<b>2,469,775</b>	1,864,855
<hr style="border-top: 1px dashed black;"/>		
Net cash flows from investing activities	<b>(1,841,168)</b>	(1,864,545)
<hr style="border-top: 1px dashed black;"/>		

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

#### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

	Note V	Six months ended 30 June 2022	Six months ended 30 June 2021
<b>III. Cash flows from financing activities:</b>			
Cash received from borrowings		395,000	3,794,465
Other cash received relating to financing activities	50	20	65,992
Sub-total of cash inflows from financing activities		395,020	3,860,457
<hr/>			
Cash repayments of borrowings		2,194,165	3,054,910
Cash paid for distribution of dividends or profits, and for interest expenses		189,309	172,115
Other cash paid relating to financing activities	50	390,845	279,382
Sub-total of cash outflows from financing activities		2,774,319	3,506,407
Net cash flows from financing activities		(2,379,299)	354,050
<hr/>			
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>			
		24,528	9,644
<hr/>			
<b>V. Net increase/(decrease) in cash and cash equivalents</b>			
		(3,259,428)	45,537
Add: Cash and cash equivalents at the beginning of the year		5,832,238	4,698,090
<hr/>			
<b>VI. Cash and cash equivalents at the end of the year</b>			
	51	2,572,810	4,743,627

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Balance Sheet

For the six months ended 30 June 2022

### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

Assets	Note XIII	30 June 2022	31 December 2021
<b>Current assets</b>			
Cash and bank balances		2,880,147	6,410,521
Deposits in finance company		790,849	19,443
Financial assets held for trading		–	600,000
Trade receivables	1	92,795	69,402
Receivables financing		1,018,586	1,536,724
Prepayments		1,005,119	833,678
Other receivables	2	192,446	180,813
Inventories		4,397,260	3,815,186
Other current assets		129,520	98,251
<b>Total current assets</b>		<b>9,715,873</b>	<b>13,544,575</b>
<b>Non-current assets</b>			
Long-term equity investments	3	1,097,506	1,050,448
Other equity investments		5,000	5,000
Fixed assets		22,902,632	20,791,030
Construction in progress		2,834,111	4,175,296
Right-of-use assets		453,528	518,318
Intangible assets		2,325,167	2,307,776
Long-term prepaid expenses		254	271
Deferred tax assets		92,252	121,492
Other non-current assets		80,802	102,289
<b>Total non-current assets</b>		<b>29,791,252</b>	<b>29,071,920</b>
<b>Total assets</b>		<b>39,507,125</b>	<b>42,616,495</b>

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Balance Sheet (Continued)

For the six months ended 30 June 2022

#### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

Liabilities and shareholders' equity	30 June 2022	31 December 2021
<b>Current liabilities</b>		
Short-term borrowings	1,235,643	2,629,734
Notes payable	324,413	1,261,138
Trade payables	4,113,672	4,676,051
Contract liabilities	2,979,398	2,185,095
Employee benefits payable	101,283	108,454
Taxes payable	16,831	13,915
Other payables	1,969,616	2,690,068
Non-current liabilities due within one year	1,989,730	1,355,853
Other current liabilities	387,322	284,736
<b>Total current liabilities</b>	<b>13,117,908</b>	<b>15,205,044</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,223,000	1,792,800
Bonds payable	—	498,434
Lease liabilities	343,997	408,135
Long-term payables	2,029,792	2,301,299
Long-term employee benefits payable	116,549	144,977
Deferred income	60,817	56,903
<b>Total non-current liabilities</b>	<b>3,774,155</b>	<b>5,202,548</b>
<b>Total liabilities</b>	<b>16,892,063</b>	<b>20,407,592</b>

The accompanying notes form an integral part of these financial statements



## Section X Financial Report Balance Sheet (Continued)

*For the six months ended 30 June 2022*

### II. FINANCIAL STATEMENTS (CONTINUED)

*Unit: RMB '000*

<b>Liabilities and shareholders' equity</b>	<b>30 June 2022</b>	31 December 2021
<b>Shareholders' equity</b>		
Share capital	<b>8,918,602</b>	8,918,602
Capital reserves	<b>19,313,090</b>	19,313,090
Special reserves	<b>16,134</b>	13,365
Surplus reserves	<b>577,012</b>	577,012
Unappropriated profit	<b>(6,209,776)</b>	(6,613,166)
<b>Total shareholders' equity</b>	<b>22,615,062</b>	22,208,903
<b>Total liabilities and shareholders' equity</b>	<b>39,507,125</b>	42,616,495

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Income Statement

For the six months ended 30 June 2022

### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

	<i>Note XIII</i>	<b>Six months ended 30 June 2022</b>	Six months ended 30 June 2021
<b>Revenue</b>	4	<b>18,224,541</b>	22,669,481
Less: Operating cost	4	<b>17,111,179</b>	19,339,473
Taxes and surcharges		<b>68,787</b>	73,484
Distribution and selling expenses		<b>38,921</b>	42,999
General and administrative expenses		<b>159,729</b>	228,471
R&D expenses		<b>104,832</b>	75,591
Finance expenses		<b>226,247</b>	191,301
Including: Interest expenses		<b>152,624</b>	236,212
Interest income		<b>39,475</b>	47,236
Add: Other income		<b>2,926</b>	3,766
Investment income	5	<b>26,765</b>	310
<b>Operating profit</b>		<b>544,537</b>	2,722,238
Add: Non-operating income		<b>734</b>	817
Less: Non-operating expenses		<b>36,294</b>	139,238
<b>Total profit</b>		<b>508,977</b>	2,583,817
Less: Income tax expenses/(credit)		<b>105,587</b>	-
<b>Net Profit</b>		<b>403,390</b>	2,583,817
Including: Net profit from continuing operations		<b>403,390</b>	2,583,817
<b>Other comprehensive income after tax</b>		<b>-</b>	-
<b>Total comprehensive income</b>		<b>403,390</b>	2,583,817

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Statement of Changes in Equity

*For the six months ended 30 June 2022*

### II. FINANCIAL STATEMENTS (CONTINUED)

*Unit: RMB '000*

	Six months ended 30 June 2022							Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	
<b>I. Closing balances of the preceding year and opening balances of the current year</b>	8,918,602	19,313,090	-	-	13,365	577,012	(6,613,166)	22,208,903
<b>II. Changes in the current period</b>								
(I) Total comprehensive income	-	-	-	-	-	-	403,390	403,390
(II) Shareholders' contribution and decrease in share capital								
1. Amount increased during the period	-	-	-	-	-	-	-	-
2. Amount decreased during the period	-	-	-	-	-	-	-	-
(III) Special reserves								
1. Amount established during the period	-	-	-	-	16,950	-	-	16,950
2. Amount utilized during the period	-	-	-	-	(14,181)	-	-	(14,181)
<b>III. Closing balance for the period</b>	8,918,602	19,313,090	-	-	16,134	577,012	(6,209,776)	22,615,062

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022

#### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

	Six months ended 30 June 2021							Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	
<b>I. Closing balances of the preceding year and opening balances of the current year</b>	8,918,602	19,313,090	65,940	-	19,398	577,012	(8,785,752)	19,976,410
<b>II. Changes in the current period</b>								
(I) Total comprehensive income	-	-	-	-	-	-	2,583,817	2,583,817
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the period	-	-	-	-	-	-	-	-
2. Amount decreased during the period	-	-	-	-	-	-	-	-
(III) Special reserves								
1. Amount established during the period	-	-	-	-	13,200	-	-	13,200
2. Amount utilized during the period	-	-	-	-	(7,132)	-	-	(7,132)
(IV) Others	-	-	-	-	-	-	4,733	4,733
<b>III. Closing balance for the period</b>	8,918,602	19,313,090	65,940	-	25,466	577,012	(6,197,202)	22,571,028

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Statement of Cash Flows

For the six months ended 30 June 2022

### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

	Six months ended 30 June 2022	Six months ended 30 June 2021
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	19,672,487	21,155,212
Other cash received relating to operating activities	63,125	73,428
Sub-total of cash inflows from operating activities	19,735,612	21,228,640
Cash paid for purchase of goods and services	17,781,842	19,007,414
Cash paid to and on behalf of employees	761,219	802,956
Cash paid for all types of taxes	345,321	58,970
Other cash paid relating to operating activities	36,825	117,337
Sub-total of cash outflows from operating activities	18,925,207	19,986,677
Net cash flows from operating activities	810,405	1,241,963
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments	600,000	–
Cash received from return on investments	28,607	310
Other cash received relating to investing activities	–	–
Sub-total of cash inflows from investing activities	628,607	310
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	2,420,875	1,193,206
Cash paid for investments	48,900	550,000
Cash payments for acquisition of subsidiaries and other business units	–	114,449
Sub-total of cash outflows from investing activities	2,469,775	1,857,655
Net cash flows from investing activities	(1,841,168)	(1,857,345)

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

#### II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000

	Six months ended 30 June 2022	Six months ended 30 June 2021
<b>III. Cash flows from financing activities:</b>		
Cash received from borrowings	395,000	3,794,465
Other cash received relating to financing activities	–	65,992
Sub-total of cash inflows from financing activities	395,000	3,860,457
Cash repayments of borrowings	2,194,165	2,960,000
Cash paid for distribution of dividends or profits, and for interest expenses	183,407	153,576
Other cash paid relating to financing activities	270,833	87,904
Sub-total of cash outflows from financing activities	2,648,405	3,201,480
Net cash flows from financing activities	(2,253,405)	658,977
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	24,528	9,644
<b>V. Net increase/(decrease) in cash and cash equivalents</b>	(3,259,640)	53,239
Add: Cash and cash equivalents at the beginning of the year	5,832,114	4,689,461
<b>VI. Cash and cash equivalents at the end of the year</b>	2,572,474	4,742,700

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Notes to Financial Statements

*For the six months ended 30 June 2022*

### I. BASIC INFORMATION

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 August 2022.

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

### 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 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.

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.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Group has determined the specific 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"), amortization of intangible assets, and recognition and measurement of revenue, 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 Company and the Group as at 30 June 2022 and the results of their operations and cash flows for the six months ended 30 June 2022.

##### 2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year. The current accounting period starts on 1 January 2022 and ends on 30 June 2022.

##### 3. Functional currency

The functional currency of the Group and the currency used in preparing the financial statements are Renminbi. The amounts in the financial statements were denominated in thousands of Renminbi, 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. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the absorbing party, while that other entity participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 4. Business combination (Continued)

###### *Business combination involving entities under common control (Continued)*

Assets and liabilities that are obtained by the absorbing party in a business combination involving entities under common control, including goodwill arising from the acquisition of the party being absorbed by the ultimate controller, shall be accounted for on the basis of the carrying amounts on the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserves and the balance transferred from capital reserves under the old accounting system. If the share 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. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date refers to the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination not involving entities under common control at their fair values on the acquisition date.

The excess of the fair value of the sum of the consideration paid (or the fair value of equity securities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the fair value of the sum of the consideration paid (or fair value of equity securities issued) and equity interests in the acquiree held prior to the date of acquisition is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination (or fair value of equity securities issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid (or the fair value of equity securities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognized in current profit or loss.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 4. Business combination (Continued)

###### *Business combination not involving entities under common control (Continued)*

For a business combination not involving entities under common control which is achieved in stages through multiple transactions, the long-term equity investments in the acquiree held before the acquisition date will be remeasured at fair value on the acquisition date. The difference between the fair value and the carrying amount is recognised as profit or loss for the current period; other comprehensive income under the equity method from previously held long-term equity investments in the acquiree will be subject to accounting treatment on the same basis as direct disposal of underlying assets or liabilities by the investee, and other changes in shareholders' equity will be reclassified as profit or loss for the period on which the acquisition date falls, except for net profit or loss, other comprehensive income and profit distribution. For the equity instrument investment in the acquiree held before the acquisition date, change in fair value of the equity instrument investment accrued in other comprehensive income before the acquisition date is transferred to retained earnings.

##### 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 year 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.

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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 6. Classification of joint arrangement and joint operation

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have 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 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.

##### 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 and translation of foreign currency statements

The Group translates the amount of foreign currency transactions occurred into its functional currency.

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate prevailing on the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate prevailing on the balance sheet date. All the resulting differences on settlement and monetary item translation are taken to profit or loss in the current period, except for those relating to foreign currency borrowings specifically for acquisition and construction of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The difference thus resulted are recognized in profit or loss or as other comprehensive income based 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 cash flow statement.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### 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.

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

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

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

Regular way purchases or sales of financial assets are recognized and derecognized on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period established by regulations or conventions in the marketplace. Trade date is the date that the Group commits to purchase or sell the financial asset.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 9. Financial instruments (Continued)

###### *Classification and measurement of financial assets*

According to the Group's corporate business model for managing financial assets and the contractual cash flow characteristics of the financial assets, the Group's financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, financial assets at amortized cost, and financial assets at fair value through other comprehensive income. Only when the business model for managing financial assets is changed by the Group, the Group will reclassify the related financial assets affected.

A financial asset is recognized initially at fair value. The trade receivables or notes receivable generated from sales of goods or services, which do not contain significant financing component or do not consider financing component over one year, initially are measured at trading price.

In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss; transaction costs relating to financial assets of other categories are included in the amounts initially recognized.

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

###### *Debt instrument investment at amortized cost*

Financial assets are classified as financial assets at amortized cost if the financial assets meet the following conditions: the objective of the Group's business model for managing such financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payment of the principal and the interest based on the outstanding principal amount. Such financial assets recognize interest income by using the effective interest rate method. The gains or losses arising from derecognition, adjustment or impairment are recognized in profit or loss.

###### *Debt instrument investment at fair value through other comprehensive income*

Financial assets are classified as financial assets at fair value through other comprehensive income if the financial assets meet the following conditions: the objective of the Group's business model for managing such financial assets is both to collect contractual cash flows and to dispose of the financial assets; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payment of the principal and the interest based on the outstanding principal amount. Such financial assets recognize interest income by using the effective interest rate method. Except for interest income, impairment losses and exchange difference recognized as profit or loss, other changes in fair value are recognized as other comprehensive income. When such financial asset is derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to profit or loss.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 9. Financial instruments (Continued)

###### *Equity instrument investment at fair value through other comprehensive income*

The Group irrevocably elects to designate certain equity instrument investments not held for trading as financial assets at fair value through other comprehensive income, such that only relevant dividend income (excluding the dividends recovered as part of the investment cost) is recognized as profit or loss and the subsequent changes in fair value are recognized as other comprehensive income, and the provision for impairment is not accrued. When such financial asset is derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to retained earnings.

###### *Financial assets at fair value through profit or loss*

Apart from the financial assets at amortized cost and financial assets at fair value through other comprehensive income mentioned above, other financial assets are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value. All changes in fair value are recognized 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 amounts initially recognized. Such kinds of financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

###### *Impairment of financial instruments*

On the basis of expected credit losses ("ECLs"), the Group makes impairment provisions and recognizes loss provisions for the financial assets carried at amortized cost and investments on debt instrument at fair value through other comprehensive income.

For trade receivables that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provision based on the amount of ECLs throughout the lifetime.

In addition to the abovementioned financial assets for which the simplified measurement method are used, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. Financial instruments for which credit risk has not increased significantly since initial recognition, at stage 1, and for which the loss allowance is measured at an amount equal to 12-month ECLs, calculated by carrying amount and effective interest rate; financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets, at stage 2, and for which the loss allowance is measured at an amount equal to lifetime ECLs, calculated by carrying amount and effective interest rate; financial instruments that are credit-impaired since initial recognition, at stage 3, and for which the loss allowance is measured at an amount equal to lifetime ECLs, calculated at amortized cost and by effective interest rate. For these financial instruments with lower credit risk on the balance sheet date, the Group assumes the related credit risk has not increased significantly since initial recognition.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 9. Financial instruments (Continued)

###### *Impairment of financial instruments (Continued)*

The Group assesses the ECLs of financial instruments by individual or group. Considering the characteristics of different customers' credit risk, the Group assesses the ECLs of trade receivables and other receivables based on the ageing portfolio. 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 VII. 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.

###### *Offset of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet to the extent that there is a currently enforceable legal right to offset the recognized amounts and that there is an intention to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

###### *Financial guarantee contracts*

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. 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: the amount of the ECLs settled at the balance sheet date, and the amount initially recognized less the cumulative amortization recognized in accordance with the guidance for revenue recognition.

###### *Transfers of financial assets*

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### **III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **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. Revolving materials comprise lower valued consumables and packing materials and others, 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.

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 amounts after taxes. The provision for decline in value of inventories is made on an individual basis.

The Group adopts the perpetual inventory system.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 11. Long-term equity investments

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

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 consideration for combination shall be adjusted to capital reserves. If the balance of capital reserves is not sufficient, any excess shall be adjusted to retained earnings. Any other comprehensive income previously recognized before combination date 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 a long-term equity investment acquired through a business combination involving entities not under common control, the initial investment cost should be the cost of acquisition (for a business combination through 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 securities 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. 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. 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### **III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **11. Long-term equity investments (Continued)**

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. Cash dividends or profits declared to be distributed by the investee should be recognized as investment income for the period.

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

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### **III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **11. Long-term equity investments (Continued)**

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### 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 related to PPE 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.

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

	Useful life (years)	Estimated residual rate	Annual depreciation rate
Plant and buildings	25-50	3%-5%	1.90%-3.88%
Machinery and other equipment	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 makes 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.



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### 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 charged in profit or loss. A qualifying asset is defined as a PPE, investment property or inventory and other assets 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;
- (3) The acquisition and construction activities that are necessary to bring the assets to get ready for their intended use or sale have commenced.

The capitalization of borrowing costs ceases when the asset being acquired or constructed or produced is substantially ready for its intended use or sale and borrowing costs incurred thereafter are charged to profit or loss.

Within the capitalization period, the amounts of capitalized borrowing costs for each accounting period are determined by the following methods:

- (1) For specific borrowings, the borrowing costs eligible for capitalization are the actual interest expenses incurred during the current period after deducting any temporary interest or investment income.
- (2) For general borrowings, the borrowing costs eligible for capitalization are determined by multiplying the weighted average of capital expenditure that exceeds the specific borrowings and weighted average interest rate of the general borrowings.

Capitalization of borrowing costs is suspended during extended periods in which the acquisition or construction or production of a PPE is interrupted abnormally and the interruption lasts for more than three months until the acquisition or construction is resumed. The borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### **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: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received; any initial direct cost incurred; 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 16. Intangible assets

Intangible assets are recognized 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 as intangible assets and is measured at its fair value.

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

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

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

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 then if appropriate, at least at the end of each 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: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; 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; the availability of adequate technical, financial and other resources aids to complete the development and the ability to use or sell the intangible asset; and 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### **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 the net amount of 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 of assets is provided accordingly.

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 of assets cannot be reversed in subsequent accounting periods upon recognition.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### 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 or compensation given by the Group in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, incentive fund, 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 19. Payroll and employee benefits payable (Continued)

###### *Post-employment benefits (defined benefit plan)*

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

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

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 by the Group to its 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 two dates: when the entity cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### 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 for liabilities

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

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

Provisions for liabilities are initially measured at the best estimate of the expenditure required to settle the present obligation, after considering risks, uncertainties, time value of currency, etc. related to the contingencies. Book value of provisions for liabilities shall be reviewed at each balance sheet date. If there is a conclusive evidence indicating that the book value does not reflect the current best estimate, then adjustment shall be made accordingly to the book value based on the current best estimate..



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### **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.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### 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

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

###### *Contracts for the sale of goods*

Sales contracts of goods between the Group and its customers generally include the performance obligation of transferred steel products only. Generally, upon taking account of all the following factors, namely, receipt of the current payment rights of goods, transfer of major risks and rewards in relation to the ownership of goods, transfer of the legal ownership of goods, transfer of physical assets of goods and receipt of delivery of such goods by the customers, the Group recognizes it as revenue when customers sign the receipts.

###### *Royalty income*

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

###### *Principal/agent*

When the Group obtains control of raw materials from a third party and then transfers it to the customer by providing a significant service of integrating the raw materials with other goods or services into a combined output, i.e., steel billets and steel products, the Group is entitled to determine the transaction price of the goods or services on its own, i.e., the Group controls steel billets and steel products before those are transferred to the customer. Thus, the Group is a principal and recognises revenue in the gross amount of consideration received or receivable. Otherwise, the Group 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### **III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **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 or services.

##### **25. Government grants**

Government grants are recognized, when all the conditions attached are fulfilled and they are highly probable to be received. 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 non-monetary asset, it is measured at fair value of the grants. 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 through other methods other than constructing. 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.

A government grant related to income is accounted for as follows: 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 or losses are recognized; 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 is 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 undistributed deferred income should be recognized in profit or loss of assets disposal immediately for the period.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 26. Income tax

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

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

Based on the differences between the carrying amount of an asset or liability on the balance sheet date and its tax base, and the differences between the carrying amounts of some items that have a tax base according to the taxation laws and regulations. but are not recognized as assets and liabilities and their tax base, the Group adopts the balance sheet liability method for the provision of deferred tax.

A deferred tax liability is recognized in respect of all taxable temporary differences except those arising from:

- (1) the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit, taxable profit nor deductible losses; and
- (2) as to temporary differences associated with investments in subsidiaries, joint ventures and associates: the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

As to deductible temporary differences, deductible losses that can be carried forward for future years and tax credits, the deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except:

- (1) is not a business combination, and at the time of the transaction, affects neither accounting profit, taxable profit nor deductible losses; and
- (2) as to deductible temporary differences associated with investments in subsidiaries, joint ventures and associates: a deferred tax asset is recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilized.

At the end of each reporting period, deferred tax assets and liabilities are measured, based on taxation laws and regulations, at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, taking into account the income tax effect of expected asset realization or liability settlement at the end of each reporting period.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### **III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **26. Income tax (Continued)**

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the related tax benefit to be utilized. At each balance sheet date, the Group reassesses the unrecognized deferred tax assets and recognizes deferred tax assets 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 reversed.

Deferred tax assets and liabilities should be offset and disclosed in net after offsetting if and only if: the entity has a legally enforceable right to set off current income tax assets and income tax liabilities on a net basis; and the deferred tax assets and liabilities concerned related to income taxes raised by the same authority on the same taxable entity, or different taxable entities which intend, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be recovered, to settle their current income tax assets and liabilities either on a net basis or obtain assets and pay off the debts simultaneously.

##### **27. Leases**

###### *Identification of lease*

At the commencement date, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys a right to control the use of one or more identified asset for a period of time in exchange for consideration. To assess whether a contract conveys a right to control the use of an identified asset for a period of time, the Group assess whether a control is conveyed where the customer has both 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 during the period of the use.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 27. Leases (Continued)

###### *Assessment of 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.

###### *As a lessee*

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

###### *Lease modification*

Lease modification is a change in the scope of a lease, or the consideration or term for a lease, that is not part of the original terms and conditions of the lease, including the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term specified in the contract.

If the lease modification occurs and meets both of the following conditions, the Group will take the lease modification as a separate lease for accounting treatment:

- (1) the lease modification expands the lease scope by increasing the right to use one or more leased assets;
- (2) the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone 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 redetermines the lease term and remeasures the lease liabilities by discounting the revised lease payments using a revised discount rate. In calculating the present value of the changed lease payment, the Group adopts the interest rate implicit in lease in the remaining lease term as the discount rate. If it is impossible to determine the interest rate implicit in lease in the remaining lease term, the Group will adopt its incremental borrowing rate at the effective date of the lease modification as the discount rate.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 27. Leases (Continued)

###### *As a lessee (Continued)*

###### *Lease modification (Continued)*

As for the impact of the above adjustment of lease liabilities, the Group carries out the accounting treatment according to the following circumstances:

- (1) if the lease scope is reduced or the lease term is shortened due to the lease modification, the Group shall reduce the book value of the right-to-use asset to reflect the partial or full termination of the lease, and include the relevant gains or losses from the partial termination or full termination of the lease into the current profits and losses;
- (2) the Group shall make a corresponding adjustment to the carrying value of the right-of-use asset for all other lease modifications.

###### 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 chooses not to recognize a right-of-use asset or lease liability of the short-term lease of machinery and motor vehicles. It will include into the costs of the related asset or current profit or loss on a straight-line basis during each period in the lease term.

###### *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 at the inception date, except that a lease is classified as an operating lease.

###### As lessor of an operating lease

Rent income under an operating lease is recognized on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred.

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 income for the new lease.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 27. Leases (Continued)

###### *Leaseback transactions*

The Group determines whether the transfer of assets in a leaseback transaction should be classified as sales in accordance with Note III. 23.

###### *As lessee*

If the transfer of assets in a leaseback transaction is classified as sales, the Group, as lessee, measures the right-of-use assets formed by the leaseback based on the portion of the original book value of the assets relating to the right-of-use acquired in the leaseback and recognises profit or loss only to the extent of the rights transferred to the lessor. If the transfer of assets in a leaseback transaction is not classified as sales, the Group, as lessee, continues to recognise the transferred assets and at the same time also recognises financial liabilities equivalent in amount to the transfer income. Such financial liabilities are accounted for in accordance with Note III. 9.

##### 28. Share repurchase

The consideration and transaction costs paid for the repurchase of the Company's equity instruments are deducted from shareholders' equity. The issuance (including refinancing), repurchase, sale or cancellation of the Company's equity instruments shall be treated as changes in equity.

##### 29. Safety reserve fund

The safety reserve fund extracted by the Group in accordance with the provisions shall be recognized as the cost of the related products or included in profit or loss for the period, while be recognized as special reserves. When using safety reserve fund, it shall be distinguished whether it will form PPE or not and shall be treated separately. The expenditure shall write down the special reserves; the capital expenditure shall be recognized as PPE when meet the expected conditions for use, and write down the special reserves while recognizing accumulated depreciation with the same amount.



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### **III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **30. Fair value measurement**

The Group measures held financial assets held for trading, receivables financing and other equity investments 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.

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 inputs – Quoted (unadjusted) market prices in active markets that are available at the measurement date for identical assets or liabilities; Level 2 inputs – Inputs other than Level 1 inputs that are either directly or indirectly observable for the assets or liabilities; Level 3 inputs – Inputs that are unobservable for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group reassesses them and determines whether transfers have occurred between levels in the hierarchy at each balance sheet date.

# Section X Financial Report

## Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

#### 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 balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

##### *Judgements*

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

##### *Business model*

The classification of financial assets on initial recognition is based on the Group's business model for managing the financial assets. When assessing the business model, the Group considers matters including how the performance of the financial assets is evaluated and reported to the key management personnel, the risks that affect the performance of the financial assets and the way those risks are managed, and how managers of the business are compensated. When evaluating whether the objective is to collect contractual cash flows, the Group needs to analyze and evaluate the reasons, time, frequency and value of sales before the maturity date of the financial assets.

##### *Characteristic of the contractual cash flow*

The classification of financial assets on initial recognition is based on the contractual cash flow characteristics of the financial assets. When assessing whether the contractual cash flows are solely payments of the principal and the interest based on the outstanding principal amount, including assessing the modification of the time value of money element, it needs to assess whether there is a significant difference when compared with the benchmark cash flow. For the financial assets including the prepayment feature, it needs to assess whether the fair value of the prepayment feature is insignificant.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 31. Significant accounting judgements and estimates (Continued)

###### *Estimation uncertainty*

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

###### *Impairment of financial instruments*

The Group uses ECLs model to conduct assessment on the impairment of financial instruments. The application of ECLs model requires significant judgement and estimation and takes into account all reasonable and reliable information, including forward looking information. When making such judgement and estimation, the Group predicts the expected changes in credit risk of the obligor based on its historical data of repayment together with factors such as economic policy, macroeconomic indicators and industry risk. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

##### 31. Significant accounting judgements and estimates (Continued)

###### *Estimation uncertainty (Continued)*

###### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the 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. 15.

###### *Deferred tax assets*

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

###### *Net realisable values of inventories*

At the balance sheet date, inventories are measured at the lower of cost and net realisable value and the provision for inventory write-down is made on the difference between the cost and the net realisable value. The net realisable 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 realisable 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### 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 output has been calculated by applying a rate of 13% to the taxable value for sales of steel products, and VAT payable is the difference of VAT output less deductible VAT input for the current period. 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, water pollutants	RMB3-3.5 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%

# Section X Financial Report

## Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

### 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 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 Resource Comprehensive Utilization Certificate [Comprehensive Certificate 2014 No. 016 in January 2014], according to the Notice on Implementation of the Enterprise Income Tax Preferential Catalog for Comprehensive Utilization of Resources (Cai Shui [2018] No. 47) (《關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》(財稅[2018]47號)) by the MOF and the State Administration of Taxation, when calculating taxable income, Chongqing Iron & Steel Energy used 90% of its total income for the year.

Chongqing Iron & Steel Energy uses waste heat from industrial production to generate electricity, and pursuant to the Notice of Adjusting and Improving the Policy about Value-added Tax on Products and Services of Comprehensive Utilization of Resources (Cai Shui [2011] No. 115) (《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》(財稅[2011]115號)) 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, from 1 April 2019 to 31 December 2021, enterprises engaged in the production and consumer services and with sales revenue from modern services accounting for more than 50% of their total income are eligible for an additional 10% deductible input tax reduction. According to the requirement of the Announcement on the Value-Added Tax Policy Concerning Relieving and Advancing Development of Difficult Fields in Service Industries (Notice [2022] No. 11 from the Ministry of Finance and the State Administration of Taxation) (《關於促進服務業領域困難行業紓困發展有關增值稅政策的公告》(財政部稅務總局公告2022年第11號)), the implementation period of the additional deduction policy of VAT for manufacturing and consumer service industries will be extended to 31 December 2022. As having qualified for the requirement mentioned above for its provision of modern services (logistics support services), Xingang Changlong is entitled to a 10% additional deductible input tax reduction for the current year.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

##### 1. Cash and bank balances

Items	30 June 2022	31 December 2021
Bank deposits	<b>2,572,810</b>	5,832,238
Other monetary assets	<b>307,673</b>	578,407
	<b>2,880,483</b>	6,410,645
Including: the total amount of restricted cash and bank balances due to mortgage, pledge or freeze.	<b>307,673</b>	578,407

As at 30 June 2022, the Group had restricted cash and bank balances for notes and letter of credit, details refer to Note V.52.

Interest income is generated from demand deposit determined by the interest rate for the demand deposit in banks and agreement deposit.

##### 2. Financial assets held for trading

	30 June 2022	31 December 2021
Financial assets at fair value through profit or loss		
Debt instrument investment	–	600,000
	–	600,000

As at 30 June 2022, the Group did not hold any debt instrument; as at 31 December 2021, the debt instrument investments held by the Group are non-principal-guaranteed trust products.



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### 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:

	<b>30 June 2022</b>	31 December 2021
Within 1 year	<b>60,885</b>	52,069
1 – 2 years	<b>1,979</b>	1,836
2 – 3 years	<b>1,046</b>	25
Above 3 years	<b>1,035</b>	1,018
	<b>64,945</b>	54,948
Less: Provision for bad debts for trade receivable	<b>1,063</b>	1,063
	<b>63,882</b>	53,885

The ageing analysis of trade receivable was based on the month actually incurred. The accounts receivable recognized firstly will be firstly settled when recovering capital.

	30 June 2022				31 December 2021			
	Book value		Impairment allowance		Book Value		Impairment allowance	
	Amount	Proportion (%)	Amount	Provision (%)	Amount	Provision (%)	Amount	Provision (%)
Provision for bad debts by group								
with credit risk characteristics	<b>64,945</b>	<b>100</b>	<b>1,063</b>	<b>2</b>	54,948	100	1,063	2

As at 30 June 2022 and 31 December 2021, the Company have no individually trade receivables to separate provision.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 3. Trade receivables (Continued)

The provision for bad debt on the trade receivable by group with credit risk characteristics are as follows:

	30 June 2022			31 December 2021		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 1 year	60,885	–	–	52,069	–	–
1–2 years	1,979	–	–	1,836	1	20
2–3 years	1,046	3	28	25	100	25
Over 3 years	1,035	100	1,035	1,018	100	1,018
	<b>64,945</b>		<b>1,063</b>	54,948		1,063

The movements in provision for bad debt on the trade receivable are as follows:

	Opening balance	Provision	Recovery or reversal	Write-off	Other increase	Closing balance
January–June 2022	1,063	–	–	–	–	1,063
2021	1,048	15	–	–	–	1,063

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 30 June 2022, the top five balances in respect of trade receivables aggregating RMB58,462,000 (As at 31 December 2021: RMB50,130,000), accounting for 90% (As at 31 December 2021: 91%) of the total of closing balance of trade receivables. There was no provision for bad debt for the period (As at 31 December 2021: Nil).

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 4. Receivables financing

	30 June 2022	31 December 2021
Notes receivable	<b>1,018,586</b>	1,536,724

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.

	30 June 2022	31 December 2021
Commercial acceptance bill	<b>200</b>	200
Bank acceptance bill	<b>1,018,386</b>	1,536,524
	<b>1,018,586</b>	1,536,724

Pledged notes receivable as follows:

	30 June 2022	31 December 2021
Bank acceptance bill	<b>278,410</b>	317,202

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 4. Receivables financing (Continued)

Please refer to Note V. 52. for restricted notes receivable at the period-end.

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

	30 June 2022		31 December 2021	
	Derecognition at the end of the period	Non- derecognition at the end of the period	Derecognition at the end of the period	Non- derecognition at the end of the period
Bank acceptance bill	<b>4,166,497</b>	–	3,025,542	–

As at 30 June 2022, none of the Notes receivable was transferred from notes by the Group due to the non-performance by issuer (31 December 2021: Nil).

##### 5. Prepayments

Ageing analysis of prepayments is as follows:

	30 June 2022		31 December 2021	
	Book value	Proportion (%)	Book value	Proportion (%)
Within 1 year	<b>923,198</b>	<b>97</b>	750,719	99
1-2 years	<b>28,208</b>	<b>3</b>	5,991	1
	<b>951,406</b>	<b>100</b>	756,710	100

As at 30 June 2022, the closing balances of the top five prepayments balances in aggregate to RMB421,921,000 (As at 31 December 2021: RMB436,821,000), representing 44% (As at 31 December 2021: 58%) of the total closing balances of prepayments.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 6. Other receivables

	<b>30 June 2022</b>	31 December 2021
Other receivables	<b>80,863</b>	52,279

An ageing analysis of other receivables is as follows:

	<b>30 June 2022</b>	31 December 2021
Within 1 year	<b>88,567</b>	70,670
1 – 2 years	<b>1,306</b>	1,866
2 – 3 years	<b>950</b>	–
Above 3 years	<b>2,288</b>	2,288
	<b>93,111</b>	74,824
Less: Provision for bad debts	<b>12,248</b>	22,545
	<b>80,863</b>	52,279

Other receivables presented by nature as follow:

	<b>30 June 2022</b>	31 December 2021
Immediate refund of VAT	<b>17,780</b>	–
Prepayments for trading	<b>60,314</b>	66,211
Guarantee deposits, staff advances, etc.	<b>6,896</b>	7,426
Others	<b>8,121</b>	1,187
	<b>93,111</b>	74,824

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 6. Other receivables (Continued)

Changes in book value and provision for bad debt provided based on the 12-month expected credit losses and lifetime expected credit losses on other receivables are as follows:

January-June 2022	Stage 1		Stage 2		Stage 3				Subtotal	
	12-month expected credit losses (group)		Lifetime expected credit losses (group)		Credit-impaired financial assets (Lifetime expected credit losses) credit losses (group)		Credit-impaired financial assets (Lifetime expected credit losses) credit losses (single)			
	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts
31 December 2021	50,843	-	1,866	430	2,288	2,288	19,827	19,827	74,824	22,545
Addition for the period	79,037	-	390	-	-	-	-	-	79,427	-
Derecognition	(50,843)	-	-	-	-	-	(10,297)	(10,297)	(61,140)	(10,297)
<b>30 June 2022</b>	<b>79,037</b>	<b>-</b>	<b>2,256</b>	<b>430</b>	<b>2,288</b>	<b>2,288</b>	<b>9,530</b>	<b>9,530</b>	<b>93,111</b>	<b>12,248</b>

2021	Stage 1		Stage 2		Stage 3				Subtotal	
	12-month expected credit losses (group)		Lifetime expected credit losses (group)		Credit-impaired financial assets (Lifetime expected credit losses) credit losses (group)		Credit-impaired financial assets (Lifetime expected credit losses) credit losses (single)			
	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts
31 December 2020	16,196	-	2,247	430	3,078	3,078	-	-	21,521	3,508
Addition for the period	50,844	-	-	-	-	-	19,827	19,827	70,671	19,827
Derecognition	(16,197)	-	(381)	-	(790)	(790)	-	-	(17,368)	(790)
<b>31 December 2021</b>	<b>50,843</b>	<b>-</b>	<b>1,866</b>	<b>430</b>	<b>2,288</b>	<b>2,288</b>	<b>19,827</b>	<b>19,827</b>	<b>74,824</b>	<b>22,545</b>



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 6. Other receivables (Continued)

The movements in provision for bad debt for other receivables are as follows:

	Opening balance	Provision	Reversal or transfer	Write-off	Closing balance
January-June 2022	<b>22,545</b>	–	–	<b>(10,297)</b>	<b>12,248</b>
2021	3,508	19,827	(790)	–	22,545

As at 30 June 2022, the five largest other receivables are as follows:

	Closing balance	Ratio in other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
The first	51,973	56	Transactional intercourse	Within 1 year	–
The second	17,780	19	Immediate refund of VAT	Within 1 year	–
The third	9,530	10	Transactional intercourse	Within 1 year	9,530
The fourth	3,773	4	Guarantee deposits	0 to above 3 years	2,192
The fifth	3,123	3	Staff advances	0 to above 3 years	526
	<b>86,179</b>	<b>92</b>			<b>12,248</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 6. Other receivables (Continued)

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

	Closing balance	Ratio in other receivables (%)	Nature	Aging	Closing balance of 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 above 3 years	526
The fourth	2,978	4	Staff advances	0 to above 3 years	2,192
The fifth	2,550	3	Transactional intercourse	Within 1 year	–
	71,417	94			22,545

##### 7. Inventories

	30 June 2022			31 December 2021		
	Book value	Provision for decline in value/impairment	Carrying amount	Book value	Provision for decline in value/impairment	Carrying amount
Raw materials	2,423,669	136,616	2,287,053	2,277,521	136,616	2,140,905
Work in progress	1,116,517	–	1,116,517	749,717	32,962	716,755
Finished goods	721,629	–	721,629	747,742	76,510	671,232
Low value consumables and maintenance and spare parts	347,731	51,449	296,282	362,755	51,449	311,306
	4,609,546	188,065	4,421,481	4,137,735	297,537	3,840,198

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 7. Inventories (Continued)

Provision for inventories:

January-June 2022	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	51,449	-	-	-	51,449
	<b>297,537</b>	<b>-</b>	<b>109,472</b>	<b>-</b>	<b>188,065</b>

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
	<b>284,476</b>	<b>109,472</b>	<b>96,411</b>	<b>-</b>	<b>297,537</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### 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:

	<b>Determination basis for provision for decline in value of inventories</b>	<b>Basis for determination of net realizable value</b>	<b>Reasons for the reversal or the written-off of provision for decline in value of inventories in the current period</b>
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	Relevant inventories produced and consumed
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	Relevant inventories sold
Low value consumables and maintenance and spare parts	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Nil

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 8. Other current assets

	<b>30 June 2022</b>	31 December 2021
Input VAT to be credited	<b>76,728</b>	8,003
Input VAT to be verified	–	92,218
Prepaid corporate income tax	<b>54,274</b>	–
	<b>131,002</b>	100,221

##### 9. Long-term equity investments

	30 June 2022			31 December 2021		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Joint ventures	–	–	–	–	–	–
Associate	<b>105,218</b>	–	<b>105,218</b>	58,160	–	58,160
	<b>105,218</b>	–	<b>105,218</b>	58,160	–	58,160

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 9. Long-term equity investments (Continued)

###### January-June 2022

Investees	Opening balance	Investments increased	Increase/(decrease)			Closing balance	impairment allowance at period-end
			Investment income recognised through equity method	cash dividends declared	Other changes		
<b>Joint venture</b>							
Chongqing Jianwei Intelligent Technology Co., Ltd ("Jianwei Intelligent") (Note 1)	-	-	-	-	-	-	-
<b>Associate</b>							
Chongqing Baocheng Carbon Material Co., Ltd. ("Baocheng Carbon") (Note 3)	14,039	-	1,953	(2,200)	-	13,792	-
Baowu Raw Material Supply Co., Ltd. ("Baowu Raw Material") (Note 3)	44,121	-	722	(2,323)	-	42,520	-
Baowu Environmental Science Chongqing Resource Recycling Co., Ltd. ("Baowu Environmental Resource") (Note 4)	-	14,700	6	-	-	14,706	-
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd ("Baowu Jingcheng") (Note 5)	-	34,200	-	-	-	34,200	-
	58,160	48,900	2,681	(4,523)	-	105,218	-



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 9. Long-term equity investment (Continued)

2021

Investees	Opening balance	Investments increased	Increase/(decrease)		Other changes	Closing balance	Impairment allowance at year-end
			Investment income recognised through equity method	Cash dividends declared			
<b>Joint venture</b>							
Chongqing Jianwei Intelligent Technology Co., Ltd. (重慶鑿微智能科技有限公司) ("Jianwei Intelligent") (Note 1)	-	-	-	-	-	-	-
<b>Associate</b>							
Xingang Changlong (Note 2)	28,258	-	-	-	(28,258)	-	-
Chongqing Baocheng Carbon Material Co. Ltd. (重慶寶丞炭材有限公司) ("Baocheng Carbon Material") (Note 3)	11,236	-	3,112	(309)	-	14,039	-
Baowu Raw Material Supply Co., Ltd.* (寶武原料供應有限公司) ("Baowu Raw Material") (Note 3)	40,000	-	5,021	(900)	-	44,121	-
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 Environmental Resources") (Note 4)	-	-	-	-	-	-	-
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. (寶武精成(舟山)礦業科技有限公司) ("Baowu Jingcheng") (Note 5)	-	-	-	-	-	-	-
	79,494	-	8,133	(1,209)	(28,258)	58,160	-

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 9. Long-term equity investment (Continued)

*Note 1:* The Company and Jianwei digital technology (Chongqing) Co., Ltd contributed RMB2,500,000 to establish Jianwei Intelligent. Up to 30 June 2022, the Company has not paid such contributions. According to the Article of Jianwei Intelligent, the Company possesses 50% equity voting right. As neither of the shareholders has completed its capital contribution since the establishment of Jianwei Intelligent on 12 December 2019, nor has it actually commenced operation, the Company intended to withdraw from its investment in Jianwei Intelligent to optimise its industrial structures. On 28 June 2022, the Company convened the fourteenth meeting of the ninth session of its board of directors at which the Resolution on Withdrawal from Investment in Jianwei Intelligent was considered and approved, and on 8 June 2022, Jianwei Intelligent completed its industrial and commercial cancellation.

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

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

*Note 4:* The second meeting of the ninth session of the Company's board of directors deliberated and approved the "Proposal on Establishment of a Joint Venture and Related Party Transaction with Baowu Group Environmental Resources Technology Co., Ltd." and agreed the Company and Baowu Group Environmental Resources 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 Resource, 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### 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 period*

30 June 2022 and 31 December 2021

	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

	30 June 2022	31 December 2021
Property, plant and equipment	<b>23,959,444</b>	21,887,753
Property, plant and equipment to be disposed of	<b>3,909</b>	3,909
	<b>23,963,353</b>	21,891,662

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 11. Property, plant and equipment (Continued)

###### January-June 2022

	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
<b>Cost</b>				
Opening balance	13,661,604	14,553,900	13,933	28,229,437
Purchase	–	7,491	2,705	10,196
Transfers from construction in progress	–	2,662,580	–	2,662,580
Transfers from long-term prepaid expenses	–	–	–	–
Business combinations not involving entities under common control	–	–	–	–
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	–	–	–	–
Closing balance	13,661,604	17,223,971	16,638	30,902,213
<b>Accumulated depreciation</b>				
Opening balance	2,934,547	3,401,580	5,557	6,341,684
Provided	158,763	441,709	613	601,085
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	–	–	–	–
Closing balance	3,093,310	3,843,289	6,170	6,942,769
<b>Provision for impairment</b>				
Opening balance	–	–	–	–
Provided	–	–	–	–
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	–	–	–	–
Opening balance and closing balance	–	–	–	–
<b>Carrying amount</b>				
At the end of the year	10,568,294	13,380,682	10,468	23,959,444
At the beginning of the year	10,727,057	11,152,320	8,376	21,887,753

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### 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
<b>Cost</b>				
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	(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
<b>Accumulated depreciation</b>				
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)
Closing balance	2,934,547	3,401,580	5,557	6,341,684
<b>Provision for impairment</b>				
Opening balance	–	–	–	–
Provided	9,312	249,772	30	259,114
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	(9,312)	(249,772)	(30)	(259,114)
Closing balance	–	–	–	–
<b>Carrying amount</b>				
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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### 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:

	30 June 2022	31 December 2021
Plants and buildings	<b>7,018</b>	7,113

On 30 June 2022, PPE without certificates of ownership are as follows:

	Carrying amount	Reason for lacking certificates of ownership
Workshop in Changshou district	970,613	Application materials in the process of preparation

For details of PPE with ownership restricted at the end of the period, please refer to Note V.52.

##### *Property, plant and equipment to be disposed of*

	30 June 2022	31 December 2021
Machineries and other equipment	<b>3,909</b>	3,909



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 12. Construction in progress

	30 June 2022			31 December 2021		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Reconstruction from section steel into double high rods	20,136	-	20,136	134,946	-	134,946
Upgrading of rolling mill	43,008	-	43,008	1,191,223	-	1,191,223
Upgrading and transformation project of raw material terminal equipment for logistics transportation	122,518	-	122,518	78,890	-	78,890
Sintering machine upgrade and transformation and waste heat power generation project	69,188	-	69,188	262,281	-	262,281
Upgrading of blast furnace process	5,906	-	5,906	72,566	-	72,566
Improvement of continuous caster	373,334	-	373,334	349,376	-	349,376
High efficiency utilization of surplus gas and steam cascade utilization project	859,121	-	859,121	705,747	-	705,747
Upgrading of blast furnace blast system	7,160	-	7,160	91,193	-	91,193
No 2&3 Sintering flue gas desulfurization upgrading project	1	-	1	130,388	-	130,388
Upgrading and reconstruction of information system	8,739	-	8,739	8,137	-	8,137
No 1 Sintering flue gas desulfurization upgrading project	90,770	-	90,770	50,962	-	50,962
Upgrading of wastewater treatment system and environmental protection	19,629	-	19,629	19,542	-	19,542
Upgrading of coking process	11,600	-	11,600	20,426	-	20,426
Upgrading of the safety and efficiency of the first series' smelting area in steelmaking plant	197,872	-	197,872	181,762	-	181,762
Upgrading of hot rolling thin coil production line in rolling mill	115,496	-	115,496	29,474	-	29,474
Construction of 1#-6# coke oven flue gas desulfurization and denigration system	153,919	-	153,919	108,598	-	108,598
Water supply and drainage network renovation project	26,151	-	26,151	25,374	-	25,374
Waste water treatment and utilization project	129,159	-	129,159	81,900	-	81,900
Upgrading of wharves and berths	12,543	-	12,543	39,040	-	39,040
Others	566,934	-	566,934	592,544	-	592,544
	<b>2,833,184</b>	<b>-</b>	<b>2,833,184</b>	<b>4,174,369</b>	<b>-</b>	<b>4,174,369</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 12. Construction in progress (Continued)

Changes in significant projects for January-June 2022:

Name of project	Budget	Opening balance	Current period 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	134,946	28,777	(143,587)	-	-	20,136	80%	Self-owned funds
Upgrading of rolling mill	1,825,740	1,191,223	77,243	(1,225,458)	-	-	43,008	99%	Self-owned funds
Upgrading and transformation project of raw material terminal equipment for logistics transportation	707,007	78,890	48,892	(5,264)	-	-	122,518	40%	Self-owned funds
Sintering machine upgrade and transformation and waste heat power generation project	324,890	262,281	31,800	(224,893)	-	-	69,188	94%	Self-owned funds
Upgrading of blast furnace process	775,785	72,566	11,098	(77,758)	-	-	5,906	73%	Self-owned funds
Improvement of continuous caster	773,340	349,376	147,099	(123,141)	-	-	373,334	83%	Self-owned funds
High efficiency utilization of surplus gas and steam cascade utilization project	1,261,000	705,747	163,707	(10,333)	-	-	859,121	65%	Self-owned funds
Upgrading of blast furnace blast system	151,660	91,193	12,383	(96,416)	-	-	7,160	93%	Self-owned funds
No. 2&3 Sintering flue gas desulfurization upgrading project	200,000	130,388	55,048	(185,436)	-	-	0	93%	Self-owned funds
Upgrading and reconstruction of information system	213,476	8,137	22,522	(21,279)	-	(641)	8,739	95%	Self-owned funds
No. 1 Sintering flue gas desulfurization upgrading project	180,000	50,962	39,808	-	-	-	90,770	50%	Self-owned funds

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 12. Construction in progress (Continued)

Changes in significant projects for January-June 2022: (Continued)

Name of project	Budget	Opening balance	Current period additions	Transferred to PPE	Transferred to long-term prepaid expenses	Other changes	Closing balance	Invest proportion of budget	Source of funds
Upgrading of wastewater treatment system and environmental protection	167,950	19,542	9,982	(9,895)	-		19,629	66%	Self-owned funds
Upgrading of coking process	80,415	20,426	13	(8,839)	-		11,600	68%	Self-owned funds
Upgrading of the safety and efficiency of the first series' smelting area in steelmaking plant	254,748	181,762	16,110	-	-		197,872	77%	Self-owned funds
Upgrading of hot rolling thin coil production line in rolling mill	399,350	29,474	86,022	-	-		115,496	29%	Self-owned funds
Construction of 1#-6# coke oven flue gas desulfurization and denigration system	165,000	108,598	45,321	-	-		153,919	93%	Self-owned funds
Water supply and drainage network renovation project	62,907	25,374	31,012	(30,235)	-		26,151	91%	Self-owned funds
Waste water treatment and utilization project	227,013	81,900	47,259		-		129,159	57%	Self-owned funds
Upgrading of wharves and berths	234,836	39,040	26,923	(53,420)	-		12,543	27%	Self-owned funds
Others	3,838,066	592,544	422,731	(446,626)	-	(1,714)	566,935	47%	Self-owned funds
		4,174,369	1,323,750	(2,662,580)	-	(2,355)	2,833,184		

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### 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 period additions	Transferred to PPE	Transferred to long-term prepaid expenses	Other decrease	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 <sup>3</sup> /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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### 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 period additions	Transferred to PPE	Transferred to long-term prepaid expenses	Other decrease	Closing balance	Invest proportion of budget	Source of funds
Transformation of pellet desulfurization and denitrification	100,000	3,778	-	-	-	(3,778)	-	-	Self-owned 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 steel making 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		

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 13. Right-of-use assets

###### January-June 2022

	Plants and buildings	Machineries and other equipment	Total
<b>Cost</b>			
Opening balance	16,483	653,011	669,494
Additions	–	–	–
Closing balance	16,483	653,011	669,494
<b>Accumulated depreciation</b>			
Opening balance	3,722	147,454	151,176
Provided	1,595	63,195	64,790
Closing balance	5,317	210,649	215,966
<b>Provision for impairment</b>			
Opening and closing balance	–	–	–
<b>Carrying amount</b>			
At the end of the period	11,166	442,362	453,528
At the beginning of the period	12,761	505,557	518,318

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 13. Right-of-use assets (Continued)

2021

	Plants and buildings	Machineries and other equipment	Total
<b>Cost</b>			
Opening balance	16,483	4,100,325	4,116,808
Additions	–	3,447,314	3,447,314
Closing balance	16,483	653,011	669,494
<b>Accumulated depreciation</b>			
Opening balance	532	21,065	21,597
Increase for the year Provided	3,190	270,391	273,581
Decrease for the year Transferred to PPE	–	144,002	144,002
Closing balance	3,722	147,454	151,176
<b>Provision for impairment</b>			
Opening balance and closing balance	–	–	–
<b>Carrying amount</b>			
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

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.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 14. Intangible assets

###### January-June 2022

	Land use rights	Patent and non-patent technology	Software	Total
<b>Original value</b>				
Opening balance	2,981,413	16,500	–	2,997,913
Business combinations not involving entities under common control				
Purchases	46,751	–	2,355	49,106
Closing balance	3,028,164	16,500	2,355	3,047,019
<b>Accumulated amortization</b>				
Opening balance	606,190	6,841	–	613,031
Provided	32,619	2,414	19	35,052
Closing balance	638,809	9,255	19	648,083
<b>Provision for impairment</b>				
Opening and closing balance	–	–	–	–
<b>Carrying amount</b>				
At end of the year	2,389,355	7,245	2,336	2,398,936
At beginning of the year	2,375,223	9,659	–	2,384,882

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 14. Intangible assets (Continued)

2021

	Land use rights	Patent and non-patent technology	Total
<b>Original value</b>			
Opening balance	2,921,830	16,500	2,938,330
Business combinations not involving entities under common control	19,091	–	19,091
Acquisition	40,492	–	40,492
Closing balance	2,981,413	16,500	2,997,913
<b>Accumulated amortization</b>			
Opening balance	541,725	2,012	543,737
Provided	64,465	4,829	69,294
Closing balance	606,190	6,841	613,031
<b>Provision for impairment</b>			
Opening and closing balance	–	–	–
<b>Carrying amount</b>			
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

As at 30 June 2022, there was no land use right for which the Group had not obtained title certificates (31 December 2021: Nil). For details of land use rights with ownership restricted at the end of the period, please refer to Note V.52.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 15. Goodwill

###### January to June 2022

	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	–	–	–	–
<b>Total</b>	<b>328,055</b>	<b>–</b>	<b>–</b>	<b>328,055</b>

###### 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	–	–	–	–
<b>Total</b>	<b>295,407</b>	<b>32,648</b>	<b>–</b>	<b>328,055</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 15. Goodwill (Continued)

###### (a) Impairment

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

	30 June 2022	31 December 2021
Electric power processing group	295,407	295,407
Terminal asset group	32,648	32,648
	<b>328,055</b>	328,055

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

###### *Electric power processing group*

The goodwill of the electric power processing group is formed when purchasing Chongqing Iron & Steel Energy. The original book value was RMB295,407,000 on 30 June 2022. The recoverable amount is determined by the present value of the estimated future cash flow and the cash flow forecast based on the five-year financial budget approved by the management. The cash flow over the five-year period is calculated using the estimated growth rate described below.

###### *Terminal asset group*

The goodwill of the terminal asset group is formed when purchasing Xingang Changlong. The original book value was RMB32,648,000 on 30 June 2022. The recoverable amount is determined by the present value of the estimated future cash flow and the cash flow forecast based on the five-year financial budget approved by the management. The cash flow over the five-year period is calculated using the estimated growth rate described below.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 16. Long-term prepaid expenses

###### January to June 2022

	Opening balance	Increase	Amortization	Other decrease	Closing balance
Leasehold improvement	271	–	(17)	–	254

###### 2021

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

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 to these financial statements.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### 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:

	30 June 2022		31 December 2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible losses	48,920	7,338	140,507	21,076
Provision for assets impairment	380,814	57,122	536,473	80,471
Post-employment and termination benefits	160,132	24,020	192,967	28,945
Deferred income	60,817	9,122	56,903	8,535
ECLs	13,311	1,997	23,608	3,541
	<b>663,994</b>	<b>99,599</b>	950,458	142,568

	30 June 2022		31 December 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustments arising from business combinations not involving entities under common control	43,553	6,533	45,187	6,778
	<b>43,553</b>	<b>6,533</b>	45,187	6,778

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 17. Deferred tax assets/liabilities (Continued)

Particulars of deductible temporary differences and deductible losses of deferred tax assets unrecognized are presented as follows:

	30 June 2022	31 December 2021
Deductible losses		
Deductible temporary differences	<b>369,168</b>	359,504
	<b>369,168</b>	359,504

##### 18. Other non-current assets

	30 June 2022	31 December 2021
Prepaid for construction	<b>78,282</b>	67,235
Leasing risk fund	<b>40,646</b>	39,720
Prepaid for land-transferring fees	<b>2,520</b>	35,054
	<b>121,448</b>	142,009



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 19. Short-term borrowings

	30 June 2022	31 December 2021
Guarantee and mortgage loan	–	850,803
Credit loan	<b>1,235,643</b>	1,778,931
	<b>1,235,643</b>	2,629,734

As of 30 June 2022, the Group's short-term borrowings were credit types. On 31 December 2021, the Group mortgaged land use rights with net carrying amount of RMB783,824,000 and buildings with net carrying amount of RMB797,066,000 to obtain mortgage loans of RMB850,000,000 from the bank.

As of 30 June 2022, the annual interest rate for the above borrowings was 2.30%-3.60% (31 December 2021: 3.30%-3.83%).

As at 30 June 2022, none of the short-term borrowings overdue (31 December 2021: Nil).

##### 20. Notes payable

	30 June 2022	31 December 2021
Bank acceptance notes	<b>324,413</b>	1,261,138

As at 30 June 2022 and 31 December 2021, the age of notes payable of the Group was all within 6 months and none of the notes payable overdue. As at 30 June 2022, the Group's notes payable was issued with a pledge of notes receivable of RMB278,410,000 (2021: RMB317,202,000, a pledge of notes receivable).

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### 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.

	30 June 2022	31 December 2021
Within 1 year	<b>3,992,374</b>	4,541,426
1-2 years	<b>2,607</b>	18,801
2-3 years	<b>3,105</b>	4,869
Over 3 years	<b>6,752</b>	2,889
	<b>4,004,838</b>	4,567,985

As at 30 June 2022, trade payable aged over 1 year amounted to RMB12,464,000 (31 December, 2021: RMB26,559,000), mainly due to payment for goods, and these amounts are still in the process of settlement.

##### 22. Contract liabilities

	30 June 2022	31 December 2021
Contract for goods	<b>2,979,444</b>	2,185,095

As at 30 June 2022, VAT of advances of RMB387,328,000 were disclosed as other current liabilities (31 December 2021: RMB284,736,000).

Section X Financial Report  
Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

**23. Employee benefits payable**

January to June 2022

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	64,827	684,186	694,373	54,640
Post-employment benefits – defined contribution plans	27	68,094	68,094	27
Termination benefits and defined benefit plans	47,990	29,233	29,233	47,990
	<b>112,844</b>	<b>781,513</b>	<b>791,700</b>	<b>102,657</b>

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 and defined benefit plans	53,100	51,350	56,460	47,990
	283,969	1,314,494	1,485,619	112,844

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 23. Employee benefits payable (Continued)

Details of short-term employee benefits:

January to June 2022	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	19,937	497,440	515,438	1,939
Staff welfare	4	20,869	20,873	–
Social security contributions	–	47,197	47,197	–
Including: Medical insurance	–	40,730	40,730	–
Work injury insurance	–	6,467	6,467	–
Maternity insurance premium	–	–	–	–
Housing fund	–	43,358	43,358	–
Labor union funds and employee education funds	44,771	18,921	11,411	52,281
Other short-term remuneration	115	56,401	56,096	420
	<b>64,827</b>	<b>684,186</b>	<b>694,373</b>	<b>54,640</b>

  

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	–
Other short-term remuneration	–	1,531	1,416	115
	<b>230,842</b>	<b>1,144,215</b>	<b>1,310,230</b>	<b>64,827</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### 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 the expiration of 2020 employee share ownership plan, there is no new employee share ownership plan in the first half of 2022 and 2021.

Details of defined contribution plans:

January to June 2022	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	66,032	66,032	27
Unemployment insurance	-	2,062	2,062	-
	<b>27</b>	<b>68,094</b>	<b>68,094</b>	<b>27</b>

2021	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	115,320	115,320	27
Unemployment insurance	-	3,609	3,609	-
	<b>27</b>	<b>118,929</b>	<b>118,929</b>	<b>27</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 24. Taxes payable

Items	30 June 2022	31 December 2021
Value-added tax (VAT)	<b>8,140</b>	924
Environmental protection tax	<b>11,664</b>	10,500
Stamp duty	<b>5,223</b>	5,024
Corporate income tax	<b>44</b>	–
Others	<b>1,098</b>	296
	<b>26,169</b>	16,744

##### 25. Other payables

	30 June 2022	31 December 2021
Other payables	<b>2,077,506</b>	2,770,510

	30 June 2022	31 December 2021
Amount due to acquisition of leased assets	–	1,339,362
Project payment payable	<b>1,459,262</b>	888,498
Rural network loan repayment	<b>184,894</b>	158,338
Guarantee deposits	<b>134,163</b>	152,613
Carbon emission	<b>123,966</b>	129,610
Large and medium-sized reservoir resettlement support fund	<b>60,308</b>	51,378
Collected amount for another in disposal of leased assets	<b>37,392</b>	37,392
Reserve funds for the reorganization	<b>400</b>	400
Others	<b>22,268</b>	12,919
	<b>2,022,653</b>	2,770,510

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 26. Non-current liabilities due within one year

	30 June 2022	31 December 2021
Long-term borrowings due within 1 year ( <i>Note V.27</i> )	<b>843,085</b>	179,390
Bonds payable due within 1 year ( <i>Note V.28</i> )	<b>498,984</b>	537,957
Long-term payables due within 1 year ( <i>Note V.30</i> )	<b>627,570</b>	741,391
Lease liabilities due within 1 year ( <i>Note V.29</i> )	<b>126,805</b>	123,897
	<b>2,096,444</b>	1,582,635

##### 27. Long-term borrowings

	30 June 2022	31 December 2021
Credit loan	<b>785,656</b>	800,749
Pledge loan	<b>435,447</b>	450,581
Mortgage and guaranteed loan	<b>844,982</b>	720,860
Less: Long-term borrowings due within 1 year ( <i>Note V.26</i> )	<b>843,085</b>	179,390
Closing balance	<b>1,223,000</b>	1,792,800

As at 30 June 2022, the annual interest rate of the above long-term borrowings was 2.75%-4.65% (31 December 2021: 3.60%-4.65%).

As at 30 June 2022, none of the long-term borrowings overdue (31 December 2021: Nil).

As at 30 June 2022, the Group pledged 100% equity interest in Chongqing Iron & Steel Energy to obtain pledged loans of RMB435,000,000 from the bank (31 December 2021: RMB450,000,000). The Group mortgaged buildings, land use right and machineries with net amount of RMB91,218,000, RMB293,184,000 and RMB3,281,000,000, respectively, to obtain mortgage loans from the bank. As at 30 June 2022, the balance of loans amounted RMB684,000,000 (31 December 2021: RMB720,860,000).



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 27. Long-term borrowings (Continued)

Analysis on due date of long-term borrowings is as follows:

	30 June 2022	31 December 2021
Spot or within 1 year	843,085	179,390
1-2 years	442,870	737,800
2-5 years	780,130	1,055,000
	<b>2,066,085</b>	1,972,190

##### 28. Bonds payable

	30 June 2022	31 December 2021
Medium-term bonds	498,984	1,036,391
Less: Bonds payable due within 1 year (Note V.26)	498,984	537,957
Closing balance	—	498,434

As of 30 June 2022, 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
Medium-term bonds (20 Chongqing Iron & Steel MTN001B)	0.1	2020/3/19	3 years	500,000	498,434	—	702	(152)	(498,984)	—
Total				500,000	498,434	—	702	(152)	(498,984)	—

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### 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
Medium-term bonds										
(20 Chongqing Iron & Steel MTN001A)	0.1	2020/3/19	3 years	500,000	498,131	-	18,242	1,415	(517,788)	-
Medium-term bonds										
(20 Chongqing Iron & Steel MTN001B)	0.1	2020/3/19	3 years	500,000	497,019	-	20,169	1,415	(20,169)	498,434
<b>Total</b>				<b>1,000,000</b>	<b>995,150</b>	<b>-</b>	<b>38,411</b>	<b>2,830</b>	<b>(537,957)</b>	<b>498,434</b>

Analysis on due date of bonds payable is as follows:

	<b>30 June 2022</b>	31 December 2021
Within 1 year	<b>498,984</b>	537,957
2-3 years	-	498,434
	<b>498,984</b>	1,036,391

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 of 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%.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 29. Lease liabilities

	30 June 2022	31 December 2021
Opening balance	532,032	4,097,624
Increase	–	–
Interest	11,779	126,679
Payment	73,009	262,872
Partial transfer-out from leasing asset purchasing	–	3,429,399
	470,802	532,032
Less: Lease liabilities due within 1 year (Note V.26)	126,805	123,897
Closing amount	343,997	408,135

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 to these financial statements.

##### 30. Long-term payables

	30 June 2022	31 December 2021
Long-term payables	2,657,362	3,042,690
Less: Long-term payables due within 1 year (Note V.26)	627,570	741,391
Closing balance	2,029,792	2,301,299

##### *Long-term payables*

	30 June 2022	31 December 2021
Leaseback	2,029,792	2,301,299

As at 30 June 2022, the annual interest rate of the above long-term payables was 2.75%-4.65% (31 December 2021: 4.00%-5.46%).

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 30. Long-term payables (Continued)

###### *Long-term payables (Continued)*

As at 30 June 2022, none of the long-term payables overdue (31 December 2021: Nil).

As at 30 June 2022, the Group and the leasing company carried out the leaseback business and financed RMB3,900,000,000. The Group used machinery and equipment with a book value of RMB3,899,189,000 as the subject matter and the lease term is 3-5 years. As of 30 June 2022, the balance of leaseback payables is RMB2,657,362,000 (31 December 2021: 3,042,690,000).

Analysis on due date of long-term payables as follows:

	<b>30 June 2022</b>	31 December 2021
Spot or within 1 year	<b>627,570</b>	741,391
1-2 years	<b>679,792</b>	570,622
2-5 years	<b>1,350,000</b>	1,730,677
<b>Total</b>	<b>2,657,362</b>	3,042,690

##### 31. Long-term employee benefits payable

	<b>30 June 2022</b>	31 December 2021
Long-term termination benefits	<b>110,191</b>	97,816
Net liabilities of the defined benefit plan	<b>6,358</b>	47,161
<b>Total</b>	<b>116,549</b>	144,977

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 31. Long-term employee benefits payable (Continued)

###### *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, housing provident funds and enterprise annuity 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, housing provident fund and enterprise annuity 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, housing provident funds and enterprise annuity 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.

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

	30 June 2022	31 December 2021
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 30 June 2022. As of 30 June 2022, the liabilities expected to be paid within 12 months are classified to the short-term employee compensation payable.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 31. Long-term employee benefits payable (Continued)

###### *Net liabilities of the defined benefit plan*

The Group started to operate a defined benefit plan without capital injection for all qualified employees in retired 1 January 2022. 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 principal actuarial assumptions used as at the balance sheet date are as follows:

	<b>30 June 2022</b>	31 December 2021
Discount rate	<b>3.30%</b>	3.30%
Turnover rate	<b>1.50%</b>	1.50%

The Group adjusted the payment obligations based on the average mortality rate of Chinese residents determined by the “China Life Insurance Industry Experience Life Table (2010-2013)”, and included the future payment obligation generated by the adjusted internal retirement plan into the current profit and loss after being discounted at the interest rate of national debt for the same period as of 30 June 2022.

##### 32. Deferred income

<b>Government grants</b>	Opening balance	<b>Increase</b>	<b>Decrease</b>	<b>Closing balance</b>
January to June 2022	56,903	5,099	1,185	<b>60,817</b>
2021	35,902	23,370	2,369	<b>56,903</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 32. Deferred income (Continued)

As at 30 June 2022, the details of liabilities relating to government grants are as follows :

	Opening balance	Increase	Recognition during the period as other income	Closing balance	Related to assets/ income
Grants for construction of environmental protection equipment and facilities	28,965	5,099	(60)	34,004	Related to assets
Grants for recycle heat power station	27,938	–	(1,125)	26,813	Related to assets
	<b>56,903</b>	<b>5,099</b>	<b>(1,185)</b>	<b>60,817</b>	

As at 31 December 2021, the details of liabilities relating to government grants are as follows:

	Opening balance	Increase	Recognition during the period 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
	<b>35,902</b>	<b>23,370</b>	<b>(2,369)</b>	<b>56,903</b>	

For details of government grants credited to the current profit or loss or offset against the related cost in the current period, please refer to Note V.44 to these financial statements for a description of government grants in other income.



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 33. Share capital

January to June 2022	Increase/(decrease) during the current period					Sub-total	Closing balance
	Opening balance	New shares issued	Bonus shares	Reserve transferred to shares	Others		
Restricted shares	-	-	-	-	-	-	-
A shares	-	-	-	-	-	-	-
Non-restricted shares	<b>8,918,602</b>	-	-	-	-	-	<b>8,918,602</b>
A shares	<b>8,380,475</b>	-	-	-	-	-	<b>8,380,475</b>
H shares	<b>538,127</b>	-	-	-	-	-	<b>538,127</b>
	<b>8,918,602</b>	-	-	-	-	-	<b>8,918,602</b>

2021	Increase/(decrease) during the current year					Sub-total	Closing balance
	Opening 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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 33. 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.

##### 34. Capital reserve

January to June 2022	Opening balance	Increase	Decrease	Closing balance
Share premium	<b>18,454,409</b>	–	–	<b>18,454,409</b>
Other capital reserves	<b>827,738</b>	–	–	<b>827,738</b>
	<b>19,282,147</b>	–	–	<b>19,282,147</b>

  

2021	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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 35. Special reserve

Safety fund	Opening balance	Increase	Decrease	Closing balance
January to June 2022	18,593	18,941	14,565	<b>22,969</b>
2021	22,184	30,460	34,051	<b>18,593</b>

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.

##### 36. Surplus reserve

For January to June 2022 and the year of 2021

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	606,991	–	–	<b>606,991</b>

In accordance with Articles of Association, 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.

##### 37. Unappropriate profit

	30 June 2022	31 December 2021
Opening balance	<b>(6,451,124)</b>	(8,725,517)
Add: Net profit attributable to the shareholders of the parent	<b>516,416</b>	2,274,393
Closing balance	<b>(5,934,708)</b>	(6,451,124)

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 38. Revenue and cost

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	<b>17,820,895</b>	<b>16,605,455</b>	22,410,284	18,896,675
Revenue from other operations	<b>195,281</b>	<b>179,250</b>	259,655	288,382
	<b>18,016,176</b>	<b>16,784,705</b>	22,669,939	19,185,057

Details of revenue as follows:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Revenue from contracts with customers	<b>18,016,015</b>	22,669,824
Rentals	<b>161</b>	115
	<b>18,016,176</b>	22,669,939

Disaggregation of revenue from contracts with customers are as follows:

January to June 2022

Main Product	Sale of steel products and Billets	Others	Total
Hot rolling	9,346,746	–	9,346,746
Wide and thick plate	5,296,166	–	5,296,166
Medium plate	700,594	–	700,594
Bars	128,262	–	128,262
Double high rods	1,113,210	–	1,113,210
Wire rods	347,681	–	347,681
Commodity billet	3,994	–	3,994
Others	–	1,079,362	1,079,362
	16,936,653	1,079,362	18,016,015

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 38. Revenue and cost (Continued)

January to June 2021

Main Product	Sale of steel products and		Total
	Billets	Others	
Hot rolling	11,050,037	–	11,050,037
Wide and thick plate	5,112,310	–	5,112,310
Medium plate	1,000,390	–	1,000,390
Bars	134	–	134
Commodity billet	4,493,015	–	4,493,015
Others	–	1,013,938	1,013,938
	21,655,886	1,013,938	22,669,824

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

The details of revenue recognized in the opening carrying amount of contract obligation for the period:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Contract for goods	<b>2,185,095</b>	2,554,165

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 period end is expected to be recognised as revenue is as follows:

	30 June 2022	31 December 2021
Due within 1 year	<b>2,979,444</b>	2,185,095

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 39. Taxes and surcharges

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Environmental protection tax	22,349	21,863
Land use right tax	21,997	21,288
Housing property tax	17,136	16,875
Stamp duty	9,750	14,757
City maintenance and construction tax	2,253	1,831
Education surcharge	966	785
Local education surcharge	644	523
Others	16	10
	<b>75,111</b>	<b>77,932</b>

##### 40. Distribution and selling expenses

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Transportation expenses	9,583	20,089
Labor costs	20,309	18,563
Depreciation and amortization	1,084	195
Others	7,945	4,152
	<b>38,921</b>	<b>42,999</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 41. General and administrative expenses

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Labor costs	<b>58,985</b>	69,428
Depreciation and amortization	<b>48,978</b>	50,781
Loss on suspension of production	<b>8,404</b>	65,658
Consulting fee	<b>8,928</b>	9,335
Safety expense	<b>3,495</b>	7,236
Environmental protection cost	<b>39</b>	11,211
Repair cost	<b>8,564</b>	2,899
Others	<b>28,971</b>	29,161
	<b>166,364</b>	245,709

##### 42. Research and development expenses

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Fuel cost	<b>26,929</b>	–
Maintenance expenses	<b>14,064</b>	–
Inspection costs	<b>1,225</b>	–
Power fees	<b>38,621</b>	22,034
Labor costs	<b>12,322</b>	47,400
Depreciation and amortization	<b>11,671</b>	6,157
	<b>104,832</b>	75,591



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 43. Finance expense

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Interest expense	157,545	249,514
Less: Interest income	39,581	47,270
Net exchange loss	100,884	(6,514)
Others	12,257	11,867
	<b>231,105</b>	207,597

##### 44. Other income

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Government grants related to the ordinary course of business	29,472	28,149

Government grants related to the ordinary courses of business are as follows:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Relate to assets or income
Grants for recycle heat power project	1,125	1,125	Relate to assets
Others	60	60	Relate to assets
Position stability subsidies	154	–	Relate to income
Subsidies for product R&D	–	669	Relate to income
Tax refund	26,208	24,223	Relate to income
Industrial internet subsidy start-up fund	–	1,500	Relate to income
Others	1,925	572	Relate to income
	<b>29,472</b>	28,149	

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 45. Investment income

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Long-term equity investment income under the equity method	<b>2,681</b>	310
Investment income from financial assets held for trading	<b>24,084</b>	–
	<b>26,765</b>	310

##### 46. Non-operating income

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021	Amount included in non-recurring profit or loss
Others	<b>751</b>	966	751
	<b>751</b>	966	751

##### 47. Non-operating expense

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021	Amount included in non-recurring profit or loss
Carbon emission fees	<b>36,095</b>	167,270	36,095
Expenses from disposal of non-current assets	<b>7</b>	–	7
Expenses from fines	–	30	–
Donation expenses	<b>160</b>	142	160
Others	<b>26</b>	114	26
	<b>36,288</b>	167,556	36,288

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 48. Income tax expense

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Current income tax	76,699	–
Deferred tax	42,723	(118)
	<b>119,422</b>	<b>(118)</b>

Income tax expense reconciliation from profit before tax is as follows:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Profit before tax	635,838	2,696,923
Tax rate	15%	15%
Income tax expenses calculated at the applicable tax rate	95,376	404,538
Effect of different tax rate for subsidiary	(5,837)	(3,548)
Expenses not deductible for tax purposes	24,783	1,254
Adjustment of income tax in the prior year	624	–
Utilization of deductible losses and deductible temporary differences from prior years	–	(407,965)
Recognized unrecognized deductible losses and deductible temporary differences from prior years	–	–
Effect of unrecognized deductible temporary differences	4,476	5,603
Income tax expenses	<b>119,422</b>	<b>(118)</b>

All the Group's profit for the period is from Mainland China.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 49. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the current period 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.

	For the six months ended 30 June 2022 <i>RMB per share</i>	For the six months ended 30 June 2021 <i>RMB per share</i>
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Basic earnings per share		
Continuing operations	<b>0.06</b>	0.30

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
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Earnings		
Net profit for the current period attributable to ordinary shareholders of the Company		
Continuing operations ( <i>RMB</i> )	<b>516,416,000</b>	2,697,041,000

Number of shares		
Weighted average number of ordinary shares outstanding ( <i>Note</i> )	<b>8,918,602,267</b>	8,881,940,267

*Note:* There were no issues incurring the changes in the number of ordinary shares or potential ordinary shares outstanding of the Company. The weighted average number of ordinary shares outstanding during the period was 8,918,602,267 shares, which was used to calculate the current earnings per share.

No change occurred in the period 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 50. Notes to items of the consolidated cash flow statement

*Other cash received relating to operating activities*

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Interest income	<b>39,581</b>	47,270
Guarantees and deposit	<b>1,718</b>	17,799
Others	<b>21,985</b>	8,609
	<b>63,284</b>	73,678

*Other cash paid relating to operating activities*

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
General and administrative expenses	<b>23,059</b>	65,708
Distribution and selling expenses	<b>24,545</b>	28,566
Others	<b>16,288</b>	25,227
	<b>63,892</b>	119,501

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

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

*Other cash received relating to financing activities*

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Receipt of non-trading transfer payment for treasury shares	–	65,992
Others	<b>20</b>	–
	<b>20</b>	65,992

*Other cash received relating to financing activities*

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Repayment of operating ordinary obligations from the reorganization	–	574
Payment of leaseback	<b>390,845</b>	198,798
Others	–	80,010
	<b>390,845</b>	279,382

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 51. 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:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Net profit	<b>516,416</b>	2,697,041
Add: Depreciation of PPE	<b>601,085</b>	367,276
Depreciation of right-of-use assets	<b>64,790</b>	181,752
Amortization of intangible assets	<b>35,052</b>	34,369
Amortization of long-term prepaid expenses	<b>17</b>	19,814
Amortization of deferred income	<b>(1,185)</b>	(1,185)
Losses on disposal of PPE	<b>7</b>	–
Financial expenses	<b>157,545</b>	249,514
Investment losses	<b>(26,765)</b>	(310)
Decrease in deferred tax assets	<b>42,969</b>	–
Increase in deferred tax liabilities	<b>(245)</b>	–
Increase in inventories	<b>(581,283)</b>	(1,686,961)
Increase in operating receivables	<b>(43,309)</b>	(1,128,862)
Increase/(decrease) in operating payables	<b>(99,317)</b>	806,441
Others	<b>270,734</b>	7,499
<b>Net cash flow from operating activities</b>	<b>936,511</b>	1,546,388
Net changes in cash and cash equivalents:		
Cash at the end of the period	<b>2,572,810</b>	4,743,627
Less: cash at the beginning of the period	<b>5,832,238</b>	4,698,090
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3,259,428)</b>	45,537



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 51. Supplementary information to the consolidated cash flow statement (Continued)

(2) *Cash and cash equivalents:*

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Cash	<b>2,572,810</b>	4,743,627
Wherein: Cash on hand	–	–
Bank deposit available on demand for payment	<b>2,572,810</b>	4,743,627
Cash and cash equivalents at the end of the period	<b>2,572,810</b>	4,743,627

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

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Endorsement amount of notes receivable	<b>1,979,184</b>	5,149,521
Including: Payment for goods and labor	<b>1,294,835</b>	2,235,653
Payment for equipment and construction	<b>554,282</b>	2,762,950
Payment for others	<b>130,067</b>	150,918

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

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Prices paid to acquire subsidiaries and other business units	–	114,449
Including: Security deposit paid for acquiring 72% equity interest in Xingang Changlong	–	114,449
Cash and cash equivalents paid to acquire subsidiaries and other business units	–	114,449
Less: Cash and cash equivalents held by subsidiaries and other business units when acquired	–	–
Net cash paid to acquire subsidiaries and other business units	–	114,449

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

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

##### 52. Assets with ownership or use right restricted

	30 June 2022	31 December 2021	
Cash and bank balances	<b>307,673</b>	578,407	(Note 1)
Receivables financing	<b>278,410</b>	317,202	(Note 2)
Property, plant and equipment	<b>7,271,407</b>	8,226,586	(Note 3)
Intangible assets	<b>293,184</b>	783,824	(Note 4)
Long-term equity investment	<b>837,610</b>	837,610	(Note 5)
	<b>8,988,284</b>	10,743,629	

*Note 1:* As at 30 June 2022, the Group had cash and bank balances amounted to RMB307,673,000 (31 December 2021: RMB578,407,000) restricted for bank acceptance notes and letter of credit.

*Note 2:* As at 30 June 2022, the Group pledged bank acceptance notes with a carrying amount of RMB278,410,000 (31 December 2021: RMB317,202,000) for issuing bank acceptance.

*Note 3:* As at 30 June 2022, the plants and buildings with a carrying amount of RMB91,218,000 (31 December 2021: RMB797,066,000) and machineries and other equipment with a carrying amount of RMB7,180,189,000 (31 December 2021: 7,429,520,000) were pledged to banks to secure the bank loans and facilities granted to the Group.

*Note 4:* As at 30 June 2022, the land use right with a carrying amount of RMB293,184,000 (31 December 2021: RMB783,824,000) 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 RMB4,086,000 (31 December 2021: RMB21,936,000).

*Note 5:* As at 30 June 2022, the equity interest with a carrying amount of RMB837,610,000 (31 December 2021: RMB837,610,000) was pledged to secure the bank loans of RMB435,000,000 (31 December 2021: RMB450,000,000).

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

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

##### 53. Foreign currency monetary items

	30 June 2022			31 December 2021		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash and bank balances						
USD	<b>130,326</b>	<b>6.7114</b>	<b>874,667</b>	38	6.3757	242
HKD	<b>6</b>	<b>0.85519</b>	<b>5</b>	6	0.8176	5
			<b>874,672</b>			247

	30 June 2022			31 December 2021		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Trade receivables						
USD	<b>79,990</b>	<b>6.7114</b>	<b>536,848</b>	31,688	6.3757	202,033
			<b>536,848</b>			202,033

	30 June 2022			31 December 2021		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Prepayments						
USD	<b>6,764</b>	<b>6.7114</b>	<b>45,396</b>	9,994	6.3757	63,719
			<b>45,396</b>			63,719

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### VI. INTERESTS IN OTHER ENTITIES

##### 1. Equity in subsidiaries

Composition of significant subsidiaries:

Name of the subsidiary	Main operating place	Place of registration	Business nature	Registered capital	Shareholding proportion (%)		Methods of acquisition
					Direct	Indirect	
Chongqing Iron and Steel Energy and Environmental Protection Co., Ltd.	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Electricity production and sales	525,694.94	100	–	Business combinations not involving entities under common control
Chongqing Xingang Changlong Logistics Co., Ltd	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Transportation and warehousing industry	110,000	100	–	Business combinations not involving entities under common control

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### VI. INTERESTS IN OTHER ENTITIES

##### 2. Equity in joint venture and associates

	Principal place of business	Domicile	Business nature	Registered capital	Shareholding ratio (%)		Accounting treatment
					Direct	Indirect	
<b>Joint venture</b>							
Jianwei Intelligent (Note 1)	Changshou District, Chongqing	Changshou District, Chongqing	Software and information technology services	5,000	50	–	Equity method
<b>Associates</b>							
Baocheng Carbon (Note 2)	Changshou District, Chongqing	Changshou District, 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 District, Chongqing	Changshou District, 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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### VI. INTERESTS IN OTHER ENTITIES (CONTINUED)

##### 2. Equity in joint venture and associates (Continued)

*Note 1:* The Company's subscription to Jianwei Intelligent is RMB2,500,000. As at 30 June 2022, the company has not paid such contributions, and Jianwei Intelligent has not begun to operate. As neither of the shareholders has completed its capital contribution since the establishment of Jianwei Intelligent on 12 December 2019, nor has it actually commenced operation, the Company intended to withdraw from its investment in Jianwei Intelligent to optimise its industrial structures. On 28 June 2022, the Company convened the fourteenth meeting of the ninth session of its board of directors at which the Resolution on Withdrawal from Investment in Jianwei Intelligent was considered and approved, and on 8 August 2022, Jianwei Intelligent completed its industrial and commercial cancellation.

*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 a significant impact 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 impact on Baowu Jingcheng.

Financial information of associates is as follows:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Associates		
Carrying amount of investment	105,218	51,236
Total amount calculated by shareholding ratio as follows	2,681	—
Net profit	2,681	—
Other comprehensive income	—	—
Total comprehensive income	—	—

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### VII. 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*

30 June 2022	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	–	–	2,880,483	2,880,483
Trade receivables	–	–	63,882	63,882
Receivables financing (acquired by standards)	1,018,586	–	–	1,018,586
Other receivables	–	–	80,863	80,863
Other equity investment (designated)	5,000	–	–	5,000
	<b>1,023,586</b>	<b>–</b>	<b>3,025,228</b>	<b>4,048,814</b>

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
	<b>1,541,724</b>	<b>600,000</b>	<b>6,516,809</b>	<b>8,658,533</b>



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

##### 1. Classification of financial instruments (Continued)

###### *Financial liabilities*

	Financial liabilities measured at amortized cost	
	30 June 2022	31 December 2021
Short-term borrowings	<b>1,235,643</b>	2,629,734
Notes payable	<b>324,413</b>	1,261,138
Trade payables	<b>4,004,838</b>	4,567,985
Other payables	<b>2,022,653</b>	2,770,510
Non-current liabilities due within one year	<b>2,096,444</b>	1,582,635
Long-term borrowings	<b>1,223,000</b>	1,792,800
Bonds payable	–	498,434
Lease liabilities	<b>343,997</b>	408,135
Long-term payables	<b>2,029,792</b>	2,301,299
	<b>13,280,780</b>	17,812,670

##### 2. Transfers of financial assets

Transferred financial assets that are derecognised in their entirety in which continuing involvement exists

As at 30 June 2022, the Group endorsed certain bills receivable accepted by banks to its suppliers for settlement of trade payables and discounted bank acceptance bills to banks with a carrying amount of RMB4,166,497,000 (31 December 2021: RMB3,025,542,000). As of 30 June 2022, the maturity date is within 6 months. According to the relevant provisions of the Negotiable Instruments Law, if the accepting bank refuses to pay, the holders of the bills have 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.

As at six months ended June 2022, the Group has not recognized gains or losses on the transfer date. The Group had no current or accumulated gain or expense arising from the continuing involvement in financial assets which had been derecognized. Endorsements were incurred evenly throughout this period.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### VII. 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, other receivables and other equity investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### VII. 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 X. 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 90% (31 December 2021: 91%) of the Group's trade receivables were due from the Group's five largest customers in terms of trade receivables. The Group did not hold any collateral or credit enhancements for the balance of trade receivables.

###### *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.

# Section X Financial Report

## Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

### VII. 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

##### 3. Risk of financial instruments (Continued)

###### *Credit risk (Continued)*

As at 30 June 2022, the carrying amount of financial assets by the credit risk level is disclosed as follows:

	12-month ECLs (Carrying amount)	Lifetime ECLs (Carrying amount)			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
Cash and bank balance	<b>2,880,483</b>	–	–	–	<b>2,880,483</b>
Accounts receivable	–	–	–	<b>64,945</b>	<b>64,945</b>
Receivables financing	<b>1,018,586</b>	–	–	–	<b>1,018,586</b>
Other receivables	<b>79,037</b>	<b>2,256</b>	<b>11,818</b>	–	<b>93,111</b>
	<b>3,978,106</b>	<b>2,256</b>	<b>11,818</b>	<b>64,945</b>	<b>4,057,125</b>

As at 31 December 2021, the carrying amount of financial assets by the credit risk level is disclosed as follows:

	12-month ECLs (Carrying amount)	Lifetime ECLs (Carrying amount)			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

##### 3. Risk of financial instruments (Continued)

###### *Liquidity risk*

Liquidity risk is the risk that the Group 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 30 June 2022, the Group's current liabilities already exceeded current assets by RMB3,631,886,000 (31 December 2021: RMB2,060,759,000).

The rest maturity date analysis of financial liabilities measured at undiscounted contract cash flows is as follows:

	30 June 2022					
	Carrying amount	Undiscounted contract amount	Within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	1,235,643	1,248,421	1,248,421	-	-	-
Notes payable	324,413	324,413	324,413	-	-	-
Trade payables	4,004,838	4,004,838	4,004,838	-	-	-
Other payables	2,022,653	2,022,653	2,022,653	-	-	-
Non-current liabilities due within one year	2,096,444	2,143,088	2,143,088	-	-	-
Long-term borrowings	1,223,000	1,340,988	464,879	505,375	370,734	-
Lease liabilities	343,997	380,984	15,940	146,018	219,026	-
Long-term payables	2,029,792	2,239,742	722,351	745,008	772,383	-
	<b>13,280,780</b>	<b>13,705,127</b>	<b>10,946,583</b>	<b>1,396,401</b>	<b>1,362,143</b>	<b>-</b>



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

##### 3. Risk of financial instruments (Continued)

###### *Liquidity risk (Continued)*

	Carrying amount	Undiscounted contract amount	31 December 2021			
			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	-

###### *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 Group 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 30 June 2022, all the Group's bank loans were calculated by stable interest rate.



# Section X Financial Report

## Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

### VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 3. Risk of financial instruments (Continued)

##### *Market risk (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 27% (2021: 12.94%) of purchase were denominated in US dollars for the purchase of iron ores. The finance department of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent. Fluctuations in the exchange rate of USD against RMB will affect the Group's operating results.

For the carrying amount and exchange rate risk exposure of the Group's cash and bank balances and accounts payable, please refer to Note V. 53.

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).

For the six months ended 30 June 2022

	Exchange rate Increase/ (Decrease) %	Net profit Increase/ (Decrease)	Total shareholders' equity Increase/ (Decrease)
RMB depreciation against the U.S. dollar	<b>1</b>	<b>(3,832)</b>	<b>(3,832)</b>
RMB appreciation against the U.S. dollar	<b>(1)</b>	<b>3,832</b>	<b>3,832</b>

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### VII. 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. For the six months ended 30 June 2022 and the year of 2021, there had been no change in the objectives, policies or procedures of capital management of the Group.

	<b>30 June 2022</b>	31 December 2021
Debt-to-asset ratio	<b>42.55%</b>	47.96%

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### VIII. DISCLOSURE OF FAIR VALUE

##### 1. Assets and liabilities measured at fair value

As at 30 June 2022

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	<b>5,000</b>	<b>5,000</b>
Receivables financing	–	<b>1,018,586</b>	–	<b>1,018,586</b>
	–	<b>1,018,586</b>	<b>5,000</b>	<b>1,023,586</b>

As at 31 December 2021

	Inputs used in fair value measurement			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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

##### 2. Assets and liabilities disclosed at fair value

As at 30 June 2022

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	–	1,108,560	–	1,108,560
Bonds payable	–	–	–	–
Lease liabilities	–	–	328,712	328,712
Long-term payables	–	1,813,074	–	1,813,074
	–	2,921,634	328,712	3,250,346

As at 31 December 2021

	Inputs used in fair value measurement			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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

##### 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	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Long-term borrowings	<b>1,223,000</b>	1,792,800	<b>1,108,560</b>	1,730,834
Bonds payable	–	498,434	–	497,115
Lease liabilities	<b>343,997</b>	408,135	<b>328,712</b>	389,818
Long-term payables	<b>2,029,792</b>	2,301,299	<b>1,813,074</b>	2,161,518
	<b>3,596,789</b>	5,000,668	<b>3,250,346</b>	4,779,285

Management has assessed that the fair values of cash and bank balances, 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 30 June 2022, non-performance risks underlying other non-current liabilities were appraised as immaterial.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

##### 4. Unobservable input value

Below is a summary of significant unobservable inputs of fair value measurements within Level 3:

	Fair value at end of period	Valuation technique	Unobservable inputs	Weighted average value
Trust products classified as financial assets held for trading	30 June 2022: – 2021: 600,000	Discounted cash flow method	Yield of similar financial products in private market	For the six months ended 30 June 2022 : – 2021: 4.2%

The fair value of trust products in 2021 is assessed based on a discounted cash flow method. The method takes in market prices, discount rates and other inputs. For 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.

##### 5. Adjustment of fair value measurement

Reconciliation of recurring fair value measurements within Level 3 is as follows:

For the six months ended 30 June 2022

	Opening balance	Transfer into	Transfer out of	Total gains or losses	Purchase	Issue	Sale	Settlements	Closing balance	Assets held at the end of the period
		Level 3	Level 3	Through profit or loss						Changes in unrealized gains or losses for the period through profit or loss
Financial assets held for trading	600,000	-	-	24,084	-	-	-	(624,084)	-	-

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

##### 5. Adjustment of fair value measurement (Continued)

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 for assets held at end of year
				Through profit or loss	Through other comprehensive income						
Financial assets held for trading	-	-	-	-	-	600,000	-	-	-	600,000	-

#### IX. 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 (%)
Chongqing Changshou Iron & Steel Company Limited	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 of the Company. In March 2022, Changshou Iron & Steel convened a general meeting to consider and approve the resolution in relation to the reduction of registered capital, for which, Changshou Iron & Steel completed the company change registration in July 2022, and its registered capital shall be RMB2.720 billion after the completion.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 2. Subsidiaries

Please refer to note VI. Interests in other entities for details of the Company's subsidiaries.

##### 3. Joint ventures and associates

Please refer to note VI. Interests in other entities for details of the Company's joint ventures and associates.

##### 4. Information about other related parties of the Group

Company name	Relationship between the Company and the other related parties
Sichuan Desheng Group Vanadium & Titanium Co., Ltd. ("Desheng Vanadium & Titanium")	Shareholder of Changshou Iron & Steel
China Baowu Steel Group Corporation Limited ("Baowu Group")	Parent of Changshou Iron & Steel
Baoshan Iron and Steel Co., Ltd. ("Baosteel")	Baowu Group's subsidiary
Shanghai Baosight Software Co., Ltd. ("Baosight Software")	Baowu Group's subsidiary
Shanghai Baosteel Xinyue Talent Technology Co., Ltd. ("Baosteel Xinyue")	Baowu Group's subsidiary
Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Iron & Steel")	Baowu Group's subsidiary
Guangdong Shaogang Engineering Technology Co., Ltd. ("Shaogang Engineering")	Baowu Group's subsidiary
Guangdong Baodi Nanhua Industrial Development Co., Ltd. ("Baodi Nanhua")	Baowu Group's subsidiary
Baosteel Development Co., Ltd. ("Baosteel Development")	Baowu Group's subsidiary
Shanghai Fengbao Comprehensive Sales Co., Ltd. ("Shanghai Fengbao")	Baowu Group's subsidiary
Baowu Environmental Science Chongqing Resource Recycling Co., Ltd. ("Baowu Environmental Resource")	Baowu Group's subsidiary
Baosteel Engineering & Technology Group Co., Ltd. ("Baosteel Engineering")	Baowu Group's subsidiary
Baowu Equipment Intelligent Technology Co., Ltd. ("Baowu Equipment")	Baowu Group's subsidiary
Shanghai Baosteel Shipping Co., Ltd. ("Baosteel Shipping")	Baowu Group's subsidiary
Baosteel Resources Holdings (Shanghai) Co., Ltd. ("Baosteel Resources Shanghai")	Baowu Group's subsidiary
Shanghai Baoding Energy Co., Ltd. ("Baoding Energy")	Baowu Group's subsidiary
Zhejiang Zhoushan Wugang Terminal Co., Ltd. ("Wugang Terminal")	Baowu Group's subsidiary
Baosteel Resources International Co., Ltd. ("Baosteel International")	Baowu Group's subsidiary

# Section X Financial Report

## Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

### IX. 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
Nanjing Baodi Meishan Industrial City Development Co. Ltd ("Baodi Meishan")	Baowu Group's subsidiary
Shanghai Ouyeel Logistics Co., Ltd. ("Ouyeel Logistics")	Baowu Group's subsidiary
Wugang Group Co., Ltd. ("Wugang Group")	Baowu Group's subsidiary
Wuhan Iron & Steel Group Logistics Co., Ltd. ("Wisco Logistics")	Baowu Group's subsidiary
Magang (Group) Holding Co., Ltd. ("Magang Group")	Baowu Group's subsidiary
Baowu Water Technology Limited ("Baowu Water")	Baowu Group's subsidiary
Baowu Raw Material Supply Co., Ltd. ("Baowu Raw Material")	Baowu Group's subsidiary
Ouyeel Industrial Products Co., Ltd. ("Ouyeel Industrial")	Baowu Group's subsidiary
Shanghai Ouyeel Purchasing Information Technology Co., Ltd. ("Ouyeel Purchasing")	Baowu Group's subsidiary
Warburg Trust Company Limited ("Warburg Trust")	Baowu Group's subsidiary
Baowu Group Finance Limited Liability Company ("Baowu Finance")	Baowu Group's subsidiary
Shanghai Steel Home Information Technology Co., Ltd. ("Steel Home Information")	Baowu Group's subsidiary
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd ("Zhongnan Building Materials")	Baowu Group's subsidiary
Ouye Lianjin Renewable Resources Co., Ltd., Western Branch ("Ouye Lianjin")	Baowu Group's subsidiary
SGIS Songshan Co.,Ltd. ("SGIS")	Baowu Group's subsidiary
Baosteel Huangshi Coating Plate Co., Ltd. ("Baosteel Huangshi")	Baowu Group's subsidiary
Baosteel Chemical (Zhangjiagang Free Trade Zone) International Trade Co., Ltd. ("Baosteel Chemical")	Baowu Group's subsidiary
Chongqing Baocheng Carbon Co., Ltd. ("Baocheng Carbon")	Baowu Group's subsidiary
Wuhan Baosteel Huazhong Trade Co., Ltd. ("Baosteel Huazhong")	Baowu Group's subsidiary
Baowu Group Environmental Resources Technology Co., Ltd. ("Baowu Environmental")	Baowu Group's subsidiary
Baosteel Metal Co., Ltd. ("Baosteel Metal")	Baowu Group's subsidiary
Ouyeel Cloud Commerce Corporation Limited ("Ouyeel Cloud")	Baowu Group's subsidiary
Shanghai Ouyeel Material Technology Co., Ltd. ("Ouyeel Material")	Baowu Group's subsidiary
Shanghai Ouyeel Supply Chain Co., Ltd ("Shanghai Ouyeel")	Baowu Group's subsidiary
Chengdu Baosteel West Trade Co., Ltd. ("Baosteel West")	Baowu Group's subsidiary
Baowu Group Echeng Steel Co., Ltd. ("Echeng Steel")	Baowu Group's subsidiary

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. 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 Baohui Environmental Technology Co., Ltd. ("Baohui Environmental")	Baowu Group's subsidiary
Shanghai Baojing Information Technology Development Co., Ltd. ("Baojing Information")	Baowu Group's subsidiary
Shanghai Baosteel Casting Corporation ("Baosteel Casting")	Baowu Group's subsidiary
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd. ("Meishan Research Institute")	Baowu Group's subsidiary
Guangdong Kunlun Information Technology Co., Ltd. ("Kunlun Information")	Baowu Group's subsidiary
Wuhan Huafeng Sensor Technology Co., Ltd. ("Huafeng Sensor")	Baowu Group's subsidiary
Ouyeel International E-commerce Co., Ltd ("Ouyeel International")	Baowu Group's subsidiary
Wuhan Wugang Green City Technology Development Co., Ltd. ("Wugang Green")	Baowu Group's subsidiary
Wugang Resources Group Ezhou Pelletizing Co., Ltd. ("Wugang Resources")	Baowu Group's subsidiary
Wuhan Wugang Port Affairs Foreign Trade Dock Co., Ltd. ("Wugang Port Affairs")	Baowu Group's subsidiary
Shanghai Huagongbao Digital Technology Co., Ltd ("Huagongbao Digital")	Baowu Group's subsidiary
WISCO Jiangbei Cold-Formed Co., Ltd. ("WISCO Jiangbei")	Baowu Group's subsidiary
Anhui Masteel Equipment Maintenance Co., Ltd. ("Masteel Equipment")	Baowu Group's subsidiary
Shanghai Baoneng Information Technology Co., Ltd. ("Baoneng Information")	Baowu Group's associate
Taicang Wugang Terminal Co., Ltd. ("Taicang Wugang")	Baowu Group's associate

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 5. Information about related party transactions

###### (1) *Related party transactions of receiving services*

Related party	Content of transaction	Six months ended 30 June 2022	Six months ended 30 June 2021
Baowu Group	Receiving of services	45	5
Baosight Software	Receiving of services	2,210	6,904
Baosteel Xinyue	Receiving of services	2,500	–
Taiyuan Iron & Steel	Receiving of services	90	–
Baodi Nanhua	Receiving of services	7,481	–
Baosteel Development	Receiving of services	51,765	–
Baowu Environmental Resource	Receiving of services	283	–
Baosteel Engineering	Receiving of services	23,732	–
Baowu Equipment	Receiving of services	38,096	31,656
Baodi Meishan	Receiving of services	14	–
Ouyeel Logistics	Receiving of services	–	155
Wisco Group	Receiving of services	147	–
Wisco Logistics	Receiving of services	–	14,800
Magang Group	Receiving of services	104	–
Baowu Water	Receiving of services	571	–
Baowu Raw Materials	Receiving of services	4,160	–
Ouyeel Industrial	Receiving of services	9,316	–
Ouyeel Purchasing	Receiving of services	–	1,434
Steel Home Information	Receiving of services	38	–
SGIS	Receiving of services	381	–
<b>Total</b>		<b>140,933</b>	<b>54,954</b>

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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 5. Information about related party transactions (Continued)

###### (2) Related party transactions of purchasing goods

The related party transactions between Baowu Group with its subsidiaries and the Group were as follows:

Related party	Content of transaction	Six months ended 30 June 2022	Six months ended 30 June 2021
Baosteel	Purchasing of raw materials	<b>27,459</b>	475,513
Baosight Software	Purchasing of spare parts and project construction	<b>18,667</b>	60,270
Shaogang Engineering	Purchasing of spare parts	<b>703</b>	–
Shanghai Fengbao	Project construction	<b>416</b>	–
Baosteel Engineering	Project construction	<b>138,929</b>	359,082
Baowu Equipment	Purchasing of spare parts	<b>19,370</b>	30,357
Baosteel Shipping	Purchasing of raw materials	<b>18,378</b>	26,407
Baosteel Resources Shanghai	Purchasing of raw materials	<b>353,210</b>	795,636
Baoding Energy	Purchasing of raw materials	<b>268,276</b>	409,959
Wugang Terminal	Purchasing of raw materials	<b>8,819</b>	8,735
Baosteel International	Purchasing of raw materials	<b>2,445,361</b>	–
Ouyeel Logistics	Purchasing of raw materials	<b>2,915</b>	–
Wisco Logistics	Purchasing of raw materials	<b>2,101</b>	–
Baowu Water	Project construction	<b>101,586</b>	44,955
Baowu Raw Materials	Purchasing of raw materials	<b>307,221</b>	2,038,876
Ouyeel Industrial	Purchasing of spare parts	<b>494,287</b>	–
Ouyeel Purchasing	Project construction	<b>108</b>	3,961
Zhongnan Building Materials	Purchasing of billet	<b>709,369</b>	–
Ouye Lianjin	Purchasing of raw materials	<b>83,268</b>	170,733
Baoneng Information	Project construction	<b>89</b>	–
Taicang Wugang	Purchasing of raw materials	<b>31,776</b>	–
Baojing Information	Purchasing of spare parts	–	300
Baocheng Carbon	Purchasing of spare parts	–	1,642
Baosteel Casting	Purchasing of spare parts	–	320
Meishan Research Institute	Receiving of engineering services	–	6,350

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 5. Information about related party transactions (Continued)

###### (2) *Related party transactions of purchasing goods (Continued)*

Related party	Content of transaction	Six months ended 30 June 2022	Six months ended 30 June 2021
Kunlun Information	Receiving of engineering services	-	88
Huafeng Sensor	Purchasing of spare parts	-	601
Ouyeel International	Purchasing of raw materials	-	127
Wugang Green	Purchasing of spare parts	-	72
Wugang Resources	Purchasing of raw materials	-	224,396
Wugang Port Affairs	Purchasing of raw materials	-	139
Subtotal		<b>5,032,308</b>	4,658,519

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 suppliers. 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 suppliers.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 5. Information about related party transactions (Continued)

###### (3) Sale of goods and rendering of services to related parties

Related party	Content of transaction	Six months ended 30 June 2022	Six months ended 30 June 2021
Baosteel	Sale of goods	69,255	–
Baosteel Huangshi	Sale of goods	–	51,895
Baosteel Chemical	Sale of goods	4,911	–
Baocheng Carbon	Sale of goods and energy medium	250,467	149,113
Baosteel Huazhong	Sale of goods	1,523	161,618
Baodi Nanhua	Sale of energy medium	2	–
Baowu Environmental	Sale of energy medium	10	–
Baosteel Development	Sale of energy medium	1	–
Baowu Environmental Resources	Sale of goods	9,738	–
Baosteel Engineering	Sale of energy medium	31	28
Baowu Equipment	Sale of energy medium	5	–
Baosteel Metal	Sale of goods	16,599	–
Ouyeel Cloud	Sale of goods	–	551,353
Ouyeel Material	Sale of goods	1,245,542	1,926,112
Shanghai Ouyeel	Sale of goods	541,100	–
Baowu Water	Sale of energy medium	91	–
Ouyeel Industrial	Sale of goods	6,801	–
Desheng Vanadium & Titanium	Sale of goods	–	–
Zhongnan Building Materials	Sale of goods	1,066,297	–
Baosteel Resources	Sale of goods	–	125,326
Baohui Environmental	Sale of goods	–	211
Ouye Lianjin	Sale of goods	–	98,861
Echeng Steel	Sale of goods	–	113,169
Baosteel West	Sale of goods	–	10,891
<b>Total</b>		<b>3,212,373</b>	<b>3,188,577</b>

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. The price of services provided to related parties shall be determined through negotiations between the parties with reference to market price.



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 5. Information about related party transactions (Continued)

###### (4) Lessee

*As a lessee*

Name of lessor	Types of asset leased	Six months ended 30 June 2022	Six months ended 30 June 2021
Changshou Iron & Steel	Machineries and other equipment ( <i>Note 1</i> )	–	94,912

*Note 1:* On 16 November 2020, the Company entered into the Asset Leasing Contract with Changshou Iron & Steel, 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 (Tax included). In August 2021, the Company and Changshou Iron and Steel entered into the Asset Purchase Agreement and completed the asset delivery. The acquisition price of asset agreed in the agreement was RMB3.551 billion.

###### (5) Borrowings from related parties

*Borrowings from related parties*

Related parties	Amount borrowed for the six months ended 30 June 2022	Amount borrowed for the six months ended 30 June 2021
Changshou Iron & Steel	–	561,880
Baowu Finance	<b>59,480</b>	–
<b>Total</b>	<b>59,480</b>	561,880

In 2021, the Company acquired M&A loans of RMB720,860,000, among which, Baowu Finance provided loans of RMB62,610,000 to the Company in 30 September 2021. As of 30 June 2022, Baowu Finance provided outstanding loans of RMB59,480,000 to the Company.

Changshou Iron & Steel provided the Company with a financing facility of 1 billion yuan in 2020 with a financing period of 3 year, from 1 July 2020 to 30 June 2023, financing interest rate was 4.25%. As of 30 June 2021, the Group borrowed RMB561,880,000 from Changshou Iron & Steel. As at August 2021, the Company has repaid the above borrowings in full.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 5. Information about related party transactions (Continued)

(6) *Deposit interest income from a related party*

Related party	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Baowu Finance	<b>916</b>	39

(7) *Interest fee paid to related parties*

Related parties	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Changshou Iron & Steel	–	13,151
Baowu Finance	<b>1,380</b>	–
Total	<b>1,380</b>	13,151

(8) *Letter of credit obtained from a related party*

Related party	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Amount	Balance	Charges	Amount	Balance	Charges
Baowu Finance	–	<b>49,078</b>	–	–	–	–

(9) *Bill custody/collection by related party*

Related party	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Amount	Balance	Charges	Amount	Balance	Charges
Baowu Finance	<b>5,616,690</b>	<b>730,866</b>	–	–	–	–

For the six months ended 30 June 2022, Baowu Finance has not charged the Group for the bill custody/collection service.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 5. Information about related party transactions (Continued)

###### (10) Other related transactions

Pursuant to the Financial Service Agreement signed by the Group and Baowu Finance during the year, the maximum daily credit limit of the comprehensive credit services 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. As of 30 June 2022, the maximum daily amount that Baowu Finance provided comprehensive credit service and deposit service to the Company would be RMB178,790,000 and RMB990,414,000, respectively.

###### (11) Remuneration of key management personnel

Related party	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Remuneration of key management personnel	<b>7,965</b>	5,066

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 6. Balance due to or from related parties

###### (1) Trade receivables

	30 June 2022	31 December 2021
Echeng Steel	–	1,556
Baocheng Carbon	<b>902</b>	637
Baosteel Engineering	<b>133</b>	99
Baowu Water	<b>119</b>	61
Ouyeel Industrial	<b>7,684</b>	17
Baodi Nanhua	–	11
Baowu Equipment	<b>6</b>	–
Baodi Nanhua	<b>2</b>	–
Total	<b>8,846</b>	2,381

###### (2) Receivables financing

Related party	30 June 2022	31 December 2021
SGIS	–	363,348
Baocheng Carbon	<b>62,825</b>	111,391
Kunming Iron & Steel	–	78,547
Desheng Vanadium & Titanium	–	52,271
Echeng Steel	–	28,922
Baosteel Huazhong	–	1,869
Environmental Technology Wuhan	–	500
WISCO Jiangbei	<b>8,526</b>	–
Total	<b>71,351</b>	636,848

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 6. Balance due to or from related parties (Continued)

###### (3) Other receivables

Related party	30 June 2022	31 December 2021
SGIS	<b>2,548</b>	42,273
Baocheng Carbon	–	4
Ouyeel Industrial	–	1
	<b>2,548</b>	42,278

###### (4) Prepayments

Related party	30 June 2022	31 December 2021
Baosteel International	–	63,719
Baoding Energy	<b>55,016</b>	53,940
Baosteel Resources Shanghai	<b>29,550</b>	29,672
Baosteel Engineering	<b>3,303</b>	3,303
Baowu Raw Materials	<b>32,561</b>	2,001
Echeng Steel	<b>23,845</b>	–
Baosight Software	<b>1,680</b>	–
Shanghai Ouyeel	<b>175,618</b>	–
Total	<b>321,574</b>	152,635

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 6. Balance due to or from related parties (Continued)

###### (5) Contract liabilities

Related party	30 June 2022	31 December 2021
Ouyeel Material	303,471	267,389
Zhongnan Building Materials	293,024	82,656
Baocheng Carbon	62,681	44,794
Shanghai Ouyeel	101,862	3,227
Baosteel Huazhong	–	2,162
Desheng Vanadium & Titanium	–	1,798
Baosteel Huangshi	154	55
Huagongbao Digital	58	52
Ouyeel Cloud	13	7
Baosteel Metal	3,665	–
WISCO Jiangbei	9,635	–
Total	774,563	402,140

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 6. Balance due to or from related parties (Continued)

###### (6) Trade payables

	30 June 2022	31 December 2021
Ouyeel Industrial	<b>664,825</b>	726,478
Baosteel Engineering	<b>180,192</b>	303,942
Baowu Water	<b>86,344</b>	150,081
Baowu Equipment	<b>91,393</b>	94,539
Baosteel Development	<b>32,564</b>	83,086
Baosteel Resources	<b>60,751</b>	42,233
Baosight Software	<b>23,023</b>	34,044
Baodi Nanhua	<b>4,371</b>	10,196
Taicang Wugang	–	4,850
Wugang Terminal	<b>5,259</b>	2,172
Baosteel	<b>423</b>	1,540
Ouye Lianjin	–	893
Ouyeel Logistics	<b>175</b>	867
Wisco Logistics	–	623
Environmental Technology Wuhan	–	580
Shaogang Engineering	<b>147</b>	219
Baosteel Shipping	<b>249</b>	45
Masteel Equipment	<b>829</b>	–
Zhongnan Building Materials	<b>82,566</b>	–
Taicang Wugang	<b>11,017</b>	–
Total	<b>1,244,128</b>	1,456,388



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 6. Balance due to or from related parties (Continued)

###### (7) Note payables

Related party	30 June 2022	31 December 2021
Baowu Water	–	30,394
Baosteel Shipping	<b>9,794</b>	15,569
Baowu Equipment	–	13,710
Ouyeel Purchasing	<b>191</b>	5,241
Taicang Wugang	<b>1,937</b>	3,660
Baosight Software	<b>31</b>	800
Wugang Terminal	<b>1,937</b>	677
Meishan Research Institute	–	500
Baosteel Development	<b>195</b>	490
Shaogang Engineering	<b>605</b>	280
Gongchang Roll	–	265
Kunlun Information	–	259
Baodi Nanhua	<b>568</b>	235
Baosteel Engineering	–	202
Huafeng Sensor	–	78
Baosteel Engineering Consulting	–	57
Baosteel Energy Service	–	50
Shanghai Fengbao	<b>470</b>	–
Baoneng Information	<b>95</b>	–
Total	<b>15,823</b>	72,467

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 6. Balance due to or from related parties (Continued)

###### (8) Other payables

Related party	30 June 2022	31 December 2021
Changshou Iron & Steel	–	1,339,362
Baowu Water	<b>80</b>	2,846
Baowu Equipment	<b>1,641</b>	1,641
Huafeng Sensor	<b>720</b>	720
SGIS	–	497
Baoneng Information	<b>268</b>	268
Baodi Nanhua	<b>220</b>	220
Baosight Software	<b>8,392</b>	167
Ouyeel Purchasing	–	76
Meishan Research Institute	<b>60</b>	41
Baosteel Development	<b>20</b>	–
Baosteel Engineering	<b>140</b>	–
Baosteel Energy Service	<b>20</b>	–
Huagongbao Digital	<b>50</b>	–
Wisco Logistics	<b>200</b>	–
Total	<b>11,811</b>	1,345,838

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

##### 6. Balance due to or from related parties (Continued)

###### (9) Long-term borrowings

Related party	30 June 2022	31 December 2021
Baowu Finance	<b>59,480</b>	62,610

###### (10) Trusteeship

Trustor	Trustee	The type of asset to delegate/outsource	Asset amounts trusted	Accumulated asset amounts trusted	Income realized
The Company	Warburg Trust	Other assets custody	–	600,000	24,084

As of 30 June 2022, 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.

##### 7. Capital centralized management

Baowu Finance is a national non-bank financial institution jointly owned by Baosteel Wuhan Iron & Steel, Wugang Group, 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 30 June 2022, The Company has funds deposited to Baowu Finance amounting to RMB790,849,000 (31 December 2021: 19,443,000).

# Section X Financial Report

## Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

### X. COMMITMENTS AND CONTINGENCIES

#### 1. Significant commitments

	30 June 2022	31 December 2021
<b>Contracted, but not provided for</b>		
Capital commitments	<b>3,973,830</b>	4,558,664
Investment commitments	<b>54,300</b>	56,600
	<b>4,028,130</b>	4,615,264

#### 2. Contingencies

On 26 February 2018, all the independent directors of the Company issued the Special Statement and Independent Opinion of Independent Directors on External Guarantees which stated the Company's guarantees in 2017.

In 2012, each of China Development Bank and Agricultural Bank of China Taizhou Branch provided San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司, "San Feng Jingjiang") with syndicated loans (loan contract no.: 3200577162012540569, "Syndicated Loan"), for which the Company assumed joint guarantee liability. After the Company underwent judicial reorganization, Qianxin International submitted an "Alternative Guarantee Commitment Letter" to the Company's Reorganization Administrator on 13 November 2017, confirming that it would communicate with China Development Bank and Agricultural Bank of China Taizhou Branch and go through relevant procedures and undertaking to pay off debt to assume its guarantee liability in case they claim compensation when the principal debtor San Feng Jingjiang defaults.

On 28 December 2017, Qianxin International, China Development Bank, Agricultural Bank of China Taizhou Branch and San Feng Jingjiang jointly signed the Change of RMB Syndicated Loan Contract (contract no.: 3200577162012540569004) which provided that Qianxin International, as the guarantor of Syndicated Loan, assumed joint guarantee liability. On the same day, Qianxin International, as the guarantor, entered into the Syndicated Loan Guarantee Contract with San Feng Jingjiang, China Development Bank and Agricultural Bank of China Taizhou Branch which served as a guarantee contract of Syndicated Loan (contract no. 3200577162012540569).

The 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 its wholly owned subsidiary 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 30 June 2022, the balance of guarantee is RMB105.71 million.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### **XI. 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.

#### **XII. OTHER SIGNIFICANT EVENTS**

##### **1. Segment information**

###### *(1) Identification basis and accounting policies for reportable segments*

The Group will determine different segments based on the internal organizational structure, management requirements and internal report system. The Group's operation segments refer to those components meeting the following conditions at the same time:

- 1) The segment may generate revenue and incur expenses in daily activities;
- 2) Management of the Group can regularly evaluate the operating results of the segment to decide on the allocation of resources to it and evaluate its performance;
- 3) The segment's financial position, operation result, cash flow and other accounting information can be obtained by analysis.

###### *(2) Financial information of reportable segments*

The Group's revenue and profit are mainly comprised of steel manufacturing and domestic sales. The Group's major assets are all in China. The management of the Company evaluates the Group's operating results as a whole. Therefore, no segment report has been prepared in the current year.

###### *(3) Information of significant customers*

The Group generated revenue from one customer (corresponding period of 2021: one) that reached or exceeded 10% of the Group's revenue, which accounting for 18% of the Group's total revenue (corresponding period of 2021: 14%).

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

##### 1. Segment information (Continued)

###### (3) Information of significant customers (Continued)

Information of customer whose revenue for the six months ended 30 June 2022 reaches or exceeds 10% of the Group's revenue is as follows:

Name of Customer	Revenue (Note 1)	Proportion of the Group's revenue (%)
Baowu Group and its subsidiaries	<b>3,212,373</b>	18

Information of customer whose revenue for the six months ended 30 June 2021 reaches or exceeds 10% of the Group's revenue is as follows:

Name of Customer	Revenue (Note 1)	Proportion of the Group's revenue (%)
Baowu Group and its subsidiaries	3,188,577	14

*Note 1:* The revenue above was the total amount generated from Baowu Group and its subsidiaries for the six months ended 30 June 2022 by the Group (corresponding period of 2021: The revenue above was the total amount generated from Baowu Group and its subsidiaries by the Group).

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### XII. 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 for six months ended 30 June 2022 was RMB161,000 (six months ended 30 June 2021: RMB115,000), please refer to Note V. 38. for more details.

###### Operating lease

The profit/loss relating to operating lease is as follows:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Lease income	161	115

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	30 June 2022	31 December 2021
Within 1 year	370	281
1 – 2 years (Within 2 years)	74	89
2 – 3 years (Within 3 years)	–	74
3 – 4 years (Within 4 years)	–	–
4 – 5 years (Within 5 years)	–	–
	444	444

Please refer to Note V. 11 for more details about PPE leased out under operating lease.



## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

##### 2. Lease (Continued)

###### (2) *As a lessee*

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Lease liability interest expense	<b>11,779</b>	98,550
Short-term lease expenses through profit or loss subject to simplified treatment	<b>226</b>	–
<b>Total cash outflows related to lease</b>	<b>61,456</b>	69,370

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.

###### *Leaseback*

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Cash inflow from leaseback	–	1,700,000
<b>Cash outflow from leaseback</b>	<b>390,845</b>	198,798

###### *Other information*

For right-of-use assets, please refer to Note V.13; For the simplified treatment of short-term leasing, please refer to Note III. 27; For lease liabilities, please refer to Note V.29.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### XIII. 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:

	<b>30 June 2022</b>	31 December 2021
Within 1 year	<b>90,721</b>	67,591
1 – 2 years	<b>1,979</b>	1,716
2 – 3 years	<b>120</b>	120
	<b>92,820</b>	69,427
Less: Provision for bad debts of trade receivables	<b>25</b>	25
	<b>92,795</b>	69,402

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

	30 June 2022				31 December 2021					
	Book value		Provision for bad debts		Book Value		Provision for bad debts		carrying amount	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)		
									Provision	
Receivables that are subject to provision by group with similar credit risk characteristics	<b>92,820</b>	<b>100</b>	<b>25</b>	<b>-</b>	<b>92,795</b>	69,427	100	25	-	69,402

Receivables that are subject to provision by group with similar credit risk characteristics

92,820    100    25    -    92,795    69,427    100    25    -    69,402

As at 30 June 2022 and at 31 December 2021, the Company had no trade receivables with separate provision for bad debts.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 1. Trade receivables (Continued)

Receivables that are subject to provision by group with similar credit risk characteristics are as follows:

	30 June 2022			31 December 2021		
	Estimated carrying amount arising from default	Expected credit loss rate (%)	Lifetime expected credit loss	Estimated carrying amount arising from default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	90,721	–	–	67,591	–	–
1-2 years	1,979	–	–	1,716	–	–
2-3 years	120	21	25	120	21	25
	<b>92,820</b>		<b>25</b>	69,427		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 movement for provision of bad debt of trade receivables is as follows:

	Opening balance	Provision	Reversal	Write-off	Closing balance
For the six months ended 30 June 2022	25	–	–	–	25
2021	25	–	–	–	25

As at 30 June 2022, the closing balance of the top five trade receivable of the Company amounted to RMB83,660,000 (31 December 2021: RMB61,639,000) in aggregate, accounting for 90% of the total closing balance of trade receivable (31 December 2021: 88%), without provision for bad debts (31 December 2021: nil).

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 2. Other receivables

	30 June 2022	31 December 2021
Other receivables	<b>192,446</b>	180,813

Aging analysis of other receivables is as follows:

	30 June 2022	31 December 2021
Within 1 year	<b>70,771</b>	199,475
1 – 2 year	<b>130,686</b>	1,596
2 – 3 year	<b>950</b>	–
Above 3 year	<b>2,287</b>	2,287
	<b>204,694</b>	203,358
Less: Impairment allowance of other receivables	<b>12,248</b>	22,545
	<b>192,446</b>	180,813

Other receivables presented by nature:

	30 June 2022	31 December 2021
Balance due from related parties	<b>129,724</b>	129,724
Transactional intercourse	<b>68,092</b>	65,702
Guarantee deposits, staff advances, etc.	<b>6,878</b>	7,932
	<b>204,694</b>	203,358

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 2. Other receivables (Continued)

The movement of balance of carrying amount and bad debt provision of other receivables based on 12-month and lifetime ECLs are as follows:

30 June 2022	Stage 1		Stage 2		Stage 3				Subtotal	
	12-month expected credit losses (Group)		Lifetime expected credit losses (Group)		Credit-impaired financial assets (Lifetime expected credit losses) (Group)		Credit-impaired financial assets (Lifetime expected credit losses) (Single)			
	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts
31 December 2021	179,648	-	1,596	431	2,287	2,287	19,827	19,827	203,358	22,545
Addition for the year	70,771	-	120,510	-	-	-	-	-	191,281	0
Derecognition	(179,648)	-	-	-	-	-	(10,297)	(10,297)	(189,945)	(10,297)
30 June 2022	70,771	-	122,106	431	2,287	2,287	9,530	9,530	204,694	12,248

2021	Stage 1		Stage 2		Stage 3				Subtotal	
	12-month expected credit losses (Group)		Lifetime expected credit losses (Group)		Credit-impaired financial assets (Lifetime expected credit losses) (Group)		Credit-impaired financial assets (Lifetime expected credit losses) (Single)			
	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts
31 December 2020	15,365	-	2,247	431	3,077	3,077	-	-	20,689	3,508
Addition for the year	179,649	-	-	-	-	-	19,827	19,827	199,476	19,827
Derecognition	(15,366)	-	(651)	-	(790)	(790)	-	-	(16,807)	(790)
31 December 2021	179,648	-	1,596	431	2,287	2,287	19,827	19,827	203,358	22,545

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 2. Other receivables (Continued)

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

	Opening balance	Increase	Reversal	Write-off	Closing balance
<b>For the six months ended</b>					
<b>30 June 2022</b>	<b>22,545</b>	<b>–</b>	<b>–</b>	<b>(10,297)</b>	<b>12,248</b>
2021	3,508	19,827	(790)	–	22,545

As at 30 June 2022, the five top other receivables are as follows:

	Closing Balance	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	<b>129,724</b>	<b>63</b>	<b>Balance due from related parties</b>	<b>1-2 years</b>	<b>–</b>
The second	<b>51,973</b>	<b>25</b>	<b>Transactional intercourse</b>	<b>Within 1 year</b>	<b>–</b>
The third	<b>9,530</b>	<b>5</b>	<b>Transactional intercourse</b>	<b>Within 1 year</b>	<b>9,530</b>
The fourth	<b>3,755</b>	<b>2</b>	<b>Guarantee deposits</b>	<b>0-3 years</b>	<b>2,192</b>
The fifth	<b>2,847</b>	<b>1</b>	<b>Petty cash</b>	<b>0-3 years</b>	<b>526</b>
	<b>197,829</b>	<b>96</b>			<b>12,248</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### XIII. 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:

	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	0-3 years	526
The fifth	2,978	1	Petty cash	0-3 years	2,192
	198,591	98			22,545



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 3. Long-term equity investments

	30 June 2022			31 December 2021		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Subsidiary	992,288	–	992,288	992,288	–	992,288
Joint ventures	–	–	–	–	–	–
Associate	105,218	–	105,218	58,160	–	58,160
	<b>1,097,506</b>	<b>–</b>	<b>1,097,506</b>	1,050,448	–	1,050,448

For the six months ended 30 June 2022

Investees	Opening balance	Investment Increased	Increase/(decrease)		Cash dividends declared	Closing balance
			Gains and losses from investment recognised through equity method	Investment decreased		
<i>Subsidiaries</i>						
Chongqing Iron & Steel Energy (Note 2)	837,610	–	–	–	–	837,610
Xingang Changlong (Note 1)	154,678	–	–	–	–	154,678
	<b>992,288</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>992,288</b>
<i>Joint ventures</i>						
Jianwei Intelligent (Note 3)	–	–	–	–	–	–
<i>Associate</i>						
Baowu Raw Material (Note 3)	44,121	–	722	(2,323)	–	42,520
Baocheng Carbon (Note 3)	14,039	–	1,953	(2,200)	–	13,792
Baowu Environmental Resource (Note 3)	–	14,700	6	–	–	14,706
Baowu Jingcheng (Note 3)	–	34,200	–	–	–	34,200
	<b>58,160</b>	<b>48,900</b>	<b>2,681</b>	<b>(4,523)</b>	<b>–</b>	<b>105,218</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 3. Long-term equity investments (Continued)

2021

Investees	Opening balance	Increase/(decrease)			Cash dividends declared	Closing balance
		Investments increased	Gains and losses from investment recognized through equity method	Investments decreased		
<i>Subsidiary</i>						
Chongqing Iron & Steel Energy (Note 2)	837,610	-	-	-	-	837,610
Xingang Changlong (Note 1)	28,258	126,420	-	-	-	154,678
	865,868	126,420	-	-	-	992,288
<i>Joint venture</i>						
Jianwei Intelligent (Note 3)	-	-	-	-	-	-
<i>Associate</i>						
Baowu Raw Material (Note 3)	40,000	-	5,021	-	(900)	44,121
Baocheng Carbon (Note 3)	11,236	-	3,112	-	(309)	14,039
Baowu Environmental Resource (Note 3)	-	-	-	-	-	-
Baowu Jingcheng (Note 3)	-	-	-	-	-	-
	51,236	-	8,133	-	(1,209)	58,160

*Note 1:* In January 2021, the Company acquired 72% equity interest in Xingang Changlong from non-affiliated parties, Chongqing Qiancheng Industrial Development Co., Ltd. (重慶千誠實業發展有限公司) and Minsheng Shipping Co., Ltd. (民生輪船股份有限公司), in cash of RMB126,420,000. The purchase date was determined to be 15 January. Upon completion of the acquisition of equity, the Company held 100% equity interest in Xingang Changlong and Xingang Changlong was changed from an associate to a wholly-owned subsidiary of the Company.

*Note 2:* On 31 December 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 3:* please refer to Note V. 9.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 4. Revenue and cost

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	<b>18,008,737</b>	<b>16,911,407</b>	22,407,576	19,048,742
Revenue from other operations	<b>215,804</b>	<b>199,772</b>	261,905	290,731
	<b>18,224,541</b>	<b>17,111,179</b>	22,669,481	19,339,473

Details of revenue are as follows:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Revenue from contracts with customers	<b>18,224,380</b>	22,669,366
Revenue from lease	<b>161</b>	115
	<b>18,224,541</b>	22,669,481

Disaggregation of revenue from contracts with customers are as follows:

For the six months ended 30 June 2022

Main Product	Steel products	Others	Total
Hot rolling	<b>9,346,746</b>	–	<b>9,346,746</b>
Wide and thick plates	<b>5,296,166</b>	–	<b>5,296,166</b>
Medium plates	<b>700,594</b>	–	<b>700,594</b>
Bars	<b>128,262</b>	–	<b>128,262</b>
Double high rods	<b>1,113,210</b>	–	<b>1,113,210</b>
Wire rods	<b>347,681</b>	–	<b>347,681</b>
Commodity billet	<b>3,994</b>	–	<b>3,994</b>
Others	–	<b>1,287,727</b>	<b>1,287,727</b>
	<b>16,936,653</b>	<b>1,287,727</b>	<b>18,224,380</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2022*

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 4. Revenue and cost (Continued)

For the six months ended 30 June 2021

Main Product	Steel products	Others	Total
Hot rolling	11,050,037	–	11,050,037
Wide and thick plates	5,112,310	–	5,112,310
Medium plates	1,000,390	–	1,000,390
Bars	134	–	134
Commodity billet	4,493,015	–	4,493,015
Others		1,013,480	1,013,480
	<b>21,655,886</b>	<b>1,013,480</b>	<b>22,669,366</b>

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

The details of revenue recognized from opening carrying amount of contract liabilities for the current year:

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Contract for goods	<b>2,185,095</b>	2,554,123

##### 5. Investment income

	<b>For the six months ended 30 June 2022</b>	For the six months ended 30 June 2021
Investment income of financial assets held for trading	<b>24,084</b>	–
Investment income from financial assets held for trading	<b>2,681</b>	310
	<b>26,765</b>	310

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2022

#### XIV. OTHER SUPPLEMENTARY INFORMATION

##### 1. Non-recurring profit or loss

	Amount
Gains/(losses) from disposal of non-current assets, including offset portion of impairment provision for such asset	(7)
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	3,125
Capital occupied income from non-financial entities charged in profit or loss	2,209
Income from disposal of financial assets held for trading	-
Non-operating income and expenses other than the above items	(35,530)
<b>Sub-total</b>	<b>(30,203)</b>
Less: Impact of corporate income tax (decreases represented by "-")	
<b>Net non-recurring profit or loss attributable to the owners</b>	<b>(30,203)</b>

Note: The items of non-recurring profit or loss were stated at the pre-tax amount. The Group recognized non-recurring profit and loss items in accordance with the provisions in Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public No. 1 – Extraordinary Items (CSRC Announcement [2008] No. 43).

##### 2. Return on net assets and earnings per share

For the six months ended 30 June 2022	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	2.28	0.06	0.06
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	2.41	0.06	0.06

Chongqing Iron & Steel Company Limited

Chairman: Zhang Wenxue

The date of approval of the Board for submission: 30 August 2022

#### REVISION

Applicable  Not applicable