

**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)



**2020**  
**ANNUAL REPORT**

# Contents

Section I	Definitions	2
Section II	Company Profile and Major Financial Indicators	4
Section III	Company Business Summary	11
Section IV	Management Discussion and Analysis	14
Section V	Significant Events	42
Section VI	Movement of Ordinary Shares and the Particulars of Shareholders	97
Section VII	Related Information of Preferred Shares	106
Section VIII	Directors, Supervisors, Senior Management and Staff	107
Section IX	Corporate Governance	144
Section X	Relevant Information on Corporate Bond	178
Section XI	Financial Report	179
Section XII	Documents Available for Inspection	360

## 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 annual report and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.
- II. All directors of the Company attended the Board meeting.
- III. Ernst & Young Hua Ming LLP issued a standard unqualified audit report for the Company.
- IV. Liu Jianrong, head of the Company, Zou An, the Chief Financial Officer, and Lei Xiaodan, the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the annual report.
- V. The profit distribution proposal or proposal to transfer capital reserve to share capital for the Reporting Period as considered by the Board  
According to the auditing by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company for 2020 amounted to RMB582 million, and the unappropriated profit as at the end of 2020 amounted to RMB-8.786 billion. As the Company recorded a negative unappropriated profit carried forward at the end of 2020, the directors of the Company suggested not to make profit distribution or transfer capital reserve to share capital pursuant to the Article 250 of the Articles of Association for 2020.
- VI. Risk warning in respect of forward-looking statements  
 Applicable       Not applicable  
The forward-looking statements set out in this annual report of the Company such as future plans involve uncertainties and do not constitute the Company's substantial commitment to investors. Investors are advised to be aware of investment risks.
- VII. Is there any non-operational fund occupancy by the controlling shareholder or its related party?  
No
- VIII. Is there any provision of external guarantee by the Company in violation of the stipulated decision-making procedure?  
No
- IX. Major Risk Warning  
Nil
- X. Others  
 Applicable       Not applicable

# Section I Definitions

## I. DEFINITIONS

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

### Definitions of common terms

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
China Baowu, Baowu Group	China Baowu Steel Group Corporation Limited
Strategic Emerging Fund	Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership)
Desheng Group	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.
Siyuanhe Investment	Siyuanhe Equity Investment Management Co., Ltd.
Siyuanhe Fund	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund Center (Limited Partnership)
Siyuanhe Industrial Development Fund	Siyuanhe (Chongqing) Iron & Steel Industrial Development and Equity Investment Fund Partnership (LP)
Changshou Iron & Steel, controlling shareholder	Chongqing Changshou Iron & Steel Company Limited

## Section I Definitions (Continued)

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 2020 to 31 December 2020
RMB, RMB'000, RMB0'000, RMB00'000'000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan, RMB hundred million yuan

## Section II Company Profile and Major Financial Indicators

### I. COMPANY INFORMATION

<b>Chinese name</b>	重慶鋼鐵股份有限公司
<b>Abbreviation of Chinese name</b>	重慶鋼鐵
<b>English name</b>	Chongqing Iron & Steel Company Limited
<b>Abbreviation of English name</b>	CISC
<b>Legal representative</b>	Liu Jianrong

### II. CONTACT INFORMATION

	<b>Secretary to the Board</b>	<b>Securities representative</b>
Name	Liu Jianrong (Acting)	Peng Guo Ju
Correspondence address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Telephone	86-23-6887 3311	86-23-6898 3482
Fax	86-23-6887 3189	86-23-6887 3189
E-mail	IR@email.cqgt.cn	IR@email.cqgt.cn

### III. BASIC INFORMATION

<b>Registered address</b>	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
<b>Postal code of registered address</b>	401258
<b>Office address</b>	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
<b>Postal code of office address</b>	401258
<b>Website</b>	<a href="http://www.cqgt.cn">http://www.cqgt.cn</a>
<b>E-mail</b>	IR@email.cqgt.cn

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

<b>Name of media designated by the Company for information disclosure</b>	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
<b>Website designated by CSRC for publishing annual reports</b>	<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)
<b>Place for inspection of annual reports</b>	Secretariat of the Board of the Company

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

#### Basic Information about the Shares of the Company

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

### VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	Ernst&Young Hua Ming LLP
	Office address	16/F, Ernst & Young Tower, Oriental Plaza, 1 East Chang'an Avenue, Beijing, the PRC
	Name of accountants signing-off the report	Ai Wei (艾維), Wang Dan (王丹)

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

(I) Key Accounting Data

Unit: RMB'000 Currency: RMB

Key accounting data	2020	2019	Increase/ decrease from last year (%)	2018
Operating income	<b>24,489,935</b>	23,477,597	4.31	22,638,957
Net profit attributable to shareholders of the Company	<b>638,479</b>	925,723	-31.03	1,787,906
Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss	<b>491,082</b>	726,508	-32.41	1,677,588
Net cash flow generated from operating activities	<b>1,337,765</b>	-405,326	N/A	1,338,195

	At the end of 2020	At the end of 2019	Increase/ decrease from last year (%)	At the end of 2018
Net assets attributable to shareholders of the Company	<b>20,038,467</b>	19,396,003	3.31	18,531,665
Total assets	<b>39,949,856</b>	26,975,726	48.10	26,933,351

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

### (II) Key Financial Indicators

Key financial indicators	2020	2019	Increase/ decrease from last year (%)	2018
Basic earnings per share ( <i>RMB per share</i> )	<b>0.07</b>	0.10	-30.00	0.20
Diluted earnings per share ( <i>RMB per share</i> )	<b>0.07</b>	0.10	-30.00	0.20
Basic earnings per share after deducting non-recurring profit and loss ( <i>RMB per share</i> )	<b>0.06</b>	0.08	-25.00	0.19
Weighted average return on net assets (%)	<b>3.24</b>	4.88	Decrease by 1.64 percentage points	10.14
Weighted average return on net assets after deducting nonrecurring profit and loss (%)	<b>2.49</b>	3.83	Decrease by 1.34 percentage points	9.52

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

Applicable       Not applicable



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

- (I) Difference between the net profit and net assets attributable to shareholders of listed companies as disclosed in the financial statements under International Accounting Standards and those under PRC Accounting Standards

Applicable  Not applicable

- (II) Difference between net profit and net assets attributable to shareholders of listed companies as disclosed in the financial statements under overseas accounting standards and those under PRC Accounting Standards

Applicable  Not applicable

- (III) Explanation on the differences between the PRC accounting standards and overseas accounting standards:

Applicable  Not applicable

## IX. MAJOR FINANCIAL DATA OF EACH QUARTER OF 2020

Unit: RMB'000 Currency: RMB

	1st Quarter (January – March)	2nd Quarter (April – June)	3rd Quarter (July – September)	4th Quarter (October – December)
Operating income	5,178,323	5,749,044	6,998,527	6,564,041
Net profit attributable to shareholders of the listed company	4,173	117,182	248,977	268,147
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	253	107,540	246,030	137,259
Net cash flow generated from operating activities	-213,075	295,661	403,001	852,178

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

Applicable  Not applicable

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

### X. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Applicable       Not applicable

Unit: RMB'000    Currency: RMB

Non-recurring profit and loss items	Amount for 2020	Note (if applicable)	Amount for 2019	Amount for 2018
Gains or losses on disposal of non-current assets	-20,177		-1,060	14,822
Government grants included in the profit or loss for the period (except for those closely related to the ordinary businesses of the Company, in compliance with the requirements under the State's policies, and continuously entitled to quantitative or qualitative government grants according to certain standards)	196,430		144,872	2,729
Capital occupancy fee from non-financial enterprises recognized through profit or loss	857		8,459	74,888
Gains or losses on changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, and derivative financial liabilities and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other equity investments, excluding those arising from effective hedging business related to operating activities	6,803		15,894	7,021
Other non-operating income and expenses apart from the above-mentioned	-36,516		31,050	12,293
Effects of minority interest				-331
Effect of income tax				-1,104
Total	147,397		199,215	110,318

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

### XI. ITEMS MEASURED AT FAIR VALUE

Applicable       Not applicable

Unit: RMB'000    Currency: RMB

Item	Opening balance	Closing balance	Changes in the reporting period	Effects on profit for the reporting period
Financial assets held for trading	400,000	–	-400,000	6,803
Other equity investments	5,000	<b>5,000</b>	–	–
Receivables financing	861,373	<b>2,068,546</b>	1,207,173	–
<b>Total</b>	<b>1,266,373</b>	<b>2,073,546</b>	<b>807,173</b>	<b>6,803</b>

### XII. OTHERS

Applicable       Not applicable

### XIII. FINANCIAL HIGHLIGHTS

Unit: RMB '000    Currency: RMB

	2016	2017	2018	2019	2020
<b>Income and profit</b>					
Income	4,414,902	13,236,840	22,638,957	23,477,597	<b>24,489,935</b>
Profit before tax	(4,685,667)	319,810	1,758,733	890,509	<b>624,387</b>
Taxation	17	2	(29,300)	(35,214)	<b>(14,092)</b>
Profit for the year	(4,685,684)	319,808	1,788,033	925,723	<b>638,479</b>
Attributable to					
Shareholders of the Company	(4,685,956)	320,086	1,787,906	925,723	<b>638,479</b>
Non-controlling interests	272	(278)	127	–	–
Earnings per share attributable to shareholders of the Company – Basic (RMB)	(0.53)	0.04	0.20	0.10	<b>0.07</b>
<b>Assets and liabilities</b>					
Non-current assets	33,991,308	20,255,286	19,421,096	19,120,443	<b>26,901,448</b>
Current assets	2,447,146	4,757,173	7,512,255	7,855,283	<b>13,048,408</b>
Current liabilities	26,130,733	4,810,947	5,245,076	5,089,715	<b>13,429,248</b>
Non-current liabilities	10,415,155	3,397,548	3,156,610	2,490,008	<b>6,482,141</b>
Net assets	(107,434)	16,803,964	18,531,665	19,396,003	<b>20,038,467</b>
Equity attributable to shareholders of the Company	(200,494)	16,730,115	18,531,665	19,396,003	<b>20,038,467</b>
Non-controlling interests	93,060	73,849	–	–	–

## Section III Company Business Summary

### I. MAIN BUSINESS, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION ON INDUSTRY SITUATION DURING THE REPORTING PERIOD

#### (I) Explanation on the Company's Main Business and Business Model

The Company is mainly engaged in the production, processing and sale of steel plates, wire rods, bar materials, billets and thin plates; production and sale of coal chemical products & grain slag, etc. The Company has the following main production lines: 4,100mm wide and thick plate, 2,700mm medium plate, 1,780mm hot rolled sheet, high speed wire rods and bar materials.

The Company's products are 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 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.

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 10-million-tonne-level iron and steel enterprise, shaping "Chongqing Iron & Steel to be beautiful and picturesque", and becoming a leader in the steel industry in Southwest China. The Company actively implemented the annual production and operation policy of "expanding scale, adjusting structure, and reducing costs" and the working keynotes of "refining management, minimizing resource consumption, conducting comprehensive benchmarking to identify areas for improvement, and increasing efforts in cost reduction and efficiency enhancement", and adhered to the philosophy of "all costs can be lowered", while focusing on "scale + cost" and "efficiency + benefit" by means of maximizing the efficiency and minimizing the costs, so as to promote the Company's production and operation and the implementation of construction projects and various reforms and development, strengthen the foundation for development, push forward the construction of a 10-million-tonne-level iron and steel enterprise, and move steadily towards the goal of development.

## Section III Company Business Summary (Continued)

### (II) Explanation on the Industry

In 2020, under the severe impact of COVID-19 pandemic and the complex domestic and international environment, and in the face of high costs of raw materials such as iron ore, huge environmental pressure, intensified international competition and market volatility, the domestic iron and steel market witnessed upward fluctuations within a wide range.

According to the National Bureau of Statistics, the General Administration of Customs and the China Iron and Steel Association, in 2020, the domestic production of pig iron and crude steel reached 887.52 million tonnes and 1,064.77 million tonnes, representing a year-on-year increase of 4.3% and 7.0%, respectively; the production of steel products reached 1,324.89 million tonnes, representing a year-on-year increase of 10.0%; the cumulative exports of steel products reached 53.67 million tonnes, representing a year-on-year decrease of 16.5%; the cumulative imports of steel products reached 20.23 million tonnes, representing a year-on-year increase of 64.4%; the monthly average of China's steel price index was 105.57 points, representing a year-on-year decrease of 2.2%; the national cumulative imports of iron ore and its concentrates reached 1,170.1 million tonnes, representing a year-on-year increase of 9.5%; according to the statistics of China Iron and Steel Association, the key iron and steel enterprises realized sales revenue of RMB4.7 trillion, representing a year-on-year increase of 10.9%; and profits of RMB207.4 billion, representing a year-on-year increase of 6.6%.

## II. EXPLANATION ON SUBSTANTIAL CHANGES OF MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable  Not applicable

## III. 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.

## Section III Company Business Summary (Continued)

### (II) Relative targeted market and logistic advantages

The Company is the only iron and steel conglomerate meeting national policies on the industry in Chongqing market and southwestern regions with net inflows of steel. While local supply cannot meet its own demand. 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) Advantage of the abundant production line

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

### (IV) Coordinative support advantage of China Baowu

China Baowu has selected a number of young and vigorous personnels with high technical and business levels and practical experience in management to form an expert team, so as to carry out coordinative support in various aspects such as cost improvement, process optimization, quality control, equipment management, variety development and system capacity building, enhancing the overall competitiveness of the Company and presenting a sound development trend; leveraging the advantages of the brand, scale and platform of China Baowu, and the establishment of a joint venture with China Baowu and its subsidiaries by the Company to strengthen business cooperation, strengthen production coordination and optimize industrial chain and give full play to the advantages of coordination, laying a solid foundation for the sustainable and high-quality development of the Company.

# Section IV Management Discussion and Analysis

## I. MANAGEMENT DISCUSSION AND ANALYSIS

2020 is the year for Chongqing Iron & Steel to integrate into China Baowu and march forward to high-quality development. During the year, Chongqing Iron & Steel actively implemented the production and operation policy of “expanding scale, adjusting structure, and reducing costs”, focused on “scale + cost” and “efficiency + benefit”, and adhered to the basic work of “finding differences from excellent enterprises comprehensively, paying close attention to reducing costs and increasing efficiency, promoting the implementation of plans and achieving the scale benefits”; increased production and capacity on all fronts and made every efforts to improve quality and increase efficiency. The Company’s production operation remained stable and positive, with annual production capacity of steel exceeding 7 million tonnes for the first time and several technical and economic indicators reaching a record level in history, the planning and development of projects is promoted in an orderly manner, and the Company’s competitiveness continuously enhanced.

### (I) Guided by planning, we consolidated the foundation for development

The Company reviewed the situation, studied the changes in the market, and implemented the upgrading of the whole process according to the layout featuring the common development of plate, coil and long product businesses. It newly constructed No.4 continuous caster, double high rods, oxygen production unit of 50,000 cubic meters, excess gas power generation project, and resumed the production line of medium plate. Upon the completion of the upgrading, the production scale and process equipment will step up to a higher level, and the product mix will be more diversified and reasonable.

### (II) The layout was optimized and the industry chain tended to be complete

In 2020, the Company actively carried out equity investment and completed three equity investment projects. It completed the acquisition of 10% equity interest in Luyang Chemical (now renamed as Baocheng Carbon); the acquisition of 100% equity interest in Qianxin Energy, which contributed to the application of excess gas in an efficient and environment friendly manner and a significant reduction in its electricity costs; and its investment in 8% equity interest in Baowu Raw Materials enabled itself to share the benefit from the synergy in Baowu Group’s procurement. After such equity interest acquisitions, the synergy among the Company’s various segments was effectively enhanced and the costs further decreased.

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (III) We found differences from excellent enterprises and the economic indicators improved significantly

In 2020, the Company sought to find differences from excellent enterprises and continuously promoted the cost reduction and efficiency enhancement, resulting in a record high of the main technical and economic indicators. In September, the utilization coefficient of 1# blast furnace was 3.005t/m<sup>3</sup>•d, ranking the third in China among the same type of blast furnaces. In December, the 2# blast furnace started operation, with an average daily output of 8,000t and a utilization coefficient of 3.2t/m<sup>3</sup>•d, ranking the second in China among the same type of blast furnaces, and the fuel ratio decreased to 487kg/t, ranking the first in China among the same type of blast furnaces. In December, the utilization coefficient of 4# blast furnace exceeded 3.213t/m<sup>3</sup>•d, with a fuel ratio of 505kg/t, ranking top five in China among the same type of blast furnaces. In July, the iron-to-steel ratio for steel making was 795.7kg/t, which rose to No. 7 from the original No. 8 in ranking, hitting the best ever record.

#### (IV) Steady improvement was made in environmental governance capacity

In 2020, the Company actively worked to build itself into a green and ecological factory. No environmental pollution incidents occurred and the total pollutant emissions met the standards. Environmental protection projects were completed and put into operation one after another, realizing ultra-low emission of flue gas desulphurization of No. 2 and No. 3 sintering machines; the Company completed the upgrading of the coking wastewater system and central wastewater treatment system, and the quality of wastewater was stable and up to standard. The Company conducted special treatment of fugitive emissions and reduced dust by 23%. It actively promoted energy conservation projects and implemented energy conservation projects such as excess gas power generation project, iron zone air compression system capacity expansion and upgrading project, and steelmaking dust removal fan frequency conversion project.

#### (V) Overall planning enabled our financing effort yield results

After its integration into China Baowu, the Company's credit was further enhanced and its financing channels became more extensive. The funds newly raised in the year amounted to RMB5.4 billion, including the issuance of the first tranche of medium-term notes with an amount of RMB1 billion, and having obtained approval for the second tranche of medium-term notes with an amount of RMB2 billion, additional finance leases of RMB1.7 billion and credit facilities from banks and financial institutions of RMB2.7 billion, and the financing structure was adjusted to reduce the overall financing costs.



## Section IV Management Discussion and Analysis (Continued)

### II. MAJOR OPERATION DURING THE REPORTING PERIOD

During the reporting period, the Group produced 6.3784 million tonnes of iron, 7.1155 million tonnes of steel and 6.7775 million tonnes of commodity billet, representing year-on-year growth of 4.39%, 5.83%, and 5.45% respectively, which exceeded the annual planned goals and reached the highest level in history. The sales volume of commodity billet was 6.8256 million tonnes, representing a year-on-year growth of 4.89%. The operating income was RMB24.49 billion, representing a year-on-year increase of 4.31%, while the total profit was RMB624 million, representing a year-on-year decrease of 29.88%.

#### (I) Main business analysis

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

Unit: RMB'000 Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	<b>24,489,935</b>	23,477,597	4.31
Operating cost	<b>22,658,292</b>	21,718,957	4.32
Selling expenses	<b>91,929</b>	121,521	-24.35
Administrative expenses	<b>591,920</b>	597,612	-0.95
R&D expenses	–	–	–
Financial expenses	<b>132,514</b>	170,887	-22.46
Net cash flow from operating activities	<b>1,337,765</b>	-405,326	Not applicable
Net cash flow from investing activities	<b>-711,113</b>	-718,828	Not applicable
Net cash flow from financing activities	<b>2,476,115</b>	749,934	230.18

- (1) Reasons for change in distribution and selling expenses: The decrease in distribution and selling expenses was mainly due to the decrease in sales transportation fee as a result of the change of sales model of the Company.
- (2) Reasons for change in financial expenses: The decrease in financial expenses was mainly due to the increase in foreign exchange gains.
- (3) Reasons for change in net cash flow from operating activities: The increase in net cash flow from operating activities was mainly due to the increase in advances from customers.
- (4) Reasons for change in net cash flow from financing activities: The increase in net cash flow from financing activities was mainly due to the increase in financing for the period.

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

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

##### 2. Revenue and cost analysis

Applicable       Not applicable

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

In 2020, the Group realized a total profit of RMB624 million, representing a year-on-year decrease of 29.88%, which was mainly due to the following reasons: the selling price of steel products amounted to s RMB3,464/tonne, representing a year-on-year increase of 0.20%, and commodity billet achieved an increase of RMB133 million in profit affected by products structure; the sales volume of commodity billet reached 6.8256 million tonnes, representing a year-on-year increase of 4.89%, and achieving an increase of RMB44 million in profit; the Company continuously promoted cost reduction plan, thus key technical and economic indicators improved significantly, all consumption obviously reduced, thus resulting in an increase of RMB277 million in profit from cost reduction in the aspect of process; the increase in prices of ore and scrap steel, offset by the decrease in price of coal, resulted in a decrease of RMB337 million in profit; the upgrading and transformation of production line and the impairment of fixed assets resulted in a decrease of RMB385 million in profit.

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

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

#### 2. Revenue and cost analysis (Continued)

In 2020, the Group's revenue from main business amounted to RMB24.349 billion, representing a year-on-year increase of 4.19%. In particular, the income from sales of commodity billet amounted to RMB23.569 billion, representing an increase of RMB1.0750 billion as compared with the corresponding period of last year. Firstly, the sales volume of commodity billet was 6.8256 million tonnes, representing a year-on-year increase of 4.89%, resulting in an increase in the sales income of RMB942 million; secondly, the sales price of steel products was RMB3,464/tonne, representing a year-on-year increase of 0.20%, resulting in an increase in the sales income of RMB133 million affected by products structure.

Composition of income from main businesses:

Type	2020		2019		Year-on-year increase in amount (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plate	7,394,107	30.37	6,894,166	29.50	7.25
Hot rolling	12,385,118	50.85	10,792,992	46.18	14.75
Bars	1,464,818	6.02	2,480,253	10.61	-40.94
Profiles	1,133,878	4.66	2,326,636	9.96	-51.27
Billet	1,190,733	4.89	-	-	-
Subtotal	23,568,654	96.79	22,494,047	96.25	4.78
Other	780,503	3.21	875,587	3.75	-10.86
Total	24,349,157	100.00	23,369,634	100.00	4.19

## Section IV Management Discussion and Analysis (Continued)

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

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

##### 2. Revenue and cost analysis (Continued)

Sales prices of commodity billet:

Item	2020 Sales price (RMB/tonne)	2019 Sales price (RMB/tonne)	Year- on-year growth (%)	Income increase (RMB'000)
Plate	3,603	3,587	0.45	31,479
Hot rolling	3,423	3,338	2.55	305,327
Bars	3,293	3,554	-7.34	-116,628
Profiles	3,299	3,554	-7.18	-87,819
Sub-total of steel products	3,464	3,457	0.20	132,359
Billet	3,254	–	–	–
Total of commodity billet	3,453	3,457	-0.12	132,359

Sales volumes of commodity billet:

Item	Sales volume for 2020 (Ten thousand tonnes)	Sales volume for 2019 (Ten thousand tonnes)	Year- on-year growth (%)	Income increase (RMB'000)
Plate	205.25	192.19	6.80	468,462
Hot rolling	361.86	323.31	11.92	1,286,799
Bars	44.49	69.78	-36.24	-898,807
Profiles	34.37	65.46	-47.49	-1,104,939
Sub-total of steel products	645.97	650.74	-0.73	-248,485
Billet	36.59	–	–	1,190,733
Total of commodity billet	682.56	650.74	4.89	942,248

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

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

#### 2. Revenue and cost analysis (Continued)

##### (1) Main business by sectors, products and regions

Unit: RMB'000 Currency: RMB

#### Main business by sectors

By sectors	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Iron and steel	24,349,157	22,554,529	7.37	4.19	4.19	Increase by 0.00 percentage points

#### Main business by products

By products	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Commodity billet	23,568,654	21,749,854	7.72	4.78	4.61	Increase by 0.15 percentage points
Other	780,503	804,675	-3.10	-10.86	-6.04	Decrease by 5.29 percentage points

## Section IV Management Discussion and Analysis (Continued)

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

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

##### 2. Revenue and cost analysis (Continued)

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

##### Main business by regions

By regions	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Southwest	22,638,697	20,968,609	7.38	18.54	18.62	Decrease by 0.06 percentage points
Other regions	1,710,460	1,585,920	7.28	-59.95	-60.06	Increase by 0.25 percentage points
Total	24,349,157	22,554,529	7.37	4.19	4.19	Increase by 0.00 percentage points

Explanations on main business by sectors, products and regions

Not applicable

## Section IV Management Discussion and Analysis (Continued)

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

(I) Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(2) Table of production and sales volume analysis

Applicable       Not applicable

Main products	Unit	Production volume	Sales volume	Inventory	Year-on-year increase/decrease in production volume (%)	Year-on-year increase/decrease in sales volume (%)	Year-on-year increase/decrease in inventory (%)
Plate	Ten thousand tonnes	201.90	205.25	3.23	5.75	6.80	-32.29
Hot rolling	Ten thousand tonnes	360.64	361.86	3.50	13.21	11.92	26.81
Bars	Ten thousand tonnes	42.68	44.49	0.01	-38.27	-36.24	-99.46
Profiles	Ten thousand tonnes	34.30	34.37	-	-46.51	-47.49	-100.00
Billet	Ten thousand tonnes	38.23	36.59	1.64	-	-	-

Explanations on production and sales volume

Not applicable

## Section IV Management Discussion and Analysis (Continued)

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

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

##### 2. Revenue and cost analysis (Continued)

##### (3) Cost analysis table

Unit: RMB'000

#### By sectors

By sectors	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Iron and steel	Raw material	17,393,884	77.12	16,364,965	75.59	6.29
Iron and steel	Energy	1,043,748	4.63	1,120,692	5.18	-6.87
Iron and steel	Labor and other costs	4,116,898	18.25	4,162,412	19.23	-1.09

#### By products

By products	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Commodity billet	Raw material and energy costs	21,749,854	96.43	20,791,682	96.04	4.61
Other	Raw material and energy costs	804,675	3.57	856,387	3.96	-6.04



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

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

##### 2. Revenue and cost analysis (Continued)

#### (3) Cost analysis table (Continued)

Explanations on other information of cost analysis

Not applicable

#### (4) Major buyers and major suppliers

Applicable       Not applicable

The sales attributable to the five largest buyers amounted to RMB7,710,296,000, representing 31.48% of the total sales for the year, of which the sales attributable to related parties amounted to RMB1,535,082,000, representing 6.27% of the total sales for the year.

The purchase amount attributable to the five largest suppliers amounted to RMB7,622,376,000, representing 33.64% of the total purchase amount for the year, of which the purchase amount attributable to related parties amounted to RMB1,685,747,000, representing 7.44% of the total purchase amount for the year.

Other explanations

Not applicable

## Section IV Management Discussion and Analysis (Continued)

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

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

##### 3. Expenses

Applicable  Not applicable

Unit: RMB'000

Item	Amount for the period	Amount for the previous period	Year-on-year change (%)
Selling expenses	<b>91,929</b>	121,521	-24.35
Administrative expenses	<b>591,920</b>	597,612	-0.95
Financial expenses	<b>132,514</b>	170,887	-22.46

##### 4. R&D investment

###### (1) Table of R&D investment

Applicable  Not applicable

Unit: RMB'000

Expensed R&D investment for the period	889,617
Capitalized R&D investment for the period	–
Total R&D investment	889,617
Percentage of the total R&D investment in operating income (%)	3.63
Number of R&D personnel of the Company	1,224
Percentage of R&D personnel in total number of employees of the Company (%)	16.57
Percentage of capitalized R&D investment in total R&D investment (%)	–

###### (2) Explanations

Applicable  Not applicable

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

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

#### 5. Cash flow

Applicable       Not applicable

Unit: RMB'000

Item	2020	2019	Main reasons for changes
Net cash flow from operating activities	<b>1,337,765</b>	-405,326	Increase in advances from customers
Net cash flow from investing activities	<b>-711,113</b>	-718,828	-
Net cash flow from financing activities	<b>2,476,115</b>	749,934	Increase in financing
Net increase in cash and cash equivalents	<b>3,102,767</b>	-374,220	-

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

Applicable       Not applicable

## Section IV Management Discussion and Analysis (Continued)

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

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

Applicable  Not applicable

##### 1. Assets and liabilities

Unit: RMB'000

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Cash and bank balances	4,943,231	12.37	1,783,747	6.61	177.13	Increase in advances from customers and financing
Financial assets held for trading	-	-	400,000	1.48	-100.00	Redemption of wealth management products
Trade receivables	35,041	0.09	5,610	0.02	524.62	Spread settlement
Receivables financing	2,068,546	5.18	861,373	3.19	140.15	Increase in pledged billing
Prepayments	534,516	1.34	751,498	2.79	-28.87	
Other receivables	18,013	0.05	78,132	0.29	-76.95	Recovery of government grants for the prior period
Inventories	5,054,908	12.65	3,931,513	14.57	28.57	Scale expansion and increase in inventory of materials
Other current assets	394,153	0.99	43,410	0.16	807.98	Increase in excess VAT paid
Long-term equity investments	79,494	0.20	28,258	0.10	181.32	Purchase of equity interest in Baocheng Charcoal (寶丞炭材) and Baowu Raw Materials

## Section IV Management Discussion and Analysis (Continued)

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

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

##### 1. Assets and liabilities (Continued)

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Other equity investments	5,000	0.01	5,000	0.02	-	
Property, plant and equipment	16,630,788	41.63	16,442,264	60.95	1.15	
Construction in process	2,844,665	7.12	171,858	0.64	1,555.24	Increase in fixed asset investments
Right-of-use assets	4,095,211	10.25	-	-	Not applicable	Change in the method of leasing equipment
Intangible assets	2,394,593	5.99	2,392,114	8.87	0.10	
Goodwill	295,407	0.74	-	-	Not applicable	Goodwill arising from the acquisition of Chongqing Iron & Steel Energy
Long-term deferred expenditures	299,730	0.75	-	-	Not applicable	Leasehold improvements
Deferred tax assets	131,468	0.33	68,436	0.25	92.10	Increase in deductible temporary differences such as provision for asset impairment
Other non-current assets	125,092	0.31	12,513	0.05	899.70	Increase in prepayments for fixed investment projects
Short-term borrowings	700,788	1.75	384,528	1.43	82.25	New borrowings
Notes payable	1,272,291	3.18	91,127	0.34	1,296.17	Increase in bills payment

## Section IV Management Discussion and Analysis (Continued)

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

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

##### 1. Assets and liabilities (Continued)

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Trade payables	2,652,728	6.64	1,726,883	6.40	53.61	Increase in purchase of mine and coal and changes of settlement method
Contract liabilities	2,554,165	6.39	1,145,615	4.25	122.95	Increase in advance receipts due to enhancement of sales policy
Employee benefits payable	283,969	0.71	257,143	0.95	10.43	
Taxes payable	9,177	0.02	70,867	0.26	-87.05	No VAT payable due to excess VAT paid at the end of the period
Other payables	1,567,619	3.92	421,768	1.56	271.68	Increase in construction payables
Non-current liabilities due within one year	4,056,471	10.15	841,576	3.12	382.01	Reclassification of judicial reorganization loan and lease liabilities into that due within one year
Other current liabilities	332,041	0.83	150,208	0.56	121.05	Increase in advance receipts and increase in taxation involved
Long-term borrowings	450,000	1.13	-	-	- Not applicable	New merger and acquisition loan from China Merchants Bank
Bonds payables	995,150	2.49	-	-	- Not applicable	Issuance of medium-term notes in 2020

## Section IV Management Discussion and Analysis (Continued)

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

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

##### 1. Assets and liabilities (Continued)

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Lease liabilities	3,022,612	7.57	-	-	- Not applicable	Change of method of leasing equipment
Long-term payables	1,352,264	3.38	-	-	- Not applicable	New financing leases
Long-term employee benefits payable	179,557	0.45	201,737	0.75	-10.99	
Deferred income	35,902	0.09	38,271	0.14	-6.19	
Deferred tax liabilities	1,176	-	-	-	- Not applicable	Increase in taxable temporary differences in the period
Other non-current liabilities	445,480	1.12	2,250,000	8.34	-80.20	Reclassification of judicial reorganization loan into that due within one year

Other explanation

Not applicable

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

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

#### 2. Major restricted assets at the end of the reporting period

Applicable       Not applicable

Unit: RMB'000

Item	Carrying amount at the end of the period	Carrying amount at the beginning of the period	Reason for restrictions
Cash and bank balances	<b>245,141</b>	188,424	Note 1
Receivables Financing	<b>1,343,223</b>	190,000	Note 2
Property, plant and equipment	<b>3,529,913</b>	1,928,087	Note 3
Intangible assets	<b>1,027,708</b>	2,392,114	Note 4
<b>Total</b>	<b>6,145,985</b>	4,698,625	

*Note 1:* As at 31 December 2020, the Group's ownership of cash and bank deposits with carrying amount of RMB245,141,000 (31 December 2019: RMB188,424,000) was restricted for issuing bank acceptances and letters of credit.

*Note 2:* As at 31 December 2020, the Group's bank acceptances with carrying amount of RMB1,343,233,000 were pledged for issuing bank acceptances (31 December 2019: the Group obtained short-term borrowings by discounting bank acceptances with carrying amount of RMB190,000,000).

*Note 3:* As at 31 December 2020, the Group's houses and buildings with carrying amount of RMB987,609,000 (31 December 2019: RMB1,928,087,000) and machinery equipments with carrying amount of RMB2,542,304,000 (31 December 2019: nil) were pledged for obtaining bank borrowing and working capital loan facilities.

*Note 4:* As at 31 December 2020, the Group's land use right with carrying amount of RMB1,027,708,000 (31 December 2019: RMB2,392,114,000) was pledged for obtaining bank borrowing and working capital loan facilities, and the amortised amount of the land use right was RMB27,459,000 (2019: RMB62,213,000) during the current year.

#### 3. Other explanations

Applicable       Not applicable



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

#### (IV) Analysis on industry operating information

Applicable       Not applicable

In 2020, Chinese economy recovered at a fast pace, and the downstream demand of the iron and steel industry gradually recovered as well, which led to a significant increase in iron and steel production, weak external demand, further decline in exports, and a significant rebound in imports. Social stock remained at high level throughout the year, the price of raw materials obviously raised the production cost for enterprises, and the overall profit of the industry was affected to a certain extent.

1. Iron and steel output increased steadily. According to the National Bureau of Statistics, in 2020, the production of pig iron and crude steel in China amounted to 887.52 million tonnes and 1,064.77 million tonnes, up 4.3% and 7.0% as compared with the corresponding period of last year, respectively. The production of steel products reach 1,324.89 million tonnes, up 10.0% as compared with the corresponding period of last year.
2. Steel exports declined and imports increased significantly. According to data from the General Administration of Customs, in 2020, the country's cumulative steel exports totaled 53.67 million tons, representing a year-on-year decrease of 16.5% and the cumulative steel imports totaled 20.23 million tons, representing a year-on-year increase of 64.4%.
3. The average price of steel products decreased slightly. According to the data from China Iron and Steel Association, in the period from January to December 2020, China's steel price index averaged at 105.57 points, representing a year-on-year decrease of 2.2%. After falling to the lowest point of 96.62 points in 2020 at the end of April, such averaged price index gradually rebounded. It began to rise rapidly in November and reached the highest point of 129.14 points in December, representing an increase of 32.52 points as compared with the lowest point for 2020, or 33.7%.
4. The performance of the Company improved. According to the key statistics from China Iron and Steel Association in 2020, the iron and steel enterprises achieved sales revenues of RMB4.7 trillion, representing a year-on-year increase of 10.9%, and realized profits of RMB207.4 billion, representing a year-on-year increase of 6.6%.
5. Steel stock increased slightly. According to the data from China Iron and Steel Association, the social stock of five types of steels (namely, rebar, wire, hot rolled coil, cold rolled coil, and medium plate) in major cities nationwide reached a peak of 20.21 million tonnes in early March 2020, then fluctuated and decreased, and fell to 7.3 million tonnes at the end of December, representing an increase of 7% as compared with that of the beginning of the year and a decrease of 63.9% as compared with the peak.

## Section IV Management Discussion and Analysis (Continued)

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

#### (IV) Analysis on industry operating information (Continued)

6. Imported ore volumes continued to increase and the price of imported ore rose significantly. According to data from the General Administration of Customs, in 2020, the whole nation imported an aggregate of 1,170.10 million tonnes of iron ore and its concentrates, representing a year-on-year increase of 9.5%. According to the data from China Iron and Steel Association, as at the end of December 2020, the import price of fine ore (62% grade) was USD159.54/tonne, representing an increase of USD69.02/tonne as compared with the corresponding period in 2019, or 76.2%.

#### *Steel and Iron Industry Operational Information Analysis*

1. Manufacturing and Sales of Steel Material Based on Processing Techniques

Applicable  Not applicable

2. Manufacturing and Sales of Steel Material Based on Forms of Finished Products

Applicable  Not applicable

*Unit: RMB'000 Currency: RMB*

Types based on forms of finished products	Production volume (tonne)		Sales volume (tonne)		Operating income		Operating cost		Gross profit margin (%)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Plates and strips	5,625,438	5,094,766	5,671,072	5,154,975	19,779,225	17,687,158	18,034,668	16,317,068	8.82
Others	1,152,054	1,332,614	1,154,494	1,352,454	3,789,429	4,806,889	3,715,186	4,474,614	1.96	6.91

3. Steel Material Sales Based on Sales Channels

Applicable  Not applicable

4. Manufacturing and Sales of Special Steel Products

Applicable  Not applicable

## Section IV Management Discussion and Analysis (Continued)

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

#### (IV) Analysis on industry operating information (Continued)

##### Steel and Iron Industry Operational Information Analysis (Continued)

#### 5. Supply of Iron Ore

Applicable  Not applicable

Unit: RMB'000 Currency: RMB

Supply source of iron ore	Supply volume (tonne)		Expenditure	
	2020	2019	2020	2019
Domestic source	<b>701,296.24</b>	509,740.48	<b>586,038</b>	60,516
Overseas import	<b>9,150,693.23</b>	9,094,592.80	<b>7,726,533</b>	6,412,843
Total	<b>9,851,989.47</b>	9,604,333.28	<b>8,312,571</b>	6,473,359

#### 6. Supply of steel scrap

Applicable  Not applicable

Unit: RMB'000 Currency: RMB

Supply source of steel scrap	Supply volume (tonne)		Expenditure	
	2020	2019	2020	2019
Self supply	<b>226,334.12</b>	220,090.51	<b>526,487</b>	503,706
Domestic source	<b>1,060,531.76</b>	945,237.95	<b>2,589,265</b>	2,275,556
Overseas import	—	—	—	—
Total	<b>1,286,865.88</b>	1,165,328.46	<b>3,115,752</b>	2,779,262

#### 7. Others

Applicable  Not applicable

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

#### (V) Investment Analysis

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

Applicable       Not applicable

In 2020, the Company completed equity investment projects of RMB888,846,000, representing an increase of RMB860,588,000 as compared to the same period last year. The main investment projects were as follows: the Company acquired 100% equity interests in Chongqing Iron & Steel Energy Environmental Protection Company Limited (重慶鋼鐵能源環保有限公司) from Chongqing Qianxin Group Co., Ltd., an independent third party, with a cash consideration of RMB837,610,000 (including transaction costs). For details, please refer to “Section V, XVI (I)” in this report; it participated in the establishment of Baowu Raw Material Supply Co., Ltd.\* (寶武原料供應有限公司) with funds of RMB40,000,000. For details, please refer to “Section V, XVI (VI)” in this report; At the 18th meeting of the eighth session of the Board the Company, the Resolution in Relation to the Acquisition of 10% Equity Interest in Luyang Chemical was considered and approved, pursuant to which, the acquisition 10% equity interest in Chongqing Luyang Chemical Co., Ltd.\* (重慶路洋化工有限公司) (“Luyang Chemical”) out of the Company’s self-owned funds at a consideration of RMB11,236,000 was approved. The Company paid the first installment of the equity transfer payments amounting to RMB10,000,000 on 30 April 2020, and paid the second installment of the equity transfer payments amounting to RMB1,236,000 on 29 September 2020. Luyang Chemical changed its name to Chongqing Baocheng Carbon Material Co. Ltd. (重慶寶丞炭材有限公司) (“Baocheng Carbon Material”). According to the articles of association of Baocheng Carbon Material, the Company is entitled to the voting rights corresponding to its equity interest in the company.

##### (1) Significant Equity Investment

Applicable       Not applicable

The Company acquired 100% equity interests in Chongqing Iron & Steel Energy Environmental Protection Company Limited (重慶鋼鐵能源環保有限公司) from Chongqing Qianxin Group Co., Ltd., an independent third party, with a cash consideration of RMB837,610,000. For details, please refer to “Section V, XVI (I)” in this report.

## Section IV Management Discussion and Analysis (Continued)

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

#### (V) Investment Analysis (Continued)

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

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

Applicable  Not applicable

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

Applicable  Not applicable

Unit: RMB'000

Item	Opening balance	Closing balance	Changes in the reporting period	Effects on profit for the reporting period
Financial assets held for trading	400,000	-	-400,000	6,803
Other equity investments	5,000	5,000	-	-
Receivables financing	861,373	2,068,546	1,207,173	-
Total	1,266,373	2,073,546	807,173	6,803

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

Applicable  Not applicable

## Section IV Management Discussion and Analysis (Continued)

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

#### (VII) Analysis of principal controlled and investee companies

Applicable       Not applicable

Name of subsidiary	Principal place of business	Place of registration	Business nature	Shareholdings (%)	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 Jian Wei Intelligent Technology Co.,Ltd* (重慶鑿微智慧科技有限公司)	Changshou District, Chongqing	Changshou District, Chongqing	Software and information technology services	50	Establishment by capital
Chongqing Xin Gang Chang Long Logistics Company Limited	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation and warehouse	28	Acquisition of equity
Chongqing Baocheng Carbon Material Co. Ltd. (重慶寶丞炭材有限公司)	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing	10	Acquisition of equity
Baowu Raw Material Supply Co., Ltd.* (寶武原料供應有限公司)	Pilot Free Trade Zone, Shanghai	Pilot Free Trade Zone, Shanghai	Trading	8	Establishment by capital

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

Applicable       Not applicable

### III. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

#### (I) Industry competition pattern and development trend

Applicable       Not applicable

2020 was the final year of China's 13th Five-Year Plan. Under the favourable policies, China's economy continued to recover steadily. The abundant supply in the steel industry satisfied the new demand in the new development period, but the steel industry was still exposed to certain risks such as the high costs of raw materials such as iron ore, huge environmental pressure, intensified international competition and market volatility.

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

#### (I) Industry competition pattern and development trend (Continued)

2021 is the first year of China's 14th Five-Year Plan. Due to the rebound of global economy overlapping with the adjustments to import tariffs, both imports and exports of steel may see a boom. The tightening standards on capacity replacement will effectively regulate the industry layout, and the market support from rising raw material costs will be significantly enhanced. The steel market may continue to fluctuate within a wide range, and the average price of steel will increase.

In 2021, the in-depth promotion of ultra-low emission transformation will enable more steel enterprises to effectively control their pollutant emissions, and help the steel industry to achieve green development. On 16 December 2020, the Ministry of Industry and Information Technology publicly solicited opinions on the revised draft of the Implementation Measures of Capacity Replacement in the Steel Industry (《鋼鐵行業產能置換實施辦法》). The new version of the capacity replacement measures improved and perfected the original one. It will help resolve excess capacity in the industry, optimize the regional capacity layout, and effectively regulate the capacity development of the steel industry through strict execution of the Implementation Measures of Capacity Replacement. In the future, the steel industry will break the current "small, scattered and weak" status through mergers and reorganizations to create predominant enterprises groups at different levels, build an innovative pattern of industry collaboration, effective competition and common development, increase the industrial concentration, so as to promote the rationalization of the industrial structure and layout, and promote the realization of high-quality development of the steel industry.

#### (II) Corporate development strategy

Applicable       Not applicable

As the Company has integrated into the big family of China Baowu, it embarks on a new development journey. Standing at the new historic starting point, the Company begins the layout of green manufacturing and smart manufacturing, launches a new round of development planning, to create a high-quality green and smart steel manufacturing enterprise with the capacity of over 10 million tonnes, and shape "Chongqing Iron & Steel to be beautiful and picturesque". The Company is committed to becoming a leader in the steel industry in Southwest China, and moving forward firmly towards the goal of high-quality development.

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

#### (II) Corporate development strategy (Continued)

The Company is strategically located in Southwest China, close to the Yangtze River, and owns unique advantages in geographical location. Relying on Chongqing, it integrates into the construction of the Chengdu-Chongqing Double City Economic Circle, boosts the development of the Yangtze River Economic Belt, and contributes to the western development strategy. The Company strives to become an over 10-million-tonne-level iron and steel enterprise with the first comprehensive strength and dominant market position in Southwest China, possessing sound governance structure, efficient management system, advanced production technology, significant scale efficiency, leading cost, low carbon and environmental protection, and strong ability to cope with changes in the external environment. On the occasion of the implementation of the 14th Five-Year Plan, the Company will seek for the ultimate efficiency with scale enhancement, firmly follow the path of green development, build a smart factory with technological innovation, seize the opportunities and ride on the momentum, embarking on a new journey of high-quality development, and striving to achieve the development goal of building itself into an over 10-million-tonne-level iron and steel enterprise.

#### (III) Operating plans

Applicable       Not applicable

In 2021, the Company will focus on the goal of the annual production capacity of steel totaling 10 million tonnes, in accordance with the production and operation policy of “expanding scale, adjusting structure, and reducing costs” and the basic work of “finding differences from excellent enterprises comprehensively, paying close attention to reducing costs and increasing efficiency, promoting the implementation of plans and achieving the scale benefits”, and focusing on “scale + cost” and pursuing “perfection + efficiency”, so as to give full play to the advantages of system and mechanism and building a “green and intelligent manufacturing steel enterprise in high quality with a production capacity over 10 million tonnes” by accurately motivating the vitality of all employees.

The Company plans to produce 8.50 million tonnes of pig iron, 10 million tonnes of steel and 9.58 million tonnes of commodity billets, and realize sales volume of 9.58 million tonnes of commodity billets and revenue of RMB34.5 billion (tax exclusive) in the year of 2021.



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

#### (III) Operating plans (Continued)

Centering on the operating goal in the year of 2021, the Company will focus on promoting the following works:

1. Comprehensively deepening reform and improving management efficiency.
2. Elaborately organizing the production and forging ahead to build itself a steel and iron enterprise with the production capacity of 10 million tonnes.
3. Promoting marketing capacity and building the leading force in regional market.
4. Improving the purchase competitiveness and establishing a highly effective supply chain.
5. Strengthening the safety environmental protection management and constructing green plant.
6. Effectively advancing the intelligent manufacturing, providing supports for high quality development.
7. Focusing on talent project construction and releasing the vitality of employees.

#### (IV) Potential risks

Applicable       Not applicable

1. There is still a great challenge for controlling the COVID-19 pandemic around the world. The uncertainties for the global economy at the macro level are increasing, China-U. S. relations are still bewildering, the repeated outbreak of COVID-19 in China and other uncertain factors always exist and the development of steel and iron industry is also with large variables.
2. The iron and steel industry is a strong cyclical industry. Domestic and international situation, macro-economic and industrial policies may have certain effects on the operation of the Company.
3. The implementation of new environmental law, pollutant emission standards and other relevant laws poses further pressure on the environmental protection of the steel and iron industry.

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

#### (IV) Potential risks (Continued)

4. The steel price still presents a wide shock pattern, which may have certain effects on the profitability of the Company.
5. The Company may suffer increasing cost pressures as a result of the possible fluctuations of raw material price at a high level.

#### (V) Other

Applicable       Not applicable

### IV. FAILURE OF DISCLOSURE OF THE COMPANY AS PER RULES DUE TO INAPPLICABILITY OR SPECIAL REASONS

Applicable       Not applicable

## Section V Significant Events

### I. SCHEME FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

#### (I) Formulation, implementation and adjustment of cash dividend distribution policies

Applicable       Not applicable

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

As audited by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company in 2020 was RMB582 million. As of the end of 2020, the Company's undistributed profit was RMB-8,786 million. Given that the Company's undistributed profit was negative as at the end of 2020, the Board proposed that the Company should not make any distribution of profits, or transfer capital reserve into share capital for the year of 2020 according to Article 250 of the Articles of Association.

#### (II) Profit distribution scheme or proposal and scheme or proposal for transfer of capital reserve to the share capital for the latest 3 years (including the Reporting Period)

Unit: RMB'000    Currency: RMB

Year	Number of bonus shares for every 10 shares (Share)	Dividends for every 10 shares (RMB) (tax inclusive)	Number of shares transferred for every 10 shares (Share)	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated statements for the year with dividend distribution	As a percentage of net profit attributable to shareholders of the Company in the consolidated statements (%)
2020	0	0	0	0	638,479	0.00
2019	0	0	0	0	925,723	0.00
2018	0	0	0	0	1,787,906	0.00

#### (III) Repurchase of shares in cash form included in cash dividend

Applicable       Not applicable

#### (IV) If the Company records profits and the parent company records a positive undistributed profit during the Reporting Period but there is no resolution for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in detail

Applicable       Not applicable

### II. 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>	19 September 2020	No	Yes

## Section V Significant Events (Continued)

### II. 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 V Significant Events (Continued)

### II. 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 V Significant Events (Continued)

### II. 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	<ol style="list-style-type: none"> <li>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.</li> <li>As of 21 December 2018, Siyuanhe Industrial Development Fund has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron &amp; Steel.</li> <li>During the period when Siyuanhe Industrial Development Fund is the controlling shareholder of Chongqing Iron &amp; Steel, if Siyuanhe Industrial Development Fund obtains a business opportunity of engaging in the same business as Chongqing Iron &amp; Steel, Siyuanhe Industrial Development Fund 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.) (Note)</li> </ol>	21 December 2018	No	Yes

## Section V Significant Events (Continued)

### II. 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	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	16 September 2020	No	Yes



## Section V Significant Events (Continued)

### II. 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	1. The Strategic Emerging Fund will ensure the business independence and asset integrity of Chongqing Iron & Steel, as well as independent and integral production, supply and marketing system and other auxiliary and supporting systems. 2. Strategic Emerging Fund and the enterprises under its control will not seek the priority to conclude transactions with Chongqing Iron & Steel and its subsidiaries by utilizing the concerted action relationship between Strategic Emerging Fund and China Baowu and China Baowu's control over Chongqing Iron & Steel. 3. Strategic Emerging Fund and the enterprises under its control will avoid and reduce unnecessary transactions with Chongqing Iron & Steel and its subsidiaries. In the case of indeed necessary and unavoidable transactions, Strategic Emerging Fund and the enterprises under its control and Chongqing Iron & Steel and its subsidiaries shall enter into agreement by following the principles of justice, fairness, valuable consideration, etc., according to law, perform legal procedures, and in accordance with the requirements of laws, regulations and regulatory documents and the provisions of the Articles of Association of Chongqing Iron & Steel, perform the obligation of information disclosure according to law and related procedures for internal decision-making and reporting for approval, and undertake to neither conduct transactions with Chongqing Iron & Steel and its subsidiaries on unfair terms as compared with market prices, nor engage in activities impairing the legitimate interest of Chongqing Iron & Steel and its shareholders by utilizing such transactions. 4. In case of violation of any of the above commitments, Strategic Emerging Fund will undertake the liability according to law and compensate Chongqing Iron & Steel for loss caused thereby.	16 September 2020	No	Yes	

## Section V Significant Events (Continued)

### II. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
To solve the related party transactions		Changshou Iron & Steel	<p>1. After the implementation of the bankruptcy reorganisation plan of Chongqing Iron &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.</p> <p>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.</p>	1 December 2017	No	Yes
Restriction on sale of shares		Changshou Iron & Steel	In 36 months after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, the shares of Chongqing Iron & Steel held by Changshou Iron & Steel will not be transferred. In five years after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, the control over Chongqing Iron & Steel will not be transferred, except when Changshou Iron & Steel transfers the controlling interests in Chongqing Iron & Steel to China Baowu Steel Group Corporation Limited or its holding subsidiaries.	From 29 December 2017 to 28 December 2020	Yes	Yes

## Section V Significant Events (Continued)

### II. 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
Restriction on sale of shares		Siyuanhe Investment	<p>In five years after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron &amp; Steel, Siyuanhe Investment will procure Siyuanhe Fund not to lose the controlling interests in Changshou Iron &amp; Steel by way of transferring or capital increase or by other means, except:</p> <ol style="list-style-type: none"> <li>when Siyuanhe Fund transfers such controlling interests to China Baowu Steel Group Corporation Limited or its holding subsidiaries;</li> <li>when Siyuanhe Fund transfers equity interests in Changshou Iron &amp; Steel to other entities controlled by Siyuanhe Investment on the premise that Siyuanhe Investment's controlling interests in Changshou Iron &amp; Steel are maintained. On the premise that Siyuanhe Investment's controlling interests in Changshou Iron &amp; Steel are maintained, when Siyuanhe Fund transfers equity interests in Changshou Iron &amp; Steel to other entities controlled by Siyuanhe Investment, Siyuanhe Investment undertakes that the transferees will make undertakings with the same contents as the undertakings made by Siyuanhe Fund on maintaining the controlling interest therein, and it also will procure the transferees to fulfill such commitments. (Note)</li> </ol>	From 29 December 2017 to 28 December 2020	Yes	Yes

## Section V Significant Events (Continued)

### II. 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
Restriction on sale of shares	Industrial Development Fund	Siyuanhe Industrial Development Fund	<p>In five years after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron &amp; Steel, the controlling interests held by Siyuanhe Industrial Development Fund in Changshou Iron &amp; Steel will not be lost by way of transferring or capital increase or by other means, except:</p> <ol style="list-style-type: none"> <li>when Siyuanhe Industrial Development Fund transfers such controlling interests to China Baowu Steel Group Corporation Limited or its holding subsidiaries;</li> <li>when Siyuanhe Industrial Development Fund transfers equity interests in Changshou Iron &amp; Steel to other entities controlled by Siyuanhe Investment on the premise that Siyuanhe Investment's controlling interests in Changshou Iron &amp; Steel are maintained. On the premise that Siyuanhe Investment's controlling interests in Changshou Iron &amp; Steel are maintained, when Siyuanhe Industrial Development Fund transfers equity interests in Changshou Iron &amp; Steel to other entities controlled by Siyuanhe Investment, Siyuanhe Industrial Development Fund undertakes that the transferees will make undertakings with the same contents as the letter of undertaking. (Note)</li> </ol>	From 29 December 2017 to 28 December 2020	Yes	Yes

## Section V Significant Events (Continued)

### II. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
	Others	China Baowu and Strategic Emerging Fund	<p>1. China Baowu and its concerted party, Strategic Emerging Fund, undertake to maintain separation from Chongqing Iron &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.</p> <p>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.</p>	16 September 2020	No	Yes
	Others	Changshou Iron & Steel	<p>During the period when Changshou Iron &amp; Steel holds the shares of Chongqing Iron &amp; Steel, Changshou Iron &amp; Steel will, in strict compliance with the rules of CSRC, Stock Exchanges, as well as those of the management system of Chongqing Iron &amp; 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 &amp; Steel will not seek improper interests by using the position of shareholders but respect the independence of Chongqing Iron &amp; Steel in terms of its personnel, assets, business, finance, and organization.</p>	1 December 2017	No	Yes

### II. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

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

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

(II) Explanation of whether the Company fulfilled its profits forecast in relation to assets or projects, if there is any profits forecast in relation to the Company's assets or projects, and if the reporting period is within the profits forecast period and the reasons therefor

Fulfilled       Not Fulfilled       Not Applicable

(III) Performance of result commitment and its impact on goodwill impairment test

Applicable       Not applicable

### III. FUND OCCUPANCY AND PROGRESS OF THE COLLECTION DURING THE REPORTING PERIOD

Applicable       Not applicable

### IV. EXPLANATION FROM THE COMPANY FOR THE "NON-STANDARD AUDIT OPINION REPORT" ISSUED BY THE ACCOUNTING FIRM

Applicable       Not applicable

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

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

Applicable       Not applicable

1. *Scope of disclosure of related parties*

According to the requirements of the Accounting Standards for Business Enterprises – Interpretation No. 13, since 1 January 2020, the associates of investment parties which pose material impact on the Company shall no longer to be disclosed as the related parties. Such change in accounting policies has affected the determination of related parties and disclosure of related party transactions, and no retrospective adjustment to comparative data is required according to the transitional provisions.

2. *Whether it constitutes judgement on business*

According to the requirements of the Accounting Standards for Business Enterprises – Interpretation No. 13, since 1 January 2020, “a portfolio obtained shall have at least one investment and one substantial processing procedure, and the combination of both shall contribute significantly to the production capacity” shall be taken as the judgement condition for whether the portfolio constitutes a business, and “a portfolio with two elements of investment and processing procedures” shall no longer be the judgement condition. Such change in accounting policies has affected the determination of whether a transaction constitutes a business merger, and no retrospective adjustment to comparative data is required according to the transitional provisions.

The implementation of such standard has no impact on the mergers and balance sheets of the Company on 1 January 2021 as well as the mergers and financial statements of the Company in 2020.

### V. THE COMPANY'S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS (CONTINUED)

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

3. *Accounting treatment on carbon emission rights trading*

On 16 December 2019, the Ministry of Finance issued the Notice on the Issuance of Interim Provisions on Accounting Treatment of Carbon Emission Rights Trading (《關於印發《碳排放權交易有關會計處理暫行規定》的通知》) (Cai Kuai [2019] No. 22) (財會[2019]22號), which stipulates that if the relevant enterprises in the key emission units that conduct carbon emission rights trading business acquire carbon emission quota through purchase, they should recognize the carbon emission quota acquired as carbon emission rights assets on the date of purchase, and measure it at cost, debit it under the item of "carbon emission rights assets" and credit it under the items of "bank deposits" or "other payables"; if the carbon emission quota is acquired through allocation by the government for free, no accounting treatment will be made. If the carbon emission quota is purchased to fulfill the contract (to fulfill the emission reduction obligation), the carrying amount of the quota used shall be debited under the item of "non-operating expense" and credited under the item of "carbon emission rights assets"; if the carbon emission quota is acquired for free and is used to fulfill the contract, no accounting treatment will be made.

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

Applicable  Not applicable

(III) Communication with the previous accounting firm

Applicable  Not applicable

(IV) Other explanations

Applicable  Not applicable



## Section V Significant Events (Continued)

### VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Unit: RMB'000 Currency: RMB

		Current	
Name of the domestic accounting firm		Ernst & Young Hua Ming LLP	
Remuneration of the domestic accounting firm	2,250		
Term of service of the domestic accounting firm	3		

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

Explanations for appointment and removal of accounting firms

Applicable       Not applicable

The Company convened the 20th meeting of the eighth session of the Board and the 13th meeting of the eighth session of the Supervisory Committee on 27 March 2020 and the 2019 annual general meeting on 16 June 2020, at which the Proposal for the Re-appointment of the Financial and Internal Control Auditor of the Company for the Year 2020 was considered and approved. Ernst & Young Hua Ming LLP was re-appointed as the Company's auditor for financial and internal control in 2020 for a term till the convening of the 2020 annual general meeting. The annual remuneration is RMB2.25 million for financial auditing services and RMB0.7 million for internal control, totaling RMB2.95 million (tax exclusive).

Explanations for change of the accounting firm during the auditing period

Applicable       Not applicable

## VII. RISK OF SUSPENSION OF LISTING

(I) Reason for suspension of listing

Applicable  Not applicable

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

Applicable  Not applicable

## VIII. STATUSES AND CAUSES OF TERMINATION OF LISTING

Applicable  Not applicable

## IX. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable  Not applicable

## X. MATERIAL LITIGATION AND ARBITRATION

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

## XI. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND ACQUIRERS AND RECTIFICATION MEASURES

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

*Equity incentive*

Applicable  Not applicable

*Other explanations*

Applicable  Not applicable

*Employee stock ownership plan*

Applicable  Not applicable

1. 2018- 2020 employee stock ownership plan

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

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

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

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

*Employee stock ownership plan (Continued)*

1. 2018- 2020 employee stock ownership plan (Continued)

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

As at 14 May 2019, according to the Single Asset Management Plan of Huatai Asset Management for Employee Share Ownership Plan No. 1 of Chongqing Iron & Steel (華泰資管重慶鋼鐵員工持股計劃1號單一資產管理計劃), an aggregate of 24,791,400 A shares of the Company, representing approximately 0.28% of the total share capital of the Company, have been purchased by way of centralized bidding in the secondary market at an average transaction price of approximately RMB1.97 per share for the first phase of employee share ownership plan, and the transaction amount was approximately RMB48.7831 million. So far, the Company has completed the share purchase for the first phase of employee share ownership plan, and the shares purchased for the share ownership plan shall be subject to a lock-up period commencing from 15 May 2019 to 14 May 2020 according to regulations.

The Company convened 2018 annual general meeting, 2019 first class meeting of A shareholders and the 2019 first class meeting of H shareholders on 21 May 2019, at which the Proposal for the grant of general mandate to the board of directors to repurchase A Shares of the Company(《授予董事會回購本公司A股股份的一般性授權》), the Proposal for the grant of general mandate to the board of directors to repurchase H Shares of the Company (《授予董事會回購本公司H股股份的一般性授權》)and other proposals were considered and approved. As authorized at the 2018 annual general meeting, the 2019 first class meeting of A shareholders and the 2019 first class meeting of H shareholders, the Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading was considered and approved at the 10th meeting of the eighth session of the Board of the Company convened on 21 May 2019.

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

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

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

*Employee stock ownership plan (Continued)*

1. 2018- 2020 employee stock ownership plan (Continued)

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

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

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

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

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

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

*Employee stock ownership plan (Continued)*

1. 2018- 2020 employee stock ownership plan (Continued)

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.

The term of the first phase of employee share ownership plan of the Company is no more than 24 months, starting from the date of the announcement of the Company on the registration of the underlying shares purchased in the final transaction under the current phase of employee share ownership plan (i.e. 15 May 2019). The first phase of employee share ownership plan will expire. Depending on the market conditions, the management committee of the first phase of employee share ownership plan of the Company will determine whether to sell the shares in accordance with relevant laws and regulations and the relevant provisions of the first phase of employee share ownership plan.

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

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

*Employee stock ownership plan (Continued)*

1. 2018- 2020 employee stock ownership plan (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)".

2. 2021–2023 employee share ownership plan

In order to establish and improve the mechanism in which labourers and owners share both benefits and risks, enhance employees' cohesion and the Company's competitiveness, maintain a close relationship with core employees, coordinate the interests of management team, core personnel and shareholders, and promote the Company's long-term stable development and enhancement of shareholders' value, the Company has prepared the 2021–2023 Employee Share Ownership Plan (Draft) and its summary in accordance with the relevant laws, regulations and normative documents including the Company Law, Securities Law, Guiding Opinions and Working Guidelines as well as the Articles of Association.

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

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

*Employee stock ownership plan (Continued)*

2. 2021–2023 employee share ownership plan (Continued)

On 16 November 2020, the Proposal for the 2021–2023 Employee Share Ownership Plan (Draft) of Chongqing Iron & Steel Company Limited and its Summary and the Management Measures (《關於<重慶鋼鐵股份有限公司2021年至2023年員工持股計劃(草案)>及其摘要和管理辦法的議案》) was considered and approved at the 28th meeting of the eighth session of the Board and the 19th meeting of the eighth session of the Supervisory Committee of the Company, which is subject to the consideration and approval at the general meeting of the Company.

Other incentive measures

Applicable  Not applicable

### XIV. MATERIAL CONNECTED TRANSACTIONS

- (I) Connected transactions related to day-to-day operation

1. *Matters disclosed in provisional announcements but without developments or changes in subsequent implementation*

Applicable  Not applicable

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

Applicable  Not applicable

At the 16th meeting of the eighth session of the Board of the Company, the Resolution in relation to Leasing of Assets from Related Companies in 2020 was considered and approved, pursuant to which, the Board approved the lease of production equipment and facilities by the Company from Changshou Iron & Steel for the year 2020, and the Announcement on Related Party Transaction of Leasing of Assets from Related Companies in 2020 (Announcement No.: 2019–045) was disclosed on 28 December 2019.



### XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions related to day-to-day operation (Continued)

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

At the 26th meeting of the eighth session of the Board of the Company, the Resolution in relation to the Service and Supply Agreement and the continuing connected transactions (including the proposed caps) entered into between the Company and China Baowu was considered and approved, pursuant to which, the Board approved the Service and Supply Agreement entered into between the Company and China Baowu, and the Announcement on Continuing Connected Transactions (Announcement No.: 2020-047) was disclosed on 26 August 2020. In view of the enlarged production scale of the Company and the increase of China Baowu's demand, at the 33rd meeting of the eighth session of the Board of the Company, the Resolution in relation to the Service and Supply Agreement and its supplemental agreement and the continuing connected transactions (including the proposed caps) entered into between the Company and China Baowu was considered and approved, pursuant to which, the Board approved the Supplemental Service and Supply Agreement entered into between the Company and China Baowu, and the Announcement on the Progress of Continuing Connected Transactions (Announcement No.: 2021-008) was disclosed on 30 January 2021.

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 <i>(Unit: RMB'000)</i>
Renting	Market price	189,823
Procurement of goods and acceptance of services	Market price	1,445,775
Sale of goods	Market price	1,004,922

## Section V Significant Events (Continued)

### XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Connected transactions related to day-to-day operation (Continued)

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

Applicable       Not applicable

*Unit: RMB'000    Currency: RMB*

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Baowu Raw Material Supply Co., Ltd.	Joint-stock subsidiary	Purchase of goods	Procurement of goods	With reference to market price		337,286	1.57			
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Purchase of goods	Procurement of goods	With reference to market price		272,215	1.27			
Baoshan Iron & Steel Co., Ltd.	Other related party	Purchase of goods	Procurement of goods, acceptance of services	With reference to market price		266,796	1.14			
Shanghai Baoding Energy Co., Ltd.	Other related party	Purchase of goods	Procurement of goods	With reference to market price		208,018	0.97			
Baosteel Engineering & Technology Group Co., Ltd.	Other related party	Purchase of goods	Procurement of goods	With reference to market price		182,824	0.85			
Ouye Lianjin Renewable Resources Co., Ltd.	Other related party	Purchase of goods	Procurement of goods	With reference to market price		65,755	0.31			
Chongqing Xingang Changlong Logistics Co., Ltd.	Associate	Purchase of goods	Acceptance of services	With reference to market price		41,599	0.19			
Shanghai Baosteel Shipping Co., Ltd.	Other related party	Purchase of goods	Acceptance of services	With reference to market price		30,265	0.14			
Ouyeel International E-commerce Co., Ltd.	Other related party	Purchase of goods	Procurement of goods	With reference to market price		22,147	0.10			
Wuhan Iron and Steel Co., Ltd.	Other related party	Purchase of goods	Acceptance of services	With reference to market price		12,325	0.06			
Baowu Equipment Intelligent Technology Co., Ltd.	Other related party	Purchase of goods	Procurement of goods, acceptance of services	With reference to market price		11,332	0.05			

## Section V Significant Events (Continued)

### XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Connected 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
Shanghai Baosight Software Co., Ltd.	Other related party	Purchase of goods	Procurement of goods, acceptance of services	With reference to market price		10,909	0.05			
Shanghai Meishan Designing & Researching Institute Co., Ltd. of Industrial and Civil Engineering	Other related party	Purchase of goods	Procurement of goods	With reference to market price		8,023	0.04			
Wuhan Huafeng Sensing Technology Co., Ltd.	Other related party	Purchase of goods	Procurement of goods, acceptance of services	With reference to market price		7,904	0.03			
Others	Other related parties	Purchase of goods	/	With reference to market price		9,976	/			
Shanghai Ouyeel Material Technology Co., Ltd.	Other related party	Sale of goods	Sale of products	With reference to market price		455,405	1.91			
Ouyeel Cloud Commerce Co., Ltd.	Other related party	Sale of goods	Sale of products	With reference to market price		359,999	1.51			
Chongqing Baocheng Carbon Material Co., Ltd.	Joint-stock subsidiary	Sale of goods	Sale of products, energy media	With reference to market price		132,511	0.54			
Wuhan Baosteel Central China Trade Co., Ltd.	Other related party	Sale of goods	Sale of products	With reference to market price		29,094	0.12			
Ouye Lianjin Renewable Resources Co., Ltd.	Other related party	Sale of goods	Sale of products	With reference to market price		16,218	0.07			
Wuhan Iron and Steel Co., Ltd.	Other related party	Sale of goods	Sale of products	With reference to market price		11,661	0.05			
Others	Other related parties	Sale of goods	/	With reference to market price		1,234	/			
	Total			/	/	2,493,496	/	/	/	/
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.					

### XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Applicable  Not applicable

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

Applicable  Not applicable

Please refer to "Section V.XVI. (V) and (VII)" of this report for details.

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

### XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

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

Applicable  Not applicable

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

Applicable  Not applicable

According to the Announcement of the Administrator of Chongqing Iron & Steel Company Limited in Relation to the Progress of Implementation of the Reorganisation Plan (Announcement No.: 2017-111) disclosed on 25 November 2017, Changshou Iron & Steel shall lend RMB2.4 billion to Chongqing Iron & Steel for implementing the reorganization plan. As at 31 December 2020, an amount of RMB150 million had been repaid.

At the 16th meeting of the seventh session of the Board of the Company, the Resolution in Relation to the Provision of the Facilities by Chongqing Changshou Iron & Steel Company Limited to the Company was considered and approved, and the Announcement of the 16th Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2018-026) was disclosed on 26 April 2018. Changshou Iron & Steel intended to offer the credit facilities to the Company in an amount of no more than RMB500,000,000 for a term of 3 years, and the interest rate was calculated at benchmark lending rate for loans of the same term as published by the People's Bank of China. The Company is not required to provide any guarantee for such facilities. On 30 June 2020, such loan had been repaid in full.

At the 23rd meeting of the eighth session of the Board of the Company held on 16 June 2020, the Resolution in Relation to the Provision of the Facilities by Chongqing Changshou Iron & Steel Company Limited to the Company was considered and approved. Changshou Iron & Steel intended to offer the credit facilities to the Company in an amount of not more than RMB1,000,000,000 for a term of 3 years, bearing interest calculated at the Loan Prime Rate (LPR). For a loan with a term of one year or less, the interest was calculated at LPR for one-year loan; and for a loan with a term of more than one year, the interest was calculated at the average of LPR for one-year loan and LPR for five-year loan, applicable at the time of application for the facilities. The Company was not required to provide any guarantee for such facilities.

**XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)****(IV) Amounts due to or from related parties (Continued)****2. Events disclosed in provisional announcements with subsequent development or changes during implementation (Continued)**

Related party	Amount borrowed <i>(Unit: RMB'000)</i>	Interest in the current period <i>(Unit: RMB'000)</i>
Chongqing Changshou Iron & Steel Company Limited	2,695,480	133,605

**3. Events not disclosed in provisional announcements**

Applicable       Not applicable

**(V) Others**

Applicable       Not applicable

**(VI) Annual review by independent non-executive directors and auditors**

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

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

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

### XV. MATERIAL CONTRACTS AND THE IMPLEMENTATION

(I) Trust, contracted businesses and leasing affairs

1. *Trust*

Applicable       Not applicable

2. *Contracted businesses*

Applicable       Not applicable

## Section V Significant Events (Continued)

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

#### (I) Trust, contracted businesses and leasing affairs (Continued)

##### 3. Leasing affairs

Applicable       Not applicable

*Unit: RMB'000    Currency: RMB*

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	/	2020.01.01	2020.12.31	145,074	Contract	Affecting the production costs	No	
Chongqing Changshou Iron & Steel Company Limited	Chongqing Iron & Steel Company Limited	Equipment	/	2020.01.01	2020.12.31	189,823	Contract	Affecting the production costs	Yes	Controlling shareholder

Explanations on leasing affairs

Not applicable

#### (II) Guarantee

Applicable       Not applicable

#### (III) Entrusted cash assets management

##### 1. Entrusted wealth management

###### (1) General information on entrusted wealth management

Applicable       Not applicable

*Unit: RMB'000    Currency: RMB*

Type	Source of funds	Amount	Outstanding balance	Overdue amount
Fund trust	Own fund	33,000	–	–

Others

Applicable       Not applicable



## Section V Significant Events (Continued)

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

#### (III) Entrusted cash assets management (Continued)

##### 1. Entrusted wealth management (Continued)

##### (2) Specific information on individual entrusted wealth management

Applicable       Not applicable

Unit: RMB'000    Currency: RMB

Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Date of commencement of entrusted wealth management	Expiry date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected Return (if any)	Real income or loss	Real recovery	Through a legal procedure or not	Whether the future entrusted wealth management plan exist	Impairment provision amount (if any)
Hwabao Trust Co., Ltd.	Trust	33,000	24 March 2020	27 April 2020	Own fund	Trust products	repay principle amount with interest	6.2%	191	/	/	Yes	No	-

Others

Applicable       Not applicable

##### (3) Impairment provision for entrusted wealth management

Applicable       Not applicable

##### 2. Entrusted loan

##### (1) General information on entrusted loan

Applicable       Not applicable

Others

Applicable       Not applicable

##### (2) Specific information on individual entrusted loan

Applicable       Not applicable

Others

Applicable       Not applicable

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

#### (III) Entrusted cash assets management (Continued)

##### 2. Entrusted loan (Continued)

##### (3) Impairment provision for entrusted loan

Applicable  Not applicable

##### 3. Others

Applicable  Not applicable

#### (IV) Other significant contracts

Applicable  Not applicable

### XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable  Not applicable

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

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

To the best 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 Hong Kong Stock Exchange 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 year ended 31 December 2020.

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

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

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

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 of the Company, 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. For details of the repurchase of A shares of the Company, please refer to the Report on the Repurchase of A Shares of the Company through Centralized Bidding Trading (Announcement No.: 2020-002) and the Announcement on Resolution Passed at the 18th Meeting of the Eighth Session of the Board (Announcement No.: 2020-003) disclosed by the Company on 3 March 2020.

As at the close of trading on 6 March 2020, the Company repurchased 10,000,000 A shares through centralized bidding trading under the first repurchase, representing 0.11% of the total share capital of the Company. The highest price and the lowest price transacted for such shares were RMB1.71 per share and RMB1.68 per share, respectively. The total amount paid for such shares was RMB16,967,061.00 (excluding transaction costs). For details, please refer to the Announcement on the First Repurchase of Shares of the Company through Centralized Bidding Trading (Announcement No.: 2020-006) disclosed by the Company on 7 March 2020.

As at the close of trading on 12 March 2020, the Company repurchased a total of 50,000,000 A shares through centralized bidding trading, representing approximately 0.56% of its total share capital of the Company. 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). As such, the total amount of repurchase of the Company has reached the cap, and the repurchase plan was fully implemented. For details, please refer to the Announcement on the Result of Repurchase of Shares and Changes in Shareholding Structure (Announcement No.: 2020-007) disclosed by the Company on 13 March 2020.

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

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

4. *Major Acquisition and Disposal of Subsidiaries and Affiliates*

On 27 March 2020, the Company held the 20th meeting of the eighth session of the Board, at which The Resolution in Relation to Participation in Online Bidding for Acquisition of 100% Equity Interest in Chongqing Qianxin Energy Environmental Protection Company Limited (重慶千信能源環保有限公司) was considered and approved. The Company was granted approval to participate in the online bidding for 100% equity interest in Chongqing Qianxin Energy Environmental Protection Company Limited (“Qianxin Energy”) held by Chongqing Qianxin Group Co., Ltd. (“Qianxin Group”) based on its needs for business development, and the management was authorized to sign relevant agreements, documents and handle other related specific matters in accordance with the relevant procedures and laws and regulations. For details, please refer to the Announcement of Resolutions Passed at the 20th Meeting of the Eighth Session of the Board (Announcement No.: 2020-010) disclosed by the Company on 30 March 2020.

On 15 July 2020, the Company and Qianxin Group signed the Equity Transaction Contract in Changshou District, Chongqing, which shall come into effect from the date of signing and sealing by the Company and Qianxin Group, i.e., 15 July 2020. For details, please refer to the Further Announcement on Participation in Online Bidding for Acquisition of 100% Equity Interest in Chongqing Qianxin Energy Environmental Protection Company Limited (Announcement No.: 2020-042) disclosed by the Company on 16 July 2020.

On 30 July 2020, Qianxin Energy completed the change of industrial and commercial registration and became a wholly-owned subsidiary of the Company. On 3 December 2020, Qianxin Energy changed its name to Chongqing Iron & Steel Energy Environmental Protection Company Limited. The goodwill of the Company arising from this transaction at consolidation level was RMB295 million.

5. *Audit Committee*

The Audit Committee of the Company is comprised of three independent non-executive directors and one non-executive director, namely, Xin Qingquan, Xu Yixiang, Wong Chunwa and Zhang Shuogong with Mr. Xin Qingquan acting as the chairman of the Audit Committee.

The 2020 annual report of the Company had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

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

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

#### 6. Interests or Short Positions

As at 31 December 2020, the interests or short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the SFO) of the directors, supervisors 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 Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporations	Capacity	Nature of interests	Total number of interested shares held <i>(share)</i>	Percentage in the share capital of A shares of the Company <i>(%)</i>	Percentage in the total share capital of the Company <i>(%)</i>	Class of shares
Wang Li	The Company	Director (Resigned)	Beneficial interests	113,800 (long position)	0.00136	0.00128	A share

#### 7. Pre-emptive Rights

According to the Articles of Association of the Company and the laws of the People's Republic of China, there are no pre-emptive rights which would require the Company to issue new shares to its existing shareholders on a pro-rata basis.

#### 8. Public Float of H Shares

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

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

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

9. *Circulating Market Capitalisation*

Based on the available information to the Company, as at 31 December 2020, the circulating market capitalisation of H Shares of the Company [circulating H Share capital × closing price of H Shares (HK\$0.79)] was approximately HK\$425 million and the circulating market capitalisation of A Shares [circulating A Share capital × closing price of A Shares (RMB1.48)] was approximately RMB12.403 billion.

10. *Final Dividend*

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

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

According to the auditing by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company for 2020 amounted to RMB582 million, and the unappropriated profit as at the end of 2020 amounted to RMB-8.786 billion. As the Company recorded a negative unappropriated profit as at the end of 2020, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2020 pursuant to Article 250 of the Articles of Association.

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

#### (II) Change of the de facto controller

On 27 December 2019, the Company was informed by Siyuanhe Equity Investment Management Co., Ltd. (“Siyuanhe Investment”), the de facto controller of the Company, that Siyuanhe Investment and China Baowu Steel Group Corporation Limited (“China Baowu”) had signed a Letter of Intent, pursuant to which China Baowu intended to become the de facto controller of the Company. For details, please refer to the Indicative Announcement on Execution of the Letter of Intent by the De Facto Controller of the Company and Proposed Change of Control (2019-047) disclosed by the Company on 28 December 2019.

On 29 June 2020, the Company received a Letter on Matters in Relation to the Letter of Intent from Siyuanhe Investment. China Baowu was in the course of performing internal decision-making and approval procedures. Siyuanhe Investment and China Baowu as well as other parties involved in the proposed transaction will strive to accomplish the decision-making and approval procedures for the proposed transaction as soon as possible, so as to procure China Baowu to be the de facto controller of the Company. For details, please refer to the Announcement on the Progress of the Execution of the Letter of Intent by the De Facto Controller of the Company and Proposed Change of Control (2020-035) disclosed by the Company on 30 June 2020.

On 12 June 2020, Siyuanhe Investment and Sichuan Desheng Group Vanadium & Titanium Co., Ltd. (“Desheng Group”, a limited partner of the indirect controlling shareholder of the Company) had jointly and conditionally entered into the Partnership Equity Transfer Agreement, in which the transfer of part of the partnership equity held by Siyuanhe Investment (being the capital contribution of RMB60,999,999 and paid-in capital of RMB60,999,999) in Siyuanhe (Chongqing) Iron & Steel Industrial Development and Equity Investment Fund Partnership (Limited Partnership) (the “Siyuanhe Industrial Development Fund”, an indirect controlling shareholder of the Company) to Desheng Group was agreed. The aforementioned partnership equity transfer is a transfer of capital contribution among the partners of Siyuanhe Industrial Development Fund. The agreement neither triggers any effective conditions, nor causes any change in the de facto controller of the Company.

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

#### (II) Change of the de facto controller (Continued)

On 16 September 2020, Siyuanhe Industrial Development Fund, China Baowu and Desheng Group signed an Equity Transfer Agreement in respect of the distribution in kind of the 75% equity interests in Chongqing Changshou Iron & Steel Company Limited (“Changshou Iron & Steel”, a controlling shareholder of the Company) held by Siyuanhe Industrial Development Fund, in which it was agreed that Siyuanhe Industrial Development Fund shall be dissolved along with the transfer of the shares of Siyuanhe Industrial Development Fund by Siyuanhe Investment to Desheng Group, and the equity interests of Changshou Iron & Steel held by Siyuanhe Industrial Development Fund will be distributed in kind to China Baowu and Desheng Group. On the same day, China Baowu entered into an Acting in Concert Agreement with Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership) (“Strategic Emerging Fund”, a shareholder of the indirect controlling shareholder of the Company) and Chongqing Yufu Assets Equity Investment Fund Management Co., Ltd. (“Yufu Assets”, the executive partner of Strategic Emerging Fund), pursuant to which, each party agrees that Strategic Emerging Fund, as the shareholder of Changshou Iron & Steel, shall act in concert with China Baowu in accordance with the Acting in Concert Agreement and exercise the shareholder rights of Strategic Emerging Fund in Changshou Iron & Steel in accordance with the opinions of China Baowu, so as to ensure that China Baowu obtains the de facto control over Changshou Iron & Steel and Chongqing Iron & Steel. Yufu Assets shall procure Strategic Emerging Fund to act in concert with China Baowu in accordance with the Acting in Concert Agreement.

The change in equity interests is due to Siyuanhe Investment, the original de facto controller of the Company, will transfer the partnership equity in Siyuanhe Industrial Development Fund to Desheng Group. Meanwhile, Siyuanhe Industrial Development Fund will be dissolved and will make distribution in kind to China Baowu and Desheng Group with 75% equity interests in Changshou Iron & Steel in proportion to their respective paid-in capital contributions. China Baowu will be allocated 40% equity interests in Changshou Iron & Steel and enter into an acting in concert agreement with Strategic Emerging Fund to obtain control over Changshou Iron & Steel, thereby indirectly controlling 2,096,981,600 shares of the Company, representing 23.51% of the total share capital of the Company. China Baowu will become the de facto controller of the Company. For details, please refer to the Indicative Announcement on Changes in Shareholders’ Equity and De Facto Controller (Announcement No.: 2020-048), the Long Form Equity Change Report and the Short Form Equity Change Report and other relevant announcements disclosed by the Company on 17 September 2020 and 19 September 2020, respectively.

As at 2 December 2020, all completion conditions of the Equity Transfer Agreement entered into by Siyuanhe Industrial Development Fund, China Baowu and Desheng Group have been fulfilled. Changshou Iron & Steel completed the change of industrial and commercial registration on 2 December 2020, and China Baowu became the de facto controller of the Company. For details, please refer to the Announcement in Relation to the Completion of Changes in Shareholders’ Equity and De Facto Controller (Announcement No.: 2020-060).



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

#### (III) Employee Share Ownership Plan

Please refer to “Section V.XIII. (II)” of this report for details.

#### (IV) The issuance of medium-term notes

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

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

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

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

#### (IV) The issuance of medium-term notes (Continued)

On 16 June 2020, the Company held the 2019 annual general meeting, at which the Proposal for the Issuance of Medium-Term Notes by the Company was considered and approved. The Company was approved to apply to the National Association of Financial Market Institutional Investors (the “NAFMII”) and relevant competent regulatory authorities for new registration and issuance of the medium-term notes. On the same day, the Company held the 23rd meeting of the eighth session of the Board, at which the Proposal for the Application for the Issuance of Medium-Term Notes and the Grant of Mandate to the Management by the Board to Handle Matters in Relation to the Issuance of Medium-Term Notes was considered and approved. According to the mandate obtained at the general meeting of the Company, the Board authorized the management to determine matters including the issue size, specific terms and conditions of medium-term notes of the Company, subject to a maximum amount of not exceeding RMB2 billion and within 24 months from the date of the approval of the proposal at the general meeting. For relevant details, please refer to the Announcement on Issuance of Medium-Term Notes by the Company (Announcement No.: 2020-026) disclosed by the Company on 23 May 2020, the Announcement of Resolutions Passed at the 2019 Annual General Meeting (Announcement No.: 2020-029) and the Announcement of Resolutions Passed at the 23rd Meeting of the Eighth Session of the Board (Announcement No.: 2020-030) disclosed by the Company on 17 June 2020.

Currently, the Company has received the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2020] No. MTN736) issued by the NAFMII stating that the registration of medium-term notes of the Company has been accepted. The registered amount was RMB2 billion and such registered amount will be effective for 2 years commencing from the date of issue of the notice. For details, please refer to the Announcement on the Acceptance of Registration of Medium-Term Notes (Announcement No.: 2020-037) disclosed by the Company on 9 July 2020.

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

#### (V) Termination of Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution

On 27 March 2020, the Resolution on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution was considered and approved at the 20th meeting of the eighth session of the Board of Chongqing Iron & Steel Company Limited (the “Company”). The Company was approved to participate, as a limited partner, in the joint establishment of a partnership for the bidding of 100% equity interest in Chongqing Iron & Steel (Group) Co., Ltd. (“Chonggang Group”) through capital contribution. Such issue has been submitted to the general meeting for consideration. On 29 April 2020, the Resolution on Supplemental Matters of Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution was considered and approved at the 21st meeting of the eighth session of the Board of the Company. On the basis of the principles and matters determined in the Resolution, matters including, among other things, the specific plans and methods of the Company to secure the assets it intended to acquire as a limited partner, other parties participating in the joint establishment of the partnership through capital contribution and the terms of agreements, have been further clarified. On 16 June 2020, the Resolution on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution was considered and approved at the 2019 annual general meeting of the Company.

Please refer to the Announcement of Resolutions Passed at the 20th Meeting of the Eighth Session of the Board (Announcement No.: 2020–010) and the Announcement on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution (Announcement No.: 2020–013) disclosed by the Company on 30 March 2020; the Announcement of Resolutions Passed at the 21th Meeting of the Eighth Session of the Board (Announcement No.: 2020–021) and the Further Announcement on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution (Announcement No.: 2020–024) disclosed on 30 April 2020; and the Announcement of Resolutions Passed at the 2019 Annual General Meeting (Announcement No.: 2020–029) disclosed on 17 June 2020, for details of and deliberations on the related investment.

In September 2020, the information disclosure period for the project in relation to the transfer of 100% equity interest in Chonggang Group had expired and no intended transferee had been identified during the listing period. The Chongqing State-owned Assets Supervision and Administration Commission, transferor of the project, did not extend the listing period or re-list the project.

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

#### (V) Termination of Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution (Continued)

Therefore, the Company decided to terminate its investment in the joint establishment of special fund for acquisition of Chonggang Group through capital contribution. As no partnership has actually been established by the Company through capital contribution yet, the termination of the related investment will not have impact on the financial and operating conditions of the Company, nor harm the interests of the Company and its minority shareholders. For details, please refer to the Announcement on Termination of Related Investment in Relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution (Announcement No.: 2020-049) disclosed by the Company on 14 October 2020.

#### (VI) Establishment of joint venture through capital contribution

On 27 March 2020, the Company held the 20th meeting of the eighth session of the Board, at which the Resolution in relation to the Related Party Transaction on Establishment of Baowu Raw Materials Procurement Service Company Limited through Joint Contribution was considered and approved. Considering the business development needs of the Company, the Company proposed to establish Baowu Raw Materials Procurement Service Company Limited (寶武原料採購服務有限公司) (“Baowu Raw Materials” or “JV Company”, a preliminary name subject to industrial and commercial registration) with its internal funds of RMB40 million in cooperation with Baowu Group, Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), Magang (Group) Holding Co., Ltd. (馬鋼(集團)控股有限公司), WISCO Echeng Steel Company Limited (武漢鋼鐵集團鄂城鋼鐵有限責任公司) and SGIS Songshan Co., Ltd. (廣東韶鋼松山股份有限公司) through joint contribution. For details, please refer to the Announcement on Connected Transaction in relation to Establishment of Joint Venture through Capital Contribution (Announcement No.: 2020-014) disclosed by the Company on 30 March 2020.

## Section V Significant Events (Continued)

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

#### (VI) Establishment of joint venture through capital contribution (Continued)

So far, the industrial and commercial registration of such joint venture has been completed. The relevant registration information is set out below:

Corporate name:	Baowu Raw Material Supply Co., Ltd.
Unified social credit code:	91310000MA1H34T49Q
Corporate type:	Other limited liability company
Registered address:	Room 1108, No. 188A, Ye Sheng Road, Lingang New City Area, Pilot Free Trade Zone, Shanghai, the PRC
Legal representative:	Zhang Dianbo
Registered capital:	RMB500 million
Scope of business:	general items: engaged in import and export of merchandise (mainly bulk raw materials and fuels) and technologies, domestic trade (except for items otherwise stipulated), international trade; freight forwarding, shipping agency, trading of coal, wholesale and retail of coal, third party logistics services (involving no carriage), oceangoing, offshore and riparian chartering, E-commerce (except for valueadded telecommunication services and financial engagements). (Except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business license(s) in accordance with the laws)

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#### (VII) Purchase of the assets of related party

In order to ensure the sustainable and stable production and operation of the Company, as considered and approved at the 5th meeting of the eighth session of the Board held by the Company on 18 December 2019, the Company signed the Asset Leasing Contract with Chongqing Changshou Iron & Steel Company Limited ("Changshou Iron & Steel"), pursuant to which the Company would lease the blast furnace, sintering machine, coke oven and other pre-ironmaking equipment and facilities from Changshou Iron & Steel for the lease term from 1 January 2020 to 31 December 2020, at the monthly rental of RMB17,875,000 (tax inclusive), which shall be paid monthly in monetary funds.

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

#### (VII) Purchase of the assets of related party (Continued)

On 16 November 2020, the Resolution on the lease renewal and the final purchase of the assets of Changshou Iron & Steel was considered and approved at the 28th meeting of the eighth session of the Board and the 19th meeting of the eighth session of the Supervisory Committee of the Company, pursuant to which the Company was approved to enter into the Asset Leasing Contract with Changshou Iron & Steel for the lease renewal of assets including production equipment and facilities from Changshou Iron & Steel for the year 2021 and the final purchase of such assets with reference to the fair value recognized by an appraisal agency with securities practice qualifications. For details, please refer to the “Announcement on the Related Party Transaction in relation to the Lease Renewal and Final Purchase of Assets from A Related Party” (Announcement No.: 2020-055) disclosed by the Company on 17 November 2020.

The above-mentioned related party transaction was considered and approved at the 2020 second extraordinary general meeting held by the Company on 30 December 2020. The Company will continue to pay attention to the relevant progress and perform its information disclosure obligations in strict accordance with relevant laws and regulations in a timely manner.

#### (VIII) Acquisition of equity interest of Xingang Changlong

On 5 March 2019, the Resolution in Relation to Participation in Online Bidding for Acquisition of Equity Interest was considered and approved at the 7th meeting of the eighth session of the Board of the Company. It approved the Company to participate in the online bidding for the 28% equity interest in Chongqing Xingang Changlong Logistics Co., Ltd. (“Xingang Changlong”) with self-owned funds based on its business development needs. Xingang Changlong completed the procedures for industrial and commercial registration of changes and filing on 14 May 2019. In accordance with the articles of association of Xingang Changlong, the Company was entitled to the voting rights corresponding to its equity interest in Xingang Changlong.

On 17 December 2020, the Resolution in Relation to Acquisition of 72% Equity Interest of Xingang Changlong through Online Bidding was considered and approved at the 30th meeting of the eighth session of the Board of the Company. It approved the Company to acquire 60% and 12% equity interest of Xingang Changlong held by Chongqing Qiancheng Industrial Development Co., Ltd. (重慶千誠實業發展有限公司) (“Qiancheng Industrial”) and Minsheng Shipping Co., Ltd. (民生輪船股份有限公司) (“Minsheng Shipping”), respectively, through online bidding and authorised the management of the Company to execute relevant agreements, documents and handle other related specific matters in accordance with the relevant procedures and laws and regulations. For details, please refer to the Announcement on Acquisition of 72% Equity Interest of Xingang Changlong through Online Bidding (Announcement No.: 2020-062) disclosed by the Company on 18 December 2020.

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

#### (VIII) Acquisition of equity interest of Xingang Changlong (Continued)

On 31 December 2020, the Company entered into the Equity Transaction Agreements with Qiancheng Industrial and Minsheng Shipping, respectively. For details, please refer to the Announcement on the Progress of Acquisition of 72% Equity Interest of Xingang Changlong through Online Bidding (Announcement No.: 2020-071) disclosed by the Company on 4 January 2021.

On 15 January 2021, Xingang Changlong completed the change of industrial and commercial registration and became a wholly-owned subsidiary of the Company.

#### (IX) Change of basic information

According to the Announcement on Completion of Industrial and Commercial Registration of Changes and Renewal of Business License (Announcement No.: 2020-036) disclosed by the Company on 7 July 2020, as the amendments to the Articles of Association involved changes of the legal representative, registered address (domicile) and other related information, the Company has completed the procedures for changes on the industrial and commercial registration and obtained a new business license issued by the Administration for Market Regulation of Chongqing. Details of relevant registered information are set out as follows:

Unified social credit code:	91500000202852965T
Corporate name:	Chongqing Iron & Steel Company Limited
Legal representative:	Liu Jianrong
Domicile:	No. 2 Jiangnan Avenue, Jiangnan Community, Changshou District, Chongqing
Corporate type:	Joint stock limited company (listed Taiwan/Hong Kong/Macao – Mainland China joint venture)
Registered capital:	RMB8,918,602,267
Date of establishment:	11 August 1997
Scope of business:	general items: production, processing and sale of steel plates, steel sections, wire rods, bar materials, billets and thin plates; production and sale of coking and coal chemical products (excluding dangerous chemicals other than the crude benzole used in aromatics for processing and the crude benzole used in solvent for production limitation, and the company shall engage in operation activities within the scope and period certified by the license), pig iron & grain slag, steel slag, and steel scrap. (except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business licence(s) in accordance with the laws)

### XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES

#### (I) Poverty Alleviation by the Listed Company

Applicable       Not applicable

##### 1. Targeted poverty alleviation plan

Applicable       Not applicable

##### 2. Annual summary of targeted poverty alleviation

Applicable       Not applicable

In order to conscientiously implement the overall deployment of the Changshou District Committee and District Government on poverty alleviation, the Company has made a field visit to Tianxing Village, a designated poverty alleviation village in Jiangnan Street, Changshou District, in accordance with the requirements of "Notice on Carrying out Activities to Help Poverty-stricken Villages by Industrial Enterprises in Our District" (Changjing Jing Xin Fa [2019] No. 222) issued by the District Economic Information Committee, the District Poverty Alleviation Office and the District Development and Reform Commission. Tianxing Village is located in a hilly area with a special topography, and its perennial water storage is seriously insufficient. The drinking water project has been installed for many years and suffered serious damage. A new water plant has been built through government investment. In order to further improve the drinking water and water safety of villagers, the Company provided assistance funds of RMB47,500. With the aim to help Tianxing Village expand the sales channels of agricultural and sideline products, the Company established a long-term cooperative relationship with the collective economic organization of Tianxing Village to purchase its agricultural and sideline products, and built a one-stop sales channel from farmers to users. Furthermore, in order to solve the problem of employment difficulty of the poor in the village, the Company gave priority to hiring the surplus labor force and unemployed people in the village for the year in accordance with the Company's recruitment notice and requirements.



## Section V Significant Events (Continued)

### XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

#### (I) Poverty Alleviation by the Listed Company (Continued)

##### 3. Effectiveness of Targeted poverty alleviation

Applicable       Not applicable

Unit: RMB'000    Currency: RMB

Indicator	Number and progress
I. Overview	
Including: 1. Funds	47.5
II. Investment by project	
1. Other projects	
Including: 1.1 Project number	3
1.2 Funds invested	47.5

##### 4. Subsequent Targeted poverty alleviation plan

Applicable       Not applicable

To fulfill corporate social responsibility, actively participate in social welfare undertakings, promote rural revitalization, and contribute to social development, in 2021, the Company intends to use its own funds to make external donations of RMB542,440, mainly for fixed-point poverty alleviation and education assistance. The specific plan is as follows:

No.	Donation and sponsorship objects	Budget amount in 2021 (RMB)	Nature of donation	Project background	Project necessity
1	Tianxing Village, Jiangnan Street, Changshou District, Chongqing	142,440.00	Donation for the fixed-point poverty alleviation (Poverty alleviation)	To promote the "strategy of effective connection between poverty alleviation and rural revitalization" in Tianxing Village, accelerate the construction of urban and rural civilization, improve the cultural and sports facilities and environment in rural areas, and enhance the awareness of national fitness.	Tianxing Village is lack of fitness venues with complete facilities, and it is inconvenient for the villagers to exercise. The new six fitness path projects can provide convenient public cultural services for rural residents, which is of practical significance and necessity.

## Section V Significant Events (Continued)

### XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

#### (I) Poverty Alleviation by the Listed Company (Continued)

##### 4. Subsequent Targeted poverty alleviation plan (Continued)

No.	Donation and sponsorship objects	Budget amount in 2021 (RMB)	Nature of donation	Project background	Project necessity
2	Guangnan County, Yunnan Province	200,000.00	Education donation (Education assistance)	Guangnan County is the designated poverty alleviation area of Baowu Group. In 2020, the Company helped the Group carry out poverty alleviation through purchasing poverty alleviation materials. In 2021, the Company intends to further improve the local educational conditions, enhance the cultural and educational level, and contribute to the talent cultivation undertakings in the region through cultural and educational funds/materials donations.	Talent is an important factor in economic development, and cultural education is a necessary way to cultivate talents; by supporting local cultural and educational undertakings and cultivating talents, the sustainable development of the regional economy can be realized.
3	Others	200,000.00	Other donations	To actively participate in poverty alleviation and social welfare undertakings, assume corporate social responsibility and contribute to social development, the Company intends to carry out other donation and sponsorship projects this year, which will be implemented on a case-by-case basis after the specific project plan is determined.	
4	Total	542,440.00			

### **XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)**

#### (II) Social Responsibility

Applicable       Not applicable

During the Reporting Period, the Company continued to strengthen the concept of social responsibility in production, operation and management, carried out a series of work in corporate governance, employees' rights protection, environmental protection, poverty alleviation and donations, safety in production, pandemic prevention and control, etc., and gained recognition from employees, the community and the society. In 2021, the Company will continuously improve the corporate social responsibility management system and implementation mechanism to ensure that the concept of corporate social responsibility is integrated in the whole process. The Company will actively fulfill its social responsibility and continuously improve the image of listed companies by protecting the legitimate rights and interests of investors and employees, treating suppliers and customers with integrity, continuously paying attention to environmental protection, providing high quality products, strengthening safety production, and participating in public welfare activities, etc.

For details, please refer to the Environmental and Social Responsibility Report for 2020 disclosed by the Company on 20 March 2021.

### XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

#### (III) Environmental Information

1. *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 laws 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 2020, the total amount of pollutant discharging did not exceed the total permitted index. During the Reporting Period, there was no accident caused by the Company which was subject to environmental protection administrative penalty. The major pollutants discharged by the Company are as follows:

No.	Major pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm <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)	1,008	Emission Standard of Air Pollutants for Ironmaking Industry (GB28663-2012)	Nil	No
2	Particulate matter	Continuous	30	Coking	Less than Emission Standard of Pollutants for Coking Chemical Industry (GB16171-2012)	832	Emission Standard for Pollutants for Coking Chemical Industry (GB16171-2012)	Nil	No
3	Sulfur dioxide	Continuous				786		Nil	No
4	Nitrogen oxides	Continuous				1,293		Nil	No
5	Particulate matter	Continuous	17	Sintering	Less than Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry (GB28663-2012)	3,311	Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry (GB28663-2012)	Nil	No
6	Sulfur dioxide	Continuous				1,821		Nil	No
7	Nitrogen oxides	Continuous				2,812		Nil	No

## Section V Significant Events (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
8	Particulate matter	Continuous	27	Ironmaking	Less than Emission Standard of Air Pollutants for Ironmaking Industry (GB28663-2012)	2,872	Emission Standard of Air Pollutants for Ironmaking Industry (GB28663-2012)	Nil	No
9	Sulfur dioxide	Continuous				468		Nil	No
10	Nitrogen oxides	Continuous				718		Nil	No
11	Particulate matter	Continuous	18	Steelmaking	Less than Emission Standard of Air Pollutants for Steelmaking Industry (GB28664-2012)	981	Emission Standard of Air Pollutants for Steelmaking Industry (GB28664-2012)	Nil	No
12	Particulate matter	Continuous	13	Steel Rolling	Less than Emission Standard of Air Pollutants for Steel Rolling Industry (GB28665-2012)	624	Emission Standard of Air Pollutants for Steel Rolling Industry (GB28665-2012)	Nil	No
13	Sulfur dioxide	Continuous				561		Nil	No
14	Nitrogen oxides	Continuous				682		Nil	No
15	COD	Continuous	1	Central	Less than Emission Standard of Water Pollutant for Iron and Steel Industry (GB13456-2012)	150.3	Emission Standard of Water Pollutant for Iron and Steel Industry (GB13456-2012 in place of GB13456-1992)	Nil	No
16	Nitrox	Continuous		wastewater treatment station		9.2		Nil	No
17	Total	Particulate matter: 9,628 tonnes, Sulfur dioxide: 3,636 tonnes, Nitrogen oxides: 5,505 tonnes, COD: 150.35 tonnes, Nitrox: 9.2 tonnes							
18	Permitted emissions under the pollutant discharging permit	Particulate matter: 11,635 tonnes, Sulfur dioxide: 6,137 tonnes, Nitrogen oxides: 11,155 tonnes, COD: 472 tonnes, Nitrox: 47.2 tonnes							

### XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

#### (III) Environmental Information (Continued)

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

(2) Construction and operation of pollution control facilities

Applicable       Not applicable

The Company's various pollution control facilities are fully equipped, technically qualified, and operating normally. The environmental protection facilities currently in operation include: 11 wastewater treatment facilities, 115 exhaust gas and dust treatment facilities, of which main outlets of waste water and exhaust gas are installed with online monitoring and monitoring facilities, and networking has been implemented in accordance with government requirements. Blast furnace water slag, converter steel slag, iron dust and other industrial solid waste disposal facilities are available. All production processes of the Company have facilities such as noise elimination, noise reduction, sound insulation and isolation, which effectively control environmental noise. We strengthen the management and control of environmental protection facilities, clarify the main body of responsibility, implement synchronous operation and maintenance of environmental protection facilities and main facilities, and promptly organize emergency repairs for abnormalities or failures. The environmental protection facilities are under sound operating condition.

The Company has completed the flue gas desulfurization upgrade and transformation of 2 # and 3 # sintering machines, and the particulate matter and sulfur dioxide in the flue gas pollutants have met the emission requirements. The wastewater treatment system expansion and quality improvement and comprehensive wastewater utilization projects have been completed and put into operation, which increased the processing capacity by 20,000 cubic meters per day, and the indicators of COD and ammonia nitrogen in the wastewater pollutants have met the emission requirements. All of the existing pollution control facilities are under sound operating condition with a stable emission up to the standard.

### XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

#### (III) Environmental Information (Continued)

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

(3) Environmental impact assessment of construction projects and other environmental protection administrative licensing

Applicable       Not applicable

The Company's rebuilding of the profile steel to double high rods technical transformation project, the capacity improvement of the raw material yard system and the environmental protection upgrade and transformation project, the new converter gas tank project, the capacity expansion, upgrade and comprehensive utilization project of the wastewater treatment system, the bar materials production line upgrade and transformation project, the wire rods production line upgrade and transformation project, the raw material terminal equipment upgrade and transformation project, the energy efficiency improvement project of waste heat power generation, the surplus gas power generation project and other projects have obtained the environmental assessment approvals.

(4) Environmental emergency plan

Applicable       Not applicable

In order to implement the requirements of the laws and regulations on strengthening the environmental protection of enterprises promulgated by the central and local government, a sound corporate environmental risk prevention system was established. The Company formulated the Environmental Emergency Plan of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司突發環境事件應急預案》) and carried out environmental protection filing with a period of validity until 16 December 2023 and filling No. of 500115-2020-103-H.

### XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

#### (III) Environmental Information (Continued)

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

(5) Self-monitoring program on environmental protection

Applicable       Not applicable

According to the requirements of the Measures for Self-monitoring and Information Disclosure by the Enterprises Subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》) and the General Rules for Technical Guidance on Self-monitoring of Pollutant Discharging Organizations (《排污單位自行監測技術指南總則(發佈稿)》), the Self-monitoring Program of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司自行監測方案》) was formulated and filed with the ecology and environment bureau in order to regulate the self-monitoring and information disclosure of the Company and ensure the conscious fulfillment of its legal obligations and social responsibilities. The Company has carried out its self-monitoring work in accordance with such program in 2020. For details, please refer to the Environmental and Social Responsibility Report for 2020 disclosed by the Company on 20 March 2021.

(6) Other environmental information required to be disclosed

Applicable       Not applicable

2. *Explanation on environmental protection of companies beyond the classification of key pollutant discharging entity*

Applicable       Not applicable

3. *Explanation of reasons for non-disclosure of environmental information by companies beyond the classification of key pollutant discharging entity*

Applicable       Not applicable



## Section V Significant Events (Continued)

### XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

#### (III) Environmental Information (Continued)

4. *Explanation on development or changes in environmental information disclosed during the Reporting Period*

Applicable       Not applicable

On 9 May 2020, the Ministry of Ecological Environment published The Feedback of the Supervision from the Fourth Ecological and Environmental Protection Supervision Team of the Central Government to Chongqing City, in which, the illegal pile and storage of steel slag of the Company has been reported. In order to effectively rectify the illegal pile and storage of steel slag, the Company has formulated a special rectification plan and carried out material removal and sale. During the Reporting Period, the materials previously piled and stored have been removed and disposed of, and a standardized pile and storage yard for steel slag has been completed and put into operation. At present, the Company has completed the rectification, elimination, self-inspection, application, verification and publicity and other procedures.

#### (IV) Other Explanations

Applicable       Not applicable

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

Applicable       Not applicable

# Section VI Movement of Ordinary Shares and the Particulars of Shareholders

## I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

### (I) Ordinary shares

#### 1. Statements of movement of ordinary shares

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

#### 2. Explanation on movement of ordinary shares

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

### (II) Information on Changes in Lock-up Shares

Applicable  Not applicable

## II. ISSUE AND LISTING OF SECURITIES

### (I) Issue of securities during the Reporting Period

Applicable  Not applicable

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

Applicable  Not applicable

### (II) Change in the total number of ordinary shares, shareholding structure and the structure of assets and liabilities of the Company

Applicable  Not applicable

### (III) Shareholdings held by employees

Applicable  Not applicable

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

### III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

#### (I) Number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period	133,960
Total number of ordinary shareholders on the close of the end of month before the disclosure of the Annual Report	133,736
Total number of holders of preference shares with restored voting rights as at the end of the Reporting Period	0
Total number of holders of preference shares with restored voting rights on the close of the end of month before the disclosure of Annual Report	0

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

Unit: share

##### Shareholdings of the Top Ten Shareholders

Name of shareholder (Full name)	Increase/ Decrease in the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Status of shares	Number of shares held subject to trading moratorium		Type of shareholder
							Number	
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Pledged	2,096,981,600		Domestic non state-Owned legal person
HKSCC NOMINEES LIMITED	23,200	531,240,621	5.96	0	Unknown	-		Foreign legal person
Chongqing Qianxin Group Co., Ltd.	427,195,760	427,195,760	4.79	0	Pledged	427,190,070		Unknown
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.24	0	Nil	0		Unknown
Chongqing Guochuang Investment and Management Co., Ltd.	0	278,288,059	3.12	0	Nil	0		Unknown
Sinosteel Equipment & Engineering Co., Ltd.	0	252,411,692	2.83	0	Nil	0		Unknown
Bank of Chongqing Co., Ltd.	0	226,042,920	2.53	0	Nil	0		Unknown
Industrial Bank Co., Ltd. Chongqing Branch	0	219,633,096	2.46	0	Nil	0		Unknown
Agricultural Bank of China Limited Chongqing Branch	0	216,403,628	2.43	0	Nil	0		Unknown
China Shipbuilding Industry Complete Logistics Co., Ltd.	0	211,461,370	2.37	0	Nil	0		Unknown

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

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

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

Shareholdings of Top Ten Shareholders without Trading Limitations

Name of shareholder	Shareholdings of tradable shares without trading limitations	Type and number of shares	
		Type	Number
Chongqing Changshou Iron & Steel Company Limited	2,096,981,600	RMB denominated ordinary shares	2,096,981,600
HKSCC NOMINEES LIMITED	531,240,621	Overseas listed foreign shares	531,240,621
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
Sinosteel Equipment & Engineering Co., Ltd.	252,411,692	RMB denominated ordinary shares	252,411,692
Bank of Chongqing Co., Ltd.	226,042,920	RMB denominated ordinary shares	226,042,920
Industrial Bank Co., Ltd. Chongqing Branch	219,633,096	RMB denominated ordinary shares	219,633,096
Agricultural Bank of China Limited Chongqing Branch	216,403,628	RMB denominated ordinary shares	216,403,628
China Shipbuilding Industry Complete Logistics Co., Ltd.	211,461,370	RMB denominated ordinary shares	211,461,370

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

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

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

The above shareholders' connected relationship or concerted action

There is no connection between Chongqing Changshou Iron & Steel Company Limited, the controlling shareholder of the Company, and the other 9 shareholders, nor are they persons acting in concert regulated in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Companies' Shareholders. The Company is not aware of any connected relationship among the other 9 shareholders or whether they are acting in concert.

Preferred shareholders with restored 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

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

### IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling Shareholder

1 *Legal person*

Applicable       Not applicable

Name      Chongqing Changshou Iron & Steel Company Limited

Principal or legal representative      Zhang Jingang

Date of incorporation      12 October 2017

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

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

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

Other explanation      Nil

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

### IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

#### (I) Controlling Shareholder (Continued)

2 *Natural persons*

Applicable  Not applicable

3 *No special explanation regarding the controlling shareholder*

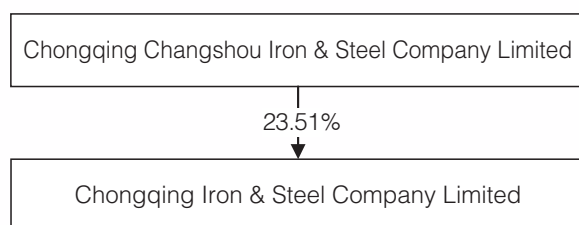
Applicable  Not applicable

4 *Index and date of changes in controlling shareholder during the Reporting Period*

Applicable  Not applicable

5 *The ownership and control relationship between the Company and its controlling shareholder*

Applicable  Not applicable



#### (II) De facto controller

1 *Legal person*

Applicable  Not applicable

Name China Baowu Steel Group Corporation Limited

Principal or legal representative Chen Derong

Date of incorporation 1 January 1992

Principal operations Operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation. (Projects subject to approval of relevant departments in accordance with the laws shall be approved by the relevant departments before being carried out)

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

### IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

#### (II) De facto controller (Continued)

##### 1 Legal person (Continued)

Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period	As of December 31, 2020, China Baowu directly or indirectly holds more than 5% of the equity interest in other listed companies as follows: 62.29% equity interest in of Baoshan Iron & Steel Co., Ltd., 50.15% equity interest in Shanghai Baosight Software Co. Ltd., 59.23% equity interest in Maanshan Iron & Steel Company Limited, 50.02% equity interest in Xinjiang Bayi Iron & Steel Co., Ltd., 53.05% equity interest in SGIS Songshan Co., Ltd., 59.89% equity interest in Shanghai Baosteel Packaging Co., Ltd., 63.31% equity interest in Shanxi Taigang Stainless Steel Co., Ltd., 22.27% equity interest in Tibet Mineral Development Co., Ltd., 16.66% equity interest in Da Ming International Holdings Limited, 15.00% equity interest in Beijing Shougang Co., Ltd., 14.06% equity interest in China Pacific Insurance (Group) Co., Ltd., 14.00% equity interest in Nanjing Yunhai Special Metals Co., Ltd., 12.09% equity interest in New China Life Insurance Company Limited and 10.03% equity interest in Shanxi Securities Co., Ltd.
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Other explanation	Nil
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##### 2 Natural persons

Applicable  Not applicable

##### 3 No special explanation regarding the de facto controller

Applicable  Not applicable



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

### IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

#### (II) De facto controller (Continued)

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

Applicable       Not applicable

On 16 September 2020, Siyuanhe Industrial Development Fund, China Baowu and Desheng Group signed an Equity Transfer Agreement in respect of the distribution in kind of the 75% equity interests in Changshou Iron & Steel held by Siyuanhe Industrial Development Fund, in which it was agreed that Siyuanhe Industrial Development Fund shall be dissolved along with the transfer of the shares of Siyuanhe Industrial Development Fund by Siyuanhe Investment to Desheng Group, and the equity interests of Changshou Iron & Steel held by Siyuanhe Industrial Development Fund will be distributed in kind to China Baowu and Desheng Group. On the same day, China Baowu entered into an Acting in Concert Agreement with Strategic Emerging Fund and Yufu Assets. The change in equity interests is due to Siyuanhe Investment, the original de facto controller of Chongqing Iron & Steel, will transfer the partnership equity in Siyuanhe Industrial Development Fund to Desheng Group. Meanwhile, Siyuanhe Industrial Development Fund will be dissolved and will make distribution in kind to China Baowu and Desheng Group with 75% equity interests in Changshou Iron & Steel in proportion to their respective paid-in capital contributions. China Baowu will be allocated 40% equity interests in Changshou Iron & Steel and enter into an acting in concert agreement with Strategic Emerging Fund to obtain control over Changshou Iron & Steel, thereby indirectly controlling 2,096,981,600 shares of Chongqing Iron & Steel, representing 23.51% of the total share capital of Chongqing Iron & Steel. China Baowu will become the de facto controller of Chongqing Iron & Steel. As at 2 December 2020, all completion conditions of the Equity Transfer Agreement entered into by Siyuanhe Industrial Development Fund, China Baowu and Desheng Group have been fulfilled. Changshou Iron & Steel completed the change of industrial and commercial registration on 2 December 2020, and China Baowu became the de facto controller of the Company.

For details of the above, please refer to the Indicative Announcement on Changes in Shareholders' Equity and De Facto Controller (Announcement No.: 2020-048), the Long Form Equity Change Report, the Short Form Equity Change Report, the Announcement in Relation to the Completion of Changes in Shareholders' Equity and De Facto Controller (Announcement No.: 2020-060) and other relevant announcements published by Chongqing Iron & Steel on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) and China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on September 17, September 19 and December 4 2020, respectively.

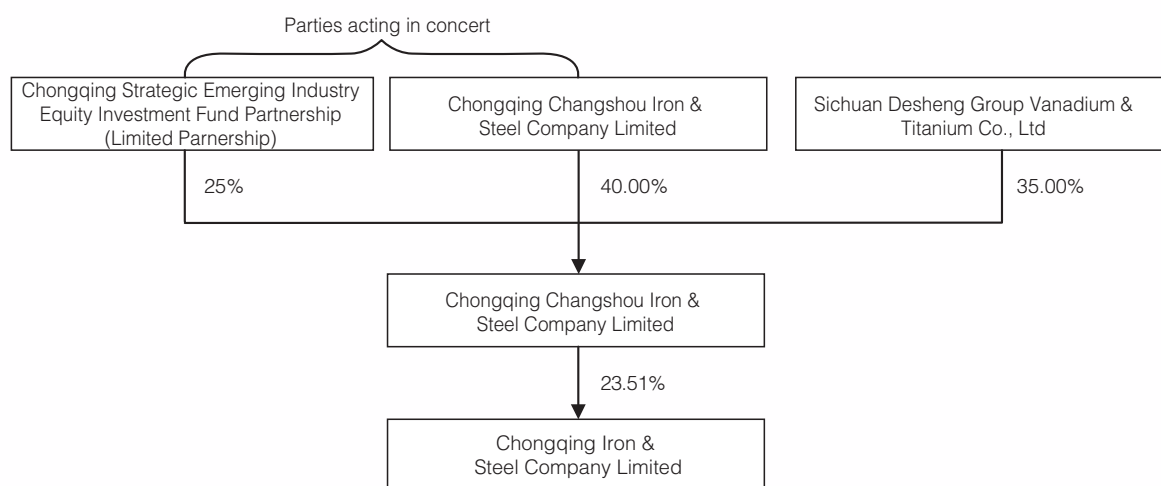
## Section VI Movement of Ordinary Shares and the Particulars of Shareholders (Continued)

### IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

#### (II) De facto controller (Continued)

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

Applicable  Not applicable



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

Applicable  Not applicable

#### (III) Other explanation regarding the controlling shareholder and the de facto controller

Applicable  Not applicable

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

Applicable  Not applicable

### VI. EXPLANATION ON REDUCED SHAREHOLDING

Applicable  Not applicable

## Section VII Related Information of Preferred Shares

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Applicable

Not applicable

# Section VIII Directors, Supervisors, Senior Management and Staff

## I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION

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

Applicable       Not applicable

*Unit: Share*

Name	Title (Note)	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding at the beginning of the year	Shareholding at the end of the year	Increase/Decrease in shareholding during the year	Reason for changes in shareholding	Total remuneration before tax received from the Company during the Reporting Period <i>(RMB'000)</i>	Whether received remuneration from the related parties of the Company
Liu Jianrong	Chairman (Note 1)	M	46	9 July 2020	14 May 2021	0	0	0 /		428.70	No
Song De An	Vice Chairman	M	55	21 May 2019	14 May 2021	0	0	0 /		0.00	Yes
Zhang Wenxue	Director, President (Note 2)	M	57	30 December 2020	14 May 2021	0	0	0 /		0.00	No
Tu De Ling	Director	M	57	23 December 2015	14 May 2021	0	0	0 /		176.27	No
Zou An	Director, Senior Vice President, Chief Financial Officer (Note 3)	M	46	15 January 2020	14 May 2021	0	0	0 /		328.70	No
Zhou Ping	Director	M	46	9 July 2020	14 May 2021	0	0	0 /		0.00	Yes
Xin Qing Quan	Director (Independent)	M	45	4 December 2014	14 May 2021	0	0	0 /		18.00	No
Xu Yi Xiang	Director (Independent)	M	46	4 December 2014	14 May 2021	0	0	0 /		18.00	No
Wong Chun Wa	Director (Independent)	M	46	4 June 2015	14 May 2021	0	0	0 /		18.00	No
Wu Xiao Ping	Chairman of the Supervisory Committee	M	45	9 July 2020	14 May 2021	0	0	0 /		0.00	Yes
Wang Cun Lin	Supervisor	M	48	9 July 2020	14 May 2021	0	0	0 /		0.00	Yes
Xu Xu Dong	Supervisor	M	48	9 July 2020	14 May 2021	0	0	0 /		0.00	Yes
Zhou Ya Ping	Supervisor Representing Staff	M	57	15 May 2018	14 May 2021	0	0	0 /		47.70	No
Zhao Wei	Supervisor Representing Staff	M	36	12 August 2020	14 May 2021	0	0	0 /		36.35	No
Xie Chao	Senior Vice President	M	39	1 January 2020	14 May 2021	0	0	0 /		176.27	No
Zhang Yong Zhong	Senior Vice President	M	49	30 December 2020	14 May 2021	0	0	0 /		0.00	Yes
Zhou Zhu Ping	Resigned Chairman	M	57	29 January 2018	9 July 2020	0	0	0 /		0.00	Yes

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Title (Note)	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding at the beginning of the year	Shareholding at the end of the year	Increase/Decrease in shareholding during the year	Reason for changes in shareholding	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether received remuneration from the related parties of the Company
Zhang Jin Gang	Resigned Chairman	M	50	9 July 2020	30 December 2020	0	0	0 /		0.00	Yes
Li Yong Xiang	Resigned Director	M	60	29 January 2018	9 July 2020	0	0	0 /		73.76	No
Wang Li	Resigned Director	M	64	21 May 2019	9 July 2020	113,800	113,800	0	No Change	70.00	No
Zhang Shuo Gong	Resigned Director	M	63	29 January 2018	9 July 2020	0	0	0 /		10.50	No
Zhang Wenxue	Resigned Chairman of the Supervisory Committee	M	57	21 May 2019	9 July 2020	0	0	0 /		0.00	Yes
Lu Jun Yong	Resigned Supervisor	M	47	29 January 2018	9 July 2020	0	0	0 /		0.00	Yes
Yin Dong	Resigned Supervisor	M	45	29 January 2018	9 July 2020	0	0	0 /		0.00	Yes
Xiao Yu Xin	Resigned Supervisor Representing Staff	M	58	15 March 2019	12 August 2020	0	0	0 /		224.76	No
Liu Jianrong	Resigned President	M	46	15 January 2020	30 December 2020	0	0	0 /		0.00	No
Lv Feng	Resigned Senior Vice President, Chief Financial Officer (Note 4)	M	41	30 November 2017	30 December 2020	0	0	0 /		414.34	No
Wang Bu Lin	Resigned Senior Vice President	M	57	29 October 2018	9 July 2020	0	0	0 /		224.76	No
Zhang Li Quan	Resigned Senior Vice President	M	58	19 December 2018	30 December 2020	0	0	0 /		176.27	No
Zeng Jing	Resigned Senior Vice President	M	57	19 December 2018	30 December 2020	0	0	0 /		176.27	No
Meng Xiang Yun	Resigned Senior Vice President, Secretary to the Board (note5)	F	46	16 August 2018	19 January 2021	0	0	0 /		414.84	No
Total	/	/	/	/	/	113,800	113,800	0 /		3,033.49	/

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

*Notes:* Remunerations for the Company's incumbent and resigned directors, supervisors and senior management are remunerations actually received by them during their tenures of such positions in the Company in the Reporting Period. For details of the stock ownership plan for directors, supervisors and senior management, please refer to "Section V. XIII (II)" of this report; the expiry dates of the term of office of the incumbent directors, supervisors and senior management of the Company are estimated dates, subject to the date of the annual general meeting of the Company for 2020.

*Note 1:* Starting date of the tenure of Mr. Liu Jianrong as a Director was 9 July 2020, and starting date of the tenure as the Chairmen was 30 December 2020; the tenure as the President was from 15 January 2020 to 30 December 2020.

*Note 2:* Starting date of the tenure of Mr. Zhang Wenxue as the President was 30 December 2020, and starting date of the tenure as a Director was 10 March 2021; the tenure as the chairman of the Supervisory Committee was from 21 May 2019 to 9 July 2020.

*Note 3:* Starting date of the tenure of Mr. Zou An as a senior vice president was 15 January 2020, and starting date of the tenure as the chief financial officer was 27 March 2020; starting date of the tenure as a Director was 9 July 2020.

*Note 4:* The tenure of Mr. Lv Feng as a senior vice president was from 30 November 2017 to 30 December 2020, and the tenure as the chief financial officer was from 27 February 2018 to 27 March 2020.

*Note 5:* The tenure of Ms. Meng Xiang Yun as a senior vice president was from 16 August 2018 to 19 January 2021, and the tenure as a secretary to the Board was from 19 December 2018 to 19 January 2021.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

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

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Song De An	born in February 1965, is a senior economist. He obtained an EMBA degree from PBC School of Finance, Tsinghua University. He currently serves as the vice chairman of Chongqing Iron & Steel Company Limited, the chairman of the board of directors of Sichuan Desheng Group and the vice chairman of Chongqing Changshou Iron & Steel Company Limited. The Sichuan Desheng Group, which was founded in 1997 by Mr. Song, has been developed into a Top 500 Global Enterprises in China enjoying synergic development of three core businesses including financial capital, cultural tourism as well as vanadium, titanium, iron and steel. Mr. Song had served as a deputy to the People's Congress of Sichuan, a standing member of the 10th session of the executive committee of Sichuan Federation of Industry and Commerce, a standing member of the 6th and 7th session of Leshan Municipal Committee of the CPPCC, a standing member of the 6th session of Leshan Federation of Industry and Commerce, the vice chairman of the Chamber of Commerce and the vice-chairman of Leshan Charity Federation. He had been granted the titles of "Outstanding Entrepreneur of Yunnan Province", "Outstanding Private Entrepreneurs of Leshan City", "Outstanding Private Entrepreneurs of Sichuan Province", "Builder of the 2nd Session of Sichuan Outstanding Builders of Socialism with Chinese Characteristics" and many other awards.



## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Zhang Wenxue	born in May 1963, is a senior engineer. He currently serves as a director, the president and deputy secretary to the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Zhang was the director of the hot pressing plant and the concurrent system reformation project manager of the hot pressing production line of Baogang Branch under Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), the deputy general manager of Baogang Zhanjiang Iron and Steel Company, the director of hot pressing plant, the assistant to the general manager and concurrently the chief of the business promotion department of Baoshan Iron & Steel Co., Ltd., the chairman of the supervisory committee and the secretary of the Party Committee of Chongqing Iron & Steel Company Limited, as well as the general manager of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司). Mr. Zhang has extensive experience in production, operation, management innovation and intelligent manufacturing. Mr. Zhang graduated from Central South Institute of Mining and Metallurgy (中南礦冶學院) majoring in pressure processing in 1984, and obtained a master degree in industrial relations from West Virginia University of the USA.
Tu De Ling	born in January 1963, is a director of Chongqing Iron & Steel Company Limited. Mr. Tu joined Chongqing Iron & Steel Group in 1988 and successively served as the deputy head of the financial division of Chongqing Iron & Steel Company (Group) Limited, head of the Financial Division and chief accountant of Chongqing Iron & Steel Company Limited, chairman of Chongqing Iron & Steel Electronic Company (重鋼電子公司), the commander of the environmental relocation headquarters and a director of the finance department of Chongqing Iron & Steel Group, the chairman of Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司), and the financial controller and the vice chairman of Chongqing Iron & Steel Company Limited. Mr. Tu graduated from the Department of Accounting of Sichuan Finance And Economics Vocational College as an accounting major in 1984 with a bachelor's degree in economics.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

<b>Name</b>	<b>Major Working Experience</b>
Zou An	born in November 1974, is a senior accountant. He is currently a director, senior vice president, chief financial officer and a member of the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Zou successively served as the director of accounting and taxation of the Finance Department, director of budget management, senior manager of performance evaluation of Baosteel Group, the director of the development, operation and finance department, assistant to president (acting), vice president and director of the operation and finance department of Baosteel Group, and the deputy general manager of Baowu Group Environmental Resources Technology Co., Ltd. (寶武集團環境資源科技有限公司). Mr. Zou graduated from the East China University of Metallurgy (華東冶金學院) in 1996, majoring in accounting, and then obtained a master's degree in finance from Fudan University.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Zhou Ping	born in December 1974, is a senior engineer. He currently serves as a director of Chongqing Iron & Steel Company Limited, chairman of Sichuan Desheng Group Vanadium and Titanium Co., Ltd. (四川德勝集團鈮鈦有限公司), and deputy general manager of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司). Mr. Zhou successively served as technical transformation commander, general manager and chairman of Tengchong Mining Co., Ltd. (騰沖礦業有限公司) and technical transformation commander and general manager of Qinggangping Mining Co., Ltd. (青杠坪礦業有限公司); assistant to general manager and technical transformation commander of Sichuan Desheng Group Iron and Steel Co., Ltd. (四川德勝集團鋼鐵有限公司), general manager and executive director of Sichuan Desheng Machinery Manufacturing Co., Ltd. (四川德勝機械製造有限公司), general manager of Sichuan Desheng Group Iron and Steel Co., Ltd., technical transformation commander of Sichuan Depan Vanadium and Titanium Co., Ltd. (四川德攀鈮鈦有限公司), and general manager of Sichuan Desheng Group Vanadium and Titanium Co., Ltd.. Mr. Zhou graduated from Leshan Industrial School (樂山市工業學校) as a machinery manufacturing and processing major in July 1994, and he holds a master's degree in business administration from Southwestern University of Finance and Economics and is currently studying an EMBA degree in Cheung Kong Graduate School of Business (長江商學院).

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

<b>Name</b>	<b>Major Working Experience</b>
Xin Qing Quan	born in August 1975, currently is an independent director of Chongqing Iron & Steel Company Limited. He is a professor of accounting, a doctoral tutor in the School of Economics and Business Administration of Chongqing University and the head in the Corporate Finance and Accounting Governance Innovation Institute of Chongqing University, the Changjiang (Yangtze River) Scholar award 2016 by the Ministry of Education, selected for Accounting Master Training Project by the Ministry of Finance in 2019, a special researcher of Chinese Government Auditing Research Center (中國政府審計研究中心) and a member of the 5th CPPCC of Chongqing. Mr. Xin graduated from Zhongshan University with a doctoral degree in accounting. He is mainly engaged in the research of financial accounting and corporate management.
Xu Yi Xiang	born in February 1974, currently is an independent director of Chongqing Iron & Steel Company Limited. He is a professor in the School of Economics of Southwest University of Political Science and Law and a doctoral tutor. He is the deputy director (Non-executive) of the Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law, and concurrently served as a part-time lawyer in Chongqing Damei Law Firm. Mr. Xu graduated from The Eberhard Karls Universität Tübingen of Germany, and obtained a PhD in Law. He is engaged in the research and practical works of the economic and environmental protection laws and policies for a long time, and has hosted various national and other level research projects. Mr. Xu has extensive experience in corporation, environmental laws and practical operations.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Wong Chun Wa	born in June 1974, is an independent director of Chongqing Iron & Steel Company Limited, director of ACT Business Consultants Limited, director of RIW C.P.A. Limited, and an independent non-executive director of China Zhongwang Holdings Limited. Mr. Wong worked at KPMG and Ernst & Young, and was an independent non-executive director and supervisor of Maanshan Iron & Steel Co. Ltd. Mr Wong was awarded a bachelor's degree in accounting by the Hong Kong Polytechnic University in 1996 and is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
Wu Xiao Ping	born in May 1975, is a certified public accountant, currently serves as the chairperson of the supervisory committee of Chongqing Iron & Steel Company Limited, the chief financial officer of Sichuan Desheng Group Vanadium & Titanium Co., Ltd. (四川德勝集團鈮鈦有限公司), as well as a supervisor of Chongqing Changshou Iron & Steel Company Limited. Mr. Wu has extensive experience in financial management, auditing and operation of iron and steel enterprises. He successively served as the chief financial officer of the finance department of Yibin Dongsheng Real Estate Development Company (宜賓東升房地產開發公司), the project manager of the project department of Sichuan Huaqiang Certified Public Accountants (四川華強會計師事務所), head of audit department, the deputy head and head of finance department of Sichuan Desheng Group Vanadium & Titanium Co., Ltd. Mr. Wu graduated from Sichuan Grain Economics School (四川省糧食經濟學校) in July 1995 majoring in marketing. He also obtained a college degree in accounting from Southwest University of Finance and Economics and subsequently obtained a master's degree in business administration from Hong Kong Finance and Economics College.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

<b>Name</b>	<b>Major Working Experience</b>
Wang Cun Lin	born in October 1972, is an engineer and currently serves as a supervisor, the deputy secretary of the Party committee, as well as the secretary of the disciplinary committee and Chairman of the labour union of Chongqing Iron & Steel Company Limited. Mr. Wang has extensive experience in human resources management. He has successively served as the general manager of human resources services center of Baogang Group (寶鋼集團), deputy director and director of office (party committee office) of Baoshan Iron & Steel, head of human resources department (party committee organization department) of Baoshan Iron & Steel (寶鋼股份), secretary of the party committee of hot rolling plant of Baoshan Iron & Steel, director of hot rolling plant and manager of hot rolling production line system transformation project group of Baoshan Iron & Steel Co. Ltd. Mr. Wang graduated from University of Science and Technology Beijing majoring in metal pressure processing in 1994, and subsequently obtained a master's degree in business administration from Fudan University.
Xu Xudong	born in February 1972, a certified public accountant (non-practising), director of investment in steel industry of China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司). Mr. Xu has extensive experience in corporate governance and investment management of iron and steel enterprises. He has successively served as head of strategic relations, head of planning management of strategic development department of Baogang Group (寶鋼集團), senior manager of industrial planning and senior manager of investment review of planning and development department of Baosteel Group, director of investment review of Baogang Group and director of investment review and director of investment management of Baogang Group. Mr. Xu graduated from Zhongnan University of Finance and Economics (中南財經大學) in 1993 majoring in investment economics and management, and subsequently obtained a master's degree in business administration from Fudan University.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Zhou Ya Ping	born in May 1963, is a policy advisor. He is currently a staff representative supervisor and Party secretary of the rolling mill of Chongqing Iron & Steel Company Limited. Mr. Zhou served as the shift supervisor of the control room of the Company's Medium Plate Plant, the deputy head and chief steel rolling operator at the hot rolling workshop of the Medium Plate Plant, the secretary of the party branch and assistant chief operator of the hot rolling operation area for the heavy plate production line of the Heavy Plate Plant, the chief operator and the secretary of the party branch of the hot rolling operation area for the medium plate production line of the Heavy Plate Plant, plant director, secretary of Party Committee, the secretary of the disciplinary committee, and chairman of the labour union of the Heavy Plate Plant. Mr. Zhou was awarded the honor of National Labor Model in 2005 and was elected as a representative of the 17th CPC National Congress in May 2007. He was awarded the honor of "Heroes and Models with Outstanding Contribution" during the celebration of the 60th anniversary of the liberation of Chongqing in September 2019 and was elected as a representative of the 18th CPC National Congress in May 2012.
Zhao Wei	born in June 1984, is a senior engineer and currently serves as a staff representative supervisor and the deputy general manager of Raw Material Procurement Centre of Chongqing Iron & Steel Company Limited. Mr. Zhao has a solid professional foundation of iron and steel and extensive experience in production and manufacturing of iron and steel. He successively served as the secretary of the party branch of the second sintering operation area of the sintering plant, director of the general office of the sintering plant, assistant to the director of the sintering plant, and assistant to the director of the smelting plant of Chongqing Iron & Steel Company Limited and the deputy head of the administration department (Party-Mass Work Department). Mr. Zhao graduated from Kunming University of Science and Technology with a major in metallurgical engineering in 2007, and obtained a master's degree in engineering from Chongqing University.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Xie Chao	born in September 1981, is an engineer and currently serves as a senior vice president and a member of the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Xie successively served as the secretary to the Party Branch and director of the steel mill, director of the rolling mill and head of the marketing department in Sichuan Desheng Group Vanadium & Titanium Co., Ltd., general manager of Sichuan Jinde Investment Co., Ltd. (四川金德投資有限公司), general manager of Chongqing Deqin Investment Co., Ltd. (重慶德欽投資有限公司), head of the marketing department and the purchase and supply department in Sichuan Desheng Group Vanadium & Titanium Co., Ltd (四川德勝集團釩鈦有限公司). and executive deputy general manager and head of the marketing department in Sichuan Desheng Supply Chain Management Co., Ltd. (四川德勝供應鏈管理有限公司), an executive director and general manager of Sichuan Jiaye Investment and Development Co., Ltd. (四川佳業投資發展有限公司) and deputy general manager and secretary to Party's branch of the purchase, supply and marketing department of Sichuan Desheng Group Vanadium & Titanium Co., Ltd. Mr. Xie graduated from Chongqing University of Science & Technology majoring in metallurgy in 2000, completed his study in Leshan Normal University majoring in international economics and trade in 2016, and is now a postgraduate student major in Finance in Hong Kong Finance & Economics College.



## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Zhang Yong Zhong	born in March 1971, is a professor-level senior engineer. He currently serves as a senior vice president of Chongqing Iron & Steel Company Limited. Mr. Zhang once served as the chief operator of No.2 Furnace, No. 3 Furnace of the Furnace Branch of Baosteel Iron-making Plant (寶鋼煉鐵廠高爐分廠), the trainee chief operator, the chief engineer (iron-making technology) of No. 2 Furnace and deputy director of the Furnace Branch of Baosteel Iron-making Plant (寶鋼股份煉鐵廠高爐分廠), deputy director and director of the Furnace Branch of Baosteel Baogang Company Iron-making Plant (寶鋼分公司煉鐵廠), director of the Sintering Branch, director of the Furnace Branch, assistant to the director and the team leader of the material technology improvement and comprehensive renovation project of Baosteel Iron-making Plant (寶鋼股份煉鐵廠), the deputy director of the Iron-making Plant of Baoshan Iron & Steel Company Limited, as well as assistant to the general manager of Chongqing Iron & Steel Company Limited. Mr. Zhang has extensive experience in production and manufacturing of iron and steel enterprises. Mr. Zhang graduated from Northeastern University majoring in ferrous metallurgy in 1993, obtained an MPM degree from Northeastern University in 2009, and obtained a doctoral degree in Metallurgical Engineering from University of Science and Technology Beijing in 2017.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

<b>Name</b>	<b>Major Working Experience</b>
Zhou Zhu Ping	born in March 1963, is a senior accountant. He currently serves as a director and CEO of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司), and the chairman of Chongqing Iron & Steel Company Limited as at July 2020. Mr. Zhou previously served as the secretary to the board of directors of Baoshan Iron & Steel Co., Ltd., general manager of Baosteel Group Enterprise Development Corporation, president of Baosteel Development Co. Ltd., the chairman of Baosteel Finance Co., Ltd, deputy general manager of Ouyeel Co., Ltd., deputy general manager of Baosteel Group Corporation and chairman of Baosteel Metal Co., Ltd., secretary of the Party Committee of the financial system of China Baowu Steel Group Corporation, the chairman of Fortune Investment Co., Ltd. and the chairman of the 8th session of the supervisory committee of China Pacific Insurance (Group) Co., Ltd, secretary of the Party Committee of Chongqing Iron & Steel Company Limited, general manager of Chongqing Changshou Iron& Steel Company Limited. Mr. Zhou has extensive experience in corporate governance, corporate management, capital operation, corporate finance and accounting, funds management, cost management and capital budget management. Mr. Zhou graduated from Zhejiang College of Metallurgical Economics in 1982.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Zhang Jin Gang	born in March 1970, is a professor level senior engineer, a deputy general manager and member of the standing committee of the party committee of China Baowu Iron and Steel Group Co., Ltd. (中國寶武鋼鐵集團有限公司), and a director of Baoshan Iron & Steel Co., Ltd., the chairman of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司), and served as a chairman of Chongqing Iron & Steel Company Limited until December 2020. Mr. Zhang has extensive experience in production, manufacturing, corporate operation and corporate governance in the iron and steel engagements. He successively served as deputy director of No.2 steelmaking plant and No.1 steelmaking plant of Anshan Iron and Steel (鞍鋼股份), deputy secretary-general of China Iron and Steel Association, head of investment planning department of Anshan Iron and Steel, director of production cooperation center of Anshan Iron and Steel, secretary to the board of directors of Anshan Iron and Steel Group, and deputy general manager of Baogang Group (寶鋼集團). Mr. Zhang graduated from Anshan Iron and Steel Institute in 1992, obtained a master's degree in materials science from Northeastern University in March 2000 and a doctor's degree in materials science from Northeastern University in March 2007.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Li Yong Xiang	born in October 1960, is a senior engineer. Mr. Li served as a director of Chongqing Iron & Steel Company Limited until July 2020. Mr. Li successively served as the deputy plant director, plant director and secretary of Party committee of the smelting plant of Meishan Metallurgical Company; a director and the deputy general manager of Shanghai Meishan (Group) Company; a director, the deputy general manager and the general manager of Meishan Company of Baosteel Group; and a director, the general manager and the chairman of Meishan Iron & Steel Company of Baosteel. Mr. Li served as the deputy general manager of Baosteel and the chairman of Meishan Iron & Steel Company from 2008 to 2016. He served as a director and the chief executive officer of B.M. Holding (Group) Co., Ltd. from October 2016 to November 2017. Since November 2017, he has served as the general manager, vice chairman and deputy secretary to the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Li has rich experience in production, operation and organization of iron and steel enterprises. Mr. Li graduated from Northeast Institute of Technology in 1982. From August 1996 to February 1997, he studied at the Department of Business Administration at West Virginia State University, the United States, as a visiting scholar; in 2001, he was awarded the degree of EMBA by China Europe International Business School; in 2003, he obtained the master's degree in metallurgical engineering from Northeastern University.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Wang Li	born in June 1956, is a professor-level senior engineer. He served as a director of Chongqing Iron & Steel Company Limited until July 2020. Mr. Wang served as a director, the general manager and the chairman of Shanghai Baosight Software Co. Ltd., an assistant to the general manager of Baoshan Iron & Steel Company Limited, and an assistant to the general manager and a secretary of the board of directors in Baosteel Group Corporation (寶鋼集團有限公司). He graduated from Northeast Institute of Technology in 1982 majoring in industrial automation.
Zhang Shuo Gong	born in August 1957, is a professor-level senior engineer. He served as a director of Chongqing Iron & Steel Company Limited until July 2020. Mr. Zhang successively served as the department head of the engineering and technology department of Baoshan Iron & Steel Company Limited, the deputy general manager of Baosteel Engineering & Technology Group Co., Ltd., an executive director and the general manager of Shanghai Baosight Software Co. Ltd. and a director of Shanghai Baosight Software Co. Ltd. Mr. Zhang has rich experience in production, management and operation of iron and steel enterprises. Mr. Zhang graduated from Tongji University with a bachelor's degree in industrial electrical automation technology in 1982.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Lu Jun Yong	<p>born in November 1973. He currently serves as a deputy general manager and chief risk officer of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司), and an executive director and a member of the investment decision making committee of Siyuanhe (Shanghai) Steel Industry Equity Investment Fund (四源合(上海)鋼鐵產業股權投資基金). He served as a supervisor of Chongqing Iron &amp; Steel Company Limited until July 2020. Mr. Lu previously served as the vice president, a member of the executive committee and of the investment review committee, and the person in charge of legal affairs of Golden Concord Group Holdings Limited (協鑫(集團)控股有限公司), the second largest new energy company in the world; the vice president and the person in charge of legal affairs of Hywin Financial Holding Group Co., Ltd. (上海海銀金融控股集團有限公司), one of the top three wealth management companies in the PRC; head of the department of legal affairs of Baoshan Iron &amp; Steel Company Limited; and deputy head (in charge of work) of the legal affair department and the head of the litigation management office and contract management office of Baosteel Group Corporation (寶鋼集團有限公司), a director and deputy general manager of Chongqing Changshou Iron &amp; Steel Company Limited. Mr. Lu Jun Yong obtained a bachelor's degree in law (specialising in international economic law) from East China University of Political Science and Law in 1996 and a master's degree in law (specialising in international economic law) from Shanghai University of International Business and Economics in 2005. He has passed National Bar Examination (全國律師資格考試) in 1996 and the national practice qualification examination for enterprise legal advisers (全國企業法律顧問執業資格考試) in 1998.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Yin Dong	<p>born in November 1975, currently is the chief financial officer of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司). He served as a supervisor of Chongqing Iron &amp; Steel Company Limited until July 2020. Mr. Yin once served as the chief financial officer in Shanghai Yuesheng Economic Development Co., Ltd. (上海月盛經濟發展有限公司) and took full responsibility for the finance-related work of the company; and successively served as a manager at senior director level of the finance department, chief financial officer of segments, and head of audit and supervision department of Baosteel Metal Company Limited (寶鋼金屬有限公司) ("Baosteel Metal"). In addition, he successively hold concurrent posts as a supervisor of Baosteel Metal, a deputy general manager of Jiangsu Baosteel Precision Steel Wire Co., Ltd. (江蘇寶鋼精密鋼絲有限公司), and a supervisor of Baosteel Packaging Company Limited (寶鋼包裝) (an A-shares listed company), Wanbaojing Auto Parts (Guangzhou) Company Limited (廣州萬寶井汽車部件有限公司), Wanbaojing Auto Parts (Wuhan) Company Limited (武漢萬寶井汽車部件有限公司), Nanjing Baori Steel Wire Co., Ltd. (南京寶日鋼絲有限公司) and Shanghai Baocheng Steel Structure Co., Ltd. (上海寶成鋼結構公司). He once served as the chief financial officer of Niagara Machinery Products Co., Ltd. (尼亞加拉機械製品有限公司) (an overseas joint-venture subsidiary of Baosteel in Canada) and was fully responsible for the financial affairs of the company. He once served as a director and a deputy general manager of Chongqing Changshou Iron &amp; Steel Company Limited. Mr. Yin Dong obtained a bachelor's degree in management engineering from East China University of Science and Technology and an EMPAcc degree from Shanghai National Accounting Institute/The Chinese University of Hong Kong.</p>

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Xiao Yu Xin	<p>born in October 1962. He served as a supervisor, the deputy secretary of the Party committee, as well as the secretary of the disciplinary committee and Chairman of the labour union of Chongqing Iron &amp; Steel Company Limited until August 2020. Mr. Xiao once served as the head of the operation improvement department and marketing director of Shanghai Baosight Software Co. Ltd., informatization manager and person in charge of administrative expenses check-up and improvement project group of Baosteel Group, manager at director level of the strategic management department of Baosteel Corporation and the general manager in charge of post-investment management of Siyuanhe Equity Investment Management Co., Ltd., the chairperson of the supervisory committee of Chongqing Iron &amp; Steel Company Limited and a supervisor of Chongqing Changshou Iron &amp; Steel Company Limited and other positions. Mr. Xiao graduated from the Thermophysical Engineering Department of Zhejiang University with a bachelor degree in cryogenic engineering and subsequently pursued a master's degree in management engineering at the University of Science and Technology Beijing. From 1987 to 1996, he taught at the University of Science and Technology Beijing and subsequently served as a teaching assistant, lecturer, deputy director and associate professor of the Department of Management. From 1996 to 2000, he was dispatched to Keele University in the United Kingdom with the sponsorship from the government for cooperative research and a doctoral degree; and later successfully obtained a doctoral degree (during this period, he remained as an associate professor at the Department of Management of the University of Science and Technology Beijing). From 2000 to 2003, he served as a senior lecturer at the Business School of the University of Sunderland in the United Kingdom. From 2003 to 2007, he served as a senior lecturer of management at the Business School of University of Aberdeen (during this period, he was elected as a professor of School of Humanity Science and Law, University of Science and Technology Beijing in September 2006).</p>



## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Lv Feng	born in December 1979, is a senior engineer and served as a senior vice president and a member of the Party Committee of Chongqing Iron & Steel Company Limited until December 2020. Mr. Lv had been the assistant budget analysis manager of the Finance Department of Baoshan Iron and Steel Co., Ltd., the comprehensive analysis manager dispatched to the Manufacturing Department, the comprehensive analysis manager of the Budget Team, the finance chief dispatched to the Smelting Plant; Mr. Lv was dispatched to Guangdong Baosteel Property Co., Ltd (廣東寶鋼置業有限公司) where he acted as the head of the Finance Department, deputy general manager and deputy general manager (in charge of work) from 2012 to 2017; he has been the deputy general manager (in charge of work) of the Assets Operation Center of Shanghai Baoland Property Co., Ltd (上海寶地置業有限公司) and the deputy general manager (in charge of work) of Guangdong Baosteel Property Co., Ltd since February 2017; served as the chief financial officer of Chongqing Iron & Steel Company Limited from February 2018 to March 2020. Mr. Lv graduated from the Accounting Department of the School of Management of University of Jinan in 2002. He also obtained a master's degree in accounting from Shanghai University of Finance and Economics through on-the-job education and EMBA degree in real estate from Sun Yat-sen University.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

<b>Name</b>	<b>Major Working Experience</b>
Wang Bu Lin	born in August 1963, is a senior engineer and served as a senior vice president and a member of the Party Committee of Chongqing Iron & Steel Company Limited until July 2020. Mr. Wang served as officer assistant, deputy officer and Party branch secretary of overhaul shop of smelting plant, head of mechanics division of smelting plant, officer of equipment division, assistant plant director of smelting plant of Shanghai Meishan Iron and Steel Co., Ltd. (“Meishan Iron and Steel Company”), and head and deputy head of equipment division of Meishan Iron and Steel Company. As Mr. Wang has been committed to the equipment management of steel enterprises and lean operation, he has a deep understanding of and extensive experience in modern equipment management. Mr. Wang graduated from Beijing Steel and Iron Institute in 1987 with a bachelor’s degree, majoring in Metallurgy Machinery, and obtained a master’s degree of Business Administration from Nanjing University in 2001.
Zhang Li Quan	born in August 1962, is a senior engineer and served as a senior vice president of Chongqing Iron & Steel Company Limited until December 2020. Mr. Zhang joined the Company in 1987 and served from time to time as the deputy head of the Iron Works, head of the Sintering Plant, the director of the Production and Direction Center, as well as the deputy general manager, a director and the assistant to the general manager of the Company. Mr. Zhang has a solid professional foundation and working experience in a number of positions. In addition, he has extensive experience in on-site production and management in large iron and steel enterprises. Mr. Zhang obtained a bachelor’s degree in nonferrous metallurgy from Kunming Institute of Technology in 1987 and a master’s degree in business administration from Chongqing University in 2004.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Major Working Experience
Zeng Jing	born in October 1963, is a senior engineer and served as the senior vice president of Chongqing Iron & Steel Company Limited until December 2020. Mr. Zeng joined the Company in 1985 and served from time to time as the head of the management division of, as well as the director assistant, the deputy director and director of the steel research institute under the Company, the associate chief of Chongqing Iron & Steel Technical Centre, and the deputy general manager and the assistant to the general manager of the Company. As Mr. Zeng has been committed to the technological, quality and marketing work in iron and steel enterprises, he has accumulated extensive experience in the research and development of products and process technology, technological quality control, and technology marketing. Mr. Zeng obtained a bachelor's degree in metallurgy and material engineering in 1985 and a master's degree in material engineering in 2006, respectively, from Chongqing University.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

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

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Other situations

Applicable       Not applicable

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

- (1) The Company received on 15 June 2020 the written resignation reports from Mr. Zhou Zhuping, chairman of the Company, and Mr. Li Yongxiang, Mr. Wang Li and Mr. Zhang Shuogong, all being directors of the Company. Due to work rearrangement, Mr. Zhou Zhuping resigned as chairman, director and other positions in the eighth session of the Board of the Company, Mr. Li Yongxiang, Mr. Wang Li and Mr. Zhang Shuogong resigned as directors and their positions in the eighth session of the Board of the Company, respectively, and their resignations will take effect after new directors are elected at the general meeting of the Company.
- (2) The 2020 first extraordinary general meeting of the Company was convened on 9 July 2020, at which Mr. Zhang Jingang, Mr. Liu Jianrong, Mr. Zou An, Mr. Zhou Ping were appointed as directors of the eighth session of the Board of the Company.

On the same day, the Company held the twenty-fourth meeting of the eighth session of the Board, at which Mr. Zhang Jingang was elected as the Chairman of the Company.

- (3) The Company received on 30 December 2020 the written resignation report from Mr. Zhang Jingang, chairman of the Company. Due to work rearrangement, Mr. Zhang Jingang resigned as director, chairman, and from his positions in the special committee under the Board. On the same day, the Company held the thirty-first meeting of the eighth session of the Board, at which Mr. Liu Jianrong was elected as the Chairman.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

2. *Explanations on changes of supervisors of the Company*

- (1) The Company received on 15 June 2020 the written resignation reports from Mr. Zhang Wenxue, chairman of the Supervisory Committee, Mr. Lu Junyong and Mr. Yin Dong, all being supervisors of the Company. Due to work rearrangement, Mr. Zhang Wenxue resigned as chairman of the Supervisory Committee and a supervisor of the Company. Each of Mr. Lu Junyong and Mr. Yin Dong resigned as supervisor of the Company, and their resignations will take effect after new supervisors are elected at the general meeting of the Company.
- (2) The 2020 first extraordinary general meeting of the Company was convened on 9 July 2020, at which Mr. Wu Xiaoping, Mr. Wang Cunlin and Mr. Xu Xudong were elected as supervisors of the eighth session of the Supervisory Committee of the Company.

On the same day, the Company held the sixteenth meeting of the eighth session of the Supervisory Committee, at which Mr. Wu Xiaoping was elected as the chairman of Supervisory Committee of the Company.

- (3) Due to work rearrangement, Mr. Xiao Yu Xin resigned as Employee Representative Supervisor of the eighth session of the Supervisory Committee of the Company, and his resignation will take effect on 12 August 2020. The Company held the fourth joint meeting of the first session of the staff representative meeting on 12 August 2020, at which Mr. Zhao Wei was elected as the Employee Representative Supervisor of the eighth session of the Supervisory Committee of the Company.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

##### 3. Explanations on changes of senior management of the Company

- (1) On 27 March 2020, Mr. Lv Feng tendered his resignation as the chief financial officer (financial controller) of the Company. Mr. Lv remained as a deputy general manager of the Company after his resignation as the chief financial officer (financial controller). On the same day, the Company held the twentieth meeting of the eighth session of the Board, at which Mr. Zou An was appointed as the chief financial officer (financial controller).
- (2) The Company received on 9 June 2020 the written resignation report from Mr. Wang Bulin, a deputy general manager of the Company. Due to work rearrangement, Mr. Wang Bulin resigned as a deputy general manager of the Company.
- (3) The Company received on 30 December 2020 the written resignation reports from Mr. Liu Jianrong, the general manager, Mr. Lv Feng, Mr. Zhang Liquan and Mr. Zeng Jing, all being deputy general managers. Due to work rearrangement, Mr. Liu Jianrong applied to the Board of the Company for resignation as the general manager of the Company, and Mr. Lv Feng, Mr. Zhang Liquan and Mr. Zeng Jing applied to the Board of the Company for resignation as deputy general managers of the Company, respectively. On the same day, the Company held the thirty-first meeting of the eighth session of the Board, at which Mr. Zhang Wenxue was appointed as the general manager of the Company and Mr. Zhang Yongzhong was appointed as a deputy general manager of the Company.
- (4) The Company received on 19 January 2021 the written resignation report from Ms. Meng Xiangyun, a deputy general manager and secretary to the Board. Due to work rearrangement, Ms. Meng Xiangyun applied to the Board of the Company for resignation as a deputy general manager and secretary to the Board.

#### (II) Share options granted to Director and senior management during the Reporting Period

Applicable       Not applicable

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD

(I) Positions held at shareholders

Applicable       Not applicable

Name	Name of shareholder entity	Position held at the shareholders	Starting date of the tenure	Ending date of the tenure
Liu Jianrong	Chongqing Changshou Iron & Steel Company Limited	director	November 2020	/
Liu Jianrong	Chongqing Changshou Iron & Steel Company Limited	general manager	December 2020	/
Song De An	Chongqing Changshou Iron & Steel Company Limited	vice chairman	November 2019	/
Zhang Wenxue	Chongqing Changshou Iron & Steel Company Limited	general manager	November 2019	December 2020
Zhou Ping	Chongqing Changshou Iron & Steel Company Limited	deputy general manager	November 2020	/
Wu Xiao Ping	Chongqing Changshou Iron & Steel Company Limited	supervisor	November 2020	/
Zhou Zhu Ping	Chongqing Changshou Iron & Steel Company Limited	chairman	October 2017	November 2020
Zhang Jin Gang	Chongqing Changshou Iron & Steel Company Limited	chairman	November 2020	/
Zhang Jin Gang	Chongqing Changshou Iron & Steel Company Limited	vice chairman	February 2019	November 2020
Lu Jun Yong	Chongqing Changshou Iron & Steel Company Limited	deputy general manager	October 2017	November 2020
Yin Dong	Chongqing Changshou Iron & Steel Company Limited	deputy general manager	October 2017	November 2020
Positions held at shareholders	Nil			



## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD (CONTINUED)

#### (II) Positions held at other entities

Applicable       Not applicable

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Song De An	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.	chairman of the board	August 1997	/
Zhou Ping	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.	chairman	February 2016	/
Wu Xiao Ping	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.	financial controller	January 2016	/
Xin Qing Quan	the School of Economics and Business Administration of Chongqing University	professor of accounting and doctoral tutor	September 2013	/
Xin Qing Quan	Chinese Government Auditing Research Center (中國政府審計研究中心)	special researcher	January 2014	/
Xin Qing Quan	Corporate Finance and Accounting Governance Innovation Institute of Chongqing University	head	January 2017	/
Xu Yi Xiang	Southwest University of Political Science and Law	professor and doctoral tutor	February 2010	/
Xu Yi Xiang	the Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law	deputy director (non-executive)	June 2013	/
Xu Yi Xiang	Chongqing Damei Law Firm	lawyer (part-time)	October 2020	/
Wong Chun Wa	China Zhongwang Holdings Limited	independent non-executive director	August 2008	/
Wong Chun Wa	ACT Business Consultants Ltd.	director	December 2006	/
Wong Chun Wa	RIW C.P.A. Limited	director	March 2008	/
Zhou Zhu Ping	Siyuanhe Equity Investment Management Co., Ltd.	director, chief executive officer	July 2017	/

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD (CONTINUED)

#### (II) Positions held at other entities (Continued)

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Zhou Zhu Ping	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund Center (Limited Partnership)	appointed representative of executive affairs partner	September 2017	/
Zhou Zhu Ping	Siyuanhe (Chongqing) Iron & Steel Industrial Development and Equity Investment Fund Partnership (Limited Partnership)	appointed representative of executive affairs partner	October 2018	/
Zhou Zhu Ping	Jianwei Digital Technology (Chongqing) Co., Ltd. (鑾微數字科技(重慶)有限公司)	director	December 2019	/
Zhang Jin Gang	China Baowu Iron and Steel Group Co., Ltd. (中國寶武鋼鐵集團有限公司)	deputy general manager	October 2016	/
Zhang Jin Gang	Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司)	chairman	January 2021	/
Zhang Jin Gang	Baoshan Iron & Steel Co., Ltd. (Note2)	director	February 2017	/
Zhang Jin Gang	Magang (Group) Holding Co., Ltd.	director	July 2020	/
Zhang Jin Gang	Commercial Aircraft Corporation of China, Ltd.	director	August 2019	/
Lu Jun Yong	Siyuanhe Equity Investment Management Co., Ltd.	deputy general manager and chief risk officer	July 2017	/
Lu Jun Yong	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund Center (Limited Partnership)	director and a member of the investment decision making committee	September 2017	/
Yin Dong	Siyuanhe Equity Investment Management Co., Ltd.	financial controller	July 2017	/
Wang Bu Lin	Jianwei Digital Technology(Chongqing) Co., Ltd.(重慶鑾微智慧科技有限公司)	director, general manager	December 2019	/
Explanation of positions held at other entities	Nil			

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### III. REMUNERATIONS OF DIRECTORS, SUPERVISOR AND SENIOR MANAGEMENT

Applicable       Not applicable

Procedure for determining remunerations of Directors, Supervisors and Senior Management

The Remuneration and Evaluation Committee has expressed its opinions on the remuneration plan for Directors, Supervisors and Senior Management and then submitted it to the general meeting, the Board and the Supervisory Committee for consideration and approval.

Basis for determining remunerations of Directors, Supervisors and Senior Management

1. According to the requirements of the Company Law and the Code of Corporate Governance for Listed Companies and other laws and regulations, the Company convened the 2017 annual general meeting on 15 May 2018, at which the plan for the remunerations of the directors and supervisors of the eighth session of board of directors and Supervisory Committee was considered and approved, which reads as follows: (1) Executive Directors and Supervisors do not receive Directors' and Supervisors' remuneration from the Company or its subsidiaries, but receive emolument based on their specific management functions in the Company. The emolument consists of annual basic salary, performance-related incentive, company – performance related incentive and equity incentive, which is determined by the Board of the Company based on the remuneration standards for Directors and Supervisors of the Company as approved at the general meeting with reference to their functions, responsibilities and the results of the Company. The annual remuneration for independent non-executive Directors is RMB180,000 (before tax). (2) Non-executive directors and external supervisors do not receive remuneration from the Company. In order to facilitate better performance of duties by the Directors, Supervisors and Senior Management, the Company decided to arrange liability insurance for its Directors, Supervisors and Senior Management.

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### III. REMUNERATIONS OF DIRECTORS, SUPERVISOR AND SENIOR MANAGEMENT (CONTINUED)

2. In 2020, according to the Incentive Framework Plan for Senior Management of Chongqing Iron & Steel Company Limited approved by the Board, the Company emphasized the consistency between the company's operating performance and personal interests, and reflected the spirit of co-creation and sharing. The Company and senior management team entered into the 2020 performance targets undertaking, the Company put into practice the management principle of taking performance results as the number one valuation standard. The performances will be valued based on the fulfillment level of the undertakings for each month, quarter and year, and remunerations will be paid based on the valuation.

Remunerations payable to Directors,  
Supervisors and Senior Management

For directors and supervisors who receive remuneration from corporate shareholders or other connected entities during this year, their annual remuneration shall be determined by the corporate shareholders or other connected entities. Total remunerations (before tax) actually received by and payable to Directors, Supervisors and senior management from the Company during this year amounted to RMB30,334,900.

Total remunerations actually received  
by all Directors, Supervisors and  
Senior Management at the end of the  
Reporting Period

RMB30,334,900

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable       Not applicable

Name	Position	Change	Reason for change
Liu Jianrong	Director, Chairman	Election	Elected in July 2020, December 2020 respectively
Zhang Jin Gang	Chairman	Election	Elected in July 2020
Zou An	Director	Election	Elected in July 2020
Zhou Ping	Director	Election	Elected in July 2020
Zhang Wenxue	Director	Election	Elected in March 2021
Wu Xiao Ping	Chairman of the Supervisory Committee	Election	Elected in July 2020
Wang Cun Lin	Supervisor	Election	Elected in July 2020
Xu Xudong	Supervisor	Election	Elected in July 2020
Zhao Wei	Staff Representative Supervisor	Election	Elected in August 2020
Zou An	Chief Financial Officer	Appointment	Newly appointed in March 2020
Zhang Wenxue	President	Appointment	Newly appointed in December 2020
Zhang Yongzhong	Senior Vice President	Appointment	Newly appointed in December 2020
Zhou Zhu Ping	Chairman	Resigned	Resignation in July 2020 due to work rearrangement
Zhang Jin Gang	Chairman	Resigned	Resignation in December 2020 due to work rearrangement
Li Yong Xiang	Director	Resigned	Resignation in July 2020 due to work rearrangement
Wang Li	Director	Resigned	Resignation in July 2020 due to work rearrangement
Zhang Shuo Gong	Director	Resigned	Resignation in July 2020 due to work rearrangement
Zhang Wenxue	Chairman of the Supervisory Committee	Resigned	Resignation in July 2020 due to work rearrangement
Lu Jun Yong	Supervisor	Resigned	Resignation in July 2020 due to work rearrangement

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES (CONTINUED)

Name	Position	Change	Reason for change
Yin Dong	Supervisor	Resigned	Resignation in July 2020 due to work rearrangement
Xiao Yu Xin	Staff Representative Supervisor	Resigned	Resignation in August 2020 due to work rearrangement
Liu Jianrong	General Manager	Resigned	Resignation in December 2020 due to work rearrangement
Lv Feng	Chief Financial Officer, Senior Vice President	Resigned	Resignation due to work rearrangement in March 2020 and December 2020
Wang Bu Lin	Senior Vice President	Resigned	Resignation in July 2020 due to work rearrangement
Zhang Li Quan	Senior Vice President	Resigned	Resignation in December 2020 due to work rearrangement
Zeng Jing	Senior Vice President	Resigned	Resignation in December 2020 due to work rearrangement
Meng Xiang Yun	Senior Vice President, Secretary to the Board	Resigned	Resignation in January 2021 due to work rearrangement

### V. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

Applicable       Not applicable

### VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

#### (I) Employees

Number of in-service employees of the Parent Company	6,408
Number of in-service employees of major subsidiaries	193
Total number of in-service employees	6,601
Number of retired employees for whom the Parent Company and major subsidiaries need to bear certain expenses	334

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES (CONTINUED)

#### (I) Employees (Continued)

##### *Structure of profession*

Type of profession	Number of people
Production staff	5,401
Sales staff	80
Technical staff	376
Finance staff	49
Administrative staff	695
Total	6,601

##### *Educational Background*

Education level	Number of people
Doctor's degree	2
Master's degree	91
Undergraduate	1,049
Associate diploma	2,121
Polytechnic school level and below	3,338
Total	6,601

*Note:* the above number of in-service employees is the number of in-service persons of the Company as at the 31 December 2020.

#### (II) Remuneration policy

Applicable       Not applicable

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

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

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

## Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

### VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES (CONTINUED)

#### (III) Training program

Applicable       Not applicable

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

According to the Company's production and operation requirements for the quality of staff members and focus on the overall planning of the human resources department, in the year 2020, benchmarking was conducted to identify gap between itself and leading enterprises, and external training, centralized training and mentoring system were applied to the Company's employee training program in a bid to develop the employees' training, and a total of 18,730 employees were trained, with 42.2 hours of training for each employee in average, representing a significant increase as compared with that for 2019. Training indicators such as the implementation rate of the training plan, the certification of professional titles and the certification of professional qualifications have all achieved the target value of the annual plan.

#### (IV) Outsourcing

Applicable       Not applicable

### VII. OTHERS

Applicable       Not applicable



# Section IX Corporate Governance

## I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE

Applicable       Not applicable

### (I) Corporate Governance

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix X of the Listing Rules as the code for dealing of the Company’s securities by Directors. All directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2020.

To the best of knowledge of the Board, the Company had complied with the requirements of the “Corporate Governance Code”, Appendix XIV of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange during the Reporting Period, and no deviation from the Code has been identified.

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

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

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

#### (I) Corporate Governance (Continued)

1. Shareholders and shareholders' meeting: The Company convenes, gives notices of and holds general meetings in strict compliance with the relevant requirements of the Company Law, the Articles of Association and the Rules of Procedure for General Meetings. The Company retains lawyers to witness the meetings and issue legal opinion, listens to shareholders' opinions and suggestions to ensure that shareholders, minority shareholders in particular, have equal status and that shareholders have and exercise lawful rights conferred by laws, regulations and the Articles of Association.
2. Controlling shareholder and the listed company: The Company is completely separate from the controlling shareholder in terms of business, staff, organization and finance. The Company is a self-sustaining entity operating independently. The Company's controlling shareholder exercises shareholder's rights in strict compliance with the relevant requirements of the Company Law and the Articles of Association without overriding the general meetings to directly or indirectly intervene in the Company's production and operation and important decision-making. At the end of the Reporting Period, none of the Company's capital and assets was appropriated by its substantial shareholders.
3. Directors and the Board: In accordance with the relevant laws and regulations and the Articles of Association, the Company has formulated the Rules of Procedure of the Board of Directors, the Working Regulations of the Strategy Committee of the Board, the Working Regulations of the Audit Committee of the Board, the Working Regulations of the Remuneration and Evaluation Committee of the Board, and the Working Regulations of the Nomination Committee of the Board. The Board earnestly fulfilled the duties conferred by the Company Law, the Guidelines for Corporate Governance of Listed Companies, the Articles of Association of the Company and other laws and regulations, convened and held general meetings and earnestly implemented all resolutions of the meetings, and implemented corresponding review and approval procedures for major matters within its authorisations. Under the strategic leading role of the Board, we actively improved the corporate governance system of the Company, safeguarded the interests of the Company and its shareholders as a whole. Special committees of the Board separately convened meetings in light of their respective responsibilities, putting forward advice and recommendations regarding the Company's development strategy, material capital operation, financial statements, review of qualification and composition of directors and senior management, remuneration plan of senior management and its implementation, which effectively promoted the Board's standardized operation and scientific decision-making.

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

#### (I) Corporate Governance (Continued)

During the Reporting Period, the Board of the Company consisted of 8 members, including 3 independent directors, 2 of whom are professional accountants. The Board has 4 special committees, namely the Strategy Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee. The composition of the Board and special committees is in compliance with the Company Law and other laws and regulations.

4. Supervisors and the Supervisory Committee: Presently, the Supervisory Committee comprises 5 members including 2 supervisors representing staff. The composition of the Supervisory Committee is in compliance with the relevant requirements of the Company Law and other laws and regulations. Closely based on the actual situation of the Company's production and operation, in order to protect interests of shareholders, the Company and employees, the Supervisory Committee carried out multi-level on-site supervision and investigation in accordance with the requirements of laws and regulations and under the principles of objectivity, fairness, and diligence, and supervised and reviewed major decision-making procedures, financial operation management, corporate management activities, and performance of directors and senior management of the Company.
5. Information disclosure and transparency: The Company strictly implements the Rules for Information Disclosure Management, specifies the person responsible for information disclosure, treat all shareholders fairly to ensure that they have an equal right to know. In 2020, the Company's information disclosure continued to be standardized, and it has no undisclosed information that is required to be disclosed.
6. Construction of internal control system: In 2020, in order to improve the internal control system of the Company, strengthen internal audit, optimize the system construction, establish and improve the internal control evaluation standard, and ensure the effective development of the internal control evaluation work of the Company, the internal control defect identification standard of the Company was revised in accordance with the Basic Standards of Corporate Internal Control and its ancillary guidelines, taking into consideration factors such as the size of the Company, characteristics of the industry, risk preference and risk tolerance, etc, the basis to identify and the method to determine internal control defects were specified and the institutionalization of the internal control defect identification standard was achieved.

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

#### (I) Corporate Governance (Continued)

According to the Basic Standards of Corporate Internal Control and its ancillary guidelines and other internal control supervision requirements, together with the Company's internal control system and evaluation methods, the Board evaluated the effectiveness of internal control of the Company as at 31 December 2020 (being the date of the internal control evaluation report) based on the daily supervision and special supervision of internal control. At the same time, the Company also engaged Ernst & Young Hua Ming LLP to conduct an independent audit of the effectiveness of the Company's internal control. Based on the identification of major deficiencies in the internal control for financial reporting of the Company, there were no major deficiencies in the internal control for financial reporting on the date of the internal control evaluation report. The Company has maintained effective internal control of financial report in all material aspects in accordance with the requirements of the corporate internal control standard system and relevant regulations. Based on the identification of major deficiencies in the internal control of the company's non-financial report, there were no major deficiencies in the internal control for non-financial reporting on the date of the internal control evaluation report.

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

#### (II) Corporate Governance Practices

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

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

As at 31 December 2020, the Company has complied with the corporate governance principles and all the code provisions (if applicable, including most recommended best practices) (Corporate Governance Code) set out in Appendix 14 to the Listing Rules.

## Section IX Corporate Governance (Continued)

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

#### (II) Corporate Governance Practices (Continued)

##### 1. Securities dealings by Directors and Supervisors

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

As at 31 December 2020, the interests and short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the SFO) of the directors, supervisors and senior management members in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules of the Stock Exchange") and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated		Nature of interest	Total number of shares held (share)	Percentage of	Percentage	Class of share
	corporation	Capacity			Shares of the Company	of total share capital of the Company	
					(%)	(%)	
Wang Li	The Company	Director (resigned)	Beneficial interest	113,800 (long position)	0.00136	0.00128	A Share

Save as disclosed above, as at 31 December 2020, none of the directors, supervisors or their respective associates had any interests in the shares of the Company or its associated corporations.

During the year of 2020, none of the directors or supervisors or their spouses or children under the age of 18 has been granted by the Company the rights to subscribe for the Company's shares.

At no time during the year of 2020 was the Company, its fellow subsidiaries or its Parent Company a party to any contract of significance in relation to the Company's business in which a director or supervisor of the Company had material interests, either directly or indirectly.

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

#### (II) Corporate Governance Practices (Continued)

##### 1. *Securities dealings by Directors and Supervisors (Continued)*

###### 1.1 Directors' and Supervisors' Interests in the Shares of the Company or Associated Corporation (Continued)

At no time during the year of 2020 was the Company, its fellow subsidiaries or its Parent Company a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

###### 1.2 Service Contracts of Directors and Supervisors

The directors and supervisors of the Company respectively entered into service contracts which ended at the 2020 annual general meeting of the Company. There were neither terms regarding compensation for termination of service prior to the expiry of the service contracts nor terms regarding compensation for no renewal of service upon the expiry of such service contracts.

###### 1.3 Directors' and Supervisors' Interests in the Contracts

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

###### 1.4 Model Code for Securities Transactions by Directors and Supervisors

The Company takes the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to Listing Rules of the Stock Exchange and the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof as the code for securities transactions by its directors, supervisors, and senior management. After making specific enquiries with all directors and supervisors, the Company confirmed that all directors and supervisors had complied with the requirements of the above code and rules concerning the securities transactions by directors as at the date hereof.

###### 1.5 Independence of Independent Non-executive Directors

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

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

#### (II) Corporate Governance Practices (Continued)

##### 2. *The Board*

###### 2.1 Composition of the Board

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

###### 2.2 Number of Board meetings during the financial year

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

###### 2.3 Directors’ attendance of the Board meetings and general meetings

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

###### 2.4 Division of responsibilities between the Board and the management

The Board is collectively responsible for the Company’s management and operation under the leadership of its chairman. The Board formulates the Company’s overall strategy, sets the Company’s business direction and financial performance target, ensure the establishment and implementation of the Company’s good corporate governance structure and procedure. The Board reports the Company’s performance and business to the Company’s shareholders. The Board is the Company’s final decision-making organ other than matters which are required by the Company’s Articles of Association, the Listing Rules and other applicable laws and regulations to be subject to approval by shareholders.

The management takes charge of the Company’s business operation and implements policies formulated by the Board. The management is accountable to the Board and is required to make decisions for matters prescribed by the executive committee or seek prior approval of the executive committee before making commitments on behalf of the Company. The executive committee monitors the management’s performance according to the Company’s corporate goals, missions and business plan which are determined and approved by the Board from time to time.

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

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

#### (II) Corporate Governance Practices (Continued)

##### 2. *The Board (Continued)*

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

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

2.8 Particulars of directors and senior management training

During the year, all directors received training required by applicable laws and regulatory regulations. In addition, some directors also attended training related to their profession or business to enhance their management capability. All new directors had proper understanding of the laws and rules which they should know for carrying out their duties before taking office.

2.9 Board Diversity Policy

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

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

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



## Section IX Corporate Governance (Continued)

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

#### (II) Corporate Governance Practices (Continued)

##### 3. *Chairman and President*

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

The president takes charge of the day-to-day production and operation. The general manager is appointed by the Board for a term of 3 years and is eligible for re-election.

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

##### 4. *Non-executive Director*

Non-executive directors of the Company serve for a term of 3 years and are eligible for re-election.

For detailed information about current members of the Board, please refer to “Section VIII.I.(I)” of this report.

##### 5. *Committees under the Board*

###### 5.1 Functions of special committees

###### (1) Primary responsibilities of the Strategy Committee

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

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

#### (II) Corporate Governance Practices (Continued)

##### 5. Committees under the Board (Continued)

##### 5.1 Functions of special committees (Continued)

##### (2) Primary responsibilities of the Audit Committee

- 1) to supervise and evaluate the work of external auditors.
- 2) to supervise and evaluate internal audit work.
- 3) to review and comment on the financial statements of the Company.
- 4) to assess the effectiveness of internal controls.
- 5) to coordinate the communication between the management, internal audit department and related departments and external auditors.
- 6) to report measures that are deemed necessary or matters to be improved to the Board, and make recommendations thereon.
- 7) to handle other matters authorised by the laws and regulations, the Articles of Association and the Board of the Company.

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

- 1) to propose remuneration policies for all directors and senior management, and formulate procedures for such policies.
- 2) to propose the remuneration plan or proposal based on the main scope of work, duties, importance of positions of directors and senior management, and the remuneration standard of social related positions, including but not limited to: performance evaluation standards, procedures, and main evaluation system, levels and payment methods of remuneration, main schemes and systems for rewards and penalties, etc.

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

#### (II) Corporate Governance Practices (Continued)

##### 5. Committees under the Board (Continued)

##### 5.1 Functions of special committees (Continued)

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

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

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

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

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

#### (II) Corporate Governance Practices (Continued)

##### 5. *Committees under the Board (Continued)*

##### 5.1 Functions of special committees (Continued)

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

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

## Section IX Corporate Governance (Continued)

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

#### (II) Corporate Governance Practices (Continued)

##### 5. Committees under the Board (Continued)

##### 5.2 Composition of all special committees (as of 31 December 2020)

Strategic Committee	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee
Liu Jianrong	Xin Qing Quan*	Wong Chun Wa*	Xu Yi Xiang*
Song De An	Xu Yi Xiang	Song De An	Song De An
Tu De Ling	Wong Chun Wa	Xin Qing Quan	Xin Qing Quan
Zou An	Zhou Ping	Xu Yi Xiang	Wong Chun Wa
Zhou Ping			

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

##### 5.3 Work of special committees

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

##### 6. Remuneration of auditors

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

##### 7. Company secretary

The Company did not engage any service institutions as the company secretary.

##### 8. Shareholders' rights

##### 8.1 Shareholders' right to convene an extraordinary general meeting

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

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

#### (II) Corporate Governance Practices (Continued)

##### 8. Shareholders' rights (Continued)

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

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

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

###### 8.2 Enquiry procedure and available information

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

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

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

#### (II) Corporate Governance Practices (Continued)

##### 8. Shareholders' rights (Continued)

##### 8.2 Enquiry procedure and available information (Continued)

- 6) information about the share capital of the Company;
- 7) reports showing the total nominal value and number of each class of shares repurchased by the Company since the end of the last financial year, the maximum and minimum prices as well as the aggregate amount paid by the Company;
- 8) minutes of general meetings.

##### 8.3 Procedure for proposing a resolution

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

Does corporate governance significantly deviate from relevant CSRC provisions; If so, please explain the reason.

Applicable       Not applicable

## Section IX Corporate Governance (Continued)

### II. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions
The 2019 Annual General Meeting	16 June 2020	Announcement on Resolutions of The 2019 Annual General Meeting (Ann. No.: 2020-029) published on the website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	17 June 2020
The 2020 First Extraordinary General Meeting	9 July 2020	Announcement on Resolutions of The 2020 First Extraordinary General Meeting (Ann. No.: 2020-038) published on the website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	10 July 2020
The 2020 Second Extraordinary General Meeting	30 December 2020	Announcement on Resolutions of The 2020 Second Extraordinary General Meeting (Ann. No.: 2020-064) published on the website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	31 December 2020

Explanation on shareholders' meeting

Applicable       Not applicable



### II. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

#### (I) The 2019 Annual General Meeting

The 2019 Annual General Meeting was convened by the Board of the Company and presided by the chairman, Mr. Zhou Zhu Ping. The convening of and the procedures for holding the meeting and the voting procedures at the meeting were in compliance with the relevant requirements of the Company Law and other laws and regulations as well as the Articles of Association of the Company. The independent directors of the Company made performance report of the independent directors of the Company for the year 2019 at the general meeting. The following resolutions were considered and approved at the meeting:

No.	Resolutions
-----	-------------

Resolutions adopting non-cumulative voting

- |    |  |
|----|--|
| 1  | The final financial accounts report for the year 2019  |
| 2  | The 2019 annual report (full text and summary)   |
| 3  | The profit distribution plan for the year 2019   |
| 4  | The report of the board of directors for the year 2019   |
| 5  | The report of the supervisory committee for the year 2019  |
| 6  | The proposal for the re-appointment the financial and internal control auditor of the Company for the year 2020  |
| 7  | The proposal for the proposed budget for the year 2020   |
| 8  | The proposal for the related investment in relation to joint establishment of special fund for acquisition of Chonggang Group through capital contribution |
| 9  | The proposal for the grant of general mandate to the board of directors to issue corporate bonds   |
| 10 | The proposal of the amendments to the Articles of Association of Chongqing Iron & Steel Company Limited  |
| 11 | The proposal for the amendments to the Rules of Procedures of General Meeting of Chongqing Iron & Steel Company Limited                                    |
| 12 | The proposal for the issuance of medium-term notes by the Company  |

### II. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

#### (II) The 2020 First Extraordinary General Meeting

The 2020 First Extraordinary General Meeting was convened by the Board of the Company and presided by the chairman, Mr. Zhou Zhu Ping. The convening of and the procedures for holding the meeting and the voting procedures at the meeting were in compliance with the relevant requirements of the Company Law and other laws and regulations as well as the Articles of Association of the Company. The following resolutions were considered and approved at the meeting:

No.	Resolutions
	Resolutions adopting cumulative voting
1.00	Resolution on the by-election of directors of the eighth session of the board of directors of the Company
1.01	To elect Mr. Zhang Jingang as a director of the eighth session of the board of directors of the Company
1.02	To elect Mr. Liu Jianrong as a director of the eighth session of the board of directors of the Company
1.03	To elect Mr. Zou An as a director of the eighth session of the board of directors of the Company
1.04	To elect Mr. Zhou Ping as a director of the eighth session of the board of directors of the Company
2.00	Resolution on the by-election of supervisors of the eighth session of the supervisory committee of the Company
2.01	To elect Mr. Wu Xiaoping as a supervisor of the eighth session of the supervisory committee of the Company
2.02	To elect Mr. Wang Cunling as a supervisor of the eighth session of the supervisory committee of the Company
2.03	To elect Mr. Xu Xudong as a supervisor of the eighth session of the supervisory committee of the Company

## Section IX Corporate Governance (Continued)

### II. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

#### (III) The 2020 Second Extraordinary General Meeting

The 2020 Second Extraordinary General Meeting was convened by the Board of the Company and presided by the chairman, Mr. Liu Jianrong. The convening of and the procedures for holding the meeting and the voting procedures at the meeting were in compliance with the relevant requirements of the Company Law and other laws and regulations as well as the Articles of Association of the Company. The following resolutions were considered and approved at the meeting:

No.	Resolution
	Resolution adopting non-cumulative voting
1	Resolution on the lease renewal and the final purchase of the assets of Changshou Iron & Steel

### III. DUTY PERFORMANCE OF DIRECTORS

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

Name of director	Independent director or not	Number of Board meetings	Attendance of Board meetings				Whether failed to attend 2 consecutive meetings in person	Attendance of general meetings
			Attendance in person	Attendance via communication	Attendance by proxy	Absence		
Liu Jianrong	No	8	8	4	0	0	No	1
Song De An	No	15	14	8	1	0	No	2
Tu De Ling	No	15	15	8	0	0	No	2
Zou An	No	8	8	4	0	0	No	1
Zhou Ping	No	8	8	4	0	0	No	0
Xin Qing Quan	Yes	15	15	8	0	0	No	2
Xu Yi Xiang	Yes	15	15	9	0	0	No	2
Wong Chun Wa	Yes	15	15	15	0	0	No	1
Zhou Zhu Ping	No	7	7	4	0	0	No	2
Zhang Jin Gang	No	8	8	5	0	0	No	0
Li Yong Xiang	No	7	7	4	0	0	No	1
Wang Li	No	7	7	6	0	0	No	1
Zhang Shuo Gong	No	7	7	6	0	0	No	1

### III. DUTY PERFORMANCE OF DIRECTORS (CONTINUED)

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

Explanations on failure to attend 2 consecutive meetings in person

Applicable       Not applicable

Number of Board meetings during the year	15
Including: number of physical meetings	0
Number of virtual meetings	8
Number of meetings by both physical and virtual means	7

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

Applicable       Not applicable

(III) Others

Applicable       Not applicable

### IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED

Applicable       Not applicable

(I) Work of the Strategy Committee

In 2020, the Strategy Committee under the Board of the Company studied the medium- and long-term development strategy and major investment decisions of the Company and gave suggestions in accordance with relevant laws, regulations, the Articles of Association and Work Regulations of the Strategic Committee under the Board of the Company, so as to provide professional supports for efficient and scientific decision-making of the Board.

1. *Composition*

As of 31 December 2020, the Strategy Committee under the Board consisted of five Directors, namely Liu Jianrong, Song De An, Tu De Ling, Zou An, Zhou Ping. The members of the Strategy Committee have extensive experience in various aspects of industry management, investment and financing management practices and intelligent manufacturing and construction, which meet the Company's strategic development goals.

### IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

#### (I) Work of the Strategy Committee (Continued)

##### 2. Convening of meetings

The second meeting of the eighth session of the Strategy Committee under the Board of the Company was held on 26 March 2020, which was convened and presided by the chairman, Mr. Zhou Zhu Ping, and all the members attended the meeting. At which the Proposal on the Adjustment of the Company's Development Plan, Proposal on Fixed Asset Investment in 2020 and the Proposal for the Related Investment in Relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution were studied and discussed, the following opinions and suggestions were formed and submitted to the Board of the Company:

- (1) As the external environment, constraints, system balance, funding arrangements, resource planning are changing, dynamic adjustment need to be made to the Company's development plan in a timely manner. After adjustment, the plan will be more detailed and complete, and more challenging. The adjustment of the Company's development plan was approved.
- (2) The COVID-19 epidemic has affected the company's steel sales, product inventory and project construction. Therefore, the management are advised to broaden the financing channels, appropriately expand the size of debt, reduce financing costs, and ensure the project construction and future capital reserve, focus on project construction and do a good job in the maintenance, overhaul and major overhaul of production equipment. Proposal on Fixed Asset Investment of the Company for 2020 was approved.
- (3) From the perspective of standardized operation of the listed company, the Company need complete assets and production lines. The participation of the Company in the joint establishment of special fund for the acquisition of Chonggang Group through capital contribution was approved, which will be used to participate in the public delisting of 100% equity interest of Chongqing Iron & Steel (Group) Co., Ltd.

In 2021, the Strategy Committee under the Board will continue to focus on the implementation and progress of the Company's overall development and planning, the construction of the Company's corporate culture system, the formation and cultivation of the Company's core values, the brand image of the Company in capital market, with a view to realize the Company's green development, intelligent manufacturing and improvement in scale.

### IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

#### (II) Work of the Audit Committee

In 2020, in compliance with the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Operational Guidelines of the Shanghai Stock Exchange for the Audit Committee under the Board of Listed Companies (《上海證券交易所上市公司董事會審計委員會運作指引》), the Articles of Association of Chongqing Iron & Steel Company Limited and the Work Rules for Audit Committee under the Board of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司董事會審計委員會工作條例》), the Audit Committee under the Board proactively and earnestly performed its responsibilities with devoted efforts. The performance by the Audit Committee in 2020 is reported as follows:

##### 1. *General Information on Audit Committee of the Board*

As of 31 December 2020, the eighth session of Audit Committee of the Company consisted of four non-executive directors, namely Xin Qing Quan (Chairman), Xu Yi Xiang, Wong Chun Wa and Zhou Ping, of whom three are independent directors, the chairman of the Audit Committee is acted by an independent director with professional accounting qualification. Both the composition and qualification of the members of the Audit Committee are in compliance with the regulatory requirements for listed companies.

##### 2. *Meetings convened by the Audit Committee of the Board in 2020*

In 2020, a total of four meetings were convened by the Audit Committee of the Board of the Company, the particulars of which are as follows:

- (1) On 26 March 2020, the Company held the eighth meeting of the eighth session of the Audit Committee of the Board, at which the audit report issued from Ernst & Young Hua Ming LLP for the year 2019 and related matters was discussed, the Company's 2019 internal audit work summary and 2020 internal audit work plan was considered; and also the financial accounts report for the year 2019, the 2019 annual report, the 2019 profit distribution plan, the 2019 internal control self-evaluation report, the 2020 budget, reappointment of Ernst & Young Hua Ming LLP, investment in relation to joint establishment of special fund for acquisition of Chonggang Group through capital contribution and investment in the establishment of Baowu Raw Materials Procurement Service Company Limited through capital contribution was reviewed.

### **IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)**

#### (II) Work of the Audit Committee (Continued)

##### *2. Meetings convened by the Audit Committee of the Board in 2020 (Continued)*

- (2) On 29 April 2020, the Company held the ninth meeting of the eighth session of the Audit Committee of the Board, at which the 2020 First Quarter Report and the Resolution on Supplemental Matters of Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution was considered.
- (3) On 25 August 2020, the Company held the tenth meeting of the eighth session of the Audit Committee of the Board, at which the 2020 Interim Report and Proposal on Related Party Transactions of the Service and Supply Agreement between the Company and China Baowu was considered.
- (4) On 26 October 2020, the Company held the eleventh meeting of the eighth session of the Audit Committee of the Board, at which the 2020 third quarter report of the Company was considered.

##### *3. Work focus of the Audit Committee of the Board of the Company*

- (1) Supervising and evaluating the work of external auditor
  - 1) Prior to the commencement of annual audit by the auditor, the Audit Committee under the Board communicated with the certified public accountants responsible for the annual audit (the “CPAs”) in respect of the plan for annual audit and specific audit arrangement, and examined the independence of the auditors concerned. Upon the commencement of audit by CPAs for annual audit, the Audit Committee of the Board communicated and exchanged opinions with the CPAs for annual audit about the problems identified during the auditing and consulted with them for the submitting time of the auditors’ report. After the auditor issued the preliminary audit opinion and before the Company convenes a Board meeting to consider the annual report, the Audit Committee communicated with CPAs for annual audit in respect of the preliminary audit opinion, and recorded the opinions in writing.

### **IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)**

#### (II) Work of the Audit Committee (Continued)

##### 3. *Work focus of the Audit Committee of the Board of the Company (Continued)*

- (1) Supervising and evaluating the work of external auditor (Continued)
  - 2) Upon the issue of Auditors' Report for 2019 by Ernst & Young Hua Ming LLP, the Audit Committee under the Board of the Company held a meeting on 26 March 2020, at which it made a summary of the audit work by Ernst & Young Hua Ming LLP. The Audit Committee was of the opinion that Ernst & Young Hua Ming LLP adhered to the principles of independence in its practice of auditing for the Company, implemented the integration audit in strict accordance with China Standards on Auditing and the relevant provisions of the Enterprise Internal Control Audit Guidance, earnestly performed its duties as an auditor, and the audit fees were reasonable. In this regard, the Audit Committee of the Board recommended to re-appoint Ernst & Young Hua Ming LLP as the Company's auditor for financial and internal control in 2020.
- (2) Providing guidance on the internal audit of the Company

On 26 March 2020, the Audit Committee under the Board of the Company earnestly debriefed the report by the audit department in relation to the Company's Internal Audit for 2019 and the Internal Audit Plan for 2020, and provided instructive opinions on problems found in the internal audit, made suggestions on the construction of the Company's internal audit team, and guide the Company to carry out the internal audit for 2020.



### **IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)**

#### (II) Work of the Audit Committee (Continued)

##### 3. Work focus of the Audit Committee of the Board of the Company (Continued)

- (3) Reviewing the Company's financial statements and expressing opinions thereof
  - 1) On 26 March 2020, the Audit Committee under the Board debriefed the major problems found in the audit of 2019 annual report and suggestions for improvement from Ernst & Young Hua Ming LLP, exchange of opinions on issues related to corporate governance.
  - 2) The Audit Committee under the Board of the Company earnestly reviewed the Company's 2020 regular financial report and believed that the Company's 2020 regular financial accounting statements could be prepared in accordance with the requirements of Accounting Standard for Business Enterprises, comply with the requirements of the relevant departments of the Ministry of Finance and China Securities Regulatory Commission, and sufficiently reflect the Company's financial position, operating results and cash flow.
- (4) Evaluating the effectiveness of internal control

The Audit Committee under the Board of the Company gave full play to the role of professional committee to proactively propel the construction of the Company's internal control system and supervise and urge the construction of the Company's standard internal control system. On 26 March 2020, the Audit Committee under the Board of the Company reviewed the Company's self-assessment report on internal control and the internal control audit report issued by Ernst & Young Hua Ming LLP. The Audit Committee under the Board agreed with the Company's self-assessment report on internal control and believed that the Company had established a relatively complete internal control system and standardized business processes. The Company's internal control was generally effective, and found no material defect in the Company's financial report and non-financial reporting. Therefore, the Audit Committee was of the view that the Company has maintained efficient internal control in the financial report and non-financial reporting in all material respects in accordance with requirements of corporate internal control standard system and relevant regulations.

### **IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)**

#### **(II) Work of the Audit Committee (Continued)**

##### **3. Work focus of the Audit Committee of the Board of the Company (Continued)**

##### **(5) Reviewing related party transactions and expressing opinions thereof**

In 2020, the Audit Committee under the Board of the Company considered the proposal on related investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution, investment in the establishment of Baowu Raw Materials Procurement Service Company Limited through capital contribution, Proposal on Related Party Transactions of the Service and Supply Agreement between the Company and China Baowu and the proposal of renewing the lease and eventually purchasing the assets of Changshou Iron & Steel and expressed opinions. These related-party transactions are legal and compliant, in line with the Company's development strategy, conducive to the Company's sustainable development, are in the interests of the Company and all shareholders as a whole, and will not harm the interests of the Company and other shareholders, especially non-related shareholders.

##### **4. Overall evaluation**

In 2020, in accordance with relevant laws and regulations, the Audit Committee of the Board of the Company earnestly performed its duties, fully leveraged on the professional level and professional experience of members to provide advice and recommendations for decision-making of the Board. In 2021, the Audit Committee of the Board of the Company will continue to diligently and effectively supervise the Company's external audit, guide the Company's internal audit work, review the Company's financial statements, and promote the Company to establish effective internal control, strengthen its relationship with the Board, management and give full play to the role of the Audit Committee of the Board.

#### **(III) Work of the Remuneration and Evaluation Committee**

In 2020, the Remuneration and Evaluation Committee of the Board of the Company duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Association and Rules of Procedure for the Remuneration and Evaluation Committee.

### IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

#### (III) Work of the Remuneration and Evaluation Committee (Continued)

##### 1. *Composition*

As of 31 December 2020, the members the Remuneration and Evaluation Committee were Wong Chunwa (chairman), Song De An, Xin Qing Quan and Xu Yi Xiang, among which, three quarters are independent directors, including the chairman. The composition of the Remuneration and Evaluation Committee under the Board is in compliance with the requirements of relevant regulations.

##### 2. *Convening of meetings*

- (1) The fourth meeting of the eighth session of the Remuneration and Evaluation Committee under the Board of the Company was held on 26 March 2020 in Chongqing. All of the four members attended the meeting. The meeting was convened and chaired by the chairman, Wong Chunwa. The Report on the Implementation of the Remuneration of Directors, Supervisors and Senior Management Personnel in 2019 was debriefed and discussed at the meeting. The members attending the meeting were of the view that the remuneration distribution of the Company's directors, supervisors and other senior management personnel in 2019 was in line with the established remuneration design scheme, and there was no circumstance that harmed the interests of the Company and shareholders, as such, this resolution was approved and submitted to the Board for consideration.
- (2) The fifth meeting of the eighth session of the Remuneration and Evaluation Committee under the Board of the Company was held on 30 December 2020. All of the four members attended the meeting. The meeting was convened and chaired by the chairman, Wong Chunwa. The members attending the meeting debriefed the Resolution in relation to Collection and Utilization of Bonus Fund of the Company for 2020 and the Resolution in relation to the 4th Phase of the Employee Share Ownership Plan and Adjustment of the Distribution Method for the First, Second and Third Phase of the Employee Share Ownership Plan. The members attending the meeting were of view that the employee share ownership plan was within the framework adopted by the general meeting in 2018, and adjustment of the distribution method for the first, second and third phase of the Employee Share Ownership Plan is in line with the Company's actual situation, as such, the aforesaid resolution was approved and submitted to the Board for consideration.

### IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

#### (III) Work of the Remuneration and Evaluation Committee (Continued)

##### 2. Convening of meetings (Continued)

- (3) In 2020, the Company continued to implement the plan for the remunerations of the directors and supervisors of the eighth session of board of directors and Supervisory Committee which was considered and approved at the general meeting for the directors' remuneration. Under the Incentive Framework Plan for Senior Management of Chongqing Iron & Steel approved by the Board, the Company practiced the management concept of taking performance as the first evaluation standard, emphasized the consistency of operating results and personal interests, reflecting the spirit of co-creation and sharing, and cashed the remuneration of senior management accordingly.

In 2021, the Remuneration and Evaluation Committee under the Board assisted the Board in supervising the implementation of the remuneration policies of directors and senior management, and assisted the Company to motivate, retain and attract outstanding talents to create maximum value for shareholders.

#### (IV) Work of the Nomination Committee

In 2020, the Nomination Committee of the Board of the Chongqing Iron & Steel Company Limited (the "Company") duly performed its duties with diligence in accordance with relevant laws, regulations, the Articles of Association and the Rules of Procedure for the Nomination Committee of the Board.

##### 1. Composition

As of 31 December 2020, the members of the Nomination Committee were Xu Yi Xiang (chairman), Song De An, Xin Qing Quan and Wong Chunwa, including 3 independent directors, so is the chairman. The composition of the Nomination Committee under the Board is in compliance with the requirements of relevant regulations.

### IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

#### (IV) Work of the Nomination Committee (Continued)

##### 2. Convening of meetings

- (1) The seventh meeting of the eighth session of the Nomination Committee of the Company was held on 26 March 2020. All of the four members attended the meeting. The meeting was convened and chaired by Xu Yi Xiang, chairman of the Nomination Committee. The Resolution on the Appointment of Chief Financial Officer was reviewed at the meeting with the opinions formed as follows:

Having been fully informed occupation, education, title, detailed work experience and all full-time and part-time jobs of Mr. Zou An, the Nomination Committee was of the opinion that Mr. Zou An holds the qualifications as a chief financial officer (financial controller) as stipulated under the Companies Law and the Articles of Association of the Company and relevant laws and regulations, the appointment of Mr. Zou An as the chief financial officer (financial controller) was approved and submitted to the Board for consideration.

- (2) The eighth meeting of the eighth session of the Nomination Committee of the Company was held on 16 June 2020. All of the four members attended the meeting. The meeting was convened and chaired by Xu Yi Xiang, chairman of the Nomination Committee. The Resolution on the By-election of Directors of the Eighth Session of the Board of Directors of the Company was reviewed at the meeting with the opinions formed as follows:

After reviewing the biographical details and related information of Mr. Zhang Jingang, Mr. Liu Jianrong, Mr. Zou An and Mr. Zhou Ping, the education background, professional knowledge, skills, management experience and current physical condition of candidates for directors of the Company are competent for their respective duties, and hold required qualifications for discharging their powers and responsibilities. No circumstance was identified under which they are forbidden to be appointed as director, nor is there any other situations under which they are banned from market entry by the CSRC and such order has not yet been lifted, and holds the qualifications stipulated under the Companies Law and other relevant laws, regulations and rules. As such, the resolution on the by-election of directors of the eighth session of the board of directors of the Company was approved and submitted to the Board and general meeting for election.

### **IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)**

#### (IV) Work of the Nomination Committee (Continued)

##### 2. Convening of meetings (Continued)

- (3) The ninth meeting of the eighth session of the Nomination Committee of the Company was held on 30 December 2020. All of the four members attended the meeting. The meeting was convened and chaired by Xu Yi Xiang, chairman of the Nomination Committee. The Resolution in relation to the Election of Mr. Zhang Wenxue as a Director of the Company and Resolution in relation to the Appointment of Senior Management of the Company was reviewed at the meeting with the opinions formed as follows:

Having been fully informed occupation, education, title, detailed work experience and all full-time and part-time jobs of Mr. Zhang Wenxue and Mr. Zhang Yongzhong, the Nomination Committee was of the opinion that Mr. Zhang Wenxue has met the requirements of the position with his education, expertise, skills, management experience and physical condition, and has the qualifications and conditions corresponding to the exercise of his functions and powers, and has not found any circumstances under which he is not allowed to serve as a director of the Company, nor is there any other situations under which he is banned from market entry by the CSRC and such order has not yet been lifted, as such, it is in compliance with the Companies Law and the Articles of Association of the Company and relevant laws and regulations, the Election of Mr. Zhang Wenxue as a Director of the Company was approved and submitted to the Board for consideration.

Mr. Zhang Yongzhong holds the qualifications as a senior management person as stipulated under the Companies Law and the Articles of Association of the Company and relevant laws and regulations, the appointment of Mr. Zhang Yongzhong as the deputy general manager was approved and submitted to the Board for consideration.

### **IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)**

#### (IV) Work of the Nomination Committee (Continued)

##### *3. Evaluation on the independence of the Company's independent directors*

In 2020, the Company's three independent directors were professionals in the sectors of accounting and law. Upon reviewing, the Company's independent directors held no posts other than that of directors in the Company, and had no relationship with the Company and substantial shareholders of the Company as to hinder their independent and objective judgement. During the Reporting Period, the number of listed companies in which the Company's independent directors were independent directors did not exceed five, and the number of listed companies in which they were directors did not exceed seven, which was in compliance with the independence standard under laws and regulations such as the Guidance on Establishment of the Independent Director System in Listed Companies and the Stock Listing Rules.

##### *4. Reviewing the Company's Board Diversity Policy*

As of 31 December 2020, the Board of the Company consisted of 8 members, including 3 independent directors. The Board were composed of persons possessing professional quality in iron and steel metallurgy, accounting and law, and with extensive experience in corporate management practices and capital operation experience, which met the Company's strategic development goals. The Board of the Company had four special committees, namely the Audit Committee, the Strategy Committee, the Remuneration and Evaluation Committee and the Nomination Committee, of which, the number of independent directors in the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee accounted for three quarters, except for the Strategy Committee, the role of chairman of each special committee was held by different independent directors and the chairman of Audit Committee was professional accountant, so as to ensure that independent non-executive directors can devote sufficient time to perform their duties. The composition of each special committee under the Board is in compliance with relevant requirements.

The diversity and group thinking of the Company's directors in terms of skills, knowledge and experience, as well as cognition and personal advantages, will facilitate the Board to make the best decisions, enhance the efficiency of the Board and improve corporate governance.

### **IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)**

#### (IV) Work of the Nomination Committee (Continued)

##### 4. *Reviewing the Company's Board Diversity Policy (Continued)*

In 2021, the Nomination Committee under the Board of the Company will prudently evaluate the best combination of board members based on the company's established strategies and objectives, study the selection criteria and procedures of the company's directors, presidents and other senior management personnel, and provide professional advice and opinions to the Board of Directors.

### **V. EXPLANATION ABOUT IDENTIFICATION OF RISKS IN THE COMPANY BY THE SUPERVISORY COMMITTEE**

Applicable  Not applicable

### **VI. EXPLANATION ABOUT INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, STAFF, ASSETS, ORGANIZATION AND FINANCE AND THE COMPANY'S INDEPENDENT OPERATING CAPABILITY**

Applicable  Not applicable

Corresponding resolutions, progress and subsequent working plans of the Company in case of horizontal competition

Applicable  Not applicable



### VII. ESTABLISHMENT AND IMPLEMENTATION OF SENIOR MANAGEMENT APPRAISAL AND INCENTIVE MECHANISMS DURING THE REPORTING PERIOD

Applicable       Not applicable

In 2020, under the “Compensation Incentive Framework Plan for Senior Management of Chongqing Iron & Steel” approved by the Board, the Company emphasized the performance of the Company is linked to personal interests, reflecting the spirit of co-creation and sharing. The Company and senior management entered into a performance indicator assignment for 2020 to implement the performance-oriented management philosophy, under which the performance evaluation is made based on the monthly, quarterly, and annual results indicators, and determine their remuneration accordingly.

### VIII. WHETHER TO DISCLOSE THE SELF-EVALUATION REPORT ON INTERNAL CONTROL

Applicable       Not applicable

We evaluated the effectiveness of the internal control of the Company for the year ended 31 December 2020 (the reference date of internal control evaluation report) in accordance with the requirements of the Basic Standards for Internal Control of Companies and the corresponding guidance and other regulatory requirements concerning internal control (the “Corporate Internal Control Standard System”), taking into account internal control system and evaluation methods of the Company and based on the day-to-day monitoring and special supervision of internal control.

According to the identification criteria of material defects of internal control in the financial reporting of the Company, as at the basis date of internal control evaluation report, material defects of internal control in the financial reporting did not exist. The Company has maintained efficient internal control in the financial report in all material respects in accordance with requirements of Corporate Internal Control Standard System and relevant regulations.

According to the identification of material defects of internal control in the non-financial reporting, as at the basis date of internal control evaluation report, there was no material defects in the internal control for non-financial reporting.

Please refer to the 2020 Evaluation Report on Internal Control published by the Company on 20 March 2020 for details.

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

Applicable       Not applicable

### IX. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

Applicable       Not applicable

Ernst & Young Hua Ming LLP conducted an audit on the effectiveness of the Company's internal control over financial reporting as at 31 December 2020 in accordance with Enterprise Internal Control Audit Guidance and relevant requirements from the practising guidances of the China Institute of Certified Public Accountants and the audit view is as follows: Chongqing Iron & Steel Company Limited maintained effective internal control on financial reporting in all material aspects as at 31 December 2020 according to the Basic Standards for Enterprise Internal Control and relevant requirements.

Whether to disclose the audit report on internal control: Yes

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

### X. OTHERS

Applicable       Not applicable

# Section X Relevant Information on Corporate Bond

Applicable

Not applicable

# Section XI Financial Report

For the year ended 31 December 2020 (Unit: RMB'000)

## AUDITOR'S REPORT



Ernst & Young Hua Ming (2021) Shen Zi No. 61427602\_D01  
Chongqing Iron and Steel Company Limited

**To the shareholders of Chongqing Iron and Steel Company Limited**

### (I) OPINION

We have audited the financial statements of Chongqing Iron and Steel Company Limited, which comprise the consolidated and company statement of financial position as at 31 December 2020, and the consolidated and company income statement, the consolidated and company statements of changes in equity and the statements of cash flows for 2020, and notes to the financial statements.

In our opinion, the accompanying financial statements of Chongqing Iron and Steel Company Limited present fairly, in all material respects, the consolidated and company's financial position of Chongqing Iron and Steel Company Limited as at 31 December 2020, and the consolidated and company's financial performance and cash flows for 2020 in accordance with Accounting Standards for Business Enterprises.

### (II) BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Chongqing Iron and Steel Company Limited and we have fulfilled our other ethical responsibilities in accordance with China Code of Ethics for Certified Public Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### (III) KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

## Section XI Financial Report (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

### (III) KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Key audit matter :

#### How our audit addressed the key audit matter :

##### *Recognition of Revenue*

In 2020, the total revenue amounted to RMB24,489,935,000 in the consolidated financial statements, including the steel products sold revenue amounted to RMB22,377,921,000, which is 91.4% of the total revenue in the consolidated financial statements. The total revenue amounted to RMB24,486,676,000 in the company financial statements, including the steel products sold revenue amounted to RMB22,375,630,000, which is 91.4% of the total revenue in the company financial statements.

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

Please refer to Note III.23, Note V.40, and Note XIV.4 to the financial statements for disclosures on the recognition of revenue.

The audit procedures include the following:

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

## Section XI Financial Report (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

### (III) KEY AUDIT MATTERS (CONTINUED)

Key audit matter :	How our audit addressed the key audit matter :
<p><i>Recognition of deferred tax assets</i></p> <p>As of 31 December 2020, deferred tax assets of RMB131,468,000 were recognized in the consolidated financial statements regarding to deductible temporary differences and deductible tax losses; deferred tax assets of RMB87,653,000 were recognized in the company financial statements regarding to temporary differences and tax losses.</p> <p>The management recognized the deferred tax assets regarding to deductible temporary differences and deductible tax losses to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.</p> <p>The amount of both recognized and unrecognized deferred tax assets are significant, and the management needs to apply significant estimation and judgement, so we regarded the recognition of deferred tax assets as a key audit matter.</p> <p>Please refer to Note III.26, Note III.31, and Note V.15 to the financial statements for disclosures on the deferred tax assets.</p>	<p>The audit procedures including the following:</p> <ol style="list-style-type: none"><li>1) Obtained the tax settlement report, and checked the deductible temporary differences and deductible tax losses acknowledged by the tax authority;</li><li>2) Reviewed the profit prediction in the future approved by the management, compared the historical operating results, trend, and future operating, investing and financing plan, assessed the key data and assumption adopted in the prediction of future taxable income, reviewed the adjustment between predictable profit and future taxable income;</li><li>3) Assessed the tax situation and relative assumption with tax experts' assistance;</li><li>4) Checked the disclosures in relation to deferred tax assets</li></ol>

## Section XI Financial Report (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

### III. KEY AUDIT MATTERS (CONTINUED)

#### Key audit matter :

#### How our audit addressed the key audit matter :

##### *Business combinations not involving entities under common control*

In 2020, Chongqing Iron and Steel Co., Ltd. completed the acquisition of 100% of Chongqing Iron and Steel Energy and Environmental Protection Co., Ltd. at a consideration of RMB837,610,000, and recognized goodwill of RMB295,407,000.

The management of Chongqing Iron & Steel Co., Ltd. has hired an independent evaluation agency to assess the fair value of the identifiable assets and liabilities of Chongqing Iron & Steel Energy Environmental Protection Co., Ltd. on the purchase date. Since the assessment of the fair value of the identifiable net assets on the purchase date in a business combination not involving entities under common control involves important judgments and assumptions, we regard the business combination not under the same control as a key audit matter.

Please refer to Notes III 4 and Note VI 1 to the financial statements for disclosures on the business combinations not involving entities under common control.

The audit procedures including the following:

- 1) Checked the equity transfer agreement and related approval documents, reviewed the key terms of the agreement and the payment of the consideration, and evaluated the management's judgment on the acquisition date;
- 2) Reviewed the appraisal report on the fair value of the identifiable assets and liabilities of Chongqing Iron and Steel Energy and Environmental Protection Co., Ltd. and the apportionment of the purchase consideration on the purchase date;
- 3) Evaluated the objectivity, independence and professional competence of the third-party evaluation agency;
- 4) Invited our internal evaluation experts to assist in reviewing the methods and key assumptions used in fair value evaluation;
- 5) Checked the management's accounting treatment of business combinations and the disclosures of business combinations not involving entities under common control in the financial statements.

## Section XI Financial Report (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

### **(IV) OTHER INFORMATION**

The management of Chongqing Iron and Steel Company Limited is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

In preparing the financial statements, the management is responsible for assessing Chongqing Iron and Steel Company Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate Chongqing Iron and Steel Company Limited or to cease operations or has no realistic alternative but to do so.

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



## Section XI Financial Report (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chongqing Iron and Steel Company Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Chongqing Iron and Steel Company Limited to cease to continue as a going concern.
- (5) Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Chongqing Iron and Steel Company Limited to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Section XI Financial Report (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Ernst & Young Hua Ming LLP**

*Chinese Certified Public  
Accountant: Ai Wei  
(Engagement partner)*

*Chinese Certified Public  
Accountant: Wang Dan*

Beijing,  
the People's Republic of China  
19 March 2021

# Consolidated Statement of Financial Position

As at 31 December 2020 (Unit: RMB'000)

Assets	Note V	31 December 2020	31 December 2019
<b>Current assets:</b>			
Cash and bank balances	1	4,943,231	1,783,747
Financial assets held for trading	2	–	400,000
Trade receivables	3	35,041	5,610
Receivables financing	4	2,068,546	861,373
Prepayments	5	534,516	751,498
Other receivables	6	18,013	78,132
Inventories	7	5,054,908	3,931,513
Other current assets	8	394,153	43,410
<b>Total current assets</b>		<b>13,048,408</b>	7,855,283
<b>Non-current assets:</b>			
Long-term equity investments	9	79,494	28,258
Other equity investments	10	5,000	5,000
Property, plant and equipment	11	16,630,788	16,442,264
Construction in progress	12	2,844,665	171,858
Right-of-use assets	13	4,095,211	–
Intangible assets	14	2,394,593	2,392,114
Goodwill	16	295,407	–
Long-term prepaid expenses	17	299,730	–
Deferred tax assets	15	131,468	68,436
Other non-current assets	18	125,092	12,513
<b>Total non-current assets</b>		<b>26,901,448</b>	19,120,443
<b>Total assets</b>		<b>39,949,856</b>	26,975,726

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Financial Position (Continued)

As at 31 December 2020 (Unit: RMB'000)

Liabilities and shareholders' equity	Note V	31 December 2020	31 December 2019
<b>Current liabilities</b>			
Short-term borrowings	19	<b>700,788</b>	384,528
Notes payable	20	<b>1,272,291</b>	91,127
Trade payables	21	<b>2,652,728</b>	1,726,883
Contract liabilities	22	<b>2,554,165</b>	1,145,615
Employee benefits payable	23	<b>283,969</b>	257,143
Taxes payable	24	<b>9,177</b>	70,867
Other payables	25	<b>1,567,618</b>	421,768
Non-current liabilities due within one year	26	<b>4,056,471</b>	841,576
Other current liabilities		<b>332,041</b>	150,208
<b>Total current liabilities</b>		<b>13,429,248</b>	5,089,715
<b>Non-current liabilities:</b>			
Long-term borrowings	27	<b>450,000</b>	–
Bonds payable	28	<b>995,150</b>	–
Lease liabilities	29	<b>3,022,612</b>	–
Long-term payables	30	<b>1,352,264</b>	–
Long-term employee benefits payable	31	<b>179,557</b>	201,737
Deferred income	32	<b>35,902</b>	38,271
Deferred tax liabilities	15	<b>1,176</b>	–
Other non-current liabilities	33	<b>445,480</b>	2,250,000
<b>Total non-current liabilities</b>		<b>6,482,141</b>	2,490,008
<b>Total liabilities</b>		<b>19,911,389</b>	7,579,723
<b>Shareholders' equity:</b>			
Share capital	34	<b>8,918,602</b>	8,918,602
Capital reserves	35	<b>19,282,147</b>	19,282,147
Less: Treasury shares	36	<b>65,940</b>	62,314
Special reserves	37	<b>22,184</b>	14,573
Surplus reserves	38	<b>606,991</b>	606,991
Unappropriated profit	39	<b>(8,725,517)</b>	(9,363,996)
<b>Total shareholders' equity</b>		<b>20,038,467</b>	19,396,003
<b>Total liabilities and shareholders' equity</b>		<b>39,949,856</b>	26,975,726

The financial statements have been signed by:

*Legal Representative:*

*Chief accountant:*

*Head of the accounting  
department:*

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

# Consolidated Income Statement

For the year ended 31 December 2020 (Unit: RMB'000)

	Note V	2020	2019
<b>Revenue</b>	40	<b>24,489,935</b>	23,477,597
Less: Cost of sales	40	<b>22,658,292</b>	21,718,957
Taxes and surcharges	41	<b>172,493</b>	168,336
Distribution and selling expenses	42	<b>91,929</b>	121,521
General and administrative expenses	43	<b>591,920</b>	597,612
Finance expenses	44	<b>132,514</b>	170,887
Including: Interest expenses		<b>271,072</b>	216,278
Interest income		<b>69,528</b>	52,977
Add: Other income	45	<b>196,430</b>	144,872
Investment income	46	<b>6,803</b>	15,894
Impairment losses on credit	47	<b>(23)</b>	(531)
Impairment losses on assets	48	<b>(364,917)</b>	–
<b>Operating profit</b>		<b>681,080</b>	860,519
Add: Non-operating income	49	<b>2,703</b>	39,638
Less: Non-operating expenses	50	<b>59,396</b>	9,648
<b>Total profit</b>		<b>624,387</b>	890,509
Less: Income tax expenses/(credit)	52	<b>(14,092)</b>	(35,214)
<b>Net Profit</b>		<b>638,479</b>	925,723
<b>Breakdown by continuity of operations</b>			
Net profit from continuing operations		<b>638,479</b>	925,723

The accompanying notes form an integral part of these financial statements

# Consolidated Income Statement (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

	Note V	2020	2019
<b>Breakdown by attributable interests</b>			
Net profit attributable to shareholders of the parent		<b>638,479</b>	925,723
Non-controlling interests		–	–
<hr/>			
Other comprehensive income after tax		–	–
<hr/>			
<b>Total comprehensive income</b>		<b>638,479</b>	925,723
Total comprehensive income attributable to shareholders of the parent		<b>638,479</b>	925,723
Total comprehensive income attributable to non-controlling interests		–	–
<hr/>			
<b>Earnings per share:</b>	53		
Basic earnings per share (RMB/share)		<b>0.07</b>	0.10
Diluted earnings per share (RMB/share)		<b>0.07</b>	0.10

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (Unit: RMB'000)

## 2020

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated losses	Total shareholders' equity
<b>I. Closing balances of the preceding year and opening balances of the current year</b>	8,918,602	19,282,147	62,314	-	14,573	606,991	(9,363,996)	19,396,003
<b>II. Changes in the current year</b>								
(I) Total comprehensive income	-	-	-	-	-	-	638,479	638,479
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	84,334	-	-	-	-	(84,334)
2. Amount decreased during the year	-	-	(80,708)	-	-	-	-	80,708
(III) Special reserve								
1. Amount established during the year	-	-	-	-	29,564	-	-	29,564
2. Amount utilized during the year	-	-	-	-	(21,953)	-	-	(21,953)
<b>III. Closing balance for the year</b>	8,918,602	19,282,147	65,940	-	22,184	606,991	(8,725,517)	20,038,476

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

2019

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated losses	Total shareholders' equity
<b>I. Closing balances of the preceding year and opening balances of the current year</b>	8,918,602	19,282,147	-	-	13,644	606,991	(10,289,719)	18,531,665
<b>II. Changes in the current year</b>								
(I) Total comprehensive income	-	-	-	-	-	-	925,723	925,723
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	62,314	-	-	-	-	(62,314)
(III) Special reserve								
1. Amount established during the year	-	-	-	-	25,680	-	-	25,680
2. Amount utilized during the year	-	-	-	-	(24,751)	-	-	(24,751)
<b>III. Closing balance for the year</b>	8,918,602	19,282,147	62,314	-	14,573	606,991	(9,363,996)	19,396,003

The accompanying notes form an integral part of these financial statements



# Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (Unit: RMB'000)

	Note V	2020	2019
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		<b>23,942,238</b>	22,376,737
Receipts of taxes refunds		<b>19,761</b>	–
Other cash received relating to operating activities	54	<b>387,232</b>	149,412
Sub-total of cash inflows from operating activities		<b>24,349,231</b>	22,526,149
Cash paid for purchase of goods and services		<b>20,923,245</b>	20,843,771
Cash paid to and on behalf of employees		<b>1,206,760</b>	1,205,096
Cash paid for all types of taxes		<b>605,904</b>	553,961
Other cash paid relating to operating activities	54	<b>275,557</b>	328,647
Sub-total of cash outflows from operating activities		<b>23,011,466</b>	22,931,475
<b>Net cash flows from operating activities</b>		<b>1,337,765</b>	(405,326)
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		<b>433,000</b>	1,008,800
Cash received from return on investments		<b>6,803</b>	15,894
Other cash received relating to investing activities	54	–	980
Sub-total of cash inflows from investing activities		<b>439,803</b>	1,025,674
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets		<b>223,158</b>	337,444
Cash paid for acquisition of investments		<b>84,236</b>	1,407,058
Net cash payments for acquisition of subsidiaries and other business units	55	<b>843,522</b>	–
Sub-total of cash outflows from investing activities		<b>1,150,916</b>	1,744,502
<b>Net cash flows from investing activities</b>		<b>(711,113)</b>	(718,828)

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

	Note V	2020	2019
<b>III. Cash flows from financing activities:</b>			
Cash received from borrowings		<b>2,742,480</b>	591,545
Other cash received relating to financing activities	54	<b>1,478,358</b>	795,088
Sub-total of cash inflows from financing activities		<b>4,220,838</b>	1,386,633
Cash repayments of borrowings		<b>1,251,050</b>	410,000
Cash paid for distribution of dividends or profits, and for interest expenses		<b>203,007</b>	157,441
Other cash paid relating to financing activities	54	<b>290,666</b>	69,258
Sub-total of cash outflows from financing activities		<b>1,744,723</b>	636,699
<b>Net cash flows from financing activities</b>		<b>2,476,115</b>	749,934
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>			
		-	-
<b>V. Net increase/(decrease) in cash and cash equivalents</b>			
		<b>3,102,767</b>	(374,220)
Add: Cash and cash equivalents at the beginning of the year		<b>1,595,323</b>	1,969,543
<b>VI. Cash and cash equivalents at the end of the year</b>			
	55	<b>4,698,090</b>	1,595,323

The accompanying notes form an integral part of these financial statements

# Statement of Financial Position of the Parent Company

As at 31 December 2020 (Unit: RMB'000)

Assets	Note XIII	31 December 2020	31 December 2019
<b>Current assets:</b>			
Cash and bank balances		4,925,021	1,779,736
Financial assets held for trading		–	400,000
Trade receivables	1	39,503	5,610
Receivables financing		2,062,046	861,373
Prepayments		516,190	707,289
Other receivables	2	17,181	78,027
Inventories		5,015,067	3,931,513
Other current assets		383,123	43,410
<b>Total current assets</b>		<b>12,958,131</b>	7,806,958
<b>Non-current assets:</b>			
Long-term equity investments	3	917,104	28,258
Other equity investments		5,000	5,000
Property, plant and equipment		15,705,686	16,442,087
Construction in progress		2,844,665	171,858
Right-of-use assets		4,095,211	–
Intangible assets		2,329,901	2,392,114
Long-term prepaid expenses		299,730	–
Deferred tax assets		87,653	68,192
Other non-current assets		87,173	12,513
<b>Total non-current assets</b>		<b>26,372,123</b>	19,120,022
<b>Total assets</b>		<b>39,330,254</b>	26,926,980

The accompanying notes form an integral part of these financial statements

# Statement of Financial Position of the Parent Company (Continued)

As at 31 December 2020 (Unit: RMB'000)

Liabilities and shareholders' equity	31 December 2020	31 December 2019
<b>Current liabilities:</b>		
Short-term borrowings	<b>700,788</b>	384,528
Notes payable	<b>1,256,400</b>	91,127
Trade payables	<b>2,692,577</b>	1,726,883
Contract liabilities	<b>2,554,123</b>	1,105,972
Employee benefits payable	<b>280,322</b>	257,143
Taxes payable	<b>6,822</b>	70,398
Other payables	<b>1,565,471</b>	421,590
Non-current liabilities due within one year	<b>3,711,113</b>	841,576
Other current liabilities	<b>332,036</b>	144,958
<b>Total current liabilities</b>	<b>13,099,652</b>	5,044,175
<b>Non-current liabilities:</b>		
Long-term borrowings	<b>450,000</b>	–
Bonds payable	<b>995,150</b>	–
Lease liabilities	<b>3,022,612</b>	–
Long-term payables	<b>1,125,491</b>	–
Long-term employee benefits payable	<b>179,557</b>	201,737
Deferred income	<b>35,902</b>	38,271
Other non-current liabilities	<b>445,480</b>	2,250,000
<b>Total non-current liabilities</b>	<b>6,254,192</b>	2,490,008
<b>Total liabilities</b>	<b>19,353,844</b>	7,534,183
<b>Shareholders' equity:</b>		
Share capital	<b>8,918,602</b>	8,918,602
Capital reserves	<b>19,313,090</b>	19,313,090
Less: Treasury shares	<b>65,940</b>	62,314
Special reserves	<b>19,398</b>	14,573
Surplus reserves	<b>577,012</b>	577,012
Unappropriated profit	<b>(8,785,752)</b>	(9,368,166)
<b>Total shareholders' equity</b>	<b>19,976,410</b>	19,392,797
<b>Total liabilities and shareholders' equity</b>	<b>39,330,254</b>	26,926,980

The accompanying notes form an integral part of these financial statements

# Income Statement of the Parent Company

For the year ended 31 December 2020 (Unit: RMB'000)

	<i>Note XIII</i>	<b>2020</b>	2019
<b>Revenue</b>	4	<b>24,486,676</b>	23,467,962
Less: Cost of sales	4	<b>22,731,657</b>	21,718,485
Taxes and surcharges		<b>168,062</b>	168,087
Distribution and selling expenses		<b>91,572</b>	121,111
General and administrative expenses		<b>580,949</b>	597,612
Finance expenses		<b>112,667</b>	170,898
Including: Interest expenses		<b>251,069</b>	216,278
Interest income		<b>69,371</b>	52,966
Add: Other income		<b>175,565</b>	144,872
Investment income	5	<b>6,791</b>	20,114
Impairment losses on assets		<b>(364,474)</b>	–
<b>Operating profit</b>		<b>619,651</b>	856,755
Add: Non-operating income		<b>2,697</b>	39,638
Less: Non-operating expenses		<b>59,396</b>	9,648
<b>Total profit</b>		<b>562,952</b>	886,745
Less: Income tax expenses/(credit)		<b>(19,462)</b>	(37,125)
<b>Net Profit</b>		<b>582,414</b>	923,870
Including: Net profit from continuing operations		<b>582,414</b>	923,870
<b>Other comprehensive income after tax</b>		<b>–</b>	–
<b>Total comprehensive income</b>		<b>582,414</b>	923,870

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

# Statement of changes in Equity of the Parent Company

For the year ended 31 December 2020 (Unit: RMB'000)

	2020							
	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>19,313,090</b>	<b>62,314</b>	<b>-</b>	<b>14,573</b>	<b>577,012</b>	<b>(9,368,166)</b>	<b>19,392,797</b>
<b>II. Changes in the current year</b>								
(I) Total comprehensive income	-	-	-	-	-	-	582,414	582,414
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	84,334	-	-	-	-	(84,334)
2. Amount decreased during the year	-	-	(80,708)	-	-	-	-	80,708
(III) Special reserves								
1. Amount established during the year	-	-	-	-	25,908	-	-	25,908
2. Amount utilized during the year	-	-	-	-	(21,083)	-	-	(21,083)
<b>III. Closing balance for the year</b>	<b>8,918,602</b>	<b>19,313,090</b>	<b>65,940</b>	<b>-</b>	<b>19,398</b>	<b>577,012</b>	<b>(8,785,752)</b>	<b>19,976,410</b>

The accompanying notes form an integral part of these financial statements

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

For the year ended 31 December 2020 (Unit: RMB'000)

	2019							
	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>	8,918,602	19,313,090	-	-	13,644	577,012	(10,292,036)	18,530,312
<b>II. Changes in the current year</b>								
(I) Total comprehensive income	-	-	-	-	-	-	923,870	923,870
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	62,314	-	-	-	-	(62,314)
(III) Special reserves								
1. Amount established during the year	-	-	-	-	25,680	-	-	25,680
2. Amount utilized during the year	-	-	-	-	(24,751)	-	-	(24,751)
<b>III. Closing balance for the year</b>	8,918,602	19,313,090	62,314	-	14,573	577,012	(9,368,166)	19,392,797

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

# Statement of Cash Flows of the Parent Company

For the year ended 31 December 2020 (Unit: RMB'000)

	2020	2019
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	23,939,650	22,365,668
Other cash received relating to operating activities	384,574	149,135
<b>Sub-total of cash inflows from operating activities</b>	<b>24,324,224</b>	22,514,803
Cash paid for purchase of goods and services	21,174,171	20,843,237
Cash paid to and on behalf of employees	1,190,067	1,205,096
Cash paid for all types of taxes	581,329	549,662
Other cash paid relating to operating activities	269,804	328,176
<b>Sub-total of cash outflows from operating activities</b>	<b>23,215,371</b>	22,926,171
<b>Net cash flows from operating activities</b>	<b>1,108,853</b>	(411,368)
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments	433,000	1,008,800
Cash received from return on investments	6,791	20,114
Other cash received relating to investing activities	-	980
<b>Sub-total of cash inflows from investing activities</b>	<b>439,791</b>	1,029,894
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	223,078	337,444
Cash paid for investments	84,236	1,407,058
Net cash payments for acquisition of subsidiaries and other business units	849,610	-
<b>Sub-total of cash outflows from investing activities</b>	<b>1,156,924</b>	1,744,502
<b>Net cash flows from investing activities</b>	<b>(717,133)</b>	(714,608)

The accompanying notes form an integral part of these financial statements



# Statement of Cash Flows of the Parent Company (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

	2020	2019
<b>III. Cash flows from financing activities:</b>		
Cash received from borrowings	2,742,480	591,545
Other cash received relating to financing activities	1,478,358	795,088
Sub-total of cash inflows from financing activities	4,220,838	1,386,633
Cash repayments of borrowings	1,134,500	410,000
Cash paid for distribution of dividends or profits, and for interest expenses	185,858	157,441
Other cash paid relating to financing activities	194,051	69,258
Sub-total of cash outflows from financing activities	1,514,409	636,699
<b>Net cash flows from financing activities</b>	<b>2,706,429</b>	<b>749,934</b>
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	-	-
<b>V. Net increase in cash and cash equivalents</b>	<b>3,098,149</b>	<b>(376,042)</b>
Add: Cash and cash equivalents at the beginning of the year	1,591,312	1,967,354
<b>VI. Cash and cash equivalents at the end of the year</b>	<b>4,689,461</b>	<b>1,591,312</b>

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

# Notes to the Financial Statements

For the year ended 31 December 2020 (Unit: RMB'000)

## I BASIC INFORMATION ON THE COMPANY

According to the approval of Ti Gai Sheng Zi [1997] No. 127 issued by the State Commission for Restructuring Economic Systems and the approval of Guo Zi Qi Fa [1997] No. 156 issued by the State-owned Assets Administration Bureau, Chongqing Iron & Steel Company Limited (the “Company”) was established as a limited liability company by Chongqing Iron & Steel (Group) Co., Ltd. (“CISG”) as the sole promoter. The Company was incorporated and registered with Chongqing Municipal Administration of Industry and Commerce on 11 August 1997, whose headquarter is located in Changshou Economic Development Zone of Chongqing. The Company holds the business license with unified social credit code of 91500000202852965T, with the registered capital of RMB8,918,602,000 and the sum of 8,918,602,000 shares with par value of RMB1 each, including 8,343,813,000 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.

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 19 March 2021. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## II PREPARATION BASIS OF THE FINANCIAL STATEMENTS

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

These financial statements are prepared on a going concern basis.

As at 31 December 2020, the Group’s current liabilities exceeded current assets by RMB380,840,000. The management of the Company has comprehensively considered the financing facilities obtained by the Group and believes that the Group can continue to obtain sufficient cash inflow to ensure the funds required for operation and repayment of due debts. Therefore, the financial statements for the current year 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.

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

### 1. Statement of compliance

These financial statements have been prepared in accordance with CAS, and present truly and completely the financial position of the Group and the Company as at 31 December 2020 and the results of their operations and cash flows for the year ended 31 December 2020.

### 2. Accounting period

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

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 4. Business combination

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

#### (1) *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.

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 reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

#### (2) *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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 4. Business combination (Continued)

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

The excess of the sum of the consideration paid (or 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 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.

### 5. Consolidated financial statements

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

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

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 5. Consolidated financial statements (Continued)

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative consolidated financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

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

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

Joint arrangement is classified as either joint venture or joint operation.

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

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

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 8. Foreign currency translation

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 construction and acquisition 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. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

#### *Recognition and derecognition of financial instruments (Continued)*

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 asset have expired;
- 2) the Group has transferred its rights to receive cash flows from the 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 asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the 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 asset.

#### *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. All affected related financial assets will be reclassified only if the Group changes its business model for managing financial assets.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

#### *Classification and measurement of financial assets (Continued)*

A financial asset is recognized initially at fair value. The notes and trade receivables 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

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

#### *Classification and measurement of financial assets (Continued)*

Equity instrument investment at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

#### *Classification and measurement of financial liabilities*

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities, and the related transaction costs are included in the amounts initially recognized. Such kinds of financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

#### *Impairment of financial assets*

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 applies the simplified approach to recognise a loss allowance based on lifetime ECLs.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

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

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 assets 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 by carrying amount and effective interest rate. For these financial instruments with lower credit risk at reporting date, the Group assumes the related credit risk has not increased significantly since initial recognition.

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### *Financial guarantee contracts*

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of the ECLs settle at the balance sheet date, and (ii) the amount initially recognized less the cumulative amortization recognized in accordance with the guidance for revenue recognition.

#### *Transfers of financial assets*

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## 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. Costs of spare parts, lower valued consumables and packing materials shall be amortized on the immediate written-off or amortization in stage basis.

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

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

The Groups adopts the perpetual inventory system.

### 11. Long-term equity investments

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

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

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## 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. Profits or cash dividends declared to be distributed by the investee should be recognized as investment income for the period.

The equity method is applied for long-term equity investments when the investees are significantly influenced by the Group. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the excess is included in the initial investment cost. Where the initial investment cost is less than the investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

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.

### 12. Property, plant and equipment

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

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

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

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



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 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.

### 14. Borrowing costs

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 14. Borrowing costs (Continued)

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

- (1) where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is the actual interest costs incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds; or
- (2) where funds are borrowed generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings.

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

### 15. Right-of-use assets

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

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 16. Intangible assets

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

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

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

Item	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 them if appropriate, at least at the end of each reporting year.

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 17. Impairment of assets

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

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

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

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

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

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

Impairment losses cannot be reversed in subsequent accounting periods.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 18. Long-term prepaid expenses

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

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

### 19. Payroll and employee benefits payable

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

#### *Short-term employee benefits payable*

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

#### *Post-employment benefits (defined contribution plans)*

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

#### *Other long-term employee benefits*

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 20. Lease liabilities

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

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

### 21. Provisions

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 22. Share-based payments

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

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

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

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

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



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 22. Share-based payments (Continued)

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

### 23. Revenue from contracts with customers

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

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

A contract for the sale of goods between the Group and the customer usually only includes the performance obligation to transfer the steel. The revenue is recognised at the point that the customers signed the receipts based on the following indicators, which include: a present right to payment for goods, the transfer of significant risks and rewards of ownership of goods, the transfer of legal title to goods, the transfer of physical possession of goods, the customer's acceptance of goods.

#### *Royalty income*

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## 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.

### 25. Government grants

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

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 26. Income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (1) when the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit or loss; and
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

- (1) when the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 26. Income tax (Continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 27. Lease

#### *Identification of lease*

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 27. Lease (Continued)

#### *Identification of a separate lease*

For a contract that contains multiple separate lease components, the Group separates the components of the contract and accounts for each separate lease component. The right to use an underlying asset is a separate lease component if both:

- (1) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; and
- (2) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

#### *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 XIII.2.

#### *Short-term lease*

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 27. Lease (Continued)

#### *As a lessor*

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

#### *As lessor in operating leases*

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

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

#### *Leaseback*

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

#### *As a lessee*

If the asset transfer in a sale and leaseback transaction is a sale, the Group, as the lessee, measures the right-of-use asset formed by the sale and leaseback based on the part of the original asset's book value that is related to the right-of-use acquired by the leaseback, and only transfers it to The right of the lessor recognizes the relevant gains or losses; if the transfer of assets in a sale and leaseback transaction does not belong to a sale, the Group as the lessee continues to recognize the transferred assets and at the same time recognizes a financial liability equal to the transfer income, according to Note 3.9 Accounting for this financial liability.

### 28. Share repurchase

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 29. Safety production funds

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

### 30. Fair value measurement

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 30. Fair value measurement (Continued)

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 | – | Quoted (unadjusted) market prices in active markets for identical assets or liabilities  |
| Level 2 | – | Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable |
| Level 3 | – | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable                      |

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

### 31. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### *Judgements*

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



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

#### *Judgements (Continued)*

##### Business model

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

##### Contractual cash flow characteristics

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

#### *Estimation uncertainty*

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

##### Impairment of financial instruments

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

#### *Estimation uncertainty (Continued)*

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

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

Impairment of goodwill

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

Deferred tax assets

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

#### *Estimation uncertainty (Continued)*

Net realisable values of inventories

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

Lessee's incremental borrowing rate

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

### 32. Changes in accounting policies

#### *Scope of disclosure of related parties*

According to the requirements of the Accounting Standards for Business Enterprises – Interpretation No. 13, since 1 January 2020, the associates of investment parties which pose material impact on the Company shall no longer to be disclosed as the related parties. Such change in accounting policies has affected the determination of related parties and disclosure of related party transactions, and no retrospective adjustment to comparative data is required according to the transitional provisions.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 32. Changes in accounting policies (Continued)

#### *Whether it constitutes judgement on business*

According to the requirements of the Accounting Standards for Business Enterprises – Interpretation No. 13, since 1 January 2020, “a portfolio obtained shall have at least one investment and one substantial processing procedure, and the combination of both shall contribute significantly to the production capacity” shall be taken as the judgement condition for whether the portfolio constitutes a business, and “a portfolio with two elements of investment and processing procedures” shall no longer be the judgement condition. Such change in accounting policies has affected the determination of whether a transaction constitutes a business merger, and no retrospective adjustment to comparative data is required according to the transitional provisions. The implementation of such standard has no impact on the mergers and balance sheets of the Company on 1 January 2021 as well as the mergers and financial statements of the Company in 2020.

The implementation of such standards has no impact on the mergers and balance sheet of the Company on January 1, 2020 as well as the mergers and financial statements of the Company in 2020.

#### *Accounting treatment of carbon emission trading*

On 16 December, 2019, the Ministry of Finance issued the Notice on the Issuance of Interim Provisions on Accounting Treatment of Carbon Emission Rights Trading (《關於引發《碳排放權交易有關會計處理暫行規定》的通知》) (Cai Kuai [2019] No. 22) (財會[2019]22號), which stipulates that if the relevant enterprises in the key emission units that conduct carbon emission rights trading business acquire carbon emission quota through purchase, they should recognize the carbon emission quota acquired as carbon emission rights assets on the date of purchase, and measure it at cost, debit it under the item of “carbon emission rights assets” and credit it under the items of “bank deposits” or “other payables”; if the carbon emission quota is acquired through allocation by the government for free, no accounting treatment will be made. If the carbon emission quota is purchased to fulfill the contract (to fulfill the emission reduction obligation), the carrying amount of the quota used shall be debited under the item of “non-operating expense” and credited under the item of “carbon emission rights assets”; if the carbon emission quota is acquired for free and is used to fulfill the contract, no accounting treatment will be made.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## IV. TAXES

### 1. Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax ("VAT")	The taxable revenue from sale of goods	VAT payable is the difference between VAT output and less deductible VAT input for the current year. VAT output has been calculated by applying a rate of 13% to the taxable value  Other tax rate: 6%、9%、10%
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%、25%
Environmental protection tax	The actual emission of air pollutants	RMB2.4-3.5 per pollution equivalent

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

Name of subject of taxation	Income tax rate
The Company	15%
Chongqing Iron and Steel Energy and Environmental Protection Co., Ltd. ("Chongqing Iron & Steel Energy")	15%
Chongqing CIS Building Materials Sales Co., Ltd.	25%

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## IV TAXES (CONTINUED)

### 2. Tax benefits

Pursuant to the requirement of the Notice Concerning Issues on Taxation Policies Relating to the Thorough Implementation of China's Strategy of Western Development (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs, 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 2011 to 31 December 2020. These enterprises refer to the enterprises that are mainly engaged in the industrial projects stipulated in the Catalogue of Encouraged Industries, and whose main business income accounts for more than 70% of the total income of the enterprises. Pursuant to the Catalogue of Encouraged Industries in the Western Region issued by the National Development and Reform Commission on 20 August 2014, the Company and its subsidiary Chongqing Iron & Steel Energy has qualified to implement preferential tax policy of 15% for the Western Development as the business operations belong to the encouraged industries in the western region, and all of them are stipulated in the Catalogue of Encouraged Industries in the Western Region. Thus in this year, the Company and its subsidiary Chongqing Iron & Steel Energy's tax rates and preferential tax policies remained unchanged as compared with last year.

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 Development and Reform, 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. These enterprises refer to the enterprises that are mainly engaged in the industrial projects stipulated in the Catalogue of Encouraged Industries, and whose main business income accounts for more than 60% of the total income of the enterprises. Pursuant to the Catalogue of Encouraged Industries in the Western Region issued by the National Development and Reform Commission on 26 January 2021, the Company and its subsidiary Chongqing Iron & Steel Energy has qualified to implement preferential tax policy of 15% for the Western Development as the business operations belong to the encouraged industries in the western region, and all of them are stipulated in the Catalogue of Encouraged Industries in the Western Region.

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 1. Cash and bank balances

Items	31 December 2020	31 December 2019
Bank deposits	4,698,090	1,595,323
Other monetary assets	245,141	188,424
	<b>4,943,231</b>	1,783,747
Including: the total amount of restricted cash and bank balances due to mortgage, pledge or freeze.		
	<b>245,141</b>	188,424

As at 31 December 2020, the Group had restricted cash and bank balances for notes and letter of credit, details refer to Note V.56.

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

### 2. Financial assets held for trading

	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss		
Debt instrument investment	–	400,000

As at 31 December 2020, the Group does not hold investment in debt instruments : As at 31 December 2019, the debt instrument investments held by the Group are non-principal-guaranteed trust products.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## 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 trade receivables is as follows:

	31 December 2020	31 December 2019
Within 3 months	32,929	5,414
4 to 12 months (within 1 year)	1,956	3
1 – 2 year	25	101
2 – 3 year	204	–
Above 3 year	975	1,092
Sub-total	36,089	6,610
Less: Provision for bad debts	1,048	1,000
Total	35,041	5,610

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



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3. Trade receivables (Continued)

	31 December 2020				31 December 2019			
	Book value		Bad debt provision		Book value		Bad debt provision	
	Amount	Proportion	Amount	Provision proportion	Amount	Proportion	Amount	Provision proportion
		(%)		(%)		(%)		(%)
Receivables that are subject to provision by group with similar credit risk characteristics	36,089	100	1,048	3	6,610	100	1,000	15

As at 31 December 2020 and at 31 December 2019, the Company have no individually trade receivables to separate provision.

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

	31 December 2020			31 December 2019		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 3 months	32,929	–	–	5,414	–	–
4–12 months (within 1 year)	1,956	–	–	3	–	–
1–2 years	25	–	6	101	25	25
2–3 years	204	33	67	–	–	–
Over 3 years	975	100	975	1,092	89	975
	<b>36,089</b>		<b>1,048</b>	6,610		1,000

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3. Trade receivables (Continued)

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

	Opening balance	Other increase	Provision	Reversal	Write-off	Closing balance
2020	1,000	25	23	-	-	1,048
2019	152,855	-	3,383	(2,930)	(152,308)	1,000

As at 31 December 2020, the top five balances in respect of trade receivables aggregating RMB33,689,000(As at 31 December 2019: RMB4,380,000), accounting for 93% (As at 31 December 2019: 66%) of the total of closing balance of trade receivables. The closing balance in respect of ECLs provision made for the top five balances amounted to 0 (As at 31 December 2019: RMB787,000).

### 4. Receivables financing

	31 December 2020	31 December 2019
Notes receivable	2,068,546	861,373

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 4. Receivables financing (Continued)

	31 December 2020	31 December 2019
Commercial acceptance bill	200	200
Bank acceptance bill	2,068,346	861,173
	<b>2,068,546</b>	861,373

Pledged notes receivable as follows:

	31 December 2020	31 December 2019
Bank acceptance Bill	1,343,223	–

Please refer to Note V.56. for restricted notes receivable at the year end.

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

	31 December 2020		31 December 2019	
	Derecognition at the end of the year	Non-derecognition at the end of the year	Derecognition at the end of the year	Non-derecognition at the end of the year
Bank acceptance Bill	371,545	–	3,937,197	280,000

As at 31 December 2020, none of the Notes receivable was transferred to trade receivable by the Group (31 December 2019: Nil).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 5. Prepayments

Ageing analysis as follows:

	31 December 2020		31 December 2019	
	Book value	Proportion (%)	Book value	Proportion (%)
Within 1 year	527,781	99	747,905	100
1-2 years	6,729	1	3,188	–
2-3 year	–	–	405	–
Over 3 years	6	–	–	–
	<b>534,516</b>	<b>100</b>	751,498	100

As at 31 December 2020, the closing balances of the top five prepayments balances in aggregate to RMB244,398,000 (As at 31 December 2019: RMB411,317,000), representing 46% (As at 31 December 2019: 55%) of the total closing balances of prepayments at the end of reporting year.

### 6. Other receivables

	31 December 2020	31 December 2019
Other receivables	18,013	78,132

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 6. Other receivables (Continued)

An ageing analysis of other receivables is as follows:

	31 December 2020	31 December 2019
Within 3 months	13,137	74,603
4 to 12 months (within 1 year)	3,059	1,712
1 – 2 year	236	2,132
2 – 3 year	2,011	115
Above 3 year	3,078	3,078
	<b>21,521</b>	81,640
Less: Provision for bad debts	<b>3,508</b>	3,508
	<b>18,013</b>	78,132

Other receivables presented by nature:

	31 December 2020	31 December 2019
Government grant receivables	–	73,821
Guarantee deposits, staff advances, etc.	18,352	6,467
Prepayments for trading	1,733	975
Others	1,436	377
	<b>21,521</b>	81,640

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 6. Other receivables (Continued)

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

2020	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets (Lifetime expected credit losses)	
Opening balance	–	430	3,078	3,508
Changes due to the opening balance				
– Transfer to Stage 2	–	–	–	–
– Transfer to Stage 3	–	–	–	–
– Turn back stage 2	–	–	–	–
– Turn back stage1	–	–	–	–
Accrual	–	–	–	–
Reversal	–	–	–	–
Resale	–	–	–	–
Write-off	–	–	–	–
Closing balance	–	430	3,078	3,508

2019	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets (Lifetime expected credit losses)	
Opening balance	522	380	36,965	37,867
Changes due to the opening balance				
– Transfer to Stage 2	(50)	50	–	–
– Transfer to Stage 3	(472)	–	472	–
– Turn back stage 2	–	–	–	–
– Turn back stage1	–	–	–	–
Accrual	–	–	78	78
Reversal	–	–	–	–
Resale	–	–	–	–
Write-off	–	–	(34,437)	(34,437)
Closing balance	–	430	3,078	3,508

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 6. Other receivables (Continued)

the book value of other receivables movement:

2020	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets (Lifetime expected credit losses)	
Opening balance	76,315	2,247	3,078	81,640
Changes due to the opening balance				
– Transfer to Stage 2	–	–	–	–
– Transfer to Stage 3	–	–	–	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Addition	16,196	–	–	16,196
Derecognition	(76,315)	–	–	(76,315)
Write-off	–	–	–	–
Closing balance	16,196	2,247	3,078	21,521

2019	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets (Lifetime expected credit losses)	
Opening balance	10,085	1,323	36,965	48,373
Changes due to the opening balance				
– Transfer to Stage 2	(924)	924	–	–
– Transfer to Stage 3	(550)	–	550	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Addition	76,316	–	–	76,316
Derecognition	(8,612)	–	–	(8,612)
Write-off	–	–	(34,437)	(34,437)
Closing balance	76,315	2,247	3,078	81,640

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 6. Other receivables (Continued)

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

	Opening balance	Provision	Reversal	Write-off	Closing balance
2020	3,508	–	–	–	3,508
2019	37,867	78	–	(34,437)	3,508

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

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



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 6. Other receivables (Continued)

As at 31 December 2019, the five largest other receivables are as follows:

Company	31 December 2019	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	73,821	90	Government grant receivables	Within 3 months	–
The second	4,562	6	Staff advances	0 to 3 years	2,982
The third	1,332	1	Guarantee deposits	0 to 3 years	207
The fourth	975	1	Prepayments for trading	Within 1 year	–
The fifth	473	1	Guarantee deposits	0 to 2 years	319
	81,163	99			3,508

As at 31 December 2020, there are no Government subsidies receivables. As at 31 December 2019, the Government subsidies receivables are as follows:

Subsidiary Programs	Amount	Aging	Estimated receiving time, amount and supporting documents
Finance Bureau of Management Committee of Long Life Economic and Technological Development Zone	Special award funds for industrial development 73,821	Within 3 months	Have received in full amount in 11 March 2020, Longevity Jingkai Financial Paper [2019] 78

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 7. Inventories

	31 December 2020			31 December 2019		
	Book value	Provision for decline in value	Carrying amount	Book value	Provision for decline in value	Carrying amount
Raw materials	3,374,493	136,616	3,237,877	2,744,960	136,616	2,608,344
Work in progress	1,228,511	–	1,228,511	451,017	–	451,017
Finished goods	316,818	–	316,818	309,756	–	309,756
Low value consumables and maintenance and spare parts	419,562	147,860	271,702	698,380	135,984	562,396
<b>Total</b>	<b>5,339,384</b>	<b>284,476</b>	<b>5,054,908</b>	<b>4,204,113</b>	<b>272,600</b>	<b>3,931,513</b>

Provision for inventories

2020	Opening balance	Provision	Decrease		Closing balance
			Reversal or Write-off	Others	
Raw materials	136,616	–	–	–	136,616
Low value consumables and maintenance and spare parts	135,984	13,342	1,466	–	147,860
	<b>272,600</b>	<b>13,342</b>	<b>1,466</b>	<b>–</b>	<b>284,476</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 7. Inventories (Continued)

2019	Opening balance	Provision	Decrease		Closing balance
			Reversal or Write-off	Others	
Raw materials	136,616	–	–	–	136,616
Finish goods	4,954	–	4,954	–	–
Low value consumables and maintenance and spare parts	190,062	–	54,078	–	135,984
	331,632	–	59,032	–	272,600

Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventories

	Determination basis for provision for decline in value	Basis for determination of net realizable value	Reasons for the reversal or the written-off of provision for decline in value of inventories in the current year
Raw materials	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges	Nil
Work in progress	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges	Nil
Finish goods	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Nil
Low value consumables and maintenance and spare parts	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Relevant inventories sold

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 8. Other current assets

	31 December 2020	31 December 2019
Input VAT to be verified	–	43,410
Prepaid stamp duty	<b>2,323</b>	–
Prepaid corporate income tax	<b>5,912</b>	–
Input VAT to be credited	<b>385,918</b>	–
	<b>394,153</b>	43,410

### 9. Long-term equity investments

	31 December 2020			31 December 2019		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Joint ventures	–	–	–	–	–	–
Associate	<b>79,494</b>	–	<b>79,494</b>	28,258	–	28,258
	<b>79,494</b>	–	<b>79,494</b>	28,258	–	28,258

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

2020

Investees	Opening balance	Investments increased	Increase/(decrease)		Closing balance
			Investments decreased	Investment income recognised through equity method	
<i>Joint venture</i>					
Chongqing Jianwei Intelligent Technology Co., Ltd(Chongqing Jianwei) (Note 1)	-	-	-	-	-
<i>Associate</i>					
Chongqing Xingang Changlong Logistics Co., Ltd(Xingang Changlong) (Note 2)	28,258	-	-	-	28,258
Chongqing Baocheng Carbon Material Co., Ltd. (Baocheng Carbon) (Note 3)	-	11,236	-	-	11,236
Baowu Raw Material Supply Co., Ltd. (Baowu Raw Material) (Note 4)	-	40,000	-	-	40,000
	<b>28,258</b>	<b>51,236</b>	<b>-</b>	<b>-</b>	<b>79,494</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

2019

Investees	Opening balance	Investments increased	Increase/(decrease)		Closing balance
			Investments decreased	Investment income recognized through equity method	
Joint venture					
Baocheng Carbon Material (Note 1)	-	-	-	-	-
Associate					
Xingang Changlong (Note 2)	-	28,258	-	-	28,258
	-	28,258	-	-	28,258

*Note 1:* The Proposal of Chongqing Steel together with Siyuanhe Intelligent Manufacturing Fund to establish joint venture was approved at the 12th meeting of the eighth session of the board of directors of the Company by voting. It approved the Company and Jianwei digital technology (Chongqing) Co., Ltd contribute RMB2,500,000 to establish Chongqing Jianwei (重慶鑒微智慧科技有限公司) individually. Up to 31 December 2020, the Company has not paid such contributions. According to the Article of Chongqing Jianwei, the Company possesses 50% equity voting right.

*Note 2:* The Company paid RMB28,482,000 (transaction fee excluded) in March 2019, and obtained 28% equity interest in Xingang Changlong. In accordance with the Articles of Association of Xingang Changlong, the Company has the corresponding voting rights in Xingang Changlong.

*Note 3:* The 18th meeting of the eighth board of directors of the Company deliberated and passed the "proposal on purchasing 10% equity of Luyang Chemical", and agreed to purchase 10% equity of Chongqing Luyang Chemical Co., Ltd. (重慶路洋化工有限公司) (hereinafter referred to as "Luyang Chemical") with RMB11,236,000. The Company has paid for equity transaction in 2020, and Luyang chemical changed its name to Baocheng Carbon this year. According to the articles of association of Baocheng Carbon, the Company has the corresponding voting rights in the Company.

*Note 4:* The 20th meeting of the eighth session of the Company's board of directors deliberated and approved the "Proposal on Contributing Capital to Participate in the Establishment of Baowu Raw Material Supply Co., Ltd.", and agreed to the Company's cooperation with Baoshan Iron and Steel Co., Ltd. (寶山鋼鐵股份有限公司) (hereinafter referred to as "Baosteel Co., Ltd.") and Maanshan Iron and Steel Co., Ltd. (Group) Holding Co., Ltd. (馬鋼(集團)控股有限公司), China Baowu Iron and Steel Group Co., Ltd. (中國寶武鋼鐵集團有限公司) hereinafter referred to as "Baowu Group"), Baowu Group Echeng Iron and Steel Co., Ltd. (寶武集團鄂城鋼鐵有限公司) and Guangdong Shaogang Songshan Co., Ltd. (廣東韶松山股份有限公司) to jointly establish Baowu Raw Material. The Company invested RMB40,000,000 in August 2020 and holds an 8% equity interest in Baowu Raw Material. According to the "Articles of Association" of Baowu Raw Material, the Company has the right to vote on the corresponding equity in the Company.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 10. Other equity investments

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

31 December 2020 and 31 December 2019

	Accumulated fair value changes recorded in other comprehensive income	Fair value	Dividends Income		Reason for being designated as fair value through other comprehensive income
			Equity instruments derecognized	Equity instruments that are still held	
Xiamen Shipbuilding Industry Co., Ltd. (廈門船舶重工股份有限公司)	-	5,000	-	-	Intended to hold in long-term and earn investment income

### 11. Property, plant and equipment

	31 December 2020	31 December 2019
Property, plant and equipment	<b>16,605,635</b>	16,442,264
Property, plant and equipment to be disposed of	<b>25,153</b>	-
	<b>16,630,788</b>	16,442,264

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

2020

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



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

2019

	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
<b>Cost</b>				
Opening balance	13,628,267	7,731,568	11,937	21,371,772
Purchase	–	4,121	5,101	9,222
Transfers from construction in progress	2,650	182,947	–	185,597
Disposal or retirements	–	(1,191)	(6,127)	(7,318)
<b>Closing balance</b>	<b>13,630,917</b>	<b>7,917,445</b>	<b>10,911</b>	<b>21,559,273</b>
<b>Accumulated depreciation</b>				
Opening balance	2,026,556	2,420,598	10,509	4,457,663
Provided	317,351	348,143	110	665,604
Disposal or retirements	–	(429)	(5,829)	(6,258)
<b>Closing balance</b>	<b>2,343,907</b>	<b>2,768,312</b>	<b>4,790</b>	<b>5,117,009</b>
<b>Provision for impairment</b>				
Opening balance and closing balance	–	–	–	–
<b>Carrying amount</b>				
At the end of the year	11,287,010	5,149,133	6,121	16,442,264
At the beginning of the year	11,601,711	5,310,970	1,428	16,914,109

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## 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:

	2020	2019
Plant and buildings	<b>11,125</b>	15,671

PPE without certificates of ownership are as follows:

	Carrying amount	Reason for lacking certificates of ownership
Workshop in Changshou district	1,005,805	Application materials in preparation

For details of PPE with ownership restricted, please refer to Note V.56.

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

	2020	2019
Machineries and other equipment	<b>25,153</b>	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 12. Construction in progress

	31 December 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Reconstruction from section steel into double high rods	467,058	-	467,058	60	-	60
Upgrading of rolling mill	597,109	-	597,109	-	-	-
Upgrading and transformation project of raw material terminal equipment for logistics transportation	189,082	-	189,082	15,539	-	15,539
Sintering machine upgrade and transformation and waste heat power generation project	249,345	-	249,345	-	-	-
High-efficiency transformation project of the second series of converters in the steelmaking plant	199,768	-	199,768	270	-	270
Upgrading of blast furnace process	246,666	-	246,666	2,620	-	2,620
Improvement of continuous caster	127,389	-	127,389	38	-	38
Newly built 5000m <sup>3</sup> /h oxygen generator	38,833	-	38,833	-	-	-
High efficiency utilization of surplus gas and steam cascade utilization project	73,688	-	73,688	198	-	198
No 2&3 Sintering flue gas desulfurization upgrading project	-	-	-	104,208	-	104,208
Upgrading of blast furnace blast system	82,746	-	82,746	-	-	-
Ironmaking plant sintering No. 2	-	-	-	7,866	-	7,866
Transformation of the main pumping frequency conversion system of the third sintering plant	-	-	-	5,928	-	5,928
Transformation of pellet desulfurization and denitrification	3,778	-	3,778	3,705	-	3,705
Upgrading and reconstruction of continuous caster breakout detection system	-	-	-	3,147	-	3,147
Plant road function improvement project	-	-	-	3,040	-	3,040
Upgrading of wastewater treatment system and environmental protection	83,057	-	83,057	1,306	-	1,306
Upgrading of coking process	37,345	-	37,345	-	-	-
Others	448,801	-	448,801	23,933	-	23,933
	<b>2,844,665</b>	<b>-</b>	<b>2,844,665</b>	<b>171,858</b>	<b>-</b>	<b>171,858</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 12. Construction in progress (Continued)

Changes in significant projects for 2020

Name of project	Budget	Opening balance	Current year additions	Transferred to PPE	Transferred to long-term prepaid expenses	Closing balance	Invest proportion of budget	Source of funds
Reconstruction from section steel into double high rods	632,170	60	466,998	-	-	467,058	74%	Self-owned funds
Upgrading of rolling mill	1,825,740	-	597,109	-	-	597,109	33%	Self-owned funds
Upgrading and transformation project of raw material terminal equipment for logistics transportation	209,007	15,539	174,953	(1,410)	-	189,082	91%	Self-owned funds
Sintering machine upgrade and transformation and waste heat power generation project	324,890	-	276,377	(15,928)	(11,104)	249,345	85%	Self-owned funds
High-efficiency transformation project of the second series of converters in the steelmaking plant	219,134	270	218,864	-	(19,366)	199,768	100%	Self-owned funds
Upgrading of blast furnace process	775,785	2,620	499,454	(17,300)	(238,108)	246,666	65%	Self-owned funds
Improvement of continuous caster	773,340	38	173,845	(46,494)	-	127,389	22%	Self-owned funds
Newly built 50000m <sup>3</sup> /h oxygen generator	450,000	-	38,833	-	-	38,833	9%	Self-owned funds
High efficiency utilization of surplus gas and steam cascade utilization project	811,000	198	73,490	-	-	73,688	9%	Self-owned funds
No 2&3 Sintering flue gas desulfurization upgrading project	168,207	104,208	63,999	(168,207)	-	-	100%	Self-owned funds
Upgrading of blast furnace blast system	151,660	-	82,746	-	-	82,746	55%	Self-owned funds
Ironmaking plant sintering No. 2	15,950	7,866	4,174	-	(12,040)	-	75%	Self-owned funds
Transformation of the main pumping frequency conversion system of the third sintering plant	6,474	5,928	198	-	(6,126)	-	95%	Self-owned funds
Transformation of pellet desulfurization and denitrification	100,000	3,705	73	-	-	3,778	4%	Self-owned funds
Upgrading and reconstruction of continuous caster breakout detection system	3,650	3,147	-	(3,147)	-	-	86%	Self-owned funds
Plant road function improvement project	8,324	3,040	3,707	(6,747)	-	-	81%	Self-owned funds
Upgrading of wastewater treatment system and environmental protection	167,950	1,306	81,751	-	-	83,057	49%	Self-owned funds
Upgrading of coking process	80,415	-	50,048	(12,703)	-	37,345	62%	Self-owned funds
Others	1,704,649	23,933	456,200	(4,365)	(26,967)	448,801	28%	Self-owned funds
		171,858	3,262,819	(276,301)	(313,711)	2,844,665		

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 12. Construction in progress (Continued)

Changes in significant projects for 2019

Name of project	Budget	Opening balance	Current year additions	Transferred to PPE	Transferred to long-term prepaid expenses	Closing balance	Invest proportion of budget	Source of funds
Cost consultation of reconstruction from section steel into double high rods	15,648	-	60	-	-	60	0%	Self-owned funds
Cost consultation of upgrading and transformation project of raw material terminal equipment for logistics transportation	126,000	-	15,539	-	-	15,539	12%	Self-owned funds
Cost consultation of high-efficiency transformation project of the second series of converters in the steelmaking plant	33,445	-	270	-	-	270	1%	Self-owned funds
Cost consultation of upgrading of blast furnace process	34,806	-	2,620	-	-	2,620	8%	Self-owned funds
Cost consultation of improvement of continuous caster	7,000	-	38	-	-	38	1%	Self-owned funds
Cost consultation of high efficiency utilization of surplus gas and steam cascade utilization project	10,000	-	198	-	-	198	2%	Self-owned funds
Cost consultation of No 2&3 Sintering flue gas desulfurization upgrading project	126,199	-	104,208	-	-	104,208	83%	Self-owned funds
Ironmaking plant sintering No. 2	15,950	-	15,950	(8,074)	-	7,866	100%	Self-owned funds
Ironmaking plant sintering	6,474	-	5,928	-	-	5,928	92%	Self-owned funds
Transformation of the main pumping frequency conversion system of the third sintering plant	100,000	-	3,705	-	-	3,705	4%	Self-owned funds
Transformation of pellet desulfurization and denitrification	3,650	3,147	-	-	-	3,147	86%	Self-owned funds
Upgrading and reconstruction of continuous caster breakout detection system	8,324	-	3,040	-	-	3,040	37%	Self-owned funds
Plant road function improvement project	4,425	-	1,306	-	-	1,306	30%	Self-owned funds
Upgrading and upgrading of wastewater treatment system and water treatment of environmental protection storage yard								
Others		13,446	188,010	(177,523)	-	23,933		Self-owned funds
		16,593	340,862	(185,597)	-	171,858		

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 13. Right-of-use assets

2020

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 14. Intangible assets

2020

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 14. Intangible assets (Continued)

2019

	Land use rights
Cost	
Opening and ending balance	2,871,067
Accumulated amortization	
Opening balance	416,740
Provided	62,213
Ending balance	478,953
Provision for impairment	
Opening and ending balance	–
Carrying amount	
At end of the year	2,392,114
At beginning of the year	2,454,327

As at 31 December 2020, there was no land use right for which the Group had not obtained title certificates (31 December 2019: Nil). For details of intangible assets with ownership restricted, please refer to Note V.56.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 15. Deferred tax assets

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

	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible losses	290,473	43,571	186,664	28,000
Provision for assets impairment	312,867	46,930	268,923	40,436
Post-employment and termination benefits	232,657	34,899	–	–
Deferred income	35,902	5,385	–	–
ECLs	4,556	683	–	–
	<b>876,455</b>	<b>131,468</b>	455,587	68,436

	31 December 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liability	Taxable temporary differences	Deferred tax liability
Deferred tax liabilities				
Fair value adjustments arising from business combinations not involving entities under common control	7,840	1,176	–	–
	<b>7,840</b>	<b>1,176</b>	–	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 15. Deferred tax assets (Continued)

Particulars of deferred tax assets unrecognized are presented as follows:

	31 December 2020	31 December 2019
Deductible losses	3,414,427	4,221,108
Deductible temporary differences	673,480	588,531
	<b>4,087,907</b>	4,809,639

Deferred tax assets have not been recognized in respect of these losses and deductible temporary differences as it is not considered probable that future taxable profits will be available against which the above items can be utilized.

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

	31 December 2020	31 December 2019
2020	–	568,940
2021	3,413,129	3,650,870
2022	1,298	1,298
	<b>3,414,427</b>	4,221,108

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 16. Goodwill

#### 2020

	Opening balance	Increase Acquisition of a subsidiary	Decrease Disposal of a subsidiary	Closing balance
Goodwill				
Chongqing Iron & Steel Energy	–	295,407	–	<b>295,407</b>
Less: Impairment (a)				
Chongqing Iron & Steel Energy	–	–	–	–
Total	–	295,407	–	<b>295,407</b>

The Group acquired Chongqing Iron & Steel Energy in July 2020, and goodwill of RMB295,407,000 thus arose. Refer to Note VI.1 for the calculation of goodwill.

#### (a) Impairment

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

	31 December 2020	31 December 2019
Electric power processing group	<b>295,407</b>	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 16. Goodwill (Continued)

#### (a) Impairment (Continued)

Electric power processing group:

The goodwill of the electric power processing group is formed when purchasing Chongqing Iron & Steel Energy. The original book value was RMB295,407,000 on 31 December, 2020. 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.

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

	<b>31 December 2020</b>
Sales growth rate during the forecast period	<b>0%</b>
Sustainable growth rate	<b>0%</b>
Discount Rate	<b>14%</b>

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

### 17. Long-term prepaid expenses

#### 2020

	Opening balance	Increase	Amortization	Other decrease	<b>Ending balance</b>
Leasehold improvement	–	313,711	(13,981)	–	<b>299,730</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 18. Other non-current assets

	31 December 2020	31 December 2019
Prepaid for construction	87,173	12,513
Leasing risk fund	37,919	–
	<b>125,092</b>	12,513

### 19. Short-term borrowings

	31 December 2020	31 December 2019
Guarantee and mortgage loan	200,211	194,528
Credit loan	500,577	–
Pledged loan	–	190,000
	<b>700,788</b>	384,528

As of 31 December, 2020, the Group mortgaged land use rights with a net book value of RMB185,625,000 and buildings with a net book value of RMB135,255,000 to obtain mortgage loans of RMB200,000,000 from the bank. As of 31 December, 2019, the Group's short-term loans of RMB194,528,000 were fully guaranteed by Changshou Iron & Steel, and the short-term loans of RMB190,000,000 were obtained by discounting bank acceptance bills of RMB190,000,000.

As of 31 December 2020, the annual interest rate for the above borrowings was 3.80%-5.22% (31 December 2019: 5.22%).

As at 31 December 2020, none of the short-term borrowings overdue (31 December 2019: Nil).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 20. Notes payable

	31 December 2020	31 December 2019
Bank acceptance notes	<b>1,272,291</b>	91,127

As at 31 December 2020 and 31 December 2019, the age of notes payable of the Group was all within 6 months and none of the notes payable overdue. As at 31 December 2020, the Group's notes payable was issued with a pledge of notes receivable of RMB1,343,223,000 (2019: RMB70,000, a pledge of notes receivable).

### 21. Trade payables

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

	31 December 2020	31 December 2019
Within 1 year	<b>2,642,743</b>	1,724,323
1-2 years	<b>6,107</b>	2,138
2-3 years	<b>100</b>	422
Over 3 years	<b>3,778</b>	–
	<b>2,652,728</b>	1,726,883

As at 31 December 2020, accounts payable aged over 1 year amounted to RMB9,985,000 (31 December, 2019: RMB2,560,000), mainly due to payment for goods, and these amounts are still in the process of settlement.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 22. Contract liabilities

	31 December 2019	31 December 2018
Contract for goods	<b>2,554,165</b>	1,145,615

As at 31 December 2020, VAT of advances of BMB332,041,000 were disclosed as other current liabilities (31 December 2019: RMB150,208,000)

### 23. Employee benefits payable

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

2019	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	280,910	951,872	1,026,736	206,046
Post-employment benefits – defined contribution plans	27	123,103	123,103	27
Termination benefits	52,470	52,743	54,143	51,070
	333,407	1,127,718	1,203,982	257,143

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 23. Employee benefits payable (Continued)

Details of short-term employee benefits

2020	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	–	719,735	696,608	23,127
Staff welfare	–	18,239	18,239	–
Social security contributions	–	72,682	72,682	–
Including: Medical insurance	–	63,921	63,921	–
Work injury insurance	–	8,761	8,761	–
Maternity insurance premium	–	–	–	–
Housing fund	–	78,815	78,815	–
Labor union funds and employee education funds	25,701	30,921	15,137	41,485
Incentive fund ( <i>note</i> )	180,345	166,230	180,345	166,230
	<b>206,046</b>	<b>1,086,622</b>	<b>1,061,826</b>	<b>230,842</b>

2019	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	12,721	574,956	587,677	–
Staff welfare	–	10,673	10,673	–
Social security contributions	8	78,254	78,262	–
Including: Medical insurance	8	64,960	64,968	–
Work injury insurance	–	10,413	10,413	–
Maternity insurance premium	–	2,881	2,881	–
Housing fund	–	71,994	71,994	–
Labor union funds and employee education funds	17,990	32,109	24,398	25,701
Incentive fund	250,000	181,437	251,092	180,345
Others	191	2,449	2,640	–
	<b>280,910</b>	<b>951,872</b>	<b>1,026,736</b>	<b>206,046</b>

*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 the current year. Based on the results of 2020 annual performance appraisal, the Group determined the list of employees who participated in the incentive fund. It accrued the incentive fund with amount of RMB166,230,000. Part of it is used for cash-settled share-based payment (RMB67,402,000); the other (RMB98,828,000) is used to reward outstanding employees who have not participated in the employee stock ownership plan.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 23. Employee benefits payable (Continued)

Details of defined contribution plans

2020	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	91,230	91,230	27
Unemployment insurance	–	2,719	2,719	–
Subtotal	27	93,949	93,949	27

2019	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	119,311	119,311	27
Unemployment insurance	–	3,792	3,792	–
Subtotal	27	123,103	123,103	27

According to “the Labor Law of the People’s Republic of China” and relevant laws and regulations, the Company and its subsidiaries paid basic pension insurance for employees. And the local government authorities were responsible for the entire pension obligations payable to retired employees who reached retirement age pursuant to relevant regulations or quitted the work force due to other reasons. The Company and its subsidiaries had no other obligation to make payment in respect of pension benefits.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 24. Taxes payable

Items	31 December 2020	31 December 2019
Value-added tax (VAT)	<b>1,189</b>	49,897
Environmental protection tax	<b>6,823</b>	7,500
Stamp duty	–	5,671
Individual income tax	<b>737</b>	1,909
Corporate income tax	–	373
Others	<b>428</b>	5,517
	<b>9,177</b>	70,867

### 25. Other payables

	31 December 2020	31 December 2019
Other payables	<b>1,567,618</b>	421,768
	<b>1,567,618</b>	421,768

	31 December 2020	31 December 2019
Reserve funds for the reorganization	<b>146,371</b>	150,406
Guarantee deposits	<b>125,989</b>	95,590
Rural network loan repayment	<b>114,581</b>	83,070
Project payment payable	<b>1,079,523</b>	56,177
carbon emission	<b>37,689</b>	–
Large and medium-sized reservoir resettlement support fund	<b>36,664</b>	25,853
Others	<b>26,801</b>	10,672
	<b>1,567,618</b>	421,768

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

	31 December 2020	31 December 2019
Long-term borrowings due within 1 year ( <i>Note V.27</i> )	166,271	300,297
Bonds payable due within 1 year ( <i>Note V.28</i> )	38,411	–
Other non-current liabilities due within 1 year ( <i>Note V.33</i> )	2,255,572	541,279
Including: loan of judicial reorganization financial loan	2,255,002 570	145,177 396,102
Long-term payables due within 1 year ( <i>Note V.30</i> )	521,205	–
Lease liabilities due within 1 year ( <i>Note V.29</i> )	1,075,012	–
	<b>4,056,471</b>	841,576

### 27. Long-term borrowings

	31 December 2020	31 December 2019
Pledge loan	500,646	–
Mortgage and guaranteed loan	115,625	300,297
Less: Long-term borrowings due within 1 year ( <i>Note V.27</i> )	166,271	300,297
Closing balance	<b>450,000</b>	–

As at 31 December 2020, the annual interest rate of the above long-term borrowings was 4.650%-5.635% (31 December 2019: 4.75%).

As at 31 December 2020, none of the long-term borrowings overdue (31 December 2019: Nil).

As at 31 December, 2020, the Group pledged 100% equity interest in Chongqing Iron & Steel Energy to obtain pledged loans of RMB500,000,000 from the bank; Chongqing Qianxin Group Co., Ltd. (“Qianxin Group”) provided a full third party joint liability guarantee for the Group to obtain guarantees and mortgage loans from the bank. Up to 31 December, 2020, the balance of the loan was RMB115,625,000 (31 December, 2019: Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司) (Siyuanhe Investment) provided free guarantee for the Group to obtain RMB300,297,000 in mortgage and guaranteed loans).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## 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:

	31 December 2020	31 December 2019
Spot or within 1 year	166,271	300,297
1–2 years	75,000	–
2–5 years	375,000	–
	<b>616,271</b>	300,297

### 28. Bonds payable

	31 December 2020	31 December 2019
Short-term financing bonds	1,033,561	–
Less: Bonds payable due within 1 year (Note V.26)	38,411	–
Closing balance	<b>995,150</b>	–

As of 31 December, 2020, the balance of bonds payable is listed as follows:

Name	Face value	Issuance date	Maturity	Issuance amount	Opening balance	Interest accrued	Discount and premium amortization	Less: due within 1 year	Closing balance	
Short-term financing bonds (20Chongqing Iron & Steel MTN001A)	0.1	2020/3/19	3 years	500,000	–	500,000	19,373	(3,000)	(18,242)	498,131
Short-term financing bonds (20Chongqing Iron & Steel MTN001B)	0.1	2020/3/19	3 years	500,000	–	500,000	21,688	(4,500)	(20,169)	497,019
Total				1,000,000		1,000,000	41,061	(7,500)	(38,411)	995,150

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 28. Bonds payable (Continued)

Analysis on due date of bonds payable is as follows:

	31 December 2020	31 December 2019
Within 1 year	38,411	–
2–3 years	995,150	–
	<b>1,033,561</b>	–

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, with a maturity of 3 years and a coupon rate of 4.64%-5.13%.

### 29. Lease liabilities

	31 December 2020	31 December 2019
Opening balance	–	–
Increase	4,116,808	–
Interest	5,151	–
Payment	24,335	–
	<b>4,097,624</b>	–
Less: Lease liabilities due within 1 year ( <i>Note V.26</i> )	1,075,012	–
Closing amount	<b>3,022,612</b>	–

### 30. Long-term payables

	31 December 2020	31 December 2019
Long-term payables	1,873,469	–
Less: Long-term payables due within 1 year ( <i>Note V.26</i> )	521,205	–
Closing balance	<b>1,352,264</b>	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### *Long-term payables*

	31 December 2020	31 December 2019
Leaseback	<b>1,352,264</b>	–

As at 31 December 2020, the annual interest rate of the above long-term payables was 4.00%-5.46% (31 December 2019: Nil).

As at 31 December 2020, none of the long-term payables overdue (31 December 2019: Nil).

As at 31 December, 2020, the Group and the leasing company carried out the leaseback business and financed RMB2.2 million. The Group used machinery and equipment with a book value of RMB2,542,304,000 as the subject matter. The lease period is 3–5 years. Up to 31 December, 2020, the balance of leaseback payables was RMB1,873,469,000 (31 December 2019: Nil).

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

	31 December 2020	31 December 2019
Spot or within 1 year	<b>521,205</b>	–
1–2 years	<b>518,315</b>	–
2–5 years	<b>833,949</b>	–
Total	<b>1,873,469</b>	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 31. Long-term employee benefits payable

2020

	Opening balance	Accrued	Less: Due within 1 year	Ending balance
Termination benefits	162,807	27,240	52,970	137,077
Net liabilities of the defined benefit plan	38,930	3,910	360	42,480
	201,737	31,150	53,330	179,557

2019

	Opening balance	Accrued	Less: Due within 1 year	Ending balance
Termination benefits	203,915	11,415	52,523	162,807
Net liabilities of the defined benefit plan	36,700	2,450	220	38,930
	240,615	13,865	52,743	201,737

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## 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 and housing provident funds for the relevant employees until they reach the official retirement age (male: 60 years old, female: 50 years old or 55 years old). The payment amount of various social insurance and housing provident fund is determined according to the payment base and the payment ratio, and the enterprise payment ratio is determined according to the local social insurance payment policy.

The current value of the dismissal benefit liability was determined by Towers Watson Consulting (Shenzhen) Co., Ltd. (韜睿惠悅管理諮詢(深圳)有限公司) (Towers Watson) a member of the China Association of Actuaries, on December 31, 2020, using the expected cumulative benefit unit method.

As at 31 December 2020, key actuarial assumptions used are as follows:

	31 December 2020	31 December 2019
Discount rate	2.75%	2.75%
Retirement age		
Male	60	60
Female	50/55	50/55
Wealth increase rate	4.00–8.00%	5.50–8.00%

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 using the interest rate of national debt for the same period on December 31. As of December 31, 2020, the liabilities expected to be paid within 12 months are included in the short-term employee compensation payable.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## 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 2018. After retirement, employees have the right to enjoy subsidies other than the overall pension paid to them by the group on a regular basis. The amount of the subsidy consists of the sum of RMB38 and the length of service wage. The plan is subject to interest rate risk, turnover rate and the risk of changes in life expectancy of pension beneficiaries.

The current value of the dismissal benefit liability was determined by Towers Watson a member of the China Association of Actuaries, on December 31, 2020, using the expected cumulative benefit unit method.

The following table sets forth the principal actuarial assumptions used as at the balance sheet date:

	31 December 2020	31 December 2019
Discount rate	3.75%	3.50%
Turnover rate	1.50%	1.50%

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### *Net liabilities of the defined benefit plan (Continued)*

The following table sets forth the quantitative sensitivity analysis of significant assumptions used:

#### 2020

	Increase/ (decrease) in present value of defined benefit obligations		Increase/ (decrease) in present value of defined benefit obligations	
	Increase (%)		Decrease (%)	
Discount rate	0.50	(3,870)	0.50	4,430
Leaving rate	0.50	(1,330)	0.50	1,430
Death rate	5.00	(390)	5.00	420

#### 2019

	Increase/ (decrease) in present value of defined benefit obligations		Increase/ (decrease) in present value of defined benefit obligations	
	Increase (%)		Decrease (%)	
Discount rate	0.50	(3,750)	0.50	4,310
Leaving rate	0.50	(1,370)	0.50	1,480
Death rate	5.00	(350)	5.00	370

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### *Net liabilities of the defined benefit plan (Continued)*

The above sensitivity analysis represents the inference on the impacts over the defined benefit obligations based on reasonable changes in key assumptions as at the balance sheet date. The sensitivity analysis is based on changes in major assumptions with other assumptions remain unchanged. As changes in assumptions are always not isolated from each other, the sensitivity analysis may not represent the actual changes in the defined benefit obligations.

Recognition in profit or loss of the plan as follows:

	2020	2019
Current service costs	2,540	1,160
Net interest expense	1,370	1,290
Net post-employment benefits	3,910	2,450
Charged to administrative expenses	2,540	1,160
Charged to finance expenses	1,370	1,290
	<b>3,910</b>	2,450

The movement in the present value of defined benefit obligation as follows:

	2020	2019
Amount at beginning of the year	38,930	36,840
Charged to profit or loss	3,910	2,450
Current service costs	2,540	1,160
Net interest expense	1,370	1,290
Charged to other comprehensive income	-	-
Other movement	(360)	(360)
Defined benefit due within one year	(360)	(220)
Paid welfare	-	(140)
Amount at the end of the year	<b>42,480</b>	38,930

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 32. Deferred income

Government grants	Opening balance	Increase	Decrease	Closing balance
2020	<b>38,271</b>	–	<b>2,369</b>	<b>35,902</b>
2019	40,495	980	3,204	38,271

As at 31 December 2020, details of government grants as follows:

	Opening balance	Increase	Recognition during the year as other income	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	<b>5,833</b>	–	<b>(119)</b>	<b>5,714</b>	<b>Related to assets</b>
Grants for recycle heat power station	<b>32,438</b>	–	<b>(2,250)</b>	<b>30,188</b>	<b>Related to assets</b>
	<b>38,271</b>	–	<b>(2,369)</b>	<b>35,902</b>	

As at 31 December 2019, details of government grants as follows:

	Opening balance	Increase	Recognition during the year as other income	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	5,807	980	(954)	5,833	Related to assets
Grants for recycle heat power station	34,688	–	(2,250)	32,438	Related to assets
	40,495	980	(3,204)	38,271	

For details of government grants credited to the current profit or loss or offset against the related cost in the current year, please refer to explanation of government grants in Note V.45.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 33. Other non-current liabilities

	2020	2019
Other non-current liabilities	2,701,052	2,791,279
Less: Other non-current liabilities due within 1 year (Note V.26)	2,255,572	541,279
Closing balance	445,480	2,250,000
	31 December 2020	31 December 2019
Borrowings from non-financial institutions		
loan of judicial reorganization	–	2,250,000
financial loan	445,480	–
	445,480	2,250,000

According to the reorganization plan, Changshou Iron & Steel provided loan of RMB2.4 billion to the Company for the execution of the reorganization plan. The loan term is 7 years, which is from 24 November 2017 to 23 November 2024, and bears interest at the rate of 4.9% per annum. The Company decided in December 2020 to repay the loan in full in advance, and the repayment was completed on January 8, 2021.

Changshou Iron & Steel provided financing facilities of RMB1 billion to the Company for 3 years, from 1 July 2020 to 30 June 2023, with interest rate of 4.25% per annum. Up to 31 December 2020, the Company had utilized RMB455,480,000, presented as other non-current liabilities due within one year.

Analysis on due date of other non-current liabilities as follows:

	31 December 2019	31 December 2019
Due within 1 year	2,255,572	541,279
1 to 2 year (within 2 year)	–	400,000
2 to 5 year (within 5 year)	445,480	1,850,000
	2,701,052	2,791,279

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 34. Share capital

2020	Opening balance	Increase/(decrease) during the current year					Sub-total	Closing balance
		New shares issued	Bonus shares	Reserve transferred to shares	Others			
Restricted shares	31,500	-	-	-	5,162	5,162	36,662	
A shares	31,500	-	-	-	5,162	5,162	36,662	
Non-restricted shares	8,887,102	-	-	-	(5,162)	(5,162)	8,881,940	
A shares	8,348,975	-	-	-	(5,162)	(5,162)	8,343,813	
H shares	538,127	-	-	-	-	-	538,127	
	<b>8,918,602</b>	-	-	-	-	-	<b>8,918,602</b>	

2019	Opening balance	Increase/(decrease) during the current year					Sub-total	Closing balance
		New shares issued	Bonus shares	Reserve transferred to shares	Others			
Restricted shares	-	-	-	-	31,500	31,500	31,500	
A shares	-	-	-	-	31,500	31,500	31,500	
Non-restricted shares	8,918,602	-	-	-	(31,500)	(31,500)	8,887,102	
A shares	8,380,475	-	-	-	(31,500)	(31,500)	8,348,975	
H shares	538,127	-	-	-	-	-	538,127	
	<b>8,918,602</b>	-	-	-	-	-	<b>8,918,602</b>	

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 2029. As at the report day, Changshou Iron & Steel held 2,096,981,600 shares of the Company, of which 2,096,981,600 shares has been pledged, accounting for 23.51% of the total share capital of the Company.

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 by non-trading transfer. The remaining repurchased shares are all deposited in the company's special repurchase securities account. Up to December 31, 2020, the number of A shares repurchased was 36,662,000 shares. If the Company fails to use all shares repurchased within 36 months after the completion of the repurchase of shares, the outstanding shares repurchased will be cancelled.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 35. Capital reserve

2020	Opening balance	Increase	Decrease	Closing balance
Share premium	18,454,409	–	–	18,454,409
Other capital reserves	827,738	–	–	827,738
	19,282,147	–	–	19,282,147

2019	Opening balance	Increase	Decrease	Closing balance
Share premium	18,454,409	–	–	18,454,409
Other capital reserves	827,738	–	–	827,738
	19,282,147	–	–	19,282,147

### 36. Treasury shares

	Opening balance	Increase	Decrease	Closing balance
Treasury shares	62,314	84,334	80,708	65,940

In March, the Company repurchased a total of 50,000,000 A shares, representing approximately 0.56% of its total share capital. In June 2020, 44,838,000 shares were transferred to the relevant special securities account of the company's third-phase employee stock ownership plan at a rate of 1.8 yuan per share in a non-trading transfer method, details refer to Note V.34.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 37. Special reserve

Safety fund	Opening balance	Increase	Decrease	Closing balance
2020	14,573	29,564	21,953	22,184
2019	13,644	25,680	24,751	14,573

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

### 38. Surplus reserve

For the year ended 31 December 2020 and 31 December 2019

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	606,991	–	–	606,991

In accordance with Articles of Association of the Company, the net profits should be used first to make up for the previous year’s losses. The Company should appropriate 10% of the net profit which had been offset for the previous year’s losses to the statutory surplus reserve, where the appropriation can be ceased when the statutory surplus reserve reaches 50% of the registered capital.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 39. Unappropriate profit

	Year ended 31 December 2020	Year ended 31 December 2019
Opening balance	<b>(9,363,996)</b>	(10,289,719)
Add: Net profit attributable to the shareholders of the parent	<b>638,479</b>	925,723
Closing balance	<b>(8,725,517)</b>	(9,363,996)

### 40. Revenue

	2020		2019	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	<b>24,349,157</b>	<b>22,554,529</b>	23,369,634	21,648,069
Revenue from other operations	<b>140,778</b>	<b>103,763</b>	107,963	70,888
	<b>24,489,935</b>	<b>22,658,292</b>	23,477,597	21,718,957

Details of revenue as follows:

	2020	2019
Revenue from contracts with customers	<b>24,489,038</b>	23,476,233
Rentals	<b>897</b>	1,364
	<b>24,489,935</b>	23,477,597

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 40. Revenue (Continued)

Disaggregation of Revenue from contracts with customers are as follows:

#### 2020

Main Product	Sale of steel products	Others	Total
Hot roll	12,385,118	–	12,385,118
Hot rolling	7,394,107	–	7,394,107
Bars	1,464,818	–	1,464,818
Profiles	1,133,878	–	1,133,878
Others	–	2,111,117	2,111,117
	<b>22,377,921</b>	<b>2,111,117</b>	<b>24,489,038</b>

#### 2019

Main Product	Sale of steel products	Others	Total
Hot roll	10,792,992	–	10,792,992
Hot rolling	6,894,166	–	6,894,166
Bars	2,480,253	–	2,480,253
Profiles	2,326,636	–	2,326,636
Others	–	982,186	982,186
	<b>22,494,047</b>	<b>982,186</b>	<b>23,476,233</b>

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 40. Revenue (Continued)

The details of revenue recognized from remaining contract obligation for the year:

	2020	2019
Sale of goods	<b>1,145,615</b>	1,004,280

*Note:* The Group completes its performance obligations when the customer obtains control of the relevant products. For steel product customers, it is usually necessary to receive payment in advance, and major customers are also provide with a 30-day credit period. For other product customers, the contract price of the Group usually expires within 30 days after delivery of the product

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

	2020	2019
Due within 1 year	<b>2,554,165</b>	1,145,615

### 41. Taxes and surcharges

	2020	2019
Land use right tax	<b>42,281</b>	42,487
Housing property tax	<b>33,992</b>	33,477
Environmental protection tax	<b>34,961</b>	29,579
Stamp duty	<b>16,159</b>	13,056
City maintenance and construction tax	<b>26,297</b>	28,990
Education surcharge	<b>11,084</b>	12,459
Local education surcharge	<b>7,700</b>	8,273
Others	<b>19</b>	15
	<b>172,493</b>	168,336

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 42. Distribution and selling expenses

	2020	2019
Transportation expenses	55,879	94,246
Labor costs	22,076	17,442
Incentive funds	2,732	–
Depreciation and amortization	386	483
Others	10,856	9,350
	<b>91,929</b>	121,521

### 43. General and administrative expenses

	2020	2019
Labor costs	158,256	108,015
Depreciation and amortization	113,779	114,729
Loss on suspension of production	94,951	70,087
Incentive funds	62,343	181,437
Consulting and services expenses	36,808	46,518
Termination benefits	24,778	6,130
Environmental protection cost	21,781	8,334
Safety expense	11,183	14,427
Repair cost	7,496	8,569
Auditors' fee	2,950	2,950
Net defined benefits	2,540	1,160
Rental	–	106
Others	55,055	35,150
	<b>591,920</b>	597,612

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 44. Finance expense

	2020	2019
Interest expense	271,072	216,278
Less: Interest income	69,528	52,977
Net exchange loss	(79,801)	87
Others	10,771	7,499
	<b>132,514</b>	170,887

### 45. Other income

	2020	2019
Government grants related to the ordinary course of business	196,430	144,872

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

	2020	2019	Relate to assets or income
Grants for recycle heat power project	2,250	2,250	Relate to assets
Others	119	954	Relate to assets
Special fund for industrial development	144,000	73,821	Relate to income
Position stability subsidies	4,360	53,957	Relate to income
Subsidies for product R&D	12,910	13,890	Relate to income
Innovation-driven project rewards	11,183	–	Relate to income
Tax refund	19,761	–	Relate to income
Others	1,847	–	Relate to income
	<b>196,430</b>	144,872	

### 46. Investment income

	2020	2019
Gains on financial assets held for trading	6,803	15,894

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 47. Impairment losses on credit

	2020	2019
Loss from impairment of trade receivables	(23)	(453)
Loss from impairment of other receivables	–	(78)
	<b>(23)</b>	<b>(531)</b>

### 48. Impairment losses on assets

	2020	2019
Loss from write-down of inventories	(13,342)	–
Loss from impairment of fixed assets	(351,575)	–
	<b>(364,917)</b>	<b>–</b>

The Group recognised a fixed asset impairment loss of RMB351,575,000 this year, which was due to the Group's provision for impairment of fixed assets that were planned to be dismantled and not scrapped during the upgrading and transformation of production equipment. The asset group consists of Plants and buildings, Machineries and other equipment. The recoverable amount is determined based on the net amount of the estimated assets' fair value less costs of sale.

### 49. Non-operating income

	2020	2019	Amount included in non-recurring profit or loss
Incomes from fines	254	10,519	254
Gains on reorganization of debts	–	8,243	–
Others	2,449	20,876	2,449
	<b>2,703</b>	<b>39,638</b>	<b>2,703</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 50. Non-operating expense

	2020	2019	Amount included in non-recurring profit or loss
Carbon emission	37,689	–	37,689
losses from disposal of non-current assets	20,177	1,060	20,177
Losses from fines	1,452	2,022	1,452
Write-off of debts	–	6,219	–
Others	78	347	78
	<b>59,396</b>	9,648	<b>59,396</b>

### 51. Expenses by nature

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

	2020	2019
Raw materials and low value consumables, maintenance and spare parts, etc.	20,039,099	18,520,230
Movement in finished goods and work in progress	(784,556)	227,397
Labor costs	1,203,055	1,080,810
Repair costs	1,135,047	860,922
Depreciation and amortization	793,645	727,817
Transportation and inspection fee	298,596	322,245
Rental not recognised as lease liabilities	286,724	295,470
Loss on suspension of production	94,951	70,087
Office charges	35,535	28,522
Safety expenses	25,908	24,751
Others	214,137	279,839
	<b>23,342,141</b>	22,438,090

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 52. Income tax expense

	2020	2019
Current income tax	108	2,154
Deferred tax	<b>(14,200)</b>	(37,368)
	<b>(14,092)</b>	(35,214)

Income tax expense reconciliation from profit before tax

	2020	2019
Profit before tax	<b>624,387</b>	890,509
Tax rate	<b>15.00%</b>	15.00%
Tax at the statutory tax rate	<b>93,658</b>	133,576
Effect of different tax rate for subsidiary	<b>164</b>	862
Costs, expenses and losses not deductible for tax	<b>346</b>	2,051
Adjustment in respect of current tax of previous periods	-	717
Utilization of deductible losses and deductible temporary differences from prior years	<b>(156,105)</b>	(168,515)
Recognized unrecognized deductible losses and deductible temporary differences from prior years	<b>(36,839)</b>	(40,338)
Effect of unrecognized deductible temporary differences	<b>84,684</b>	36,433
Tax credit at the Group's effective tax rate	<b>(14,092)</b>	(35,214)

All the Group's profit is from Mainland China.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 53. Earnings per share

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

The Group does not hold potential shares that are dilutive.

	2020	2019
	<i>RMB per share</i>	<i>RMB per share</i>
Basic earnings per share		
Continuing operations	<b>0.07</b>	0.10

	2020	2019
Earnings		
Profit attributable to ordinary shareholders of the Company ( <i>RMB</i> )	<b>638,479,000</b>	925,723,000
Continuing operations ( <i>RMB</i> )	<b>638,479,000</b>	925,723,000
Number of shares		
Weighted average number of ordinary shares outstanding ( <i>Note</i> )	<b>8,872,021,167</b>	8,902,852,267

*Note:* Due to the change of treasury shares, the number of ordinary shares or potential ordinary shares outstanding of the Company changed. The weighted average number of ordinary shares outstanding during the year was 8,872,021,167 shares, which was used by the Company to calculate the current earnings per share.

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### *Other cash received relating to operating activities*

	2020	2019
Government grants received	248,121	67,847
Interest income	68,671	44,518
Guarantees and deposit	70,440	37,047
	<b>387,232</b>	149,412

#### *Other cash paid relating to operating activities*

	2020	2019
General and administrative expenses	163,519	197,545
Distribution and selling expenses	66,407	103,223
Intercourse funds paid	14,463	15,449
Others	31,168	12,430
	<b>275,557</b>	328,647

#### *Other cash received relating to investing activities*

	2020	2019
assets-related government grants received	—	980

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### *Other cash received relating to financing activities*

	2020	2019
Receipt of non-trading transfer payment for treasury shares	80,708	–
Receipt of leaseback	1,397,650	–
Notes and letter of credit deposit	–	795,088
	<b>1,478,358</b>	795,088

#### *Other cash paid relating to financing activities*

	2020	2019
Share repurchase	84,334	62,314
Repayment of operating ordinary obligations from the reorganization	4,035	6,944
Payment of the lease rent	22,349	–
Payment of leaseback	179,948	–
	<b>290,666</b>	69,258

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 55. 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:

	2020	2019
Net profit	<b>638,479</b>	925,723
Add: Impairment provision	<b>364,917</b>	–
Credit loss	<b>23</b>	531
Depreciation of property plant and equipment	<b>693,283</b>	665,604
Depreciation of right-of-use assets	<b>21,597</b>	–
Amortization of intangible assets	<b>64,784</b>	62,213
Amortization of long-term prepaid expenses	<b>13,981</b>	–
Amortization of deferred income	<b>(2,369)</b>	(3,204)
Losses on disbursing of PPE	<b>20,177</b>	1,060
Financial expenses	<b>248,257</b>	160,183
Investment losses	<b>(6,803)</b>	(15,894)
Increase in deferred tax assets	<b>(14,169)</b>	(37,369)
Decrease in deferred tax liabilities	<b>(31)</b>	–
Increase in inventories	<b>(1,094,210)</b>	(739,312)
Increase in operating receivables	<b>(2,536,940)</b>	(403,555)
Increase/(decrease) in operating payables	<b>2,922,834</b>	(1,009,415)
Others	<b>3,955</b>	(11,891)
<b>Net cash flow from operating activities</b>	<b>1,337,765</b>	(405,326)
Net changes in cash and cash equivalents:		
Cash at the end of the year	<b>4,698,090</b>	1,595,323
Less: cash at the beginning of the year	<b>1,595,323</b>	1,969,543
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,102,767</b>	(374,220)

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (2) Components of cash and cash equivalents:

	2020	2019
Cash	<b>4,698,090</b>	1,595,323
Wherein: Cash on hand	–	–
Bank deposit available on demand for payment	<b>4,698,090</b>	1,595,323
Cash and cash equivalents at the end of the year	<b>4,698,090</b>	1,595,323

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

	2020	2019
Endorsement amount of notes receivable	<b>4,261,715</b>	4,304,622
Including: Payment for goods and labor	<b>2,944,231</b>	4,281,383
Payment for equipment and construction	<b>1,317,484</b>	–
Payment for others	–	23,239

#### (4) Major financing activities not involving cash receipts and payments:

	2020	2019
Bank acceptance bill collected from leaseback	<b>100,000</b>	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

(5) Information about subsidiaries and other business units acquired:

	2020	2019
Prices paid to acquire subsidiaries and other business units	<b>849,610</b>	–
Including: the price paid for acquiring 100% equity interest in Chongqing Iron & Steel Energy	<b>837,610</b>	–
Security deposit paid for acquiring 72% equity interest in Xingang Changlong	<b>12,000</b>	–
Cash and cash equivalents paid to acquire subsidiaries and other business units	<b>849,610</b>	–
Less: Cash and cash equivalents held by subsidiaries and other business units when acquired	<b>6,088</b>	–
Net cash paid to acquire subsidiaries and other business units	<b>843,522</b>	–

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

	2020	2019
Cash and bank balances	<b>245,141</b>	188,424 <i>Note 1</i>
Receivables financing	<b>1,343,223</b>	190,000 <i>Note 2</i>
Property, plant and equipment	<b>3,529,913</b>	1,928,087 <i>Note 3</i>
Intangible assets	<b>1,027,708</b>	2,392,114 <i>Note 4</i>
	<b>6,145,985</b>	4,698,625

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 56. Assets with ownership or use right restricted (Continued)

*Note 1:* As at 31 December 2020, the Group had cash and bank balances amounted to RMB245,141,000 (31 December 2019: RMB188,424,000) restricted for bank acceptance notes and letter of credit.

*Note 2:* As at 31 December 2020, the Group pledged bank acceptance notes with a book value of RMB1,343,223,000 for issuing bank acceptance. As at 31 December 2019, the Group had notes receivable pledged amounted to RMB190,000,000 for obtaining short-term borrowings.

*Note 3:* As at 31 December 2020, the plant and buildings with a net carrying amount of RMB987,609,000 (31 December 2019: RMB1,928,087,000) and machineries and other equipment with a net carrying amount of RMB2,542,304,000 (31 December 2019: Nil) were pledged to banks to secure the bank loans and facilities granted to the Group.

*Note 4:* As at 31 December 2020, the land use right with a net carrying amount of RMB1,027,708,000 (31 December 2019: RMB2,392,114,000) were pledged to banks to secure the bank loans and facilities granted to the Group. The amortization of above land use right for the current year was RMB27,459,000 (31 December 2019: RMB62,213,000).

### 57. Foreign currency monetary items

	2020			2019		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash and bank balances						
Wherein: USD	672	6.5249	4,385	3,376	6.9767	23,553
HKD	6	0.8416	5	6	0.8966	5
			<b>4,390</b>			<b>23,558</b>

	2020			2019		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Trade receivables						
Wherein: USD	156,920	6.5249	1,023,887	–	6.9767	–
			<b>1,023,887</b>			<b>–</b>

# Notes to the Financial Statements

For the year ended 31 December 2020 (Unit: RMB'000)

## VI. CHANGES IN THE SCOPE OF CONSOLIDATION

### 1. Business combinations not involving entities under common control

During the year, the Company has acquired 100% equity interest in Chongqing Iron & Steel Energy from the non-related party Qianxin Group, with cash of RMB837,610,000. The fair value was RMB520,426,000 according to the assessment. The purchase date was determined as July 30.

The fair value and book value of the identifiable assets and liabilities of Chongqing Iron & Steel Energy on the purchase date are as follows:

	30 July, 2020	30 July, 2020
	Fair value	Book value
<b>Assets:</b>		
Cash and bank balances	26,916	26,916
Trade receivables	133,444	133,444
Receivables financing	45,922	45,922
Prepayments	18,287	18,287
Other receivables	962	962
Inventories	42,527	42,527
Other current assets	5,912	5,912
Property, plant and equipment	950,793	963,360
Intangible assets	67,263	46,652
Deferred tax assets	48,863	48,863
Other non-current assets	37,189	37,189
<b>Total assets</b>	<b>1,378,078</b>	<b>1,370,034</b>



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## VI. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

### 1. Business combinations not involving entities under common control (Continued)

	30 July, 2020 Fair value	30 July, 2020 Book value
<b>Liabilities:</b>		
Notes payable	28,661	28,661
Trade payables	10,241	10,241
Employee benefits payable	2,116	2,116
Taxes payable	3,947	3,947
Other payables	2,124	2,124
Non-current liabilities due within one year	371,024	371,024
Long-term borrowings	103,542	103,542
Long-term payables	313,013	313,013
Deferred tax liabilities	1,207	–
Total liabilities	835,875	834,668
<b>Net assets</b>	<b>542,203</b>	<b>535,366</b>
Goodwill	295,407	
	837,610	(Note)

Note: The amount is RMB837,610,000 in cash paid by the Company in the business combination.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## VI. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

### 1. Business combinations not involving entities under common control (Continued)

The fair value of the acquiree's identifiable assets and liabilities obtained in the business combination has been assessed by Chongqing Huakang Assets Appraisal Land and Real Estate Appraisal Co., Ltd. (重慶華康資產評估土地房地產估價有限責任公司) and issued Chongkang Appraisal Report (2020) No. 445-1 "Chongqing Iron and Steel Co., Ltd. For the purpose of the report, the assessment and determination of the "Asset Evaluation Report on the Fair Value Evaluation Project of Chongqing Iron and Steel Energy Environmental Protection Co., Ltd.'s identifiable assets and liabilities involved in the consolidation of consideration and apportionment."(重慶鋼鐵股份有限公司以財務報告為目的進行合併對價分攤所涉及的重慶鋼鐵能源環保有限公司各項可辨認資產、負債公允價值評估項目資產評估報告)

The assets of Chongqing Iron & Steel Energy that could not be separately recognised formed goodwill of RMB295,407,000.

The operating results and cash flow of Chongqing Iron & Steel Energy from the date of purchase to the end of the year are listed as follows:

	From July 30 to December 31, 2020
Revenue	202,133
Net profit	54,711
Net cash flow	(1,937)

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## VII. INTERESTS IN OTHER ENTITIES

### 1. Equity in subsidiary

Composition of significant subsidiaries

Name of the subsidiary	Main operating place	Place of registration	Business nature	Registered capital	shareholding proportion		Acquisition method
					Direct	Indirect	
Chongqing CIS Building Materials Sales Co., Ltd.	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Trade industry	1,000	100	-	Incorporation
Chongqing Iron and Steel Energy Environmental Protection Co., Ltd.	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Electricity production and sales	52,569.49	100	-	Business combinations not involving entities under common control

On 31 December 2020, there were no subsidiaries with material interests of non-controlling shareholders.

### 2. Equity in joint

	principal place of business	Domicile	Business nature	registered capital	Shareholding ratio(%)		Accounting policy
					Direct	Indirect	
<i>Joint venture</i>							
Chongqing Jianwei	Changshou District, Chongqing	Changshou District, Chongqing	Software and information technology services	5,000	50	-	Equity method
<i>Associate</i>							
Xingang Changlong	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation and storage	110,000	28	-	Equity method
Baocheng Carbon	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Manufacturing	33,333	10	-	Equity method
Xingang Changlong	Shanghai Free Trade Zone	Shanghai Free Trade Zone	Trading industry	500,000	8	-	Equity method

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Equity in joint (Continued)

The Company's subscription to Chongqing Jianwei is RMB2,500,000. As at the balance sheet date, the company has not paid such contributions, and Chongqing Jianwei has not begun to operate.

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.

The Company holds 8% equity interest in Baowu Raw Materials and dispatched 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.

Financial information of associate is as follows:

	2020	2019
Associate		
Book value of investment	<b>79,494</b>	28,258
Total amount calculated by shareholding ratio as follows		
Net profit	—	—
Other comprehensive income	—	—
Total comprehensive income	—	—

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

### 1. Classification of financial instruments

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

#### *financial assets*

31 December 2020	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and bank balances	-	-	4,943,231	4,943,231
Trade receivables	-	-	35,041	35,041
Receivables financing (acquired by standards)	2,068,546	-	-	2,068,546
Other receivables	-	-	18,013	18,013
Other equity investment (designated)	5,000	-	-	5,000
	<b>2,073,546</b>	<b>-</b>	<b>4,996,285</b>	<b>7,069,831</b>

31 December 2019	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	-	-	1,783,747	1,783,747
Financial assets held for trading (acquired by standards)	-	400,000	-	400,000
Trade receivables	-	-	5,610	5,610
Receivables financing (acquired by standards)	861,373	-	-	861,373
Other receivables	-	-	78,132	78,132
Other equity investment (designated)	5,000	-	-	5,000
	<b>866,373</b>	<b>400,000</b>	<b>1,867,489</b>	<b>3,133,862</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### *Financial liabilities*

	Financial liabilities measured at amortized cost	
	31 December 2020	31 December 2019
Short-term borrowings	700,788	384,528
Notes payable	1,272,291	91,127
Trade payables	2,652,728	1,726,883
Other payables	1,567,618	421,768
Non-current liabilities due within one year	4,056,471	841,576
Long-term borrowings	450,000	–
Bonds payable	995,150	–
Lease liabilities	3,022,612	–
Long-term payables	1,352,264	–
Other non-current liabilities	445,480	2,250,000
	<b>16,515,402</b>	<b>5,715,882</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 2. Transfer of financial assets

#### *Financial assets transferred but fully derecognized and transferred but still continuing involved*

As at 31 December 2020, the Group endorsed bank acceptance bills to its suppliers for settlement of trade payables and discounted bank acceptance bills to banks with a carrying amount of RMB386,783,000 (31 December 2019: RMB3,937,197,000). As of December 31, 2020, the maturity date is within 6 months. According to the relevant provisions of the "Negotiable Instruments Law", if the accepting bank refuses to pay, its holder has the right to recourse against the Group ("continued involvement"). The Group believes that the Group has transferred almost all of its risks and rewards, and therefore, derecognizes the book value of it and its related settled accounts payable. The maximum loss and undiscounted cash flow of continuing involvement and repurchase are equal to its book value. The Group believes that continued involvement in fair value is not significant.

In 2020, the Group has not recognized gains or losses on the transfer date. The Group had no current or accumulated gain or expense arising from the continuing involvement in financial assets which had been derecognized. Endorsements were incurred evenly throughout this year.

### 3 Risk 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3 Risk of financial instruments (Continued)

Directors are responsible for planning and establishing the risk management structure of the Group, designating the risk management policies and the related guidance for the Group, and monitoring the implementation of risk management measures. The Group has risk management policies in place to identify and analyze the risk exposure of the Group. These risk management policies have defined particular risks, covering the aspects of the management of market risk, credit risk and liquidity risk. The Group will decide whether it is necessary to update the risk management policies and system by regularly evaluating changes in market environment and the operating activities of the Group. Risk management of the Group is carried out by the board. The board identifies, evaluates and mitigates the relevant risks by closely working with other business departments. Internal audit department of the Group will conduct audit regularly on risk management control and procedures and submit the audit results to the audit committee of the Group.

The Group spreads the risks from financial instruments by diversified investment and business portfolio and develops risk management policies accordingly to mitigate the risk of over concentration 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.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3 Risk of financial instruments (Continued)

#### *Credit risk (Continued)*

Maximum credit risk exposure the Group faced at each balance sheet date is the total amount received from customer less impairment.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. 2.

Since the Group traded only with recognized and creditworthy third parties, there was no requirement for collateral. Credit risk was managed in accordance with customer and industry. At the end of the reporting year, the Group had a certain concentration of credit risk as 93% (31 December 2019: 66%) 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3 Risk of financial instruments (Continued)

#### *Credit risk (Continued)*

Definition of credit-impaired asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- (1) Significant financial difficulty of the issuer or the debtor;
- (2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3 Risk of financial instruments (Continued)

#### *Credit risk (Continued)*

Definition of credit-impaired asset (Continued)

As at 31 December 2020, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

Item	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
Cash and bank balance	4,943,231	–	–	–	–	4,943,231
Trade receivables	–	–	–	–	36,089	36,089
Receivables financing	2,068,546	–	–	–	–	2,068,546
Other receivables	16,196	2,247	3,078	–	–	21,521
	<b>7,027,973</b>	<b>2,247</b>	<b>3,078</b>		<b>36,089</b>	<b>7,069,387</b>

As at 31 December 2019, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

Item	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
Cash and bank balance	1,783,747	–	–	–	–	1,783,747
Trade receivables	–	–	–	–	6,610	6,610
Receivables financing	861,373	–	–	–	–	861,373
Other receivables	76,315	2,247	3,078	–	–	81,640
	<b>2,721,435</b>	<b>2,247</b>	<b>3,078</b>		<b>6,610</b>	<b>2,733,370</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3 Risk of financial instruments (Continued)

#### *Liquidity risk*

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

The Company and its subsidiaries were responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the board of directors of the Company when the borrowings exceeded certain predetermined levels of authority). The Group's liquidity management method was to make sure enough liquidity for the performance of matured debts, so as not to cause any unacceptable losses or any damage to its reputation. As at 31 December 2020, the Group's current liabilities already exceeded current assets by RMB380,840,000 (31 December 2019: RMB2,756,568,000).

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

	31 December 2020					
	Carrying amount	Undiscounted contract				
		amount	Within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	700,788	705,378	705,378	-	-	-
Notes payable	1,272,291	1,272,291	1,272,291	-	-	-
Trade payables	2,652,728	2,652,728	2,652,728	-	-	-
Other payables	1,567,618	1,567,618	1,567,618	-	-	-
Non-current liabilities due within one year	4,056,471	4,092,290	4,092,290	-	-	-
Long-term borrowings	450,000	528,077	21,216	95,865	410,996	-
Bonds payables	995,150	1,108,139	10,439	48,850	1,048,850	-
Lease liabilities	3,022,612	3,289,586	142,782	1,399,332	1,747,472	-
Long-term payables	1,352,264	1,547,724	70,864	573,576	903,284	-
Other current liabilities	445,480	492,255	18,060	19,196	454,999	-
	16,515,402	17,256,086	10,553,666	2,136,819	4,565,601	-

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3 Risk of financial instruments (Continued)

#### *Liquidity risk (Continued)*

	Carrying amount	Undiscounted contract amount	31 December 2019			
			Within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	384,528	394,653	394,653	-	-	-
Notes payable	91,127	91,127	91,127	-	-	-
Trade payables	1,726,883	1,726,883	1,726,883	-	-	-
Other payables	421,768	421,768	421,768	-	-	-
Non-current liabilities due within						
one year	841,576	867,487	867,487	-	-	-
Other current liabilities	2,250,000	2,611,667	112,087	502,880	1,996,700	-
	5,715,882	6,113,585	3,614,005	502,880	1,996,700	-

#### *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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3 Risk of financial instruments (Continued)

#### *Interest risk*

Interest risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market interest variation. The market interest rate variation risk faced by the Company mainly correlated with its loans with the interest measured by the floating interest rate.

The Group's revenue and operating cash flows are largely unaffected by fluctuation in market interest rate. As at 31 December 2020, all the Group's bank loans were calculated by stable interest rate.

#### *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 40.17% (2019: 9.53%) 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 book value and exchange rate risk exposure of the Group's monetary funds and accounts payable, please refer to Note V. 57 to these financial statements.

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).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3 Risk of financial instruments (Continued)

#### Foreign exchange risk (Continued)

2020

	Exchange rate Increase/ (Decrease)%	Net profit Increase/ (Decrease)	Total shareholders' equity Increase/ (Decrease)
RMB depreciation against the U.S. dollar	1	(10,285)	(10,285)
RMB appreciation against the U.S. dollar	(1)	10,285	10,285

2019

	Exchange rate Increase/ (Decrease)%	Net profit Increase/ (Decrease)	Total shareholders' equity Increase/ (Decrease)
RMB depreciation against the U.S. dollar	1	(235)	(235)
RMB appreciation against the U.S. dollar	(1)	235	235

### 4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to externally imposed capital requirements constraints and monitors capital using debt-to-asset ratio. In 2020 and 2019, there had been no change in the objectives, policies or procedures of capital management of the Group.

	31 December 2020	31 December 2019
Debt-to-asset ratio	49.84%	28.10%

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## IX. DISCLOSURE OF FAIR VALUE

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

As at 31 December 2020	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	5,000	5,000
Receivables financing	–	2,068,546	–	2,068,546
	–	2,068,546	5,000	2,073,546

As at 31 December 2019	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	5,000	5,000
Receivables financing	–	861,373	–	861,373
Financial assets held for trading	–	–	400,000	400,000
	–	861,373	405,000	1,266,373

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

As at 31 December 2020	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	–	437,244	–	437,244
Bonds payable	–	948,283	–	948,283
Lease liabilities	–	–	3,004,650	3,004,650
Long-term payables	–	1,122,827	–	1,122,827
Other non-current liabilities	–	408,607	–	408,607
	–	2,916,961	3,004,650	5,921,611



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 2. Assets and liabilities disclosed at fair value (Continued)

As at 31 December 2019	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other non-current liabilities	–	2,247,820	–	2,247,820

### 3. Fair value estimation

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

	Carrying Amount		Fair value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Long-term borrowings	450,000	–	437,244	–
Bonds payable	995,150	–	948,283	–
Lease liabilities	3,022,612	–	3,004,650	–
Long-term payables	1,352,264	–	1,122,827	–
Other non-current liabilities	445,480	2,250,000	408,607	2,247,820
	<b>6,265,506</b>	2,250,000	<b>5,921,611</b>	2,247,820

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Fair value estimation (Continued)

Management has assessed that the fair values of cash and cash equivalents, financial assets held for trading, trade receivables, receivables financing, other receivables, short-term borrowings, notes payable trade payables, other payables, non-current liabilities due within one year etc. approximate to their carrying amounts due to short remaining period.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the long-term borrowings, bonds payable, lease liabilities, long-term payables and other non-current liabilities are determined using discount cash flows, at rates equal to interest rate of other financial instruments with similar contract terms, credit risks and remaining Term. As at 31 December 2020, non-performance risks underlying long-term borrowings and other non-current liabilities were appraised as immaterial.

### 4. Unobservable input value

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

	Fair value at end of year	Valuation technique	Unobservable inputs	Weighted average
Trust products classified as Financial assets held for trading	2020: – 2019 : 400,000	Discounted cash flow method	Yield of Similar products in private market	– 2019 : 6.2%

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 5. Adjustment of fair value measurement

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

2020

	Opening balance	Transfer into Stage 3	Transfer out of Stage 3	Total gains or losses Through profit or loss Through other comprehensive income	Purchase	Issue	Sale	Settlements	Closing balance	Changes in unrealized gains or losses Included in profit or loss for assets held at end of year
Financial assets held for trading	400,000	-	-	6,803	33,000	-	-	(439,803)	-	-

2019

	Opening balance	Transfer into Stage 3	Transfer out of Stage 3	Total gains or losses Through profit or loss Through other comprehensive income	Purchase	Issue	Sale	Settlements	Closing balance	Changes in unrealized gains or losses Included in profit or loss for assets held at end of year
Financial assets held for trading	30,000	-	-	15,894	1,378,800	-	-	(1,024,694)	400,000	612

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS

### 1. Controlling shareholder

Name of the controlling shareholder	Place of registration	Business nature	Registered capital	Shareholding proportion over the company (%)	Voting right proportion over the Company (%)
Changshou Iron & Steel	Chongqing	Technology development, technology transfer, technology service and management consultancy services of the fields of iron and steel, metallurgy and mining, coal, chemical industry, electricity and transportation; sales of raw materials, namely steel; operation of terminals; warehouse services; leases of owned property and equipment; import and export of goods and technology; corporate management and consultancy services	4,000,000	23.51	23.51

Changshou Iron & Steel is the controlling shareholders.

### 2. Subsidiary

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 3. Information about other related parties of the Company

Company name	Relationship between the Company and the other related parties
Xingang Changlong	Associate
Baocheng Carbon	Associate
Baowu Raw Material	Associate
Chongqing Jianwei	Joint venture
China Baowu Steel Group Co., Ltd. 中國寶武鋼鐵集團有限公司	Major shareholder of Changshou Iron & Steel
Siyuanhe Investment 四源合股權投資管理有限公司("四源合投資")	Former controlling shareholder of Changshou Iron & Steel
Baowu Equipment Intelligent Technology Co., Ltd. (Baowu Equipment) 寶武裝備智慧科技有限公司("寶武裝備")	China Baowu's subsidiaries
Shanghai Meishan Iron & Steel Co., Ltd. (Meishan Iron & Steel) 上海梅山鋼鐵股份有限公司("梅鋼股份")	China Baowu's subsidiaries
Shanghai Baosight Software Co., Ltd. (Baosight Software) 上海寶信軟件股份有限公司("寶信軟件")	China Baowu's subsidiaries
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd. (Meishan Research Institute) 上海梅山工業民用工程設計研究院有限公司("梅山研究院")	China Baowu's subsidiaries
Shanghai Baosteel Shipping Co., Ltd. (Baosteel Shipping) 上海寶鋼航運有限公司("寶鋼航運")	China Baowu's subsidiaries
Shanghai Baosteel Stainless Steel Co., Ltd. (Baosteel Stainless) 上海寶鋼不銹鋼有限公司("寶鋼不銹鋼")	China Baowu's subsidiaries
Shanghai Baosteel Energy Service Co., Ltd. (Baosteel Energy Service) 上海寶鋼節能環保科技有限公司("寶鋼節能環保")	China Baowu's subsidiaries
Shanghai Baoding Energy Co., Ltd. (Baoding Energy) 上海寶頂能源有限公司("寶頂能源")	China Baowu's subsidiaries
Baosteel Resources Holdings (Shanghai) Co., Ltd. (Baosteel Resources) 寶鋼資源控股(上海)有限公司("寶鋼資源")	China Baowu's subsidiaries
Shanghai Ouyeel Logistics Co., Ltd. (Ouyeel Logistics) 上海歐冶物流股份有限公司("歐冶物流")	China Baowu's subsidiaries
Shanghai Ouyeel Purchasing Information Technology Co., Ltd. (Ouyeel Purchasing) 上海歐冶採購資訊科技有限責任公司("歐冶採購")	China Baowu's subsidiaries
Wuhan Huafeng Sensing Technology Co., Ltd. (Huafeng Sensing) 武漢華楓傳感技術股份有限公司("華楓傳感")	China Baowu's subsidiaries
Ouyeel International 歐冶國際電商有限公司("歐冶國際")	China Baowu's subsidiaries
Baosteel Co., Ltd. 寶鋼股份	China Baowu's subsidiaries
Wuhan Iron and Steel Company Limited (Wuhan Iron & Steel) 武漢鋼鐵有限公司("武漢鋼鐵")	China Baowu's subsidiaries
Shanghai Baosteel Casting Corporation (Baosteel Casting) 上海寶鋼鑄造股份有限公司("寶鋼鑄造")	China Baowu's subsidiaries
Ouyeel Blockchain Finance and Metal Recycling Resources Co., Ltd. (Ouyeel Blockchain Finance) 歐冶鏈金再生資源有限公司("歐冶鏈金")	China Baowu's subsidiaries
Wuhan Baosteel Huazhong Trade Co., Ltd. (Baosteel Huazhong) 武漢寶鋼華中貿易有限公司("寶鋼華中")	China Baowu's subsidiaries
Ouyeel Cloud Commerce Corporation Limited (Ouyeel Cloud) 歐冶雲商股份有限公司("歐冶雲商")	China Baowu's subsidiaries
Shanghai Ouyeel Material Technology Co., Ltd. (Ouyeel Material) 上海歐冶資料科技有限責任公司("歐冶材料")	China Baowu's subsidiaries
Shanghai Huagongbao E-commerce Co., Ltd. (Huagongbao) 上海歐冶化工寶電子商務有限公司("歐冶化工")	China Baowu's subsidiaries
Chengdu Baosteel West Trade Co., Ltd. (Baosteel West) 成都寶鋼西部貿易有限公司("寶鋼西部")	China Baowu's subsidiaries
Shanghai Baoneng Information Technology Co., Ltd. (Baoneng Information) 上海寶能資訊科技有限公司("寶能信科")	China Baowu's subsidiaries
Baosteel Engineering & Technology Group Co., Ltd. (Baosteel Engineering) 寶鋼工程技術集團有限公司("寶鋼工程")	China Baowu's subsidiaries

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 4. Information about related party transactions

#### (1) Transaction of services with related parties

Purchase of goods and receiving of services from related parties	Content of transaction	2020	2019
Xingang Changlong (重慶新港長龍物流有限責任公司)	Receiving of services	<b>41,599</b>	37,243

In 2020, China Baowu group has become a major shareholder of Changshou Iron & Steel, and China Baowu group and its subsidiaries has become related parties of the Group. Since Baowu group and its subsidiaries became related parties of the Group, their related transactions with the Group are as follows:

Related party	Content of transaction	2020
Baosteel Shipping	Receiving of services	<b>30,265</b>
Wuhan Iron and Steel	Receiving of services	<b>12,325</b>
Baowu Equipment	Receiving of services	<b>8,668</b>
Baosight Software	Receiving of services	<b>5,810</b>
China Baowu Steel Group Co., Ltd.	Receiving of services	<b>2,783</b>
Ouyeel Logistics	Receiving of services	<b>605</b>
Baosteel Co., Ltd.	Receiving of services	<b>530</b>
Meishan Iron & Steel	Receiving of services	<b>283</b>
Baosteel Energy	Receiving of services	<b>142</b>
Huafeng Sensing	Receiving of services	<b>36</b>
<b>Total</b>		<b>61,447</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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (2) *Related party transactions of purchased goods*

Since Baowu group and its subsidiaries became related parties of the Group, their related transactions with the Group are as follows:

Related party	Content of transaction	2020
Baowu Raw Material	Supply raw materials	337,286
Baosteel Resources	Supply raw materials	272,215
Baosteel Co., Ltd.	Supply raw materials	266,266
Baoding Energy	Supply raw materials	208,018
Baosteel Engineering	Supply production materials	182,824
Ouyeel Blockchain Finance	Supply raw materials	65,755
Ouyeel International	Supply raw materials	22,147
Meishan Research Institute	Supply road transportation and technical services	8,023
Huafeng Sensing	Supply production materials	7,868
Baosight Software	Supply road transportation and technical services	5,099
Baocheng Carbon	Supply raw materials and production materials	4,836
Baowu Equipment	Supply production materials	2,664
Ouyeel Purchasing	Supply production materials	1,245
Baosteel Stainless	Supply production materials	82
Total		1,384,328

The price of goods purchased from a related party shall be determined by reference to the price or cost plus profit premium of similar transactions between the related party and other third parties, or the bidding price of the supplier.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (3) Sale of goods and rendering of services to related parties

Related party	Content of transaction	2020	2019
Xingang Changlong (重慶新港長龍物流有限責任公司)	Sale of energy, etc. and provide services	<b>1,200</b>	868

Since Baowu group and its subsidiaries became related parties of the Group, their related transactions with the Group are as follows:

Related party	Content of transaction	2020
Ouyeel Material	Production materials	<b>455,405</b>
Ouyeel Cloud	Production materials	<b>359,999</b>
Baocheng Carbon	Production materials	<b>132,511</b>
Baosteel Huazhong	Production materials	<b>29,094</b>
Ouyeel Blockchain Finance	Production materials	<b>16,218</b>
Wuhan Iron and Steel	Production materials	<b>11,661</b>
Baosteel Engineering	Production materials	<b>34</b>
Total		<b>1,004,922</b>

The price of goods sold to related parties shall be determined according to the price charged by the Company to other third party customers or the price stipulated by relevant departments of Chongqing government.

The transactions stated above constitute the transactions or continuing transactions with connected parties according to Chapter 14A of the Listing Rules of the Stock Exchange of Hong Kong. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (4) Leases

As a lessor

Name of Lessee	Type of assets leased	Lease income for 2020	Lease income for 2019
Xingang Changlong (重慶新港長龍物流有限責任公司)	Plant and buildings	48	36

As a lessee

Name of lessor	Types of asset leased	Lease expenses for 2020	Lease expenses for 2019
Changshou Iron & Steel (重慶長壽鋼鐵有限公司)	Machinery and other equipment	189,823	188,596

*Note:* In December 2019, the Proposal on Leasing the Relevant Assets of Related Companies by the Company in 2020 was considered and approved by the 16th Session of the eighth Board Meeting. On 27 December 2019, the Group entered into an asset leasing contract with Changshou Iron & Steel to lease the aforesaid pre-ironmaking assets, with a monthly rent of RMB17,875,000 and a lease term from 1 January 2020 to 31 December 2020.

On November 16, 2020, the Proposal on Renewal and Final Purchase of Changshou Iron & steel Assets was approved by the 28th meeting of the eighth board of directors and the 19th meeting of the eighth board of supervisors of the company deliberated, and agreed that the Company and Changshou Iron & Steel entered into the "asset lease contract", agreed to renew the lease of Changshou iron and steel production equipment and facilities in 2021 and subsequently purchase these assets with reference to the fair value assessed by the appraisal institution. In 2021, the monthly rent was RMB1,7875,000, and the lease term was from January 1, 2021 to December 31, 2021. As at 31 December, 2020, the relevant right-of-use assets of the group are RMB3,447,314,000.

The transactions stated above constitute the transactions or continuing transactions with connected parties according to Chapter 14A of the Listing Rules of the Stock Exchange of Hong Kong. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (5) Guarantee

Guarantee provided by related parties:

2020

Guaranteed party	Note	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Siyuanhe Investment	a	300,000	2017/12/27	2020/12/26	Yes
Changshou Iron & Steel	b	1,000,000	2019/10/08	2020/10/08	Yes

a: According to the reorganization plans in 2017, the Company applied for a loan of RMB1.1 billion from China Development Bank, and Siyuanhe Investment provided guarantees for the above loan. By the end of December 31, 2020, the loan has been fully paid off, and the guarantee has been fulfilled this year.

b: On 8 October 2019, the Company obtained banking facilities of RMB1 billion from China Minsheng Bank Chongqing Branch, Changshou Iron & Steel provided guarantee, free of charge, the guarantee period was 1 year. In 2020, the guarantee has been fulfilled.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (6) Interest fee paid to a related party

Related party	Amount borrowed	Interest in the current year
Changshou Iron & Steel	445,480	133,605

Pursuant to the reorganization plan in 2017, Changshou Iron & Steel provided RMB2.4 billion loans to the Company for its execution of the reorganization plan. The loan term is 7 years, which is from 24 November 2017 to 23 November 2024, and bears interest at the rate of 4.9% (31 December 2019: 4.9%) per annum. By the end of December 31, 2020, the Company has paid the above-mentioned loan of RMB14,000,000 to Changshou Iron & Steel on schedule, with the balance of RMB2.25 billion. The loan was fully repaid in January 2021.

Changshou Iron & Steel provided the Company with a financing facility of 1 billion yuan in 2020 with a financing period of 3 years. The financing interest rate was 4.25% from July 1, 2020 to June 30, 2023. By the end of this year, the Group borrowed RMB445,480,000 from Changshou Iron & Steel.

#### (7) Remuneration of key management personnel

Related party	2020	2019
Remuneration of key management personnel	<b>30,335</b>	29,933

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (7) Remuneration of key management personnel (Continued)

	2020					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
<b>Director-executive</b>						
<b>director :</b>						
Liu Jian Rong (note3) (note5)	-	4,233	-	32	22	4,287
Li Yong Xiang (note2)	-	703	4	18	12	737
Tu De Ling	-	1,683	27	31	22	1,763
Wang Li (note2)	-	700	-	-	-	700
Zou An (note1)(note3)	-	3,233	-	32	22	3,287
<b>Director-non-executive director:</b>						
Zhang Shuo Gong (note2)	-	104	-	-	-	104
Zhang Jin Gan (note3) (note5)	-	-	-	-	-	-
Song De An	-	-	-	-	-	-
Xin Qing Quan (note6)	180	-	-	-	-	180
Xu Yi Xiang (note6)	180	-	-	-	-	180
Wang Zhen Hua (note6)	180	-	-	-	-	180
Zhou Zhu Ping (note2)	-	-	-	-	-	-
Zhou Ping (note 3)	-	-	-	-	-	-

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (7) Remuneration of key management personnel (Continued)

	2020					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
<b>Supervisor :</b>						
Wu Xiao Ping (note 3)	-	-	-	-	-	-
Wang Cun Lin (note 3)	-	-	-	-	-	-
Xu Xu Dong (note 3)	-	-	-	-	-	-
Xiao Yu Xin (note 4)	-	2,213	4	19	12	2,248
Zhao Wei (note 4)	-	287	27	28	22	364
Lu Jun Yong (note 2)	-	-	-	-	-	-
Yin Dong (note 2)	-	-	-	-	-	-
Zhou Ya Ping	-	397	27	31	22	477
<b>Senior Management:</b>						
Zhang Wen Xue (note 2) (note5)	-	-	-	-	-	-
Xie Chao	-	1,683	27	31	22	1,763
Zhang Yong Zhong (note 5)	-	-	-	-	-	-
Lv Feng (note1) (note5)	-	4,078	4	35	26	4,143
Zhang Li Quan (note5)	-	1,683	27	31	22	1,763
Zeng Jing (note5)	-	1,683	27	31	22	1,763
Meng Xiang Yun	-	4,083	4	35	26	4,148
Wang Bu Lin (note3)	-	2,213	4	19	12	2,248
<b>Total</b>	<b>540</b>	<b>28,977</b>	<b>182</b>	<b>373</b>	<b>264</b>	<b>30,335</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (7) Remuneration of key management personnel (Continued)

Director-non-executive director Mr. Zhou Zhuping, Mr. Zhang Jingang, Mr. Zhou Ping and Mr. Song De'an, Supervisor Mr. Wu Xiaoping, Mr. Wang Cunyu, Mr. Xu Xudong, Mr. Lu Junyong and Mr. Yin Dong did not receive remuneration from the Company throughout this year.

The five highest paid employees during the year included two (2019: one) director, one supervisor (2019: one), and two Senior Management (2019: three), details of whose remuneration are set out above.

In 2020, 10 directors, supervisors and senior management members participated in the Fourth Employee Share Ownership Plan, their sharing account for 44.6% (2019:50.56%) of the Fourth Employee Share Ownership Plan, please refer to Note V.23.

	2019					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
<b>Director-executive director :</b>						
Li Yong Xiang	-	5,449	49	20	32	5,550
Tu De Ling	-	1,680	33	28	24	1,765
Wang Li	-	800	-	-	-	800
<b>Director-non-executive director</b>						
Zhou Zhu Ping	-	-	-	-	-	-
Zheng Jie	-	-	-	-	-	-
Song De An	-	-	-	-	-	-
Zhang Shuo Gon	-	225	-	-	-	225
Xin Qing Quan	180	-	-	-	-	180
Xu Yi Xiang	180	-	-	-	-	180
Wang Zhen Hua	180	-	-	-	-	180

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (7) Remuneration of key management personnel (Continued)

	2019					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
<b>Supervisor :</b>						
Zhang Wen Xue	-	-	-	-	-	-
Xiao Yu Xin	-	4,130	49	20	32	4,231
Xia Tong	-	250	17	11	11	289
Zhou Ya Ping	-	282	33	28	24	367
Lu Jun Yong	-	-	-	-	-	-
Ying Dong	-	-	-	-	-	-
<b>Senior Management:</b>						
Li Yong Xiang	-	-	-	-	-	-
Liu Jian Rong	-	-	-	-	-	-
Zou An	-	-	-	-	-	-
Xie Chao	-	-	-	-	-	-
Lv Feng	-	4,117	49	20	32	4,218
Meng Xiang Yun	-	4,130	49	20	32	4,231
Wang Bu Lin	-	4,130	49	20	32	4,231
Zeng Jing	-	1,663	33	28	24	1,748
Zhang Li Quan	-	1,653	33	28	24	1,738
<b>Total</b>	<b>540</b>	<b>28,509</b>	<b>394</b>	<b>223</b>	<b>267</b>	<b>29,933</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

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

#### (7) Remuneration of key management personnel (Continued)

*Note1:* On March 27, 2020, Mr. Lu Feng resigned as the chief financial officer of the company, but continued to serve as the deputy general manager of the company. On the same day, the board of directors appointed Mr. Zou an as the company's chief financial officer.

*Note2:* On June 15, 2020, Mr. Zhou Zhuping resigned as the chairman of the company, and Mr. Li Yongxiang, Mr. Wang Li and Mr. Zhang shuogong resigned as the directors of the company respectively. Mr. Zhang Wenxue resigned as the chairman of the board and the supervisor of supervisors, Mr. Lu Junyong and Mr. Yin Dong resigned as the supervisors respectively.

*Note3:* On July 9, 2020, Mr. Zhang Jingang, Mr. Liu Jianrong, Mr. Zou an and Mr. Zhou Ping were elected as the directors of the company. On the same day, Mr. Zhang Jingang was elected as the chairman of the company. Mr. Wu Xiaoping, Mr. Wang Cunlin and Mr. Xu Xudong were elected as the company's supervisors. On the same day, Mr. Wu Xiaoping was elected as the chairman of the board of supervisors. Mr. Wang Bulin resigned as the deputy general manager of the company.

*Note4:* On August 12, 2020, Mr. Xiao Yuxin resigned as the supervisor of the company, and Mr. Zhao Wei was elected as the supervisor of the company.

*Note5:* On December 30, 2020, Mr. Zhang Jingang resigned as the chairman of the company. Mr. Liu Jianrong resigned as the general manager of the company, and Mr. Liu Jianrong was elected as the chairman of the company. Mr. Lu Feng, Mr. Zhang Liquan and Mr. Zeng Jing resigned as deputy general manager of the company respectively. Mr. Zhang Wenxue is employed as the general manager of the company and Mr. Zhang Yongzhong as the deputy general manager of the company.

*Note6:* Mr. Xin Qingquan, Mr. Xu Yixiang and Mr. Wang Zhenhua were the independent directors of the company.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 5. Balance due to or from related parties

#### (1) Trade receivables

	Related party	2020	2019
Xingang Changlong		–	806

As at December 31, 2020, the trade receivable between China Baowu group and its subsidiaries and the Group are as follows:

	2020
Ouyeel Blockchain Finance	18,327
Wuhan Iron and Steel	13,177
Baosteel Engineering	38
Total	31,542

#### (2) Receivables financing

As at December 31, 2020, the receivables financing between China Baowu group and its subsidiaries and the Group are as follows:

Related party	2020
Baocheng Carbon	44,144
Ouyeel Material	111
Total	44,255

#### (3) Other receivables

Related party	2020	2019
Changshou Iron & Steel	500	–
Xingang Changlong	171	–
Total	671	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 5. Balance due to or from related parties (Continued)

#### (4) Prepayments

As at December 31, 2020, the balance of prepayments between China Baowu group and its subsidiaries and the Group are as follows:

Related party	2020
Baosteel Resources	45,181
Shanghai Baoding Energy	35,369
Baosteel Co., Ltd.	7,963
Baowu Raw Material	5,960
Baosteel Casting	42
<b>Total</b>	<b>94,515</b>

#### (5) Contract liabilities

As at December 31, 2020, the balance of contractual liabilities between China Baowu group and its subsidiaries and the group are as follows:

Related party	2020
Ouyeel Material	219,316
Baosteel Huazhong	13,347
Baocheng Carbon	12,108
Ouyeel Cloud	11,279
Baosteel West	1,919
Huagongbao	420
<b>Total</b>	<b>258,389</b>

#### (6) Trade payables

Related party	2020	2019
Changshou Iron & Steel	17,875	17,875
Xingang Changlong	6,718	1,822
<b>Total</b>	<b>24,593</b>	19,697

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 5. Balance due to or from related parties (Continued)

#### (6) Trade payables (Continued)

As at December 31, 2020, the balance of Trade payable between China Baowu group and its subsidiaries and the Group are as follows:

	2020
Baosteel Shipping	29,076
Huafeng Sensing	7,026
Baowu Equipment	6,365
Ouyeel International	1,368
Baosight Software	1,074
Ouyeel Purchasing	1,033
Baosteel Energy Service	150
Baosteel Engineering.	94
Meishan Research Institute	12
Wuhan Iron and Steel Company Limited	6
Total	46,204

#### (7) Note payables

	2020	2019
Xingang Changlong	83	–

As at December 31, 2020, the balance of notes payable between China Baowu group and its subsidiaries and the Group are as follows:

Related party	2020
Baosteel Engineering	174,774
Baowu Equipment	10,030
Meishan Research Institute	3,106
Baosight Software	1,659
Huafeng Sensing	1,070
Baocheng Carbon	600
Baosteel Engineering	513
Baowu Equipment	412
Total	192,164

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 5. Balance due to or from related parties (Continued)

#### (8) Other payables

As at December 31, 2020, the balance of other payables between China Baowu group and its subsidiaries and the Group are as follows:

Related party	2020
Meishan Research Institute	3,918
Ouyeel Logistics	3,000
Baowu Equipment	1,621
Baoneng Information	354
Baosight Software	330
Ouyeel Purchasing	217
Baosteel Engineering	208
Ouyeel Material	50
<b>Total</b>	<b>9,698</b>

#### (9) Non-current liabilities due within one year

Related party	2020	2019
Changshou Iron & Steel	3,212,306	541,279

#### (10) Lease liabilities

Related party	2020	2019
Changshou Iron & Steel	2,490,580	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

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

### 5. Balance due to or from related parties (Continued)

#### (11) Other non-current liabilities

Related party	2020	2019
Changshou Iron & Steel	445,480	2,250,000

#### (12) Right-of-use assets

Related party	2020	2019
Changshou Iron & Steel	3,447,314	–

## XI. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

	2020	2019
Contracted, but not provided for		
Capital commitments	5,371,446	74,003
Investment commitments	116,445	–
	74,003	74,003

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 2. Contingencies

On 26 February 2018, all the independent directors of the Company issued the Special Statement and Independent Opinion of Independent Directors on External Guarantees which stated the Company's guarantees in 2017.

In 2012, each of China Development Bank and Agricultural Bank of China Taizhou Branch provided San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司, "San Feng Jingjiang") with syndicated loans (loan contract no.: 3200577162012540569, "Syndicated Loan"), for which the Company assumed joint guarantee liability. After the Company underwent judicial reorganization, Qianxin International submitted an "Alternative Guarantee Commitment Letter" to the Company's Reorganization Administrator on 13 November 2017, confirming that it would communicate with China Development Bank and Agricultural Bank of China Taizhou Branch and go through relevant procedures and undertaking to pay off debt to assume its guarantee liability in case they claim compensation when the principal debtor San Feng Jingjiang defaults.

On 28 December 2017, Qianxin International, China Development Bank, Agricultural Bank of China Taizhou Branch and San Feng Jingjiang jointly signed the Change of RMB Syndicated Loan Contract (contract no.: 3200577162012540569004) which provided that Qianxin International, as the guarantor of Syndicated Loan, assumed joint guarantee liability. On the same day, Qianxin International, as the guarantor, entered into the Syndicated Loan Guarantee Contract with San Feng Jingjiang, China Development Bank and Agricultural Bank of China Taizhou Branch which served as a guarantee contract of Syndicated Loan (contract No. 3200577162012540569).

## XII. EVENTS AFTER BALANCE SHEET DATE

The 30th meeting of the 8th board of directors of the Company voted and passed the "proposal on purchasing 72% equity of Xingang Changlong through online auction", and agreed that the Company would participate in bidding for 60% and 12% equity of Xingang Changlong held by Qiancheng Industrial Development Co., Ltd. (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) respectively. On January 6, 2021, the Company paid RMB114,449,000 and obtained the equity trading certificate of Chongqing United equity exchange on January 6, 2021.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIII. OTHER SIGNIFICANT EVENTS

### 1. Segment information

#### (1) Identification basis and accounting policies for reportable segments

The Group will determine different segments based on the internal organizational structure, management requirements and internal report system. The Group's operation segments refer to those components meeting the following conditions at the same time:

- 1) The segment may generate revenue and incur expenses in daily activities;
- 2) Management of the Group can regularly evaluate the operating results of the segment to decide on the allocation of resources to it and evaluate its performance;
- 3) The segment's financial position, operation result, cash flow and other accounting information can be obtained by analysis.

#### (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 (2019: one) that reached or exceeded 10% of the Group's revenue, which accounting for 19% of the Group's revenue (2019: 20%).

The information of this customer stated below:

Name of Customer	Revenue (Note)	Proportion of the Group's revenue (%)
Qianxin Group	4,540,067	19

Note: The revenue above was the total amount generated Qianxin Group and its subsidiaries for the current year by the Group.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Lease

#### (1) As a lessor

The Group rent partial of plants and buildings with lease term of 1 to 5 years, thus develops into operating lease. According to the lease contracts, the yearly rental required to adjust based on market rental. The revenue related to plants and buildings lease during 2020 was RMB897,000(2019: RMB1,364,000), please refer to Note V.11. for more details.

Operating lease

The profit relating to operating lease is as follows:

	2020	2019
Lease income	897	1,364

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	2020	2019
Within 1 year	344	305
1 – 2 year (Within 2 year)	174	81
2 – 3 year (Within 3 year)	81	81
3 – 4 year (Within 4 year)	61	81
4 – 5 year (Within 5 year)	–	68
	660	616

Please refer to Note V. 11 for more details about PPE leased out under operating lease.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Lease (Continued)

#### (2) As a lessee

	2020	2019
Lease liability interest expense	5,151	–
Short-term lease expenses through profit or loss subject to simplified treatment	311,504	344,265
Total cash outflows related to lease	330,688	344,265

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.

Leases that have been promised but not yet commenced

The leases that the Group has promised but have not yet commenced are expected to have future cash outflows (tax included) as follows:

	2020	2019
Within 1 year	–	379,632

Leaseback

	2020	2019
Cash inflow from leaseback	1,397,650	–
Cash outflow from leaseback	179,948	–

Other information

For right-of-use assets, please refer to Note V.13; For simplified treatment of short-term leases, please refer to Note III.27; For lease liabilities, please refer to Notes V.29.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

### 1. Trade receivables

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

An ageing analysis of trade receivables is as follows:

	31 December 2020	31 December 2019
Within 3 months	37,218	5,414
4 to 12 months (within 1 year)	2,190	3
1 – 2 year	120	101
Above 3 year	–	117
	<b>39,528</b>	5,635
Less: Provision for bad debts	<b>25</b>	25
	<b>39,503</b>	5,610

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

31 December 2019				31 December 2018				
Book value		Bad debt provision		Book value		Bad debt provision		
Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion	
	(%)		(%)		(%)		(%)	
Receivables that are subject to provision by group with similar credit risk characteristics	39,528	100	25	–	5,635	100	25	–

As at 31 December 2020 and at 31 December 2019, the Company have no individually trade receivables to separate provision.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 1. Trade receivables (Continued)

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

	31 December 2019			31 December 2018		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 3 months	37,218	–	–	5,414	–	–
4–12 months (within 1 year)	2,190	–	–	3	–	–
1–2 years	–	–	–	101	25	25
2–3 years	120	21	25	–	–	–
Over 3 years	–	–	–	117	–	–
	<b>39,528</b>		<b>25</b>	5,635		

For steel product customers, it is usually necessary to receive payment in advance, and major customers are also provide with a 30-day credit period. For customers of other products, the Group's contract price usually expires within 30 days after the delivery of the product, and the expected credit loss risk of accounts receivable is relatively low.

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

	Opening balance	Provision	Reversal	Write-off	Closing balance
<b>2020</b>	<b>25</b>	–	–	–	<b>25</b>
2019	152,411	2,852	(2,930)	(152,308)	25

As at December 31, 2020, the year-end balance of the top five accounts receivable of the Company totaled RMB38,203,000 (December 31, 2019: RMB4,031,000), accounting for 97% of the total year-end balance of accounts receivable (December 31, 2019: 72%), without provision for bad debts (December 31, 2019: Nil).

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

### XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

#### 2. Other receivables

	31 December 2020	31 December 2019
Other receivables	<b>17,181</b>	78,027

Aging analysis:

	31 December 2020	31 December 2019
Within 3 months	<b>12,306</b>	74,603
4 to 12 months (within 1 year)	<b>3,059</b>	1,607
1 – 2 year	<b>236</b>	2,132
2 – 3 year	<b>2,011</b>	115
Above 3 year	<b>3,077</b>	3,078
	<b>20,689</b>	81,535
Less: Provision for bad debts	<b>3,508</b>	3,508
	<b>17,181</b>	78,027

Other receivables presented by nature

	31 December 2020	31 December 2019
Government grant receivables	–	73,821
Guarantee deposits, staff advances, etc.	<b>18,956</b>	6,362
Prepayments for trading	<b>1,733</b>	975
Others	–	377
	<b>20,689</b>	81,535

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

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

**2020**

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit- impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	–	430	3,078	3,508
Changes due to the opening balance				
– Transfer to Stage 2	–	–	–	–
– Transfer to Stage 3	–	–	–	–
– Turn back stage 2	–	–	–	–
– Turn back stage1	–	–	–	–
Accrual	–	–	–	–
Reversal	–	–	–	–
Resale	–	–	–	–
Write-off	–	–	–	–
Closing balance	–	430	3,078	3,508

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

### XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

#### 2. Other receivables (Continued)

2019

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit- impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	522	380	36,965	37,867
Changes due to the opening balance				
– Transfer to Stage 2	(50)	50	–	–
– Transfer to Stage 3	(472)	–	472	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Accrual	–	–	78	78
Reversal	–	–	–	–
Resale	–	–	–	–
Write-off	–	–	(34,437)	(34,437)
Closing balance	–	430	3,078	3,508

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

the book value of other receivables movement:

**2020**

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit- impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	<b>76,212</b>	<b>2,245</b>	<b>3,078</b>	<b>81,535</b>
Changes due to the opening balance				
– Transfer to Stage 2	–	–	–	–
– Transfer to Stage 3	–	–	–	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Addition	<b>15,366</b>	–	–	<b>15,366</b>
Derecognition	<b>(76,212)</b>	–	–	<b>(76,212)</b>
Write-off	–	–	–	–
Closing balance	<b>15,366</b>	<b>2,245</b>	<b>3,078</b>	<b>20,689</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

### XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

#### 2. Other receivables (Continued)

2019

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit- impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	10,080	1,322	36,965	48,367
Changes due to the opening balance				
– Transfer to Stage 2	(923)	923	–	–
– Transfer to Stage 3	(550)	–	550	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Addition	76,217	–	–	76,217
Derecognition	(8,612)	–	–	(8,612)
Write-off	–	–	(34,437)	(34,437)
Closing balance	76,212	2,245	3,078	81,535



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIV. 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>2020</b>	<b>3,508</b>	–	–	–	<b>3,508</b>
2019	37,867	78	–	(34,437)	3,508

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

Company	31 December 2020	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	12,000	58	Guarantee deposits	Within 1 year	–
The second	1,500	7	Guarantee deposits	Within 1 year	–
The third	1,026	5	Petty cash	0–3 years	1,026
The fourth	598	3	Guarantee deposits	Within 1 year	–
The fifth	426	2	Guarantee deposits	Within 1 year	–
	<b>15,550</b>	<b>75</b>			<b>1,026</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

### XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

#### 2. Other receivables (Continued)

As at 31 December 2019, the five largest other receivables are as follows:

Company	31 December 2019	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	73,821	91	Government grant receivables	Within 3 months	–
The second	4,562	6	Petty cash	Within 3 years	2,982
The third	1,332	1	Guarantee deposits	0–3 years	207
The fourth	975	1	Prepayments for trading	Within 1 year	–
The fifth	473	1	Guarantee deposits	0–2 years	319
	81,163	100			3,508

As at 31 December 2019, the Government subsidies receivables are as follows:

	Subsidiary Programs	Amount	Aging	Estimated receiving time, amount and supporting documents
Finance Bureau of Management Committee of Long Life Economic and Technological Development Zone	Special award funds for industrial development	73,821	Within 3 months	Have received in full amount in 11 March 2020, Longevity Jingkai Financial Paper [2019] 78

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term equity investments

	31 December 2020			31 December 2019		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Subsidiary	837,610	-	837,610	-	-	-
Joint ventures	-	-	-	-	-	-
Associate	79,494	-	79,494	28,258	-	28,258
	<b>917,104</b>	<b>-</b>	<b>917,104</b>	28,258	-	28,258

### 2020

Investees	Opening balance	Increase/(decrease)			Closing balance
		Investments increased	Investments decreased	Investment income recognized through equity method	
<i>Subsidiary</i>					
Chongqing Iron & Steel Energy (Note 3)	-	837,610	-	-	837,610
Chongqing CIS Building Materials Sales Co., Ltd. (Note 1)	-	-	-	-	-
	-	837,610	-	-	837,610
<i>Joint venture</i>					
Chongqing Jianwei (Note 2)	-	-	-	-	-
<i>Associate</i>					
Baowu Raw Material (Note 2)	-	40,000	-	-	40,000
Xingang Changlong (Note 2)	28,258	-	-	-	28,258
Baocheng Carbon (Note 2)	-	11,236	-	-	11,236
	28,258	51,236	-	-	79,494

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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

2019

Investees	Opening balance	Increase/(decrease)			Closing balance
		Investments increased	Investments decreased	Investment income recognized through equity method	
<i>Subsidiary</i>					
Chongqing CIS Building Materials Sales Co., Ltd. (Note 1)	-	-	-	-	-
<i>Joint venture</i>					
Chongqing Jianwei (Note 2)	-	-	-	-	-
<i>Associate</i>					
Xingang Changlong (Note 2)	-	28,258	-	-	28,258
	-	28,258	-	-	28,258

*Note 1:* The Company incorporated Chongqing CIS Building Materials Sales Co., Ltd., and the amount of the subscribed contribution is RMB10 million. As at the financial position date, the Company has not yet paid the above capital contribution.

*Note 2:* please refer to Note VI 1

*Note 3:* On December 31, 2020, the Company pledged 100% equity of Chongqing Iron and Steel Energy Environmental Protection Co., Ltd. to obtain a working capital loan of RMB200,000,000.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Revenue

	2020		2019	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	<b>24,346,866</b>	<b>22,628,246</b>	23,359,999	21,647,597
Revenue from other operations	<b>139,810</b>	<b>103,411</b>	107,963	70,888
	<b>24,486,676</b>	<b>22,731,657</b>	23,467,962	21,718,485

Details of revenue as follows:

	2020	2019
Revenue from contracts with customers	<b>24,485,779</b>	23,466,598
Revenue from lease	<b>897</b>	1,364
	<b>24,486,676</b>	23,467,962

Disaggregation of Revenue from contracts with customers are as follows:

2020

Main Product	Sale of steel products	Others	Total
Hot roll	<b>12,384,426</b>	–	<b>12,384,426</b>
Hot rolling	<b>7,392,779</b>	–	<b>7,392,779</b>
Bars	<b>1,464,547</b>	–	<b>1,464,547</b>
Profiles	<b>1,133,878</b>	–	<b>1,133,878</b>
Others	–	<b>2,110,149</b>	<b>2,110,149</b>
	<b>22,375,630</b>	<b>2,110,149</b>	<b>24,485,779</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Revenue (Continued)

2019

Main Product	Sale of steel products	Others	Total
Hot roll	10,792,075	–	10,792,075
Hot rolling	6,891,869	–	6,891,869
Bars	2,473,832	–	2,473,832
Profiles	2,326,636	–	2,326,636
Others	–	982,186	982,186
	22,484,412	982,186	23,466,598

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

The details of expected revenue recognized from remaining contract obligation:

	Year ended 31 December 2020	Year ended 31 December 2019
Sale of goods	1,105,972	1,004,220

### 5. Investment income

	2020	2019
Investment income of financial assets held for trading	6,791	15,894
Investment income from long-term equity investments under cost method	–	4,220
	6,791	20,114

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XV. OTHER SUPPLEMENTARY INFORMATION

### 1. Non-recurring profit or loss

	2020
Gains/(loss) from disposal of non-current assets, including offset portion of impairment provision for such asset	(20,177)
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	196,430
Capital occupied income from non-financial entities	857
Income from disposal of financial assets held for trading	6,803
Non-operating income and expenses other than the above items	(36,516)
Sub-total	147,397
Less: Impact of income tax	-
Non-recurring profit or loss attributable to owners of the parent	147,397

*Note:* The items of non-recurring profit or loss were stated at the pre-tax amount. The Group recognized extraordinary 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).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2020 (Unit: RMB'000)

## XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

### 2. Return on net assets and earnings per share

2020	Weighted average return on net assets (%)	Earnings per share (RMB per share)	
		Basic earnings per share	Diluted Earnings per share
Net profit attributable to ordinary shareholders of the Company	3.24	0.07	0.07
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	2.49	0.06	0.06

2019	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	4.88	0.10	0.10
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	3.83	0.08	0.08

Chongqing Iron & Steel Company Limited  
19 March, 2021



## Section XII Documents Available for Inspection

Document available for inspection	A copy of annual report, containing the signature of the current legal representative of the Company and company seal
Document available for inspection	A copy of accounting statements, containing signatures of the legal representative, the person in charge of the accounting function and the person in charge of the accounting department and company seal
Document available for inspection	The original of auditor Report containing company seal of accounting firm, signature and seal of certified public accountant
Document available for inspection	Originals of all documents and announcements of the Company disclosed in newspapers designated by China Securities Regulatory Commission and on the websites of SSE during the Reporting Period

*Chairman:* Liu Jianrong

The date of approval by the Board for submission: 19 March 2021

### REVISION

Applicable

Not applicable