

重慶鋼鐵股份有限公司

Chongqing Iron & Steel Company Limited

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

# 2021 Interim Report



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

## IMPORTANT NOTICE

- I. The Board, the Supervisory Committee and directors, supervisors and senior management of the Company warrant that there are no false representations, misleading statements contained in or material omissions from this interim report and individually and collectively accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.
- II. All directors of the Company attended Board meetings.
- III. This interim report has not been audited.
- IV. Mr. Zhang Wenxue, head of the Company, and Mr. Zou An, the Chief Financial Officer and Ms. Lei Xiaodan, the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the interim report.
- V. The profit distribution proposal or proposal to transfer capital reserve to share capital for the Reporting Period as approved by the Board by way of resolution

Nil

- VI. Risk warning in respect of forward-looking statements

Applicable     Not applicable

The forward-looking statements in this interim report, such as the future plans, are subject to uncertainties and do not constitute the Company's substantive undertakings to investors. Investors should pay attention to investment risks.

- VII. Is there any non-operational fund occupancy by the controlling shareholder or its related party?

No

- VIII. Is there any provision of external guarantee by the Company in violation of the stipulated decision making procedure?

No

- IX. Whether more than half of the directors cannot guarantee the truthfulness, accuracy and completeness of the interim report disclosed by the Company or not

No

- X. Major Risk Warning

No

- XI. Others

Applicable     Not applicable

# Section I Definitions

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

## DEFINITIONS OF COMMON TERMS

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
China Baowu, Baowu Group	China Baowu Steel Group Corporation Limited
Strategic Emerging Fund	Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC
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
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 2021 to 30 June 2021
RMB, RMB'000, RMB0'000, RMB00'000'000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan, RMB hundred million yuan

## Section II Company Profile and Major Financial Indicator

### I. COMPANY INFORMATION

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

### II. CONTACT INFORMATION

	<b>Secretary to the Board</b>	<b>Securities Representative</b>
Name	Zou An	Peng Guoju
Correspondence address	No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing	No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Telephone	86-23-6898 3318	86-23-6898 3482
Fax	86-23-6887 3189	86-23-6887 3189
E-mail	ir_601005@baowugroup.com	ir_601005@baowugroup.com

### III. CHANGES IN BASIC INFORMATION

Registered address	No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Historical changes in registered address	No. 30 Gangtie Road, Dadukou District, Chongqing No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing,
Office address	No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Postal code of office address	401258
Website	<a href="http://www.cqgt.cn">http://www.cqgt.cn</a>
E-mail	ir_601005@baowugroup.com
Query index for the change during the Reporting Period	Announcement on the Change of E-mail (Announcement No.: 2021-028) published on the official website of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )

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

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

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

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

Class of shares	Place of listing	Abbreviated name	Stock code	Stock name <sup>0</sup> before change
A shares	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	N/A
H shares	The Stock Exchange of Hong Kong Limited	Chongqing Iron	01053	N/A

### VI. OTHER RELATED INFORMATION

Applicable     Not applicable

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

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

#### (I) Key Accounting Data

Unit: RMB'000 Currency: RMB

Key accounting data	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)
Revenue	<b>22,669,939</b>	10,927,367	107.46
Net profit attributable to shareholders of the Company	<b>2,697,041</b>	121,355	2,122.44
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	<b>2,834,482</b>	107,793	2,529.56
Net cash flow from operating activities	<b>1,546,388</b>	82,586	1,772.46

	At the end of the Reporting Period	At the end of last year	Change from the end of last year to the end of the Reporting Period (%)
Net assets attributable to shareholders of the Company	<b>22,743,007</b>	20,038,467	13.50
Total assets	<b>45,151,053</b>	39,949,856	13.02

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

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

#### (II) Key Financial Indicators

Key financial indicators	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)
Basic earnings per share ( <i>RMB per share</i> )	<b>0.30</b>	0.01	2,900.00
Diluted earnings per share ( <i>RMB per share</i> )	<b>0.30</b>	0.01	2,900.00
Basic earnings per share after non-recurring profit or loss ( <i>RMB per share</i> )	<b>0.32</b>	0.01	3,100.00
Weighted average return on net assets (%)	<b>12.61</b>	0.62	Increased by 11.99 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	<b>13.25</b>	0.55	Increased by 12.70 percentage points

Explanation on the major financial data and financial indicators

Applicable  Not applicable

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

Applicable  Not applicable



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

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

Applicable       Not applicable

Unit: RMB'000    Currency: RMB

Non-recurring profit or loss	Amount	Note (if applicable)
Government grants charged in the profit or loss for the current period (except for those closely related to the ordinary operation and gained constantly at a fixed amount or quantity according to certain standard based on state policies)	28,149	
Capital occupied income from non-financial entities recognized through profit or loss	1,000	
Non-operating income and expenses other than the above items	-166,590	
<b>Total</b>	<b>-137,441</b>	

### X. OTHERS

Applicable       Not applicable

# Section III Management Discussion and Analysis

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

### (I) Explanation on the Main Business

The Company, belonging to the manufacturing industry/ferrous metal smelting and rolling processing industry, is mainly engaged in the production and sale of hot rolled sheets, medium plates, rebars, wire rods, billets, steel by-products and coking and coal chemical products, etc. The Company has the following main production lines: 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. The Company ranks No. 400 in 2021 Fortune China 500.

Chongqing Iron & Steel, which has integrated into China Baowu, is marching forward with a new attitude towards the goal of high-quality development, striving to build itself into a high-quality green and smart steel manufacturing enterprise, shaping "Chongqing Iron & Steel to be beautiful and picturesque", and becoming a leader in the steel industry in Southwest China. The Company practices the major strategy of "Belt and Road Initiative" and facilitates the win-win cooperation in the iron & steel area, thus promoting the formation of the new advantage and new pattern of mutual promotion of the "dual circulation" between South China and Southwest China and Southeast Asia, and enhancing the competitiveness, innovative ability, controlling force, influence and ability to resist risks. Taking "benchmarking and 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" as its basic work, the Company copied the successful models of excellent enterprises to optimize its organizational structure and business process, enhance its lower and basic management, initiate the smart manufacturing and improve its systematic construction, by which actively promoting various corporate operation tasks.

## Section III Management Discussion and Analysis (Continued)

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

#### (II) Explanation on the Industry

In the first half of 2021, under the favorable environment of the continuous and steady recovery of the national economy, the operation of the iron and steel industry was in good phase, showing a situation that both production and marketing thrived and the benefits increased. As to the production and marketing, iron and steel industry actively adapted the strong increase in the demand for iron and steel, realizing relative balance of overall demand and supply. As to the operating results, facing the situation that the increase of prices of raw materials such as iron ore exceeded the increase of price of steel, the whole industry still achieved good performance by deeply tapping potential and lowering costs, thus further increasing operating quality.

In the first half of the year, the domestic production of pig iron, crude steel and steel products reached 456 million tonnes, 563 million tonnes and 698 million tonnes, representing a year-on-year increase of 4.0%, 11.8% and 13.9%, respectively; it was expected to equivalent to the crude steel apparent consumption of 537 million tonnes, representing a year-on-year increase of 10.2%; the cumulative exports of steel products reached 37.38 million tonnes, representing a year-on-year increase of 30.2%; the cumulative imports of steel products reached 7.35 million tonnes, representing a year-on-year increase of 0.1%; the domestic key iron and steel enterprises realized operating revenue of RMB3,459.3 billion, representing a year-on-year increase of 51.5%; operating cost was RMB3,042.6 billion, representing a year-on-year increase of 46.9%, which was 4.6 percentage points lower than the increase of revenue; total profit was RMB226.8 billion, representing a year-on-year increase of 2.2 times; profit ratio of sales was 6.56%, representing a year-on-year increase of 3.4 percentage points; as at the end of June, the asset to liability ratio of key iron and steel enterprises was 62.09%, representing a year-on-year decrease of 1.23 percentage points.

In the first half of the year, the average value of the composite index of China's steel price index (CSPI) was 137.85 points, representing a year-on-year increase of 36.56%. Among which, the average value of long product index was 140.90 points, representing a year-on-year increase of 32.89%; the average value of plate index was 138.08 points, representing a year-on-year increase of 41.23%, exceeding that of long product index by 8.34 percentage points. The average price of imported iron ore was US\$165.88/tonne, representing a year-on-year increase of US\$74.15/tonne or 80.84%, which was 44.28 percentage points higher than the increase of steel price.

(Sources of above data: the National Bureau of Statistics, the General Administration of Customs, the China Iron and Steel Association, etc.)

## Section III Management Discussion and Analysis (Continued)

### II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable     Not applicable

#### (I) Flexible system and mechanism advantage

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

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

The Company is strategically located in Chongqing, an important city in Southwest China, close to the gold fairway of Yangtze River with good transport, and owns unique advantages in geographical location. In the face of various opportunities such as “the western development”, “Belt and Road Initiative”, “the Yangtze River Economic Belt” and “the Chengdu-Chongqing economic rim”, the strong demand of the steel market has made Chongqing and southwestern regions the areas with net inflows of steel while local supply cannot meet its own demand. The Company is the only iron and steel conglomerate meeting national policies on the industry in Chongqing. With its proximity to the Yangtze River, the Company enjoys favourable logistic conditions of the port for self-owned raw material and finished products transportation with its products mainly sold in Chongqing and southwestern regions. It boasts obvious comparable advantages in regional markets and enjoys bright development prospects.

#### (III) Cost competitive ability

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

#### (IV) Brand advantage

With rich production lines, the Company is able to provide a diversified portfolio of products. The products includes the varieties of medium plates, heavy plates, hot coil and long products, which meets the development demands in northwestern regional markets and the products are highly recognized in regional markets. The Company has established extensive cooperation relationships with various central enterprises such as China State Construction Engineering Chengdu Co, Ltd. (中建科工成都有限公司), China Railway Materials Chengdu Co, Ltd. (中鐵物資成都有限公司) and China Communications Materials.

## Section III Management Discussion and Analysis (Continued)

### III. DISCUSSION AND ANALYSIS ON OPERATION

In the first half of 2021, the Company seized the favorable opportunity of steel market, closely centered on the mainline of “refining management, minimizing resource consumption, conducting comprehensive benchmarking to identify areas for improvement, and increasing efforts in cost reduction and efficiency enhancement”. The Company proactively and comprehensively identified differences with benchmark enterprises, paid close attention to reducing costs and increasing efficiency, constantly improved the technical and economic indicators, aimed at the market gaps of the purchase and sales, continuously strengthened the purchase system and optimized the marketing model, and therefore achieved steady improvement in production and sales efficiency with continuous improvement in production and operation. In the first half of 2021, the Company produced 4,661,100 tonnes of iron, 5,030,500 tonnes of steel and 4,856,600 tonnes of commodity billet, representing a year-on-year increase of 62.76%, 53.36% and 54.68%, respectively.

In the first half of 2021, the Company achieved a record high in the production of iron in March and the production of steel in May by leveling up and updating the processing equipment, optimizing the model of production and organization and maintaining a stable and efficient rolling process and production of iron and steel; the main technical and economic indicators repeatedly set new records, the dry coking coal proportion, coal powder injection ratio, utilization coefficient, steel and iron material consumption, hot charge ratio, and rolling operation efficiency set new records; 1# and 2# blast furnaces were continuously rewarded the first prize of Baowu Group in the first and second quarters; iron and steel materials consumption indices had continuously ranked first in Baowu Group, and had become a role model in Baowu Group; in May, the hot charging rate of 1,780mm hot-coil production line ranked first in Baowu Group.

In the first half of 2021, the Company’s major technical and economic indicators have seen a significant improvement, all sorts of consumptions significantly decreased, and thus achieving a decrease of RMB979 million in process costs by benchmarking with the industry, within Baowu Group and with excellent private enterprises.

The Company strives to create a high-quality green and smart steel manufacturing enterprise, shaping “Chongqing Iron & Steel to be beautiful and picturesque”, and becoming a leader in the steel industry in Southwest China. The Company continues to improve its competitiveness by focusing on the main philosophy of “refining management, minimizing resource consumption, conducting comprehensive benchmarking to identify areas for improvement, and increasing efforts in cost reduction and efficiency enhancement”. 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 has realized sales volume of 9.58 million tonnes of commodity billets and revenue of RMB34.5 billion (tax exclusive) in the year of 2021. There has been no significant change in the Company’s possible future business development and outlook for the financial year of 2021 since the publication of the Company’s annual report for the year ended 31 December 2020.

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

Applicable  Not applicable

## Section III Management Discussion and Analysis (Continued)

### IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

#### (I) Main business analysis

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

Unit: RMB'000 Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Revenue	<b>22,669,939</b>	10,927,367	107.46
Cost of sales	<b>19,185,057</b>	10,342,993	85.49
Distribution and selling expenses	<b>42,999</b>	53,355	-19.41
General and administrative expenses	<b>245,709</b>	244,093	0.66
Finance expenses	<b>207,597</b>	90,148	130.28
Research and development expenses	<b>75,591</b>	–	N/A
Net cash flow from operating activities	<b>1,546,388</b>	82,586	1,772.46
Net cash flow from investing activities	<b>-1,864,545</b>	251,153	-842.39
Net cash flow from financing activities	<b>354,050</b>	1,039,510	-65.94

Reasons for change in revenue: The increase in revenue was mainly due to the increase in sales volume and rise in sales price of commodity billet.

Reasons for change in cost of sales: The increase in cost of sales was mainly due to the rise in the prices of raw materials and fuels.

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.

Reasons for change in finance expenses: The increase in finance expenses was mainly due to the increase in financing and interest expenses.

Reasons for change in research and development expenses: The Company's total investment in research and development amounted to RMB622 million in the first half of the year, in which direct input amounting to RMB546 million resulted from product sales.

## Section III Management Discussion and Analysis (Continued)

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

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

##### 1 *Analysis of changes in certain items from financial statements (Continued)*

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

Reasons for changes in net cash flow from investing activities: The decrease in net cash flow from investing activities was mainly due to the increase in investment in fixed assets, wealth management products, etc.

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

##### 2 *Detailed description of the major changes in the Company's business types, profits structure or profits sources in the period*

Applicable       Not applicable

In the first half of 2021, the Group realized a total profit of RMB2,697 million, representing a year-on-year increase of 21 times, which was mainly due to the following reasons: the selling price of commodity billet amounted to RMB4,555/tonne, representing a year-on-year increase of 36.05%, and achieving an increase of RMB4,854 million in profit; the sales volume of commodity billet reached 4.7542 million tonnes, representing a year-on-year increase of 51.55%, and achieving an increase of RMB648 million in profit; the increase in prices of raw materials such as ore, coal, alloy and scrap steel resulted in a decrease of RMB3,452 million in profit; the Company significantly increased its production scale and continuously promoted cost reduction plan, thus key technical and economic indicators such as utilization coefficient of blast furnace, fuel consumption of blast furnace, steel and iron material consumption for steelmaking improved significantly, all consumption obviously reduced, thus resulting in a cost reduction of RMB979 million in the aspect of process; provision made for carbon emission compliance costs resulted in a decrease of RMB167 million in profit; in order to eliminate the fire-control and structural safety hazard and improve working environment for employees, the Company carried out special rectification, leading to provision made for special repair costs and resulting in a decrease of RMB103 million in profit.

## Section III Management Discussion and Analysis (Continued)

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

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

##### 2 Detailed description of the major changes in the Company's business types, profits structure or profits sources in the period (Continued)

In the first half of 2021, the Group's revenue from main business amounted to RMB22.410 billion, representing a year-on-year increase of 106.06%. In particular, the income from sales of commodity billet amounted to RMB21.656 billion, representing an increase of RMB11.154 billion as compared with the corresponding period of last year. Firstly, the sales volume of commodity billet was 4.7542 million tonnes, representing a year-on-year increase of 51.55%, resulting in an increase in the sales income of RMB6,300 million; secondly, the average sales price of commodity billet was RMB4,555/tonne, representing a year-on-year increase of 36.05%, resulting in an increase in the sales income of RMB4,854 million.

Composition of revenue from principal operations:

Type	First half of 2021		First half of 2020		Year-on-year growth (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plates	6,112,700	27.28	3,456,117	31.78	76.87
Hot rolling	11,050,037	49.30	5,313,138	48.85	107.98
Bars	134	0.001	958,786	8.82	-99.99
Wire rods	–	–	773,514	7.11	-100.00
Billet	4,493,015	20.05	–	–	–
Sub-total	21,655,886	96.63	10,501,555	96.56	106.22
Other	754,398	3.37	374,200	3.44	101.60
Total of commodity billet	22,410,284	100.00	10,875,755	100.00	106.06



## Section III Management Discussion and Analysis (Continued)

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

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

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

Sales prices of commodity billet:

Item	Sales price in the first half of 2021 (RMB/tonne)	Sales price in the first half of 2020 (RMB/tonne)	Year-on-year Growth (%)	Income increase (RMB'000)
Plates	4,779	3,508	36.23	1,625,872
Hot rolling	4,594	3,252	41.27	3,228,062
Bars	4,763	3,337	42.73	40
Wire rods	–	3,356	–	–
Billet	4,201	–	–	–
Total of commodity billet	4,555	3,348	36.05	4,853,974

Sales volumes of commodity billet:

Item	Sales volume for the first half of 2021 (Ten thousand tonnes)	Sales volume for the first half of 2020 (Ten thousand tonnes)	Year-on-year Growth (%)	Income increase (RMB'000)
Plates	127.92	98.53	29.83	1,030,711
Hot rolling	240.54	163.39	47.22	2,508,837
Bars	0.003	28.73	-99.99	-958,692
Wire rods	–	23.05	-100.00	-773,514
Billet	106.96	–	–	4,493,015
Total of commodity billet	475.42	313.70	51.55	6,300,357

## Section III Management Discussion and Analysis (Continued)

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

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

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

Principal operations by sectors, products and regions

Unit: RMB'000 Currency: RMB

Main operations by sectors						
By sectors	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Iron and steel	22,410,284	18,896,675	15.68	106.06	83.16	10.54

  

Main operations by products						
By products	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Commodity billet	21,655,886	18,191,947	16.00	106.22	83.12	10.60
Other	754,398	704,728	6.58	101.60	84.26	8.79

## Section III Management Discussion and Analysis (Continued)

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

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

2 Detailed description of the major changes in the Company's business types, profits structure or profits sources in the period (Continued)

Main operations by regions						
By regions	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Southwest	13,592,893	11,382,871	16.26	32.21	16.54	11.26
Other regions	8,817,391	7,513,804	14.78	1,383.45	1,266.55	7.29
<b>Total</b>	<b>22,410,284</b>	<b>18,896,675</b>	<b>15.68</b>	<b>106.06</b>	<b>83.16</b>	<b>10.54</b>

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

Applicable       Not applicable

## Section III Management Discussion and Analysis (Continued)

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

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

Applicable  Not applicable

##### 1. Assets and liabilities

Unit: RMB'000

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 year	Percentage of the amount at the end of the previous year in total assets (%)	Year-on-year change (%)	Explanation
Financial assets held for trading	550,000	1.22	-	-	N/A	Purchase of wealth management products
Trade receivables	8,965	0.02	35,041	0.09	-74.42	Recovery of spread settlement
Receivables financing	3,605,463	7.99	2,068,546	5.18	74.30	Increase in sales volume
Inventories	6,761,902	14.98	5,054,908	12.65	33.77	Rise in prices of raw materials
Other current assets	98,003	0.22	394,153	0.99	-75.14	Decrease in excess VAT paid
Long-term equity investments	51,236	0.11	79,494	0.20	-35.55	Completion of the acquisition of 72% equity interest in Xingang Changlong who became a wholly-owned subsidiary of the Company
Construction in progress	4,229,714	9.37	2,844,665	7.12	48.69	Progress payments for fixed investment projects
Short-term borrowings	1,979,336	4.38	700,788	1.75	182.44	Increase in bank borrowings
Notes payable	1,880,137	4.16	1,272,291	3.18	47.78	Increase in bills payment
Trade payables	3,884,132	8.60	2,652,728	6.64	46.42	Rise in prices of raw materials
Contract liabilities	3,322,929	7.36	2,554,165	6.39	30.10	Increase in order quantity and proportion of advance receipts
Employee benefits payable	96,137	0.21	283,969	0.71	-66.15	Transfer to incentive funds for 2020
Taxes payable	22,902	0.05	9,177	0.02	149.56	Increase in stamp duty and environmental protection tax for June
Other payables	1,062,032	2.35	1,567,618	3.92	-32.25	Payment of construction fees
Non-current liabilities due within one year	2,552,245	5.65	4,056,471	10.15	-37.08	Repayment of borrowings from Changshou Iron & Steel
Other current liabilities	431,981	0.96	332,041	0.83	30.10	Increase in advance receipts and taxes involved
Long-term payables	2,615,946	5.79	1,352,264	3.38	93.45	New finance lease
Other non-current liabilities	-	-	445,480	1.12	-100.00	Reclassification of financial borrowings due within one year

Others

Applicable  Not applicable

## Section III Management Discussion and Analysis (Continued)

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

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

2. *Overseas assets*

Applicable  Not applicable

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

Applicable  Not applicable

Unit: RMB'000 Currency: RMB

Item	30 June 2021	31 December 2020	Notes
Cash and bank balances	<b>524,874</b>	245,141	Note 1
Receivables financing	<b>172,465</b>	1,343,223	Note 2
Property, plant and equipment			
– houses and buildings	<b>1,724,265</b>	987,609	Note 3
Property, plant and equipment			
– machinery and equipment	<b>4,119,855</b>	2,542,304	Note 3
Intangible assets	<b>1,617,133</b>	1,027,708	Note 4
<b>Total</b>	<b>8,158,592</b>	6,145,985	

*Note 1:* As at 30 June 2021, the Group's ownership of cash and bank balances with carrying amount of RMB524,874,000 (31 December 2020: RMB245,141,000) was restricted for issuing bank acceptances and letters of credit.

*Note 2:* As at 30 June 2021, the Group issued bank acceptances by pledging bank acceptances with carrying amount of RMB172,465,000 (31 December 2020: the Group issued bank acceptances by pledging bank acceptances with carrying amount of RMB1,343,233,000).

*Note 3:* As at 30 June 2021, the Group's houses and buildings with carrying amount of RMB1,724,265,000 (31 December 2020: RMB987,609,000) and machinery equipments with carrying amount of RMB4,119,855,000 (31 December 2020: RMB2,542,304,000) were pledged for obtaining bank borrowing and working capital loan facilities.

*Note 4:* As at 30 June 2021, the Group's land use right with carrying amount of RMB1,617,133,000 (31 December 2020: RMB1,027,708,000) was pledged for obtaining bank borrowing and working capital loan facilities, and the amortised amount of the land use right was RMB22,054,000 during the current year.

## Section III Management Discussion and Analysis (Continued)

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

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

4. *Others*

Applicable  Not applicable

#### (IV) Investment Analysis

1. *General analysis of external equity investment*

Applicable  Not applicable

In the first half of 2021, the Company completed equity investment projects of RMB126,420,000, representing an increase of RMB116,420,000 as compared to the same period last year. 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, which approved the Company's acquisition of 60% and 12% equity interest in Chongqing Xingang Changlong Logistics Co., Ltd. ("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. 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.

(1) *Significant Equity Investment*

Applicable  Not applicable

(2) *Significant Non-Equity Investment*

Applicable  Not applicable

(3) *Financial Assets Measured at Fair Value*

Applicable  Not applicable

## Section III Management Discussion and Analysis (Continued)

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

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

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

(3) *Financial Assets Measured at Fair Value (Continued)*

Unit: RMB'000 Currency: RMB

Item	Opening balance	Closing balance	Changes in the reporting period	Effects on the profit for the reporting period
Financial assets held for trading	–	<b>550,000</b>	550,000	–
Other equity investments	5,000	<b>5,000</b>	–	–
Receivables financing	2,068,546	<b>3,605,463</b>	1,536,917	–
Total	2,073,546	<b>4,160,463</b>	2,086,917	–

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

Applicable  Not applicable

## Section III Management Discussion and Analysis (Continued)

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

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

Applicable  Not applicable

Name of the subsidiary/ investee companies	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 Xingang Changlong Logistics Co., Ltd.	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation and warehouse	100	Acquisition of equity
Chongqing Jian Wei Intelligent Technology Co.,Ltd* (重慶鑿微智能科技有限公司)	Changshou District, Chongqing	Changshou District, Chongqing	Software and information technology services	50	Establishment by capital
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

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

Applicable  Not applicable



## Section III Management Discussion and Analysis (Continued)

### V. OTHER DISCLOSURE

#### (I) Potential Risks

Applicable     Not applicable

1. The uncertainties for the domestic and international macroeconomy are increasing, coupled with the persistent existence of uncertain factors such as repeated pandemics brings about a lot of challenges on the development of the iron and steel industry.
2. The iron and steel industry is a highly cyclical industry, and the domestic and international situation, macro-economy, industrial policies, etc. may have certain effects on the Company's operations.
3. The implementation of new environmental protection laws, pollutant emission standards, "carbon peak" and "carbon neutralization" and other relevant laws and regulations and national policies have further increased the environmental protection pressure on the steel industry.
4. The Company faces certain risks from fluctuations in raw material prices and sales prices of steel products. The Company acquires iron ore mainly through import, which is greatly affected by fluctuations in prices of bulk raw materials.

#### (II) Other disclosure

Applicable     Not applicable

# Section IV Corporate Governance

## I. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions	Resolutions
2021 First Extraordinary General Meeting	10 March 2021	Announcement of Resolutions Passed at the 2021 First Extraordinary General Meeting (Ann. No.: 2021-015) published on the official website of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	11 March 2021	Considering and passing: <ol style="list-style-type: none"><li>1. Resolution on the Service and Supply Agreement and its supplemental agreement and the continuing connected transactions (including the proposed caps) entered into between the Company and China Baowu</li><li>2. Resolution on the election of Mr. Zhang Wenxue as a Director of the Company</li><li>3. Resolution on the amendments to the Articles of Association and its appendices</li></ol>
2020 Annual General Meeting	29 June 2021	Announcement of Resolutions Passed at the 2020 Annual General Meeting (Ann. No.: 2021-046) published on the official website of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	30 June 2021	Considering and passing: <ol style="list-style-type: none"><li>1. The final financial accounts report for the year 2020</li><li>2. The 2020 annual report (full text and summary)</li><li>3. The profit distribution plan for the year 2020</li><li>4. The report of the board of directors for the year 2020</li><li>5. The report of the supervisory committee for the year 2020</li><li>6. The proposal for the re-appointment of the financial and internal control auditor for the year 2021</li><li>7. The proposal for the proposed budget for the year 2021</li><li>8. The proposal for the signing of the Financial Service Agreement and the connected transactions between the Company and Baowu Finance Company</li><li>9. The proposal for the entering into of the 2021- 2023 Service and Supply Agreement and the continuing connected transactions (including the annual caps) between the Company and China Baowu</li></ol>

## Section IV Corporate Governance (Continued)

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

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions	Resolutions
2021 Second Extraordinary General Meeting	12 August 2021	Announcement of Resolutions Passed at the 2021 Second Extraordinary General Meeting (Ann. No.: 2021-059) published on the official website of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> )	13 August 2021	Considering and passing: <ol style="list-style-type: none"><li>1. Resolution on the connected transactions in relation to the purchase of assets from Changshou Iron &amp; Steel</li><li>2. Resolution on the remuneration of the members of the ninth session of the Board and the Supervisory Committee</li><li>3. Resolution on the election of non-independent Directors of the ninth session of the Board</li><li>4. Resolution on the election of the independent Directors of the ninth session of the Board</li><li>5. Resolution on the election of the non-employee representative supervisors of the ninth session of the Supervisory Committee</li></ol>

#### Preferred shareholders with restored voting rights request convening extraordinary general meetings

Applicable  Not applicable

#### Explanation on general meeting

Applicable  Not applicable

## Section IV Corporate Governance (Continued)

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

Applicable       Not applicable

Name	Position	Change
Zhang Wenxue	Director, Chairman	Election
Song De An	Director, Vice Chairman	Election
Xie Zhixiong	Director	Election
Lai Xiaomin	Director	Election
Zou An	Director	Election
Zhou Ping	Director	Election
Sheng Xuejun	Independent Director	Election
Zhang Jinruo	Independent Director	Election
Guo Jiebin	Independent Director	Election
Wu Xiaoping	Supervisor, Chairman of the Supervisory Committee	Election
Li Huaidong	Supervisor	Election
Zhu Xing'an	Supervisor	Election
Zhou Ya Ping	Staff Representative Supervisor	Election
Zhang Li Quan	Staff Representative Supervisor	Election
Xie Zhixiong	President	Appointment
Zou An	Secretary to the Board	Appointment
Yao Xiaohu	Senior Vice President	Appointment
Liu Jianrong	Director, Chairman	Resigned
Tu De Ling	Director	Resigned
Xin Qing Quan	Independent Director	Resigned
Xu Yi Xiang	Independent Director	Resigned
Wong Chun Wa	Independent Director	Resigned
Wang Cunlin	Supervisor	Resigned
Xu Xudong	Supervisor	Resigned
Zhao Wei	Staff Representative Supervisor	Resigned
Zhang Wenxue	President	Resigned
Meng Xiang Yun	Senior Vice President, Secretary to the Board	Resigned

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

Applicable       Not applicable

## Section IV Corporate Governance (Continued)

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

#### (I) Details on changes in directors

1. The Company convened the 31th meeting of the eighth session of the Board on 30 December 2020 and convened the 2021 first extraordinary general meeting on 10 March 2021, at which Mr. Zhang Wenxue was elected as a director of the eighth session of the Board of the Company.
2. On 5 July 2021, the Company received a written resignation tendered by Mr. Liu Jianrong, the chairman. Mr. Liu Jianrong tendered his resignation to the Board of the Company as the chairman, a director and a member of the special committee under the Board due to work adjustment.
3. On 7 July 2021, the Company convened the 40th meeting of the eighth session of the Board, at which Mr. Zhang Wenxue was elected as the chairman of the eighth session of the Board of the Company.
4. On 12 August 2021, the Company convened the 2021 second extraordinary general meeting, at which the re-election of members of the Board was conducted. Mr. Zhang Wenxue, Mr. Song De An, Mr. Xie Zhixiong, Mr. Lai Xiaomin, Mr. Zou An and Mr. Zhou Ping were elected as non-independent directors of the ninth session of the Board of the Company for a term of three years; Mr. Sheng Xuejun, Mr. Zhang Jinruo and Mr. Guo Jiebin were elected as independent (non-executive) directors for the ninth session of the Board of the Company for a term of three years; Mr. Tu Deling, Mr. Xin Qingquan, Mr. Xu Yixiang and Mr. Wong Chunwa resigned due to the expiry of the term of office.
5. On 20 August 2021, the Company convened the first meeting of the ninth session of the Board, at which Mr. Zhang Wenxue was elected as the chairman of the ninth session of the Board of the Company and Mr. Song De An was elected as a vice chairman of the ninth session of the Board of the Company; Mr. Zhang Wenxue, Mr. Song De An, Mr. Xie Zhixiong, Mr. Lai Xiaomin, Mr. Zou An and Mr. Zhou Ping were appointed as members of the Strategy Committee under the ninth session of the Board, and Mr. Zhang Wenxue was appointed as the chairman; Mr. Zhang Jinruo, Mr. Zhou Ping, Mr. Sheng Xuejun and Mr. Guo Jiebin were appointed as members of the Audit Committee under the ninth session of the Board, and Mr. Zhang Jinruo was appointed as the chairman; Mr. Sheng Xuejun, Mr. Song De An, Mr. Zhang Jinruo and Mr. Guo Jiebin were appointed as members of the Nomination Committee under the ninth session of the Board, and Mr. Sheng Xuejun was appointed as the chairman; Mr. Guo Jiebin, Mr. Song De An, Mr. Sheng Xuejun and Mr. Zhang Jinruo were appointed as members of the Remuneration and Evaluation Committee under the ninth session of the Board, and Mr. Guo Jiebin was appointed as the chairman.

## Section IV Corporate Governance (Continued)

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

#### (II) Details on changes in supervisors

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

#### (III) Changes in senior management

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

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

## Section IV Corporate Governance (Continued)

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

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

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

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

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

Applicable  Not applicable

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

*Equity incentive*

Applicable  Not applicable

*Other explanations*

Applicable  Not applicable

*Employee share ownership plan*

Applicable  Not applicable

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

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

In order to establish and improve the mechanism of sharing the benefits and risks of employees and owners of the Company, and to improve the cohesion of employees and the competitiveness of the Company, to retain core employees, and to integrate the interests of the management, the core and mainstay personnel and the shareholders, aiming to facilitate the long-term and stable development of the Company and improvement of the shareholder value, the Company has prepared the Employee Share Ownership Plan from 2018 to 2020 (Draft) and its summary in accordance with relevant laws, regulations as well as the Articles of Association.

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

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

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



## Section IV Corporate Governance (Continued)

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

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

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

As at 27 June 2019, the Company repurchased a total of 31,500,000 shares through centralized bidding trading, representing approximately 0.3532% of its total share capital. The highest, lowest and average price transacted for such shares were RMB2.13 per share, RMB1.88 per share and RMB1.975 per share, respectively. The total amount paid for such shares was RMB62,223,734 (excluding transaction costs). The shares repurchased are deposited in the Company's securities account designated for share repurchase and will be used for the employee share ownership plans of the Company.

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

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

## Section IV Corporate Governance (Continued)

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

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

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

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

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

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

## Section IV Corporate Governance (Continued)

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

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

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

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

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

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

## Section IV Corporate Governance (Continued)

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

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

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

#### *Other incentive measures*

Applicable       Not applicable

# Section V Environmental and Social Responsibility

## I. ENVIRONMENTAL INFORMATION

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

Applicable     Not applicable

#### 1. Pollutant discharging

Applicable     Not applicable

The Company has strictly implemented the permit management system for pollutant discharging, and fully carried out the enterprise self-monitoring and information disclosure, achieving pollutant discharging according to the law and regulations and with permit. The Company has strictly implemented pollutant reduction and discharging control by strengthening the operation and management of environmental protection facilities. In the first half of 2021, the total amount of pollutant discharging did not exceed the total permitted index. During the Reporting Period, there was no accident caused by the Company which was subject to environmental protection administrative penalty. The major pollutants discharged by the Company are as follows:

No.	Major pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm <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	83.7	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	757.7	Emission Standard for Pollutants for Coking Chemical Industry GB16171-2012	Nil	No
3	Sulfur dioxide	Continuous				405.29		Nil	No
4	Nitrogen oxides	Continuous				536.3		Nil	No
5	Particulate matter	Continuous	17	Sintering	Less than Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	1,562.1	Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	Nil	No
6	Sulfur dioxide	Continuous				1,292.4		Nil	No
7	Nitrogen oxides	Continuous				2,487		Nil	No
8	Particulate matter	Continuous	27	Ironmaking	Less than Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	1,300.9	Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	Nil	No
9	Sulfur dioxide	Continuous				320.75		Nil	No
10	Nitrogen oxides	Continuous				322.8		Nil	No
11	Particulate matter	Continuous	18	Steelmaking	Less than Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	1,197.6	Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	Nil	No

## Section V Environmental and Social Responsibility (Continued)

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

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

#### 1. Pollutant discharging (Continued)

No.	Major pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm <sup>3</sup> )	Total emissions (tonnes)	Pollutant emission standards implemented	Approved total emissions	Are there excessive emissions
12	Particulate matter	Continuous	13	Steel Rolling	Less than Emission Standard of Air	172.4	Emission Standard of Air Pollutants	Nil	No
13	Sulfur dioxide	Continuous			Pollutants for Steel Rolling Industry	269.56	for Steel Rolling Industry GB28665-2012	Nil	No
14	Nitrogen oxides	Continuous			GB28665-2012	325.2		Nil	No
15	COD	Continuous	1	Central wastewater treatment station	Less than Emission Standard of Water	80.95	Emission Standard of Water Pollutant	Nil	No
16	Nitrox	Continuous			Pollutant for Iron and Steel Industry	7.47	for Iron and Steel Industry	Nil	No
					GB13456-2012		GB13456-2012		
17	Total	Particulate matter	5,074.4	Sulfur dioxide	2,288	Nitrogen oxides	3,671.3	COD Nitrox	80.95 7.47
18	Permitted emissions under the pollutant discharging permit	Particulate matter	11,635	Sulfur dioxide	6,137	Nitrogen oxides	11,155	COD Nitrox	472 47.2

#### 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 supervisory facilities, and networking has been implemented in accordance with government requirements. Blast furnace water slag, converter steel slag, iron dust and other industrial solid waste disposal facilities are available. All production processes of the Company have facilities such as noise elimination, noise reduction, sound insulation and isolation, which effectively control environmental noise. We strengthen the management and control of environmental protection facilities, clarify the main body of responsibility, implement synchronous operation and maintenance of environmental protection facilities and main facilities, and promptly organize emergency repairs for abnormalities or failures. The environmental protection facilities are under sound operating condition.

## Section V Environmental and Social Responsibility (Continued)

### I. ENVIRONMENTAL INFORMATION (CONTINUED)

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

##### 2. Construction and operation of pollution control facilities (Continued)

The wastewater treatment system 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.

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

Applicable       Not applicable

The Company's bar materials production line upgrade and transformation project, the wire rods production line upgrade and transformation project, the raw material terminal equipment upgrade and transformation project, the energy efficiency improvement project of waste heat power generation, the surplus gas power generation project, the surplus gas power consumption, steam cascade utilization and other projects have obtained the environmental assessment approvals.

##### 4. Environmental emergency plan

Applicable       Not applicable

In order to implement the requirements of the laws and regulations on strengthening the environmental protection of enterprises promulgated by the central and local government, and establish a sound environmental risk prevention system, the Company has 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 filing No. of 500115-2020-103-H.

## Section V Environmental and Social Responsibility (Continued)

### I. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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 on Environmental Protection of Chongqing Iron & Steel in 2021 (《重慶鋼鐵2021年環境自行監測方案》) 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 and information disclosure in accordance with such program in the first half of 2021.

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

Applicable       Not applicable

7. *Other environmental information required to be disclosed*

Applicable       Not applicable



## Section V Environmental and Social Responsibility (Continued)

### I. ENVIRONMENTAL INFORMATION (CONTINUED)

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

In 2021, the Company formulated the Environmental Protection Plan for “Great Protection of the Yangtze River” of Chongqing Iron & Steel, Working Plan for Ultra-low Emissions of Waste Gas, Working Plan for Specific Action of Zero Sewage Discharge in 2021, Working Plan for Specific Action of No Solid Waste Leaving Factory in 2021, clarified work objectives and specific measures of implementation of Great Protection of the Yangtze River by Chongqing Iron & Steel, and the treatment projects of waste gas, waste water and solid waste shall be moved forward and implemented as planned.

## Section V Environmental and Social Responsibility (Continued)

### I. ENVIRONMENTAL INFORMATION (CONTINUED)

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

Applicable  Not applicable

There were 17 new energy conservation projects in 2021. A set of dehumidification air-blast systemic project has been built in 4# blast furnace blower and put into operation. The annual amount of coke can be saved by 9,600 tonnes, the power consumption of the blower can be reduced by 3.78 million kWh and the annual carbon emission can be reduced by 24,000 tonnes based on the calculation that each reduction of the moisture content of the blower by 1g/Nm<sup>3</sup> can reduce the coke ratio by 0.8~1kg/tFe. For the existing projects of 2020, the surplus gas consumption and steam cascade utilization projects, which consumed the surplus gas of the Company and increased the self-generated power of 10,000 kWh/h, decreased the purchased electricity, and reduced the annual carbon emission of 22,100 tonnes.

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

Applicable  Not applicable

To fulfill corporate social responsibility, actively participate in social welfare undertakings, promote rural revitalization, and contribute to social development, during the Reporting Period, the Company used its own funds to make external donations of RMB142,440. The specific plan is as follows:

Time	Donation and sponsorship objects	Method	Introduction of projects participated in	Amount (RMB 0'000)
May 2021	Tianxing Village, Jiangnan Street, Changshou District, Chongqing	Fund donation	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. The new six fitness path projects can provide convenient public cultural services for rural residents.	14.244

# Section VI Significant Events

## I. FULFILLMENT OF COMMITMENTS

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

Applicable       Not applicable

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment made in acquisition report or equity change report	To solve the horizontal competition	China Baowu	<p>1. In view of the overlap of the business of Baoshan Iron &amp; Steel Co., Ltd. (寶山鋼鐵股份有限公司) ("Baosteel"), WISCO Echeng Steel Company Limited (武漢鋼鐵集團鄂城鋼鐵有限責任公司) ("Echeng Steel") and Chongqing Iron &amp; Steel upon completion of the acquisition, in accordance with the requirements of current laws and regulations and relevant policies, China Baowu will, within five years from the date of this commitment letter or within a shorter period of time, and in accordance with the requirements of the relevant securities regulatory authorities and subject to the applicable laws and regulations and relevant regulatory rules at that time, steadily promote the integration of relevant business to solve the problem of the horizontal competition by comprehensively using various methods such as asset reorganization, business adjustment and entrusted management based on the principle of facilitating the development of the Company and safeguarding the interests of shareholders, minority shareholders in particular.</p> <p>The aforesaid settlement methods include, but are not limited to:</p> <p>(1) Asset reorganization: to gradually sort out and reorganize the assets of the overlapping business of Baosteel, Echeng Steel and Chongqing Iron &amp; Steel by way of asset purchase at cash consideration, share issuance consideration or other methods as permitted by relevant laws and regulations, or by way of assets swap, assets transfer or other feasible reorganization methods, so as to eliminate some of the overlapping business;</p>	16 September 2020	No	Yes

## Section VI Significant Events (Continued)

### I. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
			<p>(2) Business adjustment: to sort out the business boundaries of Baosteel, Echeng Steel and Chongqing Iron &amp; Steel, and to try its best to achieve differentiated operations among the three listed companies. For example, business differentiation can be realized in different ways, such as asset trading and business division, including but not limited to differentiation in terms of business composition, product grade, application areas and customer groups;</p> <p>(3) Entrusted management: one party entrusts the decision-making and management rights related to the operation of certain relevant assets of the overlapping business to the other party for unified management through the signing of an entrustment agreement;</p> <p>(4) Other feasible solutions within the scope permitted by laws and regulations and relevant policies.</p> <p>The implementation of the above solutions is subject to the fulfillment of the necessary procedures for consideration by listed companies and approval by the securities regulatory authorities and relevant competent authorities in accordance with relevant laws and regulations.</p> <p>2. The company has not yet formulated specific implementation plans or time schedule for solving the overlapping business between Baosteel, Echeng Steel and Chongqing Iron &amp; Steel. The company will fulfill its information disclosure obligations in accordance with the relevant laws and regulations in a timely manner after specific feasible plans are formulated;</p> <p>3. In addition to the above, when the company or other subsidiaries are offered business opportunities that may compete with the business of Chongqing Iron &amp; Steel, the company will try its best to give Chongqing Iron &amp; Steel the right of priority to develop such opportunities and the right of first refusal to acquire the projects, promote the price of the relevant transactions to be fair and reasonable, and take the commercial practices followed for conducting normal commercial transactions with independent third parties as its pricing basis;</p>			

## Section VI Significant Events (Continued)

### I. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
			<p>4. The company undertakes to strictly comply with the laws and regulations as well as the provisions of the articles of association of the Company and its relevant management system and not to use its position as an indirect controlling shareholder of the Company to seek unjustified benefits which may further impair the rights and interests of other shareholders of the Company;</p> <p>5. The above commitments shall remain in force during the period when China Baowu has de facto control over Chongqing Iron &amp; Steel.</p>			
	To solve the horizontal competition	Strategic Emerging Fund	<p>1. During the period when Strategic Emerging Fund and China Baowu are acting in concert and China Baowu has de facto control over Chongqing Iron &amp; Steel, Strategic Emerging Fund will not take advantage of China Baowu's control over the Company to obtain unjustified benefits and will not prejudice the legitimate interests of the Company and other shareholders;</p> <p>2. After the completion of change in equity, Strategic Emerging Fund will reasonably integrate the business development direction of its wholly-owned and holding subsidiaries and other enterprises under its de facto control in accordance with the main business development characteristics of each enterprise, and avoid itself and enterprises under its control from engaging in business that is in substantial horizontal competition with the main business of Chongqing Iron &amp; Steel;</p> <p>3. If, during the period when Strategic Emerging Fund and China Baowu are acting in concert and China Baowu has de facto control over Chongqing Iron &amp; Steel, Strategic Emerging Fund and the enterprises under its control obtain business opportunities that may constitute horizontal competition with the Company, Strategic Emerging Fund will facilitate the transfer of such business opportunities to the Company. If such business opportunities are not yet available for transfer to the Company, or if for other reasons the Company is temporarily unable to obtain such business opportunities, the Company shall have the right to request the Strategic Emerging Fund to adopt other means permitted by laws, regulations and the CSRC to solve the problem.</p>	16 September 2020	No	Yes

## Section VI Significant Events (Continued)

### I. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
To solve the horizontal competition		Changshou Iron & Steel	<p>1. As of 1 December 2017, Changshou Iron &amp; Steel has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron &amp; Steel.</p> <p>2. During the period when Changshou Iron &amp; Steel is the controlling shareholder of Chongqing Iron &amp; Steel, if Changshou Iron &amp; Steel obtains a business opportunity of engaging in the same business as Chongqing Iron &amp; Steel, Changshou Iron &amp; Steel shall concede the business opportunity to Chongqing Iron &amp; Steel and can invest only after Chongqing Iron &amp; Steel has given up such business opportunity. ("engaged/engaging in" refers to any situations in which the business is conducted directly or indirectly through a controlling entity, excluding minority equity investments that do not generate a controlling position.)</p>	1 December 2017	No	Yes
To solve the horizontal competition		Siyuanhe Industrial Development Fund	<p>1. As of 21 December 2018, Siyuanhe Industrial Development Fund has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron &amp; Steel.</p> <p>2. 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)</p>	21 December 2018	No	Yes

## Section VI Significant Events (Continued)

### I. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

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

## Section VI Significant Events (Continued)

### I. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

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



## Section VI Significant Events (Continued)

### I. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
To solve the related party transactions		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

## Section VI Significant Events (Continued)

### I. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

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

## Section VI Significant Events (Continued)

### I. FULFILLMENT OF COMMITMENTS (CONTINUED)

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

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

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

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

Applicable  Not applicable

### III. GUARANTEE IN VIOLATION OF REGULATION

Applicable  Not applicable

### IV. AUDIT ON INTERIM REPORT

Applicable  Not applicable

## Section VI Significant Events (Continued)

### V. CHANGES AND HANDLING OF MATTERS INVOLVED IN NON-STANDARD AUDIT OPINIONS OF 2020 ANNUAL REPORT

Applicable  Not applicable

### VI. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable  Not applicable

### VII. MATERIAL LITIGATION AND ARBITRATION

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

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

Applicable  Not applicable

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

Applicable  Not applicable

## Section VI Significant Events (Continued)

### X. MATERIAL RELATED PARTY TRANSACTIONS

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

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

## Section VI Significant Events (Continued)

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

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

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

On 20 November 2020, the Company entered into the Service and Supply Agreement with China Baowu. For details, please refer to the Announcement on the Progress of Continuing Related Party Transactions (Announcement No.: 2021-058) disclosed by the Company on 21 November 2020.

In view of the enlarged production scale of the Company and the increase of China Baowu's demand, the Company intends to enter into the Supplemental Service and Supply Agreement with China Baowu, which agreed that the item "pig iron" shall be added to the products sold by the Group to China Baowu Group, and the total amount from provision of services and/or materials by the Group to China Baowu Group shall not exceed RMB2,537,100,000 for the period from the effective date of the Original Agreement to 31 March 2021. Save for the changes aforesaid, all other terms under the Original Agreement remain unchanged. On 29 January 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement and its Supplemental Agreement between the Company and China Baowu and the Continuing Related Party Transaction (Including the Proposed Cap thereunder) entered into was considered and approved at the 33rd meeting of the eighth session of the Board of the Company, and on the same day, the Company entered into the Supplemental Service and Supply Agreement with China Baowu. For details, please refer to the Announcement on the Progress of Continuing Related Party Transactions (Announcement No.: 2021-008) disclosed by the Company on 30 January 2021.

In order to ensure the stable and continuous running of the production and operation of the Company, on 19 March 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement from 2021 to 2023 between the Company and China Baowu and the Continuing Related Party Transactions (Including the Annual Cap) was considered and approved at the 35th meeting of the eighth session of the Board of the Company, pursuant to which, the Company was approved to enter into the Service and Supply Agreement (the "Agreement") with China Baowu, and the total amount of products provided by the Company and its subsidiaries (the "Group") to China Baowu and its subsidiaries ("China Baowu Group") and the total amount of products, materials and/or services provided by China Baowu Group to the Group shall not exceed RMB49,741,000,000 and RMB87,990,000,000, respectively, for the period from 1 April 2021 to 31 December 2023. For details, please refer to the Announcement on 2021-2023 Continuing Related Party Transactions (Announcement No.: 2021-021) disclosed by the Company on 20 March 2021. On 1 April 2021, the Company and China Baowu entered into the Service and Supply Agreement for a period from 1 April 2021 to 31 December 2023.

## Section VI Significant Events (Continued)

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

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

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

During the Reporting Period, the actual amount of the related party transaction was within the annual caps, the details of which are as follows:

Type of related party transaction	Pricing principle	Transaction amount (Unit: RMB'000)
Renting	Market price	94,912
Procurement of goods and acceptance of services	Market price	4,713,473
Sale of goods	Market price	3,188,577

##### 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	Purchase of goods	With reference to market price	/	2,038,876	10.68	/	/	/
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	795,636	4.17	/	/	/
Shanghai Baoding Energy Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	409,959	2.15	/	/	/
Baosteel Engineering & Technology Group Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	359,082	1.88	/	/	/
Wugang Resources Group Ezhou Qiutuan Co., Ltd. (武鋼資源集團鄂州球團有限公司)	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	224,396	1.18	/	/	/
Ouye Lianjin Renewable Resources Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	170,733	0.89	/	/	/

## Section VI Significant Events (Continued)

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

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

##### 3. Matters not disclosed in provisional announcements (Continued)

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party	Market transaction price	Reason for the difference between Transaction price and market reference price
Shanghai Baosight Software Co., Ltd.	Other related party	Purchase of goods	Purchase of goods, acceptance of services	With reference to market price	/	67,174	0.35	/	/	/
Baowu Equipment Intelligent Technology Co., Ltd.	Other related party	Purchase of goods	Purchase of goods, acceptance of services	With reference to market price	/	62,013	0.32	/	/	/
Baowu Water Technology Co., Ltd. (寶武水務科技有限公司)	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	44,955	0.24	/	/	/
Shanghai Baosteel Shipping Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	26,407	0.14	/	/	/
Wuhan Iron and Steel Group Logistics Co., Ltd. (武漢鋼鐵集團物流有限公司)	Other related party	Purchase of goods	Acceptance of services	With reference to market price	/	14,800	0.08	/	/	/
Zhejiang Zhoushan Wugang Terminal Co., Ltd. (浙江舟山武港碼頭有限公司)	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	8,735	0.05	/	/	/
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd.	Other related party	Purchase of goods	Purchase of goods	With reference to market price	/	6,350	0.03	/	/	/
Shanghai Ouyeel Purchasing Information Technology Co., Ltd.	Other related party	Purchase of goods	Purchase of goods, acceptance of services	With reference to market price	/	5,395	0.03	/	/	/
Others	Other related party	Purchase of goods	/	With reference to market price	/	3,449	/	/	/	/
Shanghai Ouyeel Material Technology Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to market price	/	1,926,112	8.63	/	/	/
Ouyeel Cloud Commerce Corporation Limited	Other related party	Sale of goods	Sale of goods	With reference to market price	/	551,353	2.47	/	/	/



## Section VI Significant Events (Continued)

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

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

##### 3. Matters not disclosed in provisional announcements (Continued)

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party	Market transaction price	Reason for the difference between Transaction price and market reference price
Wuhan Baosteel Huazhong Trade Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to market price	/	161,618	0.72	/	/	/
Chongqing Baocheng Carbon Material Co. Ltd.	Joint-stock subsidiary	Sale of goods	Sale of products, energy media	With reference to market price	/	149,113	0.66	/	/	/
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to market price	/	125,326	0.56	/	/	/
Baowu Group Echeng Iron and Steel Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to market price	/	113,169	0.51	/	/	/
Ouyeel Blockchain (Pingxiang) Finance and Metal Recycling Resources Co., Ltd. (歐冶鏈金(萍鄉)再生資源有限公司)	Other related party	Sale of goods	Sale of goods	With reference to market price	/	98,861	0.44	/	/	/
Baosteel Huangshi Coated Plate Co., Ltd. (寶鋼股份黃石塗鍍板有限公司)	Other related party	Sale of goods	Sale of goods	With reference to market price	/	51,895	0.23	/	/	/
Chengdu Baosteel West Trade Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to market price	/	10,891	0.05	/	/	/
Others	Other related party	Sale of goods	/	With reference to market price	/	239	/	/	/	/
Total				/	/	7,902,050	/	/	/	/

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

## Section VI Significant Events (Continued)

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

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

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

Applicable  Not applicable

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

Applicable  Not applicable

On 16 November 2020, the Resolution on the Lease Renewal and the Final Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 28th meeting of the eighth session of the board of directors and the 19th meeting of the eighth session of the Supervisory Committee of the Company, pursuant to which the Company was approved to enter into the Asset Lease Agreement with Changshou Iron & Steel. On the same date, the Company entered into the Asset Lease Agreement with Changshou Iron & Steel, agreeing to renew the lease of Changshou Iron & Steel's production equipment and facilities in 2021 with a lease period commencing on 1 January 2021 and ending up on 31 December 2021, pursuant to which the parties agreed to enter into a purchase agreement for the leased asset during the lease term of the agreement or upon the expiry of the lease term of the agreement for the Company to purchase the leased asset from Changshou Iron & Steel, at which time the parties would confirm the purchase price with reference to the appraised value of the leased asset. For details, please refer to the "Announcement on the Related Party Transaction in relation to the Lease Renewal and Final Purchase of Assets from A Related Party" (Announcement No.: 2020-055) disclosed by the Company on 17 November 2020.

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

On 23 June 2021, the Company entered into the Asset Acquisition Agreement with Changshou Iron & Steel in respect of the related party transaction for the purchase of pre-ironmaking assets. The aforesaid related party transaction was considered and approved by the Company at the 2021 second extraordinary general meeting held on 21 August 2021

## Section VI Significant Events (Continued)

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

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

3. *Events not disclosed in provisional announcements*

Applicable  Not applicable

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

Applicable  Not applicable

#### (III) Material connected transactions related to joint external investment

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

Applicable  Not applicable

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

Applicable  Not applicable

3. *Events not disclosed in provisional announcements*

Applicable  Not applicable

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

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

Applicable  Not applicable

## Section VI Significant Events (Continued)

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

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

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

Applicable       Not applicable

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 of 30 June 2021, the Company has repaid the loan in full in advance.

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.

<b>Related party</b>	<b>Amount borrowed</b> <i>(Unit: RMB'000)</i>	<b>Interest in the current period</b> <i>(Unit: RMB'000)</i>
Changshou Iron & Steel	561,880	13,151

3. *Events not disclosed in provisional announcements*

Applicable       Not applicable

## Section VI Significant Events (Continued)

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

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

Applicable  Not applicable

1. *Deposit business*

Applicable  Not applicable

2. *Loan business*

Applicable  Not applicable

3. *Credit granting business or other financial services*

Applicable  Not applicable

Unit: RMB'000 Currency: RMB

Related party	Related relationship	Business type	Total amount	Actual amount occurred
Baowu Group Finance Co., Ltd.	Other related party	Credit granting business	2,000,000	-

4. *Others*

Applicable  Not applicable

(VI) Other material related party transactions

Applicable  Not applicable

(VII) Others

Applicable  Not applicable

## Section VI Significant Events (Continued)

### XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION

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

Applicable     Not applicable

(1) *Trust*

Applicable     Not applicable

(2) *Contracted businesses*

Applicable     Not applicable

(3) *Leasing affairs*

Applicable     Not applicable

*Unit: RMB'000    Currency: 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	The Company	Equipment	/	2021.01.01	2025.12.31	73,009	Contract	Affecting the costs	No	
Changshou Iron & Steel	The Company	Equipment	/	2021.01.01	2021.12.31	94,912	Contract	Affecting the costs	Yes	Controlling shareholder

Explanations on leasing affairs

Applicable     Not applicable

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

Applicable     Not applicable

#### 3 Other significant contracts

Applicable     Not applicable

## Section VI Significant Events (Continued)

### XII. 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 six months ended 30 June 2021.

##### 3. *Interim dividend*

Given the fact that the accumulated undistributed profit of the Company remained negative as of the end of the Reporting Period, the Company does not recommend distribution of any interim dividend for the six months ended 30 June 2021 pursuant to the provision of Article 250 of the Articles of Association.

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

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

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

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

## Section VI Significant Events (Continued)

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

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

##### 6. *Audit Committee*

The Audit Committee is comprised of three independent non-executive directors and one non-executive director, namely, Mr. Xin Qingquan, Mr. Xu Yixiang, Mr. Wong Chunwa and Mr. Zhou Ping with Mr. Xin Qingquan acting as the chairman of the Audit Committee as at 30 June 2021; as an election was held by the Board of the Company on 12 August 2021, the new members of the Audit Committee are Mr. Zhang Jinruo, Mr. Sheng Xuejun, Mr. Guo Jiebin and Mr. Zhou Ping with Mr. Zhang Jinruo acting as the chairman of the Audit Committee.

The unaudited interim financial report of the Company for the six months ended 30 June 2021 had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

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

As at 30 June 2021, the interests or short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the Securities and Futures Ordinance (“SFO”)) of the directors, supervisors or senior management members of the Company in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporations	Capacity	Nature of interests	Total number of interested shares held (share)	Percentage in the share capital of A shares of the Company (%)	Percentage in the total share capital of the Company (%)	Class of shares
Tu Deling	The Company	Director	Beneficial interests	1,148,000 (long position)	0.014	0.013	A share
Zhou Yaping	The Company	Supervisor representing staff	Beneficial interests	299,300 (long position)	0.004	0.003	A share
Zhao Wei	The Company	Supervisor representing staff	Beneficial interests	176,800 (long position)	0.002	0.002	A share
Yao Xiaohu	The Company	Senior vice president	Beneficial interests	314,900 (long position)	0.004	0.004	A share



## Section VI Significant Events (Continued)

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

#### (II) Related party transactions

##### 1. *2020–2021 continuing related party transaction*

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

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

In view of the enlarged production scale of the Company and the increase of China Baowu’s demand, the Company intends to enter into the Supplemental Service and Supply Agreement with China Baowu, which agreed that the item “pig iron” shall be added to the products sold by the Group to China Baowu Group, and the total amount from provision of services and/or materials by the Group to China Baowu Group shall not exceed RMB2,537,100,000 for the period from the effective date of the Original Agreement to 31 March 2021. Except for the changes aforesaid, other terms under the Original Agreement remain unchanged. On 29 January 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement and its Supplemental Agreement between the Company and China Baowu and the Continuing Related Party Transaction (including the Proposed Cap thereunder) was considered and approved at the 33rd Meeting of the eighth session of the Board of the Company, and on the same day, the Company entered into the Supplemental Service and Supply Agreement with China Baowu. For details, please refer to the Announcement on the Progress of the Continuing Related Party Transactions (Announcement No.: 2021–008) disclosed by the Company on 30 January 2021.

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

## Section VI Significant Events (Continued)

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

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

##### 2. *2021–2023 continuing connected transactions*

In order to ensure the stable and continuous running of production and operation of the Company, on 19 March 2021, the Resolution in relation to the Service and Supply Agreement for the Period from 2021 to 2023 and the continuing connected transactions (Including the annual caps) entered into between the Company and China Baowu was approved by voting at the 35th meeting of the eighth session of the Board of the Company, pursuant to which, the Company was approved to enter into the Service and Supply Agreement (the “Agreement”) with China Baowu. The Company and its subsidiaries (the “Group”) shall provide China Baowu and its subsidiaries (“China Baowu Group”) with products in an aggregate amount of not exceeding RMB49,741 million for the period from 1 April 2021 to 31 December 2023, while China Baowu Group shall provide the Group with products, materials and services in an aggregate amount of not exceeding RMB87,990 million for the period from 1 April 2021 to 31 December 2023. For details, please refer to the Announcement on 2021–2023 Continuing Connected Transactions (Announcement No.: 2021–021) disclosed by the Company on 20 March 2021.

On 1 April 2021, the Company entered into the Service and Supply Agreement with China Baowu for a period from 1 April 2021 to 31 December 2023. The aforesaid connected transactions were considered and approved at the 2020 annual general meeting of the Company held on 29 June 2021.

##### 3. *Financial service agreement and connected transaction*

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

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

## Section VI Significant Events (Continued)

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

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

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

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

##### 4. *Purchase of the assets of related party*

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

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

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

## Section VI Significant Events (Continued)

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

#### (III) Release of Share Pledge

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

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

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

### I. INFORMATION ON CHANGES IN SHARE CAPITAL

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

1. *Table of movement of shares*

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

2. *Explanation on movement of shares*

Applicable  Not applicable

3. *Impact on financial indicators such as earnings per share and net assets per share from change in shares occurred from the Reporting Period up to the disclosure date of the interim report (if applicable)*

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

### II. PARTICULARS OF SHAREHOLDERS

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

Total number of ordinary shareholders as of the end of the Reporting Period	194,546
Total number of preferential shareholders with resumed voting rights as of the end of the Reporting Period	0

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

### II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

Unit: share

##### Shareholdings of top ten shareholders

Name of shareholder (full name)	Increase/ Decrease during Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged, marked or frozen		
					Status of shares	Type of shareholder	
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Nil	0	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	1,037,200	532,277,821	5.97	0	Unknown	—	Foreign legal person
Chongqing Qianxin Group Co., Ltd.	0	427,195,760	4.79	0	Pledged	427,190,070	State-owned legal person
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.24	0	Nil	0	State-owned legal person
Chongqing Guochuang Investment and Management Co., Ltd.	0	278,288,059	3.12	0	Nil	0	State-owned legal person
Bank of Chongqing Co., Ltd.	0	226,042,920	2.53	0	Nil	0	State-owned legal person
Industrial Bank Co., Ltd. Chongqing Branch	0	219,633,096	2.46	0	Nil	0	State-owned legal person
Agricultural Bank of China Limited Chongqing Branch	0	216,403,628	2.43	0	Nil	0	Unknown
China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司)	0	211,461,370	2.37	0	Nil	0	State-owned legal person
Chongqing Huanya Construction Materials Company Limited	209,573,120	209,573,120	2.35	0	Pledged	100,000,000	State-owned legal person

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

### II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

##### Shareholdings of Top Ten Shareholders Without Trading Limitations

Name of shareholder	Shareholdings of tradable shares without trading limitations	Type and number of shares	
		Type	Number
Chongqing Changshou Iron & Steel Company Limited	2,096,981,600	RMB denominated ordinary shares	2,096,981,600
HKSCC NOMINEES LIMITED	532,277,821	Overseas listed foreign shares	532,277,821
Chongqing Qianxin Group Co., Ltd.	427,195,760	RMB denominated ordinary shares	427,195,760
Chongqing Rural Commercial Bank Co., Ltd.	289,268,939	RMB denominated ordinary shares	289,268,939
Chongqing Guochuang Investment and Management Co., Ltd.	278,288,059	RMB denominated ordinary shares	278,288,059
Bank of Chongqing Co., Ltd.	226,042,920	RMB denominated ordinary shares	226,042,920
Industrial Bank Co., Ltd. Chongqing Branch	219,633,096	RMB denominated ordinary shares	219,633,096
Agricultural Bank of China Limited Chongqing Branch	216,403,628	RMB denominated ordinary shares	216,403,628
China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司)	211,461,370	RMB denominated ordinary shares	211,461,370
Chongqing Huanya Construction Materials Company Limited	209,573,120	RMB denominated ordinary shares	209,573,120
Description of accounts designated for share repurchase among the top ten shareholders	N/A		
Description of the entrusting/being entrusted voting rights or waiving voting rights of the above shareholders	N/A		

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

### II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

The above shareholders' connected relationship or concerted action	There is no connection between Chongqing Changshou Iron & Steel Company Limited, the controlling shareholder of the Company, and the other 9 shareholders, nor are they persons acting in concert regulated in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Companies' Shareholders. The Company is not aware of any connected relationship among the other 9 shareholders or whether they are acting in concert.
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Preferential shareholders with resumed voting rights and their shareholding	N/A
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#### ***Shareholdings and Trading Limitations of Top Ten Shareholders with Trading Limitations***

Applicable       Not applicable

#### (III) Strategic investors or ordinary legal persons who became top ten shareholders due to placing of new shares

Applicable       Not applicable



### III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Applicable     Not applicable

*Unite: share*

Name	Title	Shareholding at the beginning of the Reporting Period	Shareholding at the end of the Reporting Period	Increase/Decrease in shareholding during the Reporting Period	Reason for changes in shareholding
Tu Deling	Director	0	1,148,000	1,148,000	Allocated to individual accounts under the first and second phase of the employee share ownership plans of the Company
Zhou Ya Ping	Supervisor	0	299,300	299,300	Allocated to individual accounts under the first and second phase of the employee share ownership plans of the Company
Zhao Wei	Supervisor	0	176,800	176,800	Allocated to individual accounts under the first and second phase of the employee share ownership plans of the Company
Yao Xiaohu	Senior management	900	314,900	314,900	Allocated to individual accounts under the first and second phase of the employee share ownership plans of the Company
Meng Xiang Yun	Senior management	0	668,800	668,800	Allocated to individual accounts under the first and second phase of the employee share ownership plans of the Company

### III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

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

*Other information*

Applicable  Not applicable

The 900 shares initially held by Mr. Yao Xiaohu, a senior vice president of the Company, were purchased through the secondary market before he became a senior management member of the Company.

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

Applicable  Not applicable

#### (III) Other information

Applicable  Not applicable

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

Applicable  Not applicable

# Section VIII Relevant Information on Preference Shares

Applicable     Not applicable

# Section IX Relevant Information on Bonds

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

Applicable  Not applicable

### (I) Corporate bonds

Applicable  Not applicable

### (II) Company bonds

Applicable  Not applicable

### (III) Debt financing instruments of non-financial enterprises in inter-bank bond market

Applicable  Not applicable

#### 1. Basic information on debt financing instruments of non-financial enterprises

Unit: RMB'000 Currency: RMB

Name of bond	Abbreviated name	Stock code	Issuance date	Value date	Due date	Balance of bonds	Interest rate (%)	Method of principal and interest payment	Trading market	Eligibility arrangement of investors (if any)	Trading mechanism	Whether there is risk of termination of listing for trading
Chongqing Iron & Steel Company Limited 2020 first tranche of medium-term notes (Type 1)	20 Chongqing Iron & Steel MTN001A	102000390	19 March 2020	19 March 2020	19 March 2023	498,984	4.64	Payment of interest every year and prepayment of principal on due date	National inter-bank market	N/A	Inter-bank bond market trading mechanism	No
Chongqing Iron & Steel Company Limited 2020 first tranche of medium-term notes (Type 2)	20 Chongqing Iron & Steel MTN001B	102000391	19 March 2020	19 March 2020	19 March 2023	497,569	5.13	Payment of interest every year and prepayment of principal on due date	National inter-bank market	N/A	Inter-bank bond market trading mechanism	No

## Section IX Relevant Information on Bonds (Continued)

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

#### (III) Debt financing instruments of non-financial enterprises in inter-bank bond market (continued)

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

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

Applicable  Not applicable

Overdue and outstanding bonds

Applicable  Not applicable

Notes on overdue debts

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

4. *Information on the implementation of and changes in guarantees, debt repayment plans and other measures to ensure repayment during the Reporting Period and their impact*

Applicable  Not applicable

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

Applicable  Not applicable

## Section IX Relevant Information on Bonds (Continued)

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

(IV) Loss in consolidated statements of the Company for the Reporting Period exceeds 10% of the net assets at the end of last year

Applicable  Not applicable

(V) Major accounting data and financial indicators

Applicable  Not applicable

Unit: RMB'000 Currency: RMB

Major Indicators	At the end of the Reporting Period	At the end of last year	Change from the end of last year to the end of the Reporting Period	Reasons
Current ratio	<b>1.10</b>	0.97	13.40	/
Quick Ratio	<b>0.66</b>	0.60	10.00	/
Gearing Ratio (%)	<b>49.63</b>	49.84	Decreased by 0.21 percentage point	/

	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period	Reasons
Net profit after deducting non-recurring profit or loss	<b>2,834,482</b>	107,793	2,529.56	An increase in profits
Debt-to-EBITDA ratio	<b>0.26</b>	0.13	100.00	An increase in profits
Interest coverage (times)	<b>11.81</b>	2.10	462.38	An increase in profits
Cash interest coverage (times)	<b>7.20</b>	1.75	311.43	An increase in net cash flow
EBITDA interest coverage (times)	<b>14.23</b>	5.39	164.01	An increase in profits
Loan repayment ratio	<b>100.00</b>	100.00	0.00	/
Interest payment ratio	<b>100.00</b>	100.00	0.00	/

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

Applicable  Not applicable

# Section X Financial Report

## Consolidated Balance Sheets

As at 30 June 2021

### I. AUDITOR'S REPORT

Applicable  Not applicable

### II. FINANCIAL STATEMENTS

Unit: RMB '000

Assets	Note V	30 June 2021	31 December 2020
<b>Current assets</b>			
Cash and bank balances	1	<b>5,268,501</b>	4,943,231
Financial assets held for trading	2	<b>550,000</b>	–
Trade receivables	3	<b>8,965</b>	35,041
Receivables financing	4	<b>3,605,463</b>	2,068,546
Prepayments	5	<b>449,740</b>	534,516
Other receivables	6	<b>16,959</b>	18,013
Inventories	7	<b>6,761,902</b>	5,054,908
Other current assets	8	<b>98,003</b>	394,153
<b>Total current assets</b>		<b>16,759,533</b>	13,048,408
<b>Non-current assets</b>			
Long-term equity investments	9	<b>51,236</b>	79,494
Other equity investments	10	<b>5,000</b>	5,000
Property, plant and equipment	11	<b>16,788,978</b>	16,630,788
Construction in progress	12	<b>4,229,714</b>	2,844,665
Right-of-use assets	13	<b>3,913,459</b>	4,095,211
Intangible assets	14	<b>2,407,767</b>	2,394,593
Goodwill	16	<b>353,907</b>	295,407
Long-term prepaid expenses	17	<b>378,952</b>	299,730
Deferred tax assets	15	<b>131,468</b>	131,468
Other non-current assets	18	<b>131,039</b>	125,092
<b>Total non-current assets</b>		<b>28,391,520</b>	26,901,448
<b>Total assets</b>		<b>45,151,053</b>	39,949,856

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Consolidated Balance Sheets (Continued)

*As at 30 June 2021*

## II. FINANCIAL STATEMENTS (CONTINUED)

Liabilities and shareholders' equity	Note V	30 June 2021	31 December 2020
<b>Current liabilities</b>			
Short-term borrowings	19	1,979,336	700,788
Notes payable	20	1,880,137	1,272,291
Trade payables	21	3,884,132	2,652,728
Contract liabilities	22	3,322,929	2,554,165
Employee benefits payable	23	96,137	283,969
Taxes payable	24	22,902	9,177
Other payables	25	1,062,032	1,567,618
Non-current liabilities due within one year	26	2,552,245	4,056,471
Other current liabilities		431,981	332,041
<b>Total current liabilities</b>		<b>15,231,831</b>	13,429,248
<b>Non-current liabilities</b>			
Long-term borrowings	27	435,000	450,000
Bonds payable	28	996,553	995,150
Lease liabilities	29	2,939,683	3,022,612
Long-term payables	30	2,615,946	1,352,264
Long-term employee benefits payable	31	150,258	179,557
Deferred income	32	37,717	35,902
Deferred tax liabilities	15	1,058	1,176
Other non-current liabilities		33	445,480
<b>Total non-current liabilities</b>		<b>7,176,215</b>	6,482,141
<b>Total liabilities</b>		<b>22,408,046</b>	19,911,389

The accompanying notes form an integral part of these financial statements



# Section X Financial Report

## Consolidated Balance Sheets (Continued)

As at 30 June 2021

### II. FINANCIAL STATEMENTS (CONTINUED)

Liabilities and shareholders' equity	Note V	30 June 2021	31 December 2020
<b>Owners' 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>	65,940
Special reserves	37	<b>29,683</b>	22,184
Surplus reserves	38	<b>606,991</b>	606,991
Unappropriated profit	39	<b>(6,028,476)</b>	(8,725,517)
<b>Total owners' equity</b>		<b>22,743,007</b>	20,038,467
<b>Total liabilities and owners' equity</b>		<b>45,151,053</b>	39,949,856

The financial statements have been signed by:

Legal Representative:  
**Zhang Wenxue**

Chief accountant:  
**Zou An**

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

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Consolidated Income Statement

*For the six months ended 30 June 2021*

### II. FINANCIAL STATEMENTS (CONTINUED)

*Unit: RMB '000*

	<i>Note V</i>	<b>For the six months ended 30 June 2021</b>	<b>For the six months ended 30 June 2020</b>
<b>Revenue</b>	40	<b>22,669,939</b>	10,927,367
Less: Cost of sales	40	<b>19,185,057</b>	10,342,993
Taxes and surcharges	41	<b>77,932</b>	88,595
Distribution and selling expenses	42	<b>42,999</b>	53,355
General and administrative expenses	43	<b>245,709</b>	244,093
R&D expenses	44	<b>75,591</b>	–
Finance expenses	45	<b>207,597</b>	90,148
Including: Interest expenses		<b>249,514</b>	110,693
Interest income		<b>47,270</b>	23,202
Add: Other income	46	<b>28,149</b>	6,515
Investment income	47	<b>310</b>	6,791
<b>Operating profit</b>		<b>2,863,513</b>	121,489
Add: Non-operating income	48	<b>966</b>	684
Less: Non-operating expenses	49	<b>167,556</b>	747
<b>Total profit</b>		<b>2,696,923</b>	121,426
Less: Income tax expenses/(credit)	50	<b>-118</b>	71

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Consolidated Income Statement (Continued)

For the six months ended 30 June 2021

#### II. FINANCIAL STATEMENTS (CONTINUED)

	<i>Note V</i>	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
<b>Net Profit</b>		<b>2,697,041</b>	121,355
Breakdown by continuity of operations			
Net profit from continuing operations		<b>2,697,041</b>	121,355
Breakdown by attributable interests			
Net profit attributable to shareholders of the parent		<b>2,697,041</b>	121,355
Non-controlling interests			
<hr/>			
<b>Other comprehensive income after tax</b>			
<hr/>			
<b>Total comprehensive income</b>		<b>2,697,041</b>	121,355
Including:			
Total comprehensive income attributable to shareholders of the parent		<b>2,697,041</b>	121,355
Total comprehensive income attributable to non-controlling interests			
<hr/>			
<b>Earnings per share</b>	51		
Basic earnings per share ( <i>RMB/share</i> )		<b>0.30</b>	0.01
Diluted earnings per share ( <i>RMB/share</i> )		<b>0.30</b>	0.01

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Consolidated Statement of Changes in Equity

*For the six months ended 30 June 2021*

### II. FINANCIAL STATEMENTS (CONTINUED)

*Unit: RMB'000*

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

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

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

For the six months ended 30 June 2021

#### II. FINANCIAL STATEMENTS (CONTINUED)

Item	For the six months ended 30 June 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>	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	-	-	-	-	-	-	121,355	121,355
(II) Shareholders' contribution and decrease in share capital								
1. Amount increased during the year			84,334	-	-	-	-	(84,334)
2. Amount increased during the year	-	-	(80,708)	-	-	-	-	80,708
(III) Special reserves								
1. Amount established during the year	-	-	-	-	12,954	-	-	12,954
2. Amount utilized during the year	-	-	-	-	(6,502)	-	-	(6,502)
<b>III. Closing balance for the year</b>	8,918,602	19,282,147	65,940	-	21,025	606,991	(9,242,641)	19,520,184

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Consolidated Statement of Cash Flows

*For the six months ended 30 June 2021*

### II. FINANCIAL STATEMENTS (CONTINUED)

*Unit: RMB'000*

		<b>Six months ended 30 June 2021</b>	Six months ended 30 June 2020
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		<b>21,176,838</b>	9,248,203
Receipts of taxes refunds		<b>15,546</b>	–
Other cash received relating to operating activities	52	<b>73,678</b>	188,980
<hr/>			
Sub-total of cash inflows from operating activities		<b>21,266,062</b>	9,437,183
<hr style="border-top: 1px dashed #000;"/>			
Cash paid for purchase of goods and services		<b>18,673,079</b>	8,155,684
Cash paid to and on behalf of employees		<b>837,948</b>	650,980
Cash paid for all types of taxes		<b>89,146</b>	279,479
Other cash paid relating to operating activities	52	<b>119,501</b>	268,454
<hr/>			
Sub-total of cash outflows from operating activities		<b>19,719,674</b>	9,354,597
<hr style="border-top: 1px dashed #000;"/>			
Net cash flows from operating activities	53	<b>1,546,388</b>	82,586
<hr style="border-top: 1px dashed #000;"/>			

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2021

#### II. FINANCIAL STATEMENTS (CONTINUED)

	<i>Note V</i>	<b>Six months ended 30 June 2021</b>	Six months ended 30 June 2020
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		–	433,000
Cash received from return on investments		<b>310</b>	6,791
Other cash received relating to investing activities	52	–	–
<hr/>			
Sub-total of cash inflows from investing activities		<b>310</b>	439,791
<hr/>			
Cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets		<b>1,200,406</b>	145,638
Cash paid for investments		<b>550,000</b>	43,000
Net cash payments for acquisition of subsidiaries and other business units	53	<b>114,449</b>	–
<hr/>			
Sub-total of cash outflows from investing activities		<b>1,864,855</b>	188,638
<hr/>			
Net cash flows from investing activities		<b>(1,864,545)</b>	251,153
<hr/>			

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Consolidated Statement of Cash Flows (Continued)

*For the six months ended 30 June 2021*

#### II. FINANCIAL STATEMENTS (CONTINUED)

<i>Note V</i>	<b>Six months ended 30 June 2021</b>	Six months ended 30 June 2020
<b>III. Cash flows from financing activities:</b>		
	<b>3,794,465</b>	2,004,500
Cash received from borrowings		
Other cash received relating to financing activities	52 <b>65,992</b>	–
Sub-total of cash inflows from financing activities	<b>3,860,457</b>	2,004,500
	<b>3,054,910</b>	870,000
Cash repayments of borrowings		
Cash paid for distribution of dividends or profits, and for interest expenses	<b>172,115</b>	85,445
Other cash paid relating to financing activities	52 <b>279,382</b>	9,545
Sub-total of cash outflows from financing activities	<b>3,506,407</b>	964,990
Net cash flows from financing activities	<b>354,050</b>	1,039,510
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>	<b>9,644</b>	–
<b>V. Net increase/(decrease) in cash and cash equivalents</b>	<b>45,537</b>	1,373,249
Add: Cash and cash equivalents at the beginning of the year	<b>4,698,090</b>	1,595,323
<b>VI. Cash and cash equivalents at the end of the year</b>	53 <b>4,743,627</b>	2,968,572

The accompanying notes form an integral part of these financial statements



# Section X Financial Report

## Balance Sheet

As at 30 June 2021

### II. FINANCIAL STATEMENTS (CONTINUED)

RMB'000

Assets	Note XIII	30 June 2021	31 December 2020
<b>Current assets</b>			
Cash and bank balances		<b>5,267,573</b>	4,925,021
Financial assets held for trading		<b>550,000</b>	–
Trade receivables	1	<b>10,978</b>	39,503
Receivables financing		<b>3,605,463</b>	2,062,046
Prepayments		<b>568,136</b>	516,190
Other receivables	2	<b>49,625</b>	17,181
Inventories		<b>6,726,689</b>	5,015,067
Other current assets		<b>90,599</b>	383,123
<b>Total current assets</b>		<b>16,869,063</b>	12,958,131
<b>Non-current assets</b>			
Long-term equity investments	3	<b>1,043,524</b>	917,104
Other equity investments		<b>5,000</b>	5,000
Property, plant and equipment		<b>15,683,182</b>	15,705,686
Construction in progress		<b>4,228,751</b>	2,844,665
Right-of-use assets		<b>3,913,459</b>	4,095,211
Intangible assets		<b>2,333,494</b>	2,329,901
Long-term prepaid expenses		<b>378,952</b>	299,730
Deferred tax assets		<b>87,897</b>	87,653
Other non-current assets		<b>96,120</b>	87,173
<b>Total non-current assets</b>		<b>27,770,379</b>	26,372,123
<b>Total assets</b>		<b>44,639,442</b>	39,330,254

The accompanying notes form an integral part of these financial statements

## Section X Financial Report Balance Sheet (Continued)

*As at 30 June 2021*

### II. FINANCIAL STATEMENTS (CONTINUED)

<b>Liabilities and shareholders' equity</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Current liabilities</b>		
Short-term borrowings	<b>1,979,336</b>	700,788
Notes payable	<b>1,880,137</b>	1,256,400
Trade payables	<b>3,955,293</b>	2,692,577
Contract liabilities	<b>3,322,929</b>	2,554,123
Employee benefits payable	<b>94,680</b>	280,322
Taxes payable	<b>18,660</b>	6,822
Other payables	<b>1,061,043</b>	1,565,471
Non-current liabilities due within one year	<b>2,235,977</b>	3,711,113
Other current liabilities	<b>431,981</b>	332,036
<b>Total current liabilities</b>	<b>14,980,036</b>	13,099,652
<b>Non-current liabilities</b>		
Long-term borrowings	<b>435,000</b>	450,000
Bonds payable	<b>996,553</b>	995,150
Lease liabilities	<b>2,939,683</b>	3,022,612
Long-term payables	<b>2,529,167</b>	1,125,491
Long-term employee benefits payable	<b>150,258</b>	179,557
Deferred income	<b>37,717</b>	35,902
Other non-current liabilities	-	445,480
<b>Total non-current liabilities</b>	<b>7,088,378</b>	6,254,192
<b>Total liabilities</b>	<b>22,068,414</b>	19,353,844

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Balance Sheet (Continued)

As at 30 June 2021

#### II. FINANCIAL STATEMENTS (CONTINUED)

	30 June 2021	31 December 2020
<b>Liabilities and shareholders' equity</b>		
<b>Shareholders' equity</b>		
Share capital	8,918,602	8,918,602
Capital reserves	19,313,090	19,313,090
Less: Treasury shares	65,940	65,940
Special reserves	25,466	19,398
Surplus reserves	577,012	577,012
Unappropriated profit	(6,197,202)	(8,785,752)
<b>Total shareholders' equity</b>	<b>22,571,028</b>	19,976,410
<b>Total liabilities and shareholders' equity</b>	<b>44,639,442</b>	39,330,254

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Income Statement

For the six months ended 30 June 2021

### II. FINANCIAL STATEMENTS (CONTINUED)

RMB'000

	<i>Note XIII</i>	<b>Six months ended 30 June 2021</b>	Six months ended 30 June 2020
<b>Revenue</b>	4	<b>22,669,481</b>	10,933,097
Less: Operating cost	4	<b>19,339,473</b>	10,350,437
Taxes and surcharges		<b>73,484</b>	88,528
Distribution and selling expenses		<b>42,999</b>	53,116
General and administrative expenses		<b>228,471</b>	244,093
R&D expenses		<b>75,591</b>	
Finance expenses		<b>191,301</b>	90,157
Including: Interest expenses		<b>236,212</b>	110,693
Interest income		<b>47,236</b>	23,193
Add: Other income		<b>3,766</b>	6,515
Investment income	5	<b>310</b>	6,791
<b>Operating profit</b>		<b>2,722,238</b>	120,072
Add: Non-operating income		<b>817</b>	684
Less: Non-operating expenses		<b>139,238</b>	747
<b>Total profit</b>		<b>2,583,817</b>	120,009
Less: Income tax expenses/(credit)			
<b>Net Profit</b>		<b>2,583,817</b>	120,009
Including: Net profit from continuing operations		<b>2,583,817</b>	120,009
<b>Other comprehensive income after tax</b>			
<b>Total comprehensive income</b>		<b>2,583,817</b>	120,009

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Statement of Changes in Equity

For the six months ended 30 June 2021

### II. FINANCIAL STATEMENTS (CONTINUED)

RMB'000

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

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Statement of Changes in Equity (Continued)

*For the six months ended 30 June 2021*

#### II. FINANCIAL STATEMENTS (CONTINUED)

	Six months ended 30 June 2020							Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	
<b>I. Closing balances of the preceding year and opening balances of the current year</b>	8,918,602	19,313,090	62,314	-	14,573	577,012	(9,368,166)	19,392,797
<b>II. Changes in the current year</b>								
(I) Total comprehensive income	-	-	-	-	-	-	120,009	120,009
(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	-	-	-	-	12,954	-	-	12,954
2. Amount utilized during the year	-	-	-	-	(6,502)	-	-	(6,502)
<b>III. Closing balance for the year</b>	8,918,602	19,313,090	65,940	-	21,025	577,012	(9,248,157)	19,515,632

The accompanying notes form an integral part of these financial statements

# Section X Financial Report

## Statement of Cash Flows

For the six months ended 30 June 2021

### II. FINANCIAL STATEMENTS (CONTINUED)

RMB'000

	Six months ended 30 June 2021	Six months ended 30 June 2020
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	21,155,212	8,975,505
Other cash received relating to operating activities	73,428	187,118
<b>Sub-total of cash inflows from operating activities</b>	<b>21,228,640</b>	9,162,623
Cash paid for purchase of goods and services	19,007,414	7,885,766
Cash paid to and on behalf of employees	802,956	650,980
Cash paid for all types of taxes	58,970	278,758
Other cash paid relating to operating activities	117,337	266,302
<b>Sub-total of cash outflows from operating activities</b>	<b>19,986,677</b>	9,081,806
<b>Net cash flows from operating activities</b>	<b>1,241,963</b>	80,817
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments	–	433,000
Cash received from return on investments	310	6,791
Other cash received relating to investing activities	–	–
<b>Sub-total of cash inflows from investing activities</b>	<b>310</b>	439,791
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	1,193,206	145,638
Cash paid for investments	550,000	43,000
Cash payments for acquisition of subsidiaries and other business units	114,449	–
<b>Sub-total of cash outflows from investing activities</b>	<b>1,857,655</b>	188,638
<b>Net cash flows from investing activities</b>	<b>(1,857,345)</b>	251,153

The accompanying notes form an integral part of these financial statements

## Section X Financial Report

### Statement of Cash Flows (Continued)

*For the six months ended 30 June 2021*

## II. FINANCIAL STATEMENTS (CONTINUED)

	<b>Six months ended 30 June 2021</b>	Six months ended 30 June 2020
<b>III. Cash flows from financing activities:</b>		
Cash received from borrowings	<b>3,794,465</b>	2,004,500
Other cash received relating to financing activities	<b>65,992</b>	–
Sub-total of cash inflows from financing activities	<b>3,860,457</b>	2,004,500
Cash repayments of borrowings	<b>2,960,000</b>	870,000
Cash paid for distribution of dividends or profits, and for interest expenses	<b>153,576</b>	85,445
Other cash paid relating to financing activities	<b>87,904</b>	9,545
Sub-total of cash outflows from financing activities	<b>3,201,480</b>	964,990
Net cash flows from financing activities	<b>658,977</b>	1,039,510
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>9,644</b>	–
<b>V. Net increase/(decrease) in cash and cash equivalents</b>	<b>53,239</b>	1,371,480
Add: Cash and cash equivalents at the beginning of the year	<b>4,689,461</b>	1,591,312
<b>VI. Cash and cash equivalents at the end of the year</b>	<b>4,742,700</b>	2,962,792

The accompanying notes form an integral part of these financial statements



# Section X Financial Report

## Notes to Financial Statements

For the six months ended 30 June 2021

### I. BASIC INFORMATION

According to the approval of Ti Gai Sheng Zi [1997] No. 127 issued by the State Commission for Restructuring Economic Systems and the approval of Guo Zi Qi Fa [1997] No. 156 issued by the State-owned Assets Administration Bureau, Chongqing Iron & Steel Company Limited (the “Company”) was established as a limited liability company by Chongqing Iron & Steel (Group) Co., Ltd. (“CISG”) as the sole promoter. The Company was incorporated and registered with Chongqing Municipal Administration of Industry and Commerce on 11 August 1997, whose headquarter is located in Changshou Economic Development Zone of Chongqing. The Company holds the business license with unified social credit code of 91500000202852965T, with the registered capital of RMB8,918,602,000 and the sum of 8,918,602,000 shares with par value of RMB1 each, including 36,662,000 A shares with restricted condition, 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 28 August 2021. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for consideration.

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

### II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

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

These financial statements are prepared on a going concern basis.

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

# Section X Financial Report

## Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Group has determined the specific accounting policies and accounting estimates based on the characteristics of the operation, especially those related to provision for bad debt of receivables, inventory pricing method, depreciation of property, plant and equipment (“PPE”), amortization of intangible assets, and recognition and measurement of revenue, etc.

#### 1. Statement of compliance

These financial statements have been prepared in accordance with CAS, and present truly and completely the financial position of the Group and the Company as at 30 June 2021 and the results of their operations and cash flows for the six months ended 30 June 2021.

#### 2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year. The current accounting period starts on 1 January 2021 and ends on 30 June 2021.

#### 3. Functional currency

The functional currency of the Group and the currency used in preparing the financial statements are Renminbi. The amounts in the financial statements were denominated in thousands of Renminbi, unless otherwise stated.

#### 4. Business combination

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

##### *Business combination involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the absorbing party, while that other entity participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

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

###### *Business combination not involving entities under common control*

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 5. Consolidated financial statements

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

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

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

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the day on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative consolidated financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

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

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

##### **7. Cash and cash equivalents**

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

##### **8. Foreign currency translation and translation of foreign currency statements**

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

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

Foreign currency cash flows are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

# Section X Financial Report

## Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

#### 9. Financial instruments

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

##### *Recognition and derecognition of financial instruments*

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

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

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

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

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

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

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

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

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

Apart from the financial assets at amortized cost and financial assets at fair value through other comprehensive income mentioned above, other financial assets are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value. All changes in fair value are recognized in profit or loss.

###### *Classification and measurement of financial liabilities*

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities, and the related transaction costs are included in the amounts initially recognized. Such kinds of financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

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

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

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

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



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

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

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

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

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

###### *Financial guarantee contracts*

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: the amount of the ECLs settled at the balance sheet date, and the amount initially recognized less the cumulative amortization recognized in accordance with the guidance for revenue recognition.

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 10. Inventories

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

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

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

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

The Group adopts the perpetual inventory system.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

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

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

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

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the excess is included in the initial investment cost. Where the initial investment cost is less than the investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 12. Property, plant and equipment

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

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

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

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

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

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

##### 13. Construction in progress

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### **14. Borrowing costs**

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

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

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

- (1) Expenditures for the assets are incurred;
- (2) Borrowing costs are incurred;
- (3) The acquisition and construction activities that are necessary to bring the assets to get ready for their intended use or sale have commenced.

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 15. Right-of-use assets

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

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received; any initial direct cost incurred; an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

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



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 16. Intangible assets

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

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

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

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

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

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

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognized in profit or loss in which it is incurred. Expenditure on the development phase is capitalized when the Group can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources aids to complete the development and the ability to use or sell the intangible asset; and its ability to measure reliably the expenditure attributable to the intangible asset during its development. Expenditure in the development phase that does not meet the above criteria is recognized in profit or loss in which it is incurred.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 17. Impairment of assets

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

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

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

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 18. Long-term prepaid expenses

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

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

##### 19. Payroll and employee benefits payable

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

###### *Short-term employee benefits payable*

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

###### *Post-employment benefits (defined contribution plans)*

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

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

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

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

Net interest is calculated by multiplying net liabilities or net assets of the defined benefit plan by the discount rate. The Group recognizes changes in net liabilities of the defined benefit plan under administrative expenses in the income statement: Service costs include current service costs, past service costs and gains or losses on settlement; net interest includes interest expenses on plan obligations.

###### *Termination benefits*

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

###### *Other long-term employee benefits*

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### **20. Lease liabilities**

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

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

##### **21. Provisions for liabilities**

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 22. Share-based payments

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

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 22. Share-based payments (Continued)

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

##### 23. Revenue from contracts with customers

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

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

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

###### *Royalty income*

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 24. Contract liabilities

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

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

##### 25. Government grants

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

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

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

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



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 26. Income tax

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

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

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

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

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

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

##### 27. Leases

###### *Identification of lease*

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

###### *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 other resources that are readily available to the lessee;
- (2) The underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 27. Leases (Continued)

###### *Assessment of lease term*

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

###### *As a lessee*

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

###### *Short-term leases*

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 does not recognize the right-of-use assets and lease liabilities for machinery and motor vehicles short-term leases. 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 over the lease term.

###### *As a lessor*

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 27. Leases (Continued)

###### *Leaseback transactions*

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

###### *As lessee*

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

##### 28. Share repurchase

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

##### 29. Safety reserve fund

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

The Group measures held financial assets held for trading, receivables financing and other equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs – Quoted (unadjusted) market prices in active markets that are available at the measurement date for identical assets or liabilities; Level 2 inputs – Inputs other than Level 1 inputs that are either directly or indirectly observable for the assets or liabilities; Level 3 inputs – Inputs that are unobservable for the assets or liabilities.

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 31. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

###### *Judgements*

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

###### *Business model*

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

###### *Estimation uncertainty*

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

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

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

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

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

###### *Impairment of goodwill*

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

###### *Deferred tax assets*

Deferred tax assets are recognized for all unused deductible losses to the extent that it is probable that taxable profit will be available against which the deductible losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with tax planning strategies.

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

At the balance sheet date, inventories are measured at the lower of cost and net realisable value and the provision for inventory write-down is made on the difference between the cost and the net realisable value. The net realisable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realisable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business.

###### *Lessee's incremental borrowing rate*

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



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### IV. TAXES

##### 1. Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax ("VAT")	The taxable revenue from sale of goods	VAT output has been calculated by applying a rate of 13% to the taxable value for sales of steel products, and VAT payable is the difference of VAT output less deductible VAT input for the current period.  Other tax rate: 6%, 9%, 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	RMB3–3.5 per pollution equivalent

The applicable CIT rates of the Company and its subsidiaries are analyzed as follows:

Name of subject of taxation	Income tax rate
The Company	15%
Chongqing Iron and Steel Energy and Environmental Protection Co., Ltd. ("Chongqing Iron & Steel Energy")	15%
Chongqing Xingang Changlong Logistics Co., Ltd ("Xingang Changlong")	15%

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

#### IV. TAXES (CONTINUED)

##### 2. Tax benefits

Pursuant to the requirement of the Announcement on the Continuation of the Corporate Income Tax Policy for the Western Development (《關於延續西部大開發企業所得稅政策的公告》) promulgated by the MOF, the State Administration of Taxation and the National Development and Reform Commission, enterprises located in the western region that fall into the Catalogue of Encouraged Industries are subject to a reduced Corporate Income Tax rate of 15% from 1 January 2021 to 31 December 2030. 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 and Xingang Changlong have 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 (Cai Shui [2008] No. 47)” (《關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》(財稅[2008]47號)), 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 Resources (Cai Shui [2011] No. 115)” (《關於調整完善資源綜合利用產品及勞務增值稅政策的通知》(財稅[2011]115號)), Chongqing Iron & Steel Energy can enjoy the policy of value-added tax refund.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (No. 39 Announcement of MOF, State Administration of Taxation and General Administration of Customs in 2019), Chongqing Xingang Changlong Logistics Co., Ltd. is entitled to a VAT deduction for the provision of four services, the sales from which accounted for more than 50% of the total sales in 2020, and is entitled to deduct additional 10% of the deductible input tax from VAT payable in 2021.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 1. Cash and bank balances

	30 June 2021	31 December 2020
Bank deposits	4,743,627	4,698,090
Other monetary funds	524,874	245,141
	<b>5,268,501</b>	4,943,231
Including: the total amount of restricted cash and bank balances due to mortgage, pledge or freeze.	<b>524,874</b>	245,141

As at 30 June 2021, the Group had restricted cash and bank balances for notes and letter of credit, details refer to Note V. 54.

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

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

	30 June 2021	31 December 2020
Financial assets at fair value through profit or loss		
Debt instrument investments	550,000	–
	<b>550,000</b>	–

As at 30 June 2021, debt instrument investments the Group held were non-guaranteed trust products ; as at 31 December 2020, the Group does not hold investment in debt instruments.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

#### V. NOTES TO MAJOR 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.

Ageing analysis of trade receivables is as follows:

	30 June 2021	31 December 2020
Within 3 months (third month inclusive)	4,726	32,929
4–12 months (first year inclusive)	2,970	1,956
1–2 years	1,138	25
2–3 years	204	204
Above 3 years	975	975
	<b>10,013</b>	36,089
Less: Provision for bad debts	<b>1,048</b>	1,048
	<b>8,965</b>	35,041

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

	30 June 2021				31 December 2020			
	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	10,013	100	1,048	10	36,089	100	1,048	3

Receivables that are subject to provision by group with similar credit risk characteristics

10,013    100    1,048    10    36,089    100    1,048    3

As at 30 June 2021 and at 31 December 2020, the Group have no individually trade receivables to separate provision for bad debts.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

Trade receivables that are subject to provision by group with similar credit risk characteristics are as follows:

Aging	30 June 2021			31 December 2020		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 3 months (third month inclusive)	4,726			32,929	–	–
4-12 months (first year inclusive)	2,970	1,956	–	–	–	–
1-2 years	1,138	1	6	25	24	6
2-3 years	204	33	67	204	33	67
Over 3 years	975	100	975	975	100	975
	<b>10,013</b>		<b>1,048</b>	36,089		1,048

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

The movement for provision of bad debt of trade receivables is as follows:

	Opening balance	Other increase	Provision	Reversal	Written-off	Closing balance
30 June 2021	1,048	–	–	–	–	1,048
31 December 2020	1,000	25	23	–	–	1,048

As at 30 June 2021, the top five closing balances in respect of trade receivables aggregating RMB4,718,000 (as at 31 December 2020: RMB33,689,000), accounting for 47% (as at 31 December 2020: 93%) of the total of closing balance of trade receivables. The closing balance in respect of the provision for bad debts made for the top five balances amounted to RMB0.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 4. Receivables financing

	30 June 2021	31 December 2020
Notes receivable	<b>3,605,463</b>	2,068,546

For the purposes of obtaining contractual cash flow and disposition, the Group managed the business model of the aforesaid notes receivable through the endorsement and discount of some bank acceptances during its daily capital management. Therefore, the Group reclassified such notes receivable as financial assets at fair value through other comprehensive income, presented as receivables financing.

	30 June 2021	31 December 2020
Commercial acceptance notes	<b>200</b>	200
Bank acceptance notes	<b>3,605,263</b>	2,068,346
	<b>3,605,463</b>	2,068,546

Pledged notes receivable as follows:

	30 June 2021	31 December 2020
Bank acceptance notes	<b>172,465</b>	1,343,223

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

Please refer to Note V. 54. for restricted notes receivable at the end of the period.

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

	30 June 2021		31 December 2020	
	Amount derecognized at the end of the period	Amount remained to be recognized at the end of the period	Amount derecognized at the end of the period	Amount remained to be recognized at the end of the period
Bank acceptance notes	3,565,053	–	371,545	–

As at 30 June 2021, there was no transfer of notes receivable into trade receivables due to default on the part of the drawer of the Group (31 December 2020: Nil).

##### 5. Prepayments

Ageing analysis of prepayments is as follows:

	31 December 2021		31 December 2020	
	Book value	Proportion (%)	Book value	Proportion (%)
Within 1 year	417,317	93	527,781	99
1–2 years	32,041	7	6,729	1
2–3 year	376	–	–	–
Over 3 years	6	–	6	–
	449,740	100	534,516	100

As at 30 June 2021, the closing balances of the top five prepayments were RMB317,697,000 (as at 31 December 2020: RMB244,398,000) in aggregate, representing 71% (as at 31 December 2020: 46%) of the total closing balances of prepayments.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 6. Other receivables

	<b>30 June 2021</b>	31 December 2020
Other receivables	<b>16,959</b>	18,013

An ageing analysis of other receivables is as follows:

	<b>30 June 2021</b>	31 December 2020
Within 3 months	<b>9,910</b>	13,137
4 to 12 months (within 1 year)	<b>5,102</b>	3,059
1 – 2 years	<b>366</b>	236
2 – 3 years	<b>2,011</b>	2,011
Above 3 years	<b>3,078</b>	3,078
Less: Provision for bad debts	<b>3,508</b>	3,508
	<b>16,959</b>	18,013

Other receivables presented by nature:

	<b>30 June 2021</b>	31 December 2020
Government grant receivables	<b>8,827</b>	–
Guarantee deposits, staff advances, etc.	<b>7,368</b>	18,352
Prepayments for trading	<b>1,808</b>	1,733
Others	<b>2,464</b>	1,436
	<b>20,467</b>	21,521



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### V. NOTES TO MAJOR 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:

January to June 2021	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 stage 1	–	–	–	–
Accrual	–	–	–	–
Reversal	–	–	–	–
Resale	–	–	–	–
Write-off	–	–	–	–
Balance on 30 June 2021	–	430	3,078	3,508

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

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 stage 1	–	–	–	–
Accrual	–	–	–	–
Reversal	–	–	–	–
Resale	–	–	–	–
Write-off	–	–	–	–
Closing balance	–	430	3,078	3,508

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

Movements in the book value of other receivables:

January to June 2021	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	16,196	2,247	3,078	21,521
Changes due to the opening balance				
– Transfer to Stage 2				
– Transfer to Stage 3				
– Turn back stage 2				
– Turn back stage 1				
Addition	26,766	130		26,896
Derecognition	(27,950)			(27,950)
Write-off				
Balance on 30 June 2021	15,012	2,377	3,078	20,467

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

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	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	–	–	–	–
<b>Closing balance</b>	<b>16,196</b>	<b>2,247</b>	<b>3,078</b>	<b>21,521</b>

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

	Opening balance	Provision	Reversal	Write-off	Closing balance
30 June 2021	<b>3,508</b>	–	–	–	<b>3,508</b>
2020	3,508	–	–	–	3,508

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

As at 30 June 2021, the five largest other receivables are as follows:

	30 June 2021	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	8,827	43	Government grant receivables	Within 1 year	
The second	1,500	7	Guarantee deposits	Within 1 year	
The third	1,026	5	Petty cash	0 to 3 years	1,026
The fourth	598	3	Guarantee deposits	Within 1 year	
The fifth	500	2	Guarantee deposits	Within 1 year	
	<b>12,451</b>	<b>60</b>			<b>1,026</b>

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

	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	Petty cash	0 to 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>72</b>			<b>1,026</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

As at 30 June 2021, the government subsidies receivable are as follows:

Subsidiary Programs	Amount	Aging	Estimated receiving time, amount and supporting documents
State Taxation Administration, Changshou District Sub-branch	8,827	Within 3 months	Fully received on 26 July 2021 in accordance with the Notice of the MOF and State Taxation Administration on Publishing the Catalogue of Preferential VAT for Products and Services Generated from Comprehensive Utilisation of Resources (Cai Shui [2015] No. 78) (《財政部國家稅務總局關於印發〈資源綜合利用產品和勞務增值稅優惠目錄〉的通知》財稅[2015]78號)

As at 31 December 2020, there were no government subsidies receivable.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 7. Inventories

	30 June 2021			31 December 2020		
	Book value	Provision for decline in value/impairment	Carrying amount	Book value	Provision for decline in value/impairment	Carrying amount
Raw materials	4,678,742	136,616	4,542,126	3,374,493	136,616	3,237,877
Work in progress	1,296,115	–	1,296,115	1,228,511	–	1,228,511
Finished goods	695,270	–	695,270	316,818	–	316,818
Low value consumables and maintenance and spare parts	356,218	127,827	228,391	419,562	147,860	271,702
	<b>7,026,345</b>	<b>264,443</b>	<b>6,761,902</b>	5,339,384	284,476	5,054,908

Provision for inventories:

30 June 2021	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	147,860		20,033		127,827
	<b>284,476</b>		<b>20,033</b>		<b>264,443</b>

2020	Opening balance	Provision	Decrease		Closing balance
			Reversal or Write-off	Others	
Raw materials	136,616	–	–	–	136,616
Low value consumables and maintenance and spare parts	135,984	13,342	1,466	–	147,860
	272,600	13,342	1,466	–	284,476

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 7. Inventories (Continued)

Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventories:

	Determination basis for provision for decline in value of inventories	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 period
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

##### 8. Other current assets

	30 June 2021	31 December 2020
Prepaid stamp duty	–	2,323
Prepaid corporate income tax	5,912	5,912
Input VAT to be credited	92,091	385,918
	<b>98,003</b>	394,153



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

	30 June 2021			31 December 2020		
	Book value	Provision for impairments	Carrying amount	Book value	Provision for impairments	Carrying amount
Investments in joint ventures	-	-	-	-	-	-
Investments in associates	51,236	-	51,236	79,494	-	79,494
	51,236	-	51,236	79,494	-	79,494

##### 30 June 2021

Investees	Opening balance	Increase/(decrease)			Closing balance
		Investments increased	Investments decreased	Investment income recognised through equity method	
<b>Joint venture</b>					
Chongqing Jianwei Intelligent Technology Co., Ltd ("Chongqing Jianwei") (Note 1)	-	-	-	-	-
<b>Associate</b>					
Chongqing Baocheng Carbon Material Co., Ltd. ("Baocheng Carbon") (Note 2)	11,236	-	-	-	11,236
Baowu Raw Material Supply Co., Ltd. ("Baowu Raw Material") (Note 3)	40,000	-	-	-	40,000
	51,236	-	-	-	51,236

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

#### V. NOTES TO MAJOR 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 recognized through equity method	
<b>Joint venture</b>					
Chongqing Jian Wei Intelligent Technology Co., Ltd* (重慶鑒微智能科技有限公司) ("Jian Wei Intelligent")	-	-	-	-	-
<b>Associate</b>					
Chongqing Xingang Changlong Logistics Co., Ltd. (重慶新港長龍物流有限責任公司) ("Xingang Changlong") (Note 4)	28,258	-	-	-	28,258
Chongqing Baocheng Carbon Material Co., Ltd. ("Baocheng Carbon")	-	11,236	-	-	11,236
Baowu Raw Material Supply Co., Ltd. ("Baowu Raw Material")	-	40,000	-	-	40,000
	28,258	51,236	-	-	79,494

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

*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 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 3:* 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. On 21 June 2021, the Company received a cash dividend of RMB310,000 from Baowu Raw Material.

*Note 4:* In March 2019, the Company acquired 28% of equity interest in Xingang Changlong with RMB28,482,000 (exclusive of trading service charges). 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, which approved the Company’s acquisition of 60% and 12% equity interest in Xingang Changlong held by Chongqing Qiancheng Industrial Development Co., Ltd. (重慶千誠實業發展有限公司) and Minsheng Shipping Co., Ltd. (民生輪船股份有限公司), respectively, through online bidding. As of January 2021, the Company contributed RMB126,449,000 to acquire 72 % of equity interest in Xingang Changlong. On 15 January 2021, Xingang Changlong completed the change of industrial and commercial registration and became a wholly-owned subsidiary of the Company.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 10. Other equity investments

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

30 June 2021 and 31 December 2020

	Accumulated fair value changes recorded in other comprehensive income	Fair value	Dividends Income		Reason for being designated as fair value through other comprehensive income
			Equity instruments derecognized	Equity instruments that are still held	
Xiamen Shipbuilding Industry Co., Ltd. (廈門船舶重工股份有限公司)	-	5,000	-	-	Intended to hold in long-term and earn investment income

##### 11. Property, plant and equipment

	30 June 2021	31 December 2020
Property, plant and equipment	<b>16,759,467</b>	16,605,635
Property, plant and equipment to be disposed of	<b>29,511</b>	25,153
	<b>16,788,978</b>	16,630,788

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

###### January to June 2021

	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
<b>Cost</b>				
Opening balance	13,632,365	8,592,665	10,807	22,235,837
Purchase	–	22,689	–	22,689
Transfers from construction in progress	–	282,877	–	282,877
Business combinations not involving entities under common control	181,494	38,230	176	219,900
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	–	(6,799)	(1,267)	(8,066)
Closing balance	13,813,859	8,929,662	9,716	22,753,237
<b>Accumulated depreciation</b>				
Opening balance	2,634,356	2,990,535	5,311	5,630,202
Provided	161,967	204,831	478	367,276
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	–	(2,726)	(982)	(3,708)
Closing balance	2,796,323	3,192,640	4,807	5,993,770
<b>Provision for impairment</b>				
Opening balance	–	–	–	–
Provided	–	–	–	–
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	–	–	–	–
Opening and closing balance	–	–	–	–
<b>Carrying amount</b>				
At the end of the period	11,017,536	5,737,022	4,909	16,759,467
At the beginning of the period	10,998,009	5,602,130	5,496	16,605,635

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

#### V. NOTES TO MAJOR 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)
Closing balance	13,632,365	8,592,665	10,807	22,235,837
<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)
Closing balance	2,634,356	2,990,535	5,311	5,630,202
<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)
Opening and closing balance	–	–	–	–
<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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

PPE leased out under operating lease are as follows:

	30 June 2021	2020
Plant and buildings	11,131	11,125

PPE without certificates of ownership as at 30 June 2021 are as follows:

	Carrying amount	Reason for lacking certificates of ownership
Workshop in Changshou district	994,335	Application materials in preparation

For details of PPE with ownership restricted, please refer to Note V.54.

*Property, plant and equipment to be disposed of*

	30 June 2021	2020
Machineries and other equipment	29,511	25,153

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 12. Construction in progress

	30 June 2021			2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Reconstruction from section steel into double high rods	545,835	-	545,835	467,058	-	467,058
Upgrading of rolling mill	930,505	-	930,505	597,109	-	597,109
Upgrading and transformation project of raw material terminal equipment for logistics transportation	484,852	-	484,852	189,082	-	189,082
Sintering machine upgrade and transformation and waste heat power generation project	247,852	-	247,852	249,345	-	249,345
High-efficiency transformation project of the second series of converters in the steelmaking plant	208,703	-	208,703	199,768	-	199,768
Upgrading of blast furnace process	226,904	-	226,904	246,666	-	246,666
Improvement of continuous caster	288,330	-	288,330	127,389	-	127,389
Newly built 50000m <sup>3</sup> /h oxygen generator	127,329	-	127,329	38,833	-	38,833
High efficiency utilization of surplus gas and steam cascade utilization project	186,967	-	186,967	73,688	-	73,688
No 2&3 Sintering flue gas desulfurization upgrading project	5,353	-	5,353	-	-	-
Upgrading of blast furnace blast system	113,069	-	113,069	82,746	-	82,746
Transformation of pellet desulfurization and denitrification	3,778	-	3,778	3,778	-	3,778
Plant road function improvement project	2,145	-	2,145	-	-	-
Upgrading of wastewater treatment system and environmental protection	93,635	-	93,635	83,057	-	83,057
Upgrading of coking process	40,494	-	40,494	37,345	-	37,345
Others	723,963	-	723,963	448,801	-	448,801
	<b>4,229,714</b>	<b>-</b>	<b>4,229,714</b>	<b>2,844,665</b>	<b>-</b>	<b>2,844,665</b>



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

Changes in significant construction in progress from January to June 2021:

Name of project	Budget	Opening balance	Current period 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	467,058	78,777	-	-	<b>545,835</b>	86%	Self-owned funds
Upgrading of rolling mill	1,825,740	597,109	616,273	282,877	-	<b>930,505</b>	66%	Self-owned funds
Upgrading and transformation project of raw material terminal equipment for logistics transportation	692,180	189,082	295,770	-	-	<b>484,852</b>	70%	Self-owned funds
Sintering machine upgrade and transformation and waste heat power generation project	324,890	249,345	9,648	-	11,141	<b>247,852</b>	80%	Self-owned funds
High-efficiency transformation project of the second series of converters in the steelmaking plant	219,134	199,768	8,935	-	-	<b>208,703</b>	95%	Self-owned funds
Upgrading of blast furnace process	775,785	246,666	66,706	-	86,468	<b>226,904</b>	40%	Self-owned funds
Improvement of continuous caster	773,340	127,389	160,941	-	-	<b>288,330</b>	37%	Self-owned funds
Newly built 50000m <sup>3</sup> /h oxygen generator	450,000	38,833	88,496	-	-	<b>127,329</b>	28%	Self-owned funds
High efficiency utilization of surplus gas and steam cascade utilization project	811,000	73,688	113,279	-	-	<b>186,967</b>	23%	Self-owned funds
No 2&3 Sintering flue gas desulfurization upgrading project	168,207	-	5,353	-	-	<b>5,353</b>	3%	Self-owned funds
Upgrading of blast furnace blast system	151,660	82,746	30,323	-	-	<b>113,069</b>	75%	Self-owned funds
Transformation of pellet desulfurization and denitrification	100,000	3,778	-	-	-	<b>3,778</b>	4%	Self-owned funds
Plant road function improvement project	8,324	-	2,145	-	-	<b>2,145</b>	26%	Self-owned funds
Upgrading of wastewater treatment system and environmental protection	167,950	83,057	10,578	-	-	<b>93,635</b>	56%	Self-owned funds
Upgrading of coking process	80,415	37,345	3,149	-	-	<b>40,494</b>	50%	Self-owned funds
Others	4,067,603	448,801	276,589	-	1,427	<b>723,963</b>	18%	Self-owned funds
		2,844,665	1,766,962	282,877	99,036	<b>4,229,714</b>		

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

Changes in significant construction in progress 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 Ironmaking plant sintering	15,950	7,866	4,174	-	(12,040)	-	75%	Self-owned funds
Transformation of the main pumping frequency conversion system of the third sintering plant	6,474	5,928	198	-	(6,126)	-	95%	Self-owned funds
Transformation of pellet desulfurization and denitrification	100,000	3,705	73	-	-	3,778	4%	Self-owned funds
Upgrading and reconstruction of continuous caster breakout detection system	3,650	3,147	-	(3,147)	-	-	86%	Self-owned funds
Plant road function improvement project	8,324	3,040	3,707	(6,747)	-	-	81%	Self-owned funds
Upgrading of wastewater treatment system and environmental protection	167,950	1,306	81,751	-	-	83,057	49%	Self-owned funds
Upgrading of coking process	80,415	-	50,048	(12,703)	-	37,345	62%	Self-owned funds
Others	1,704,649	23,933	456,200	(4,365)	(26,967)	448,801	28%	Self-owned funds
		171,858	3,262,819	(276,301)	(313,711)	2,844,665		

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

###### January to June 2021

	Plants and buildings	Machineries and other equipment	Total
<b>Cost</b>			
Opening balance	16,483	4,100,325	4,116,808
Additions	–	–	–
Closing balance	16,483	4,100,325	4,116,808
<b>Accumulated depreciation</b>			
Opening balance	532	21,065	21,597
Provided	1,596	180,156	181,752
Closing balance	2,128	201,221	203,349
<b>Provision for impairment</b>			
Opening and closing balance	–	–	–
<b>Carrying amount</b>			
At the end of the period	14,355	3,899,104	3,913,459
At the beginning of the period	15,951	4,079,260	4,095,211

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

2020

	Plants and buildings	Machineries and other equipment	Total
<b>Cost</b>			
Opening balance	–	–	–
Current year additions	16,483	4,100,325	4,116,808
Closing balance	16,483	4,100,325	4,116,808
<b>Accumulated depreciation</b>			
Opening balance	–	–	–
Provided	532	21,065	21,597
Closing balance	532	21,065	21,597
<b>Provision for impairment</b>			
Opening and closing balance	–	–	–
<b>Carrying amount</b>			
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).

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 14. Intangible assets

###### January to June 2021

	Land use rights	Patent and non-patent technology	Software use right	Total
<b>Cost</b>				
Opening balance	2,921,830	16,500	–	2,938,330
Business combinations not involving entities under common control	12,844	–	–	12,844
Purchase	34,699	–	–	34,699
Closing balance	2,969,373	16,500	–	2,985,873
<b>Accumulated amortization</b>				
Opening balance	541,725	2,012	–	543,737
Provided	31,955	2,414	–	34,369
Closing balance	573,680	4,426	–	578,106
<b>Provision for impairment</b>				
Opening and closing balance	–	–	–	–
<b>Carrying amount</b>				
At end of the period	2,395,693	12,074	–	2,407,767
At beginning of the period	2,380,105	14,488	–	2,394,593

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

2020

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

As at 30 June 2021, there was no land use right for which the Group had not obtained title certificates (31 December 2020: Nil). For details of intangible assets with ownership restricted as at the end of the period, please refer to Note V.54.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 15. Deferred tax assets/liabilities

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

	30 June 2021		31 December 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible losses	290,473	43,571	290,473	43,571
Provision for assets impairment	342,267	51,340	312,867	46,930
Post-employment and termination benefits	201,442	30,216	232,657	34,899
Deferred income	37,717	5,658	35,902	5,385
ECLs	4,556	683	4,556	683
	<b>876,455</b>	<b>131,468</b>	876,455	131,468

	30 June 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustments arising from business combinations not involving entities under common control	7,053	1,058	7,840	1,176
	<b>7,053</b>	<b>1,058</b>	7,840	1,176

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 15. Deferred tax assets (Continued)

Particulars of deferred tax assets unrecognized are presented as follows:

	<b>30 June 2021</b>	31 December 2020
Deductible losses	<b>814,481</b>	3,414,427
Deductible temporary differences	<b>710,828</b>	673,480
	<b>1,525,309</b>	4,087,907

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:

	<b>30 June 2021</b>	31 December 2020
2021	<b>813,183</b>	3,413,129
2022	<b>1,298</b>	1,298
	<b>814,481</b>	3,414,427



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 16. Goodwill

###### January to June 2021

	Opening balance	Increase Acquisition of a subsidiary	Decrease Disposal of a subsidiary	Closing balance
Goodwill				
Chongqing Iron & Steel Energy	295,407	–	–	295,407
Xingang Changlong	–	58,500	–	58,500
Less: Provision for impairments (a)				
Chongqing Iron & Steel Energy	–	–	–	–
Xingang Changlong	–	–	–	–
<b>Total</b>	<b>295,407</b>	<b>58,500</b>	<b>–</b>	<b>353,907</b>

###### 2020

	Opening balance	Increase Acquisition of a subsidiary	Decrease Disposal of a subsidiary	Closing balance
Goodwill				
Chongqing Iron & Steel Energy	–	295,407	–	295,407
Less: Provision for impairments				
Chongqing Iron & Steel Energy	–	–	–	–
<b>Total</b>	<b>–</b>	<b>295,407</b>	<b>–</b>	<b>295,407</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 16. Goodwill (Continued)

The Group acquired 72% equity interest in Xingang Changlong in January 2021, and goodwill of RMB58,500,000 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:

	30 June 2021	31 December 2020
Electric power processing group	295,407	295,407
Transportation loading and unloading group	58,500	–
<b>Total</b>	<b>353,907</b>	295,407

The goodwill of the electric power processing group is formed when purchasing Chongqing Iron & Steel Energy. The original book value was RMB295,407,000 on 30 June 2021. The goodwill of the transportation loading and unloading group is formed when purchasing Xingang Changlong. The original book value was RMB58,500,000 on 30 June 2021. The recoverable amount is determined by the present value of the estimated future cash flow and the cash flow forecast based on the five-year financial budget approved by the management. The cash flow over the five-year period is calculated using the estimated growth rate described below.

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

	30 June 2021
Sales growth rate during the forecast period	0%
Sustainable growth rate	0%
Discount rate	14%

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 17. Long-term prepaid expenses

January to June 2021

	Opening balance	Increase	Amortization	Other decrease	Closing balance
Leasehold improvement	299,730	99,036	(19,814)	–	378,952

2020

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

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

	30 June 2021	31 December 2020
Prepaid for construction	96,120	87,173
Leasing risk fund	34,919	37,919
	<b>131,039</b>	125,092

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 19. Short-term borrowings

	<b>30 June 2021</b>	31 December 2020
Guarantee and mortgage loan	<b>900,595</b>	200,211
Credit loan	<b>1,078,741</b>	500,577
Pledged loan	–	–
	<b>1,979,336</b>	700,788

As at 30 June 2021, the Group mortgaged land use rights with a net book value of RMB786,254,000 and buildings with a net book value of RMB885,915,000 to obtain mortgage loans of RMB900,000,000 from the bank. As at 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 at 30 June 2020, the annual interest rate for the above borrowings was 3.4%-3.83% (31 December 2020: 3.80%-5.22%).

As at 30 June 2021, none of the short-term borrowings were overdue (31 December 2020: Nil).

##### 20. Notes payable

	<b>30 June 2021</b>	31 December 2020
Bank acceptance notes	<b>1,880,137</b>	1,272,291

As at 30 June 2021 and 31 December 2020, the age of notes payable of the Group was all within 6 months and none of the notes payable overdue. As at 30 June 2021, the Group's notes payable was issued with a pledge of notes receivable of RMB172,465,000 (2020: RMB1,343,223,000, a pledge of notes receivable).

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 21. Trade payables

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

	30 June 2021	31 December 2020
Within 1 year	<b>3,854,614</b>	2,642,743
1–2 years	<b>18,955</b>	6,107
2–3 years	<b>100</b>	100
Over 3 years	<b>10,463</b>	3,778
	<b>3,884,132</b>	2,652,728

As at 30 June 2021, accounts payable aged over 1 year amounted to RMB29,518,000 (31 December 2020: RMB9,985,000), mainly due to payment for goods, and these amounts are still in the process of settlement.

##### 22. Contract liabilities

	30 June 2021	31 December 2020
Contract for goods	<b>3,322,929</b>	2,554,165

As at 30 June 2021, VAT of advances of BMB431,981,000 were disclosed as other current liabilities (31 December 2020: RMB332,041,000)

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 23. Employee benefits payable

January to June 2021

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	230,842	578,822	766,990	42,674
Post-employment benefits – defined contribution plans	27	61,073	60,737	363
Termination benefits and defined benefit plans	53,100	478	478	53,100
	<b>283,969</b>	<b>640,373</b>	<b>828,205</b>	<b>96,137</b>

2020

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

Details of short-term employee benefits:

January to June 2021	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	23,127	437,380	456,781	3,726
Staff welfare	–	13,728	13,387	341
Social security contributions	–	41,597	41,411	186
Including: Medical insurance	–	35,967	35,809	158
Work injury insurance	–	5,630	5,602	28
Maternity insurance premium	–	–	–	–
Housing fund	44,124	43,763	361	–
Labor union funds and employee education funds	41,485	10,569	13,994	38,060
Incentive fund ( <i>Note</i> )	166,230	31,424	197,654	–
	<b>230,842</b>	<b>578,822</b>	<b>766,990</b>	<b>42,674</b>
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>

*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. In the current period, the Company has accrued the incentive fund for 2020 with an amount of RMB31,424,000 and has transferred incentive fund for 2020 with an amount of RMB197,654,000 to the special fund account of the incentive fund. The special fund account is fully isolated from the Company’s own funds and does not belong to the Company’s disposable funds.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

Details of defined contribution plans:

January to June 2021	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	59,276	58,955	348
Unemployment insurance	–	1,797	1,782	15
	<b>27</b>	<b>61,073</b>	<b>60,737</b>	<b>363</b>

2020	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	91,230	91,230	27
Unemployment insurance	–	2,719	2,719	–
	27	93,949	93,949	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.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 24. Taxes payable

	30 June 2021	31 December 2020
Value-added tax (VAT)	4,037	1,189
Environmental protection tax	10,590	6,823
Stamp duty	7,940	–
Individual income tax	147	737
Corporate income tax	–	–
Others	188	428
	<b>22,902</b>	<b>9,177</b>

##### 25. Other payables

	30 June 2021	31 December 2020
Other payables	<b>1,062,032</b>	<b>1,567,618</b>

	30 June 2021	31 December 2020
Reserve funds for the reorganization	145,798	146,371
Guarantee deposits	148,154	125,989
Rural network loan repayment	138,276	114,581
Project payment payable carbon emission	264,072	1,079,523
	172,053	37,689
Large and medium-sized reservoir resettlement support fund	44,632	36,664
Others	149,047	26,801
	<b>1,062,032</b>	<b>1,567,618</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

	30 June 2021	31 December 2020
Long-term borrowings due within 1 year ( <i>Note V.27</i> )	119,121	166,271
Bonds payable due within 1 year ( <i>Note V.28</i> )	13,785	38,411
Other non-current liabilities due within 1 year ( <i>Note V.33</i> )	562,534	2,255,572
Including: loan of judicial reorganization financial loan	– 562,534	2,255,002 570
Long-term payables due within 1 year ( <i>Note V.30</i> )	768,234	521,205
Lease liabilities due within 1 year ( <i>Note V.29</i> )	1,088,571	1,075,012
	<b>2,552,245</b>	4,056,471

##### 27. Long-term borrowings

	30 June 2021	31 December 2020
Pledge loan	490,570	500,646
Mortgage and guaranteed loan	63,551	115,625
Less: Long-term borrowings due within 1 year ( <i>Note V.26</i> )	119,121	166,271
Closing balance	<b>435,000</b>	450,000

As at 30 June 2021, the annual interest rate of the above long-term borrowings was 4.65% (31 December 2020: 4.650%-5.635%).

As at 30 June 2021, none of the long-term borrowings overdue (31 December 2020: Nil).

As at 30 June 2021, the Group pledged 100% equity interest in Chongqing Iron & Steel Energy to obtain pledged loans of RMB500,000,000 from the bank. Up to 30 June 2021, the balance of the loan was RMB490,570,000; Chongqing Iron & Steel provided a full third party joint liability guarantee for the Group to obtain guarantees and mortgage loans from the bank. Up to 30 June 2021, the balance of the loan was RMB63,551,000 (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).

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

	30 June 2021	31 December 2020
Spot or within 1 year	119,121	166,271
1–2 years	80,000	75,000
2–5 years	355,000	375,000
	<b>554,121</b>	616,271

##### 28. Bonds payable

	30 June 2021	31 December 2020
Medium-term notes	1,010,338	1,033,561
Less: Bonds payable due within 1 year ( <i>Note V.26</i> )	13,785	38,411
Closing balance	<b>996,553</b>	995,150

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 28. Bonds payable (Continued)

As at 30 June 2021, the balance of bonds payable is listed as follows:

Name	Face value	Issuance date	Maturity	Issuance amount	Opening balance	Issued	Interest accrued	Less:		Closing balance
								interest paid in this year	Less: due within 1 year	
Medium-term notes (20Chongqing Iron & Steel MTN001A)	0.1	2020/3/19	3 years	500,000	498,131	-	30,600	(23,200)	(6,547)	<b>498,984</b>
Medium-term notes (20Chongqing Iron & Steel MTN001B)	0.1	2020/3/19	3 years	500,000	497,019	-	33,438	(25,650)	(7,238)	<b>497,569</b>
<b>Total</b>				<b>1,000,000</b>	<b>995,150</b>	<b>-</b>	<b>64,038</b>	<b>(48,850)</b>	<b>(13,785)</b>	<b>996,553</b>

Analysis on due date of bonds payable is as follows:

	<b>30 June 2021</b>	31 December 2020
Spot or within 1 year	<b>13,785</b>	38,411
2-3 years	<b>996,553</b>	995,150
	<b>1,010,338</b>	1,033,561

According to the China Association of Banking Market Exchanges China Municipal Association Note [2020] MTN106, the Company issued the first tranche of 2020 medium-term notes on 19 March 2020, totaling RMB1 billion, with a maturity of 3 years and a coupon rate of 4.64%-5.13%.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 29. Lease liabilities

	30 June 2021	31 December 2020
Opening balance	4,097,624	–
Increase	–	4,116,808
Interest	98,550	5,151
Payment	167,920	24,335
	4,028,254	4,097,624
Less: Lease liabilities due within 1 year (Note V.26)	1,088,571	1,075,012
Closing amount	2,939,683	3,022,612

##### 30. Long-term payables

	30 June 2021	31 December 2020
Long-term payables	3,384,180	1,873,469
Less: Long-term payables due within 1 year (Note V.26)	768,234	521,205
Closing balance	2,615,946	1,352,264

##### *Long-term payables*

	30 June 2021	31 December 2020
Leaseback	2,615,946	1,352,264

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

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

As at 30 June 2021, the annual interest rate of the above long-term payables was 4.00%-5.46% (31 December 2020: 4.00%-5.46%).

As at 30 June 2021, none of the long-term payables overdue (31 December 2020: Nil).

As at 30 June 2021, the Group and the leasing company carried out the leaseback business and financed RMB3,384,180,000 in total. The Group used machinery and equipment with a book value of RMB4,119,855,000 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.

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

	<b>30 June 2021</b>	31 December 2020
Spot or within 1 year	<b>768,234</b>	521,205
1–2 years	<b>590,946</b>	518,315
2–5 years	<b>2,025,000</b>	833,949
<b>Total</b>	<b>3,384,180</b>	1,873,469

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

	<b>30 June 2021</b>	31 December 2020
Long-term termination benefits	<b>107,948</b>	137,077
Net liabilities of the defined benefit plan	<b>42,310</b>	42,480
<b>Total</b>	<b>150,258</b>	179,557

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

###### *Long-term termination benefits*

Termination benefits scheme was implemented by the Group due to the implementation of the human resource optimization policy, which allowed qualified employees to early retire on a voluntary basis. The Group undertakes obligation to pay the early retirement employees' living expenses, social insurance and housing fund during the early retirement period until the employees meet official retirement age (male: 60, female: 50 or 55). The amounts of contributions to social insurance and housing fund are determined on the basis of the contributions, and the proportion of contributions payable by the Group in accordance with local social security requirement.

As at the balance sheet date, key actuarial assumptions used are as follows:

	30 June 2021	31 December 2020
Discount rate	2.75%	2.75%
Retirement age		
Male	60	60
Female	50/55	50/55
Wealth increase rate	4.00-8.00%	4.00-8.00%

The Group adjusted the payment responsibility based on average mortality of Chinese residents from "China Life Insurance Mortality Table (2010 to 2013)". The adjusted payment responsibility was discounted by the treasure bond rate of 30 June 2021 and accounted in profit or loss. As at 30 June 2021, the current portion of the payment responsibility was accounted for in short-term employee benefits.

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

The Group started to operate a defined benefit plan that has yet to receive capital injection for all eligible employees since 2018. Under the plan, an employee is entitled to retirement benefits comprising RMB38 and working age salary, apart from the basic pension insurance. The scheme is subject to interest rate risks, turnover rate and the risk of change in the life expectancy of the pension beneficiary.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

The following table sets forth the principal actuarial assumptions used as at the balance sheet date:

	<b>30 June 2021</b>	31 December 2020
Discount rate	<b>3.75%</b>	3.75%
Turnover rate	<b>1.50%</b>	1.50%

The Group adjusted the payment responsibility based on average mortality of Chinese residents from “China Life Insurance Mortality Table (2010 to 2013)”. The adjusted payment responsibility was discounted by the treasure bond rate of 30 June 2021 and accounted in profit or loss.

##### 32. Deferred income

<b>Government grants</b>	Opening balance	<b>Increase</b>	<b>Decrease</b>	<b>Closing balance</b>
January to June 2021	35,902	3,000	1,185	<b>37,717</b>
2020	38,271	–	2,369	<b>35,902</b>



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

As at 30 June 2021, details of government grants are as follows:

	Opening balance	Increase	Recognition during the period as other income	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	5,714	–	(60)	5,654	Related to assets
Grants for recycle heat power station	30,188	–	(1,125)	29,063	Related to assets
Intelligent roller grinding workspace	–	3,000	–	3,000	Related to assets
	<b>35,902</b>	<b>3,000</b>	<b>(1,185)</b>	<b>37,717</b>	

As at 31 December 2020, details of government grants are as follows:

	Opening balance	Increase	Recognition during the period as other income	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	5,833	–	(119)	5,714	Related to assets
Grants for recycle heat power station	32,438	–	(2,250)	30,188	Related to assets
	<b>38,271</b>	<b>–</b>	<b>(2,369)</b>	<b>35,902</b>	

For details of government grants credited to the current profit or loss or offset against the related cost in the current period, please refer to explanation of government grants in Note V. 46 Other income to these financial statements.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 33. Other non-current liabilities

	<b>30 June 2021</b>	31 December 2020
Other non-current liabilities	<b>562,534</b>	2,701,052
Less: Other non-current liabilities due within 1 year (Note V.26)	<b>562,534</b>	2,255,572
Closing balance	–	445,480

  

	<b>30 June 2021</b>	31 December 2020
Borrowings from non-financial institutions		
– loan of judicial reorganization	–	–
– financial loan	–	445,480
	–	445,480

According to the reorganization plan, Changshou Iron & Steel provided loan of RMB2.4 billion to the Company for the execution of the reorganization plan. The loan term is 7 years, which is from 24 November 2017 to 23 November 2024, and bears interest at the rate of 4.90% per annum. The Company decided in December 2020 to repay the loan in full in advance, and the repayment was completed on 8 January, 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. As at 30 June 2021, the Company had utilized financing facilities of RMB561,880,000, and decided to repay the loan in full in advance, which was presented as other non-current liabilities due within one year. The repayment was completed on 13 August 2021.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 33. Other non-current liabilities (Continued)

Analysis on due date of other non-current liabilities is as follows:

	30 June 2021	31 December 2020
Spot or within 1 year	562,534	2,255,572
1-2 years	–	–
2-5 years	–	445,480
	<b>562,534</b>	2,701,052

##### 34. Share capital

	January to June 2021	Opening balance	Increase/(decrease) during the current period				Sub-total	Closing balance
			New shares issued	Bonus shares	Reserve transferred to shares	Others		
Restricted shares		36,662	–	–	–	–	–	36,662
A shares		36,662	–	–	–	–	–	36,662
Non-restricted shares		8,881,940	–	–	–	–	–	8,881,940
A shares		8,343,813	–	–	–	–	–	8,343,813
H shares		538,127	–	–	–	–	–	538,127
		<b>8,918,602</b>	–	–	–	–	–	<b>8,918,602</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 34. Share capital (Continued)

2020	Opening balance	New shares issued	Increase/(decrease) during the current year				Sub-total	Closing balance
			Bonus shares	Reserve transferred to shares	Others			
Restricted shares	31,500	-	-	-	5,162	5,162	36,662	
A shares	31,500	-	-	-	5,162	5,162	36,662	
Non-restricted shares	8,887,102	-	-	-	(5,162)	(5,162)	8,881,940	
A shares	8,348,975	-	-	-	(5,162)	(5,162)	8,343,813	
H shares	538,127	-	-	-	-	-	538,127	
	8,918,602	-	-	-	-	-	8,918,602	

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 guarantee for Changshou Iron & Steel to borrow RMB2.4 billion from China Development Bank. The loan term is 7 years, which is from 30 November 2017 to 29 November 2024. In January 2021, Changshou Iron & Steel repaid the loan in advance and completed the procedures of release of share pledge with China Securities Depository and Clearing Corporation Limited. The Notice on Registration of the Release of Pledged Securities (《證券質押登記解除通知書》) from China Securities Depository and Clearing Corporation Limited was received on 30 March 2021 and the registration of the pledge of 2,096,981,600 unrestricted tradable shares which originally pledged to China Development Bank by Changshou Iron & Steel was discharged.

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 31 December 2021, 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 35. Capital reserve

January to June 2021	Opening balance	Increase	Decrease	Closing balance
Share premium	18,454,409	–	–	18,454,409
Other capital reserves	827,738	–	–	827,738
	<b>19,282,147</b>	–	–	<b>19,282,147</b>

2020	Opening balance	Increase	Decrease	Closing balance
Share premium	18,454,409	–	–	18,454,409
Other capital reserves	827,738	–	–	827,738
	19,282,147	–	–	19,282,147

##### 36. Treasury shares

	Opening balance	Increase	Decrease	Closing balance
Treasury shares	65,940	–	–	65,940

##### 37. Special reserves

Safety production funds	Opening balance	Increase	Decrease	Closing balance
For the six months ended				
30 June 2021	22,184	15,202	7,703	29,683
2020	14,573	29,564	21,953	22,184

Special reserves was the safety fund accrued according to article of “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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 38. Surplus reserves

For the six months ended 30 June 2021 and 2020

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

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 reserves, where the appropriation can be ceased when the statutory surplus reserves reaches 50% of the registered capital.

##### 39. Unappropriated profits

	30 June 2021	31 December 2020
Opening balance	<b>(8,725,517)</b>	(9,363,996)
Add: Net profit attributable to the shareholders of the parent company	<b>2,697,041</b>	638,479
Closing balance	<b>(6,028,476)</b>	(8,725,517)

##### 40. Revenue and cost

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	<b>22,410,284</b>	<b>18,896,675</b>	10,875,755	10,316,945
Revenue from other operations	<b>259,655</b>	<b>288,382</b>	51,612	26,048
	<b>22,669,939</b>	<b>19,185,057</b>	10,927,367	10,342,993

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 40. Revenue and cost of sales (Continued)

Details of revenue as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Revenue from contracts with customers	<b>22,669,824</b>	10,927,319
Rentals	<b>115</b>	48
	<b>22,669,939</b>	10,927,367

Details of disaggregation of revenue from contracts with customers as follows:

For the six months ended 30 June 2021

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 40. Revenue and cost of sales (Continued)

For the six months ended 30 June 2020

Type of Main Product	Sale of steel products	Others	Total
Hot rolling	5,313,138	–	5,313,138
Plate	3,456,117	–	3,456,117
Bars	958,786	–	958,786
Wire rods	773,514	–	773,514
Others	–	425,764	425,764
	10,501,555	425,764	10,927,319

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

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

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Contract for goods	<b>2,554,165</b>	1,145,615



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 41. Taxes and surcharges

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Environmental protection tax	21,863	20,952
Land use right tax	21,288	16,744
Housing property tax	16,875	12,000
Stamp duty	14,757	6,781
City maintenance and construction tax	1,831	18,732
Education surcharge	785	8,028
Local education surcharge	523	5,352
Others	10	6
	<b>77,932</b>	88,595

##### 42. Distribution and selling expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Transportation expenses	20,089	39,969
Labor costs	18,563	9,175
Incentive fund	–	431
Depreciation expenses	195	191
Others	4,152	3,589
	<b>42,999</b>	53,355

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 43. General and administrative expenses

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Labor costs	<b>69,428</b>	86,086
Incentive funds	–	2,586
Depreciation and amortization	<b>50,781</b>	60,187
Loss on suspension of production	<b>65,658</b>	34,381
Consulting fee	<b>9,335</b>	10,861
Safety expense	<b>7,236</b>	9,623
Environmental protection cost	<b>11,211</b>	6,128
Repair cost	<b>2,899</b>	10,103
Others	<b>29,161</b>	24,138
	<b>245,709</b>	244,093

##### 44. Research and development expenses

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Power expenses	<b>22,034</b>	–
Employee benefits	<b>47,400</b>	–
Depreciation and amortization	<b>6,157</b>	–
	<b>75,591</b>	–

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 45. Finance Expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Interest expense	249,514	110,693
Less: Interest income	47,270	23,202
Exchange loss/(gain)	(6,514)	(575)
Others	11,867	3,232
	<b>207,597</b>	90,148

##### 46. Other income

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Government grants related to daily operating activities	28,149	6,515

Government grants related to daily operating activities are as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Relate to assets/ income
Grants for recycle heat power project	1,125	1,125	Relate to assets
Others	60	60	Relate to assets
Position stability subsidies	–	3,257	Relate to income
Hong Kong construction subsidies	–	1,329	Relate to income
Subsidies for product R & D	669	150	Relate to income
Tax refund	24,223	–	Relate to income
Industrial internet subsidy start-up fund	1,500	–	Relate to income
Others	572	594	Relate to income
	<b>28,149</b>	6,515	

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 47. Investment Income

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Long-term equity investment income under the equity method	<b>310</b>	–
Investment income from financial assets held for trading	–	6,791
	<b>310</b>	6,791

##### 48. Non-operating income

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020	Amount included in non-recurring profit or loss
Others	<b>966</b>	684	966
	<b>966</b>	684	966

##### 49. Non-operating expenses

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020	Amount included in non-recurring profit or loss
Carbon emission fees	<b>167,270</b>	–	167,270
Expenses from disposal of non-current assets	–	197	–
Expenses from fines	<b>30</b>	510	30
Donation expenses	<b>142</b>	–	142
Others	<b>114</b>	40	114
	<b>167,556</b>	747	167,556

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 50. Income tax expenses

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Current income tax	–	71
Deferred tax	(118)	–
	(118)	71

Income tax expense reconciliation from profit before tax:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Profit before tax	2,696,923	121,426
Tax rate	15%	15%
Income tax expenses calculated at the applicable tax rate	404,538	18,214
Effect of different tax rate for subsidiary	(3,548)	(141)
Expenses not deductible for tax purposes	1,254	3,367
Adjustment of income tax in the prior year	–	–
Utilization of deductible losses and deductible temporary differences from prior years	(407,965)	(93)
Recognized unrecognized deductible losses and deductible temporary differences from prior years	–	–
Effect of unrecognized deductible temporary differences	5,603	(21,276)
Income tax expenses	(118)	71

All the Group's profit is from Mainland China.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 51. Earnings per share

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

The Group does not hold potential shares that are dilutive.

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Basic earnings per share		
Continuing operations	<b>0.30</b>	0.01

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Earnings		
Profit attributable to ordinary shareholders of the Company		
Continuing operations (RMB)	<b>2,697,041,000</b>	121,355,000

Number of shares		
Weighted average number of ordinary shares outstanding (Note)	<b>8,881,940,267</b>	8,862,102,267

*Note:* During the current period, the Company had not incurred any changes that may result in changes in the number of ordinary shares or potential ordinary shares outstanding. The weighted average number of ordinary shares outstanding during the period was 8,881,940,267 shares, which was used by the Company to calculate the current earnings per share.

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

*Other cash received relating to operating activities*

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Interest income	<b>47,270</b>	22,882
Guarantees and deposit	<b>17,799</b>	8,313
Others	<b>8,609</b>	157,785
	<b>73,678</b>	188,980

*Other cash paid relating to operating activities*

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
General and administrative expenses	<b>65,708</b>	98,310
Distribution and selling expenses	<b>28,566</b>	43,557
Others	<b>25,227</b>	126,587
	<b>119,501</b>	268,454

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

*Other cash received relating to financing activities*

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Receipt of non-trading transfer payment for treasury shares	<b>65,992</b>	–
	<b>65,992</b>	–

*Other cash paid relating to financing activities*

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Repurchase of shares	–	–
Repayment of operating ordinary obligations from the reorganization	<b>574</b>	2,045
Payment of leaseback	<b>198,798</b>	–
Others	<b>80,010</b>	7,500
	<b>279,382</b>	9,545



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 53. Supplementary information to the consolidated cash flow statement

(1) *Supplement information to the consolidated cash flow statement*

Reconciliation from net profit to cash flows from operating activities:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Net profit	<b>2,697,041</b>	121,355
Add: Impairment losses of assets	–	–
Depreciation of property plant and equipment	<b>568,842</b>	333,238
Amortization of intangible assets	<b>34,369</b>	31,106
Amortization of deferred income	<b>(1,185)</b>	(1,185)
Losses on retirement of PPE	–	197
Financial expenses	<b>249,514</b>	100,819
Investment income	<b>(310)</b>	(6,791)
increase in inventories	<b>(1,686,961)</b>	952,194
Increase in operating receivables	<b>(1,128,862)</b>	(1,460,443)
Increase/(decrease) in operating payables	<b>806,441</b>	5,644
Others	<b>7,499</b>	6,452
<b>Net cash flow from operating activities</b>	<b>1,546,388</b>	82,586

Net changes in cash and cash equivalents:

Cash at the end of the period	<b>4,743,627</b>	2,968,572
Less: cash at the beginning of the period	<b>4,698,090</b>	1,595,323
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>45,537</b>	1,373,249

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

(2) *Cash and cash equivalents*

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Cash	<b>4,743,627</b>	2,968,572
Wherein: Cash on hand	–	2
Bank deposit available on demand for payment	<b>4,743,627</b>	2,968,570
Cash and cash equivalents at the end of the period	<b>4,743,627</b>	2,968,572

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

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Endorsement amount of notes receivable	<b>5,149,521</b>	1,715,029
Including: Payment for goods and labor	<b>2,235,653</b>	1,321,978
Payment for equipment and construction	<b>2,762,950</b>	–
Payment for others	<b>150,918</b>	393,051

(4) *Major financing activities not involving cash receipts and payments:*

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Bank acceptance bill collected from leaseback	–	100,000

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

(5) Information about subsidiaries and other business units acquired:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Prices paid to acquire subsidiaries and other business units	114,449	—
Including: Security deposit paid for acquiring 72% equity interest in Xingang Changlong	114,449	—
Cash and cash equivalents paid to acquire subsidiaries and other business units	114,449	—
Less: Cash and cash equivalents held by subsidiaries and other business units when acquired	—	—
Net cash paid to acquire subsidiaries and other business units	114,449	—

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

	30 June 2021	31 December 2020	
Cash and bank balances	524,874	245,141	<i>Note 1</i>
Receivables financing	172,465	1,343,223	<i>Note 2</i>
PPE—Plants and buildings	1,724,265	987,609	<i>Note 3</i>
PPE—Machinery and equipment	4,119,855	2,542,304	<i>Note 3</i>
Intangible assets	1,617,133	1,027,708	<i>Note 4</i>
	<b>8,158,592</b>	6,145,985	

*Note 1:* As at 30 June 2021, the Group had cash and bank balances amounted to RMB524,874,000 (31 December 2020: RMB245,141,000) restricted for bank acceptance notes and letter of credit.

*Note 2:* As at 30 June 2021, the Group pledged bank acceptance notes with a book value of RMB172,465,000 for issuing bank acceptance (As at 31 December 2020, the Group pledged bank acceptance notes with a book value of RMB1,343,233,000 for issuing bank acceptance).

*Note 3:* As at 30 June 2021, the plant and buildings with a book value of RMB1,724,265,000 (31 December 2020: RMB987,609,000) and machinery and equipment with a book value of RMB4,119,855,000 (31 December 2020: RMB2,542,304,000) were pledged to banks to secure the bank loans and working capital loan facilities granted to the Group.

*Note 4:* As at 30 June 2021, the land use right with a book value of RMB1,617,133,000 (31 December 2020: RMB1,027,708,000) were pledged to banks to secure the bank loans and working capital loan facilities granted to the Group. The amortization of the above land use right for the current year was RMB22,054,000.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 55. Foreign currency monetary items

	30 June 2021			31 December 2020		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash and bank balances						
Wherein: USD	1,062	6.4601	6,863	672	6.5249	4,385
HKD	6	0.8321	5	6	0.8416	5
			<b>6,868</b>			<b>4,390</b>

	30 June 2021			31 December 2020		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Trade payables						
Wherein: USD	2,818	6.4601	18,202	156,920	6.5249	1,023,887
			<b>18,202</b>			<b>1,023,887</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### VI. CHANGES IN THE SCOPE OF CONSOLIDATION

##### 1. Business combinations not involving entities under common control

In March 2019, the Company acquired 28% equity interest of Xingang Changlong from a non-related party for RMB28,258,000; as at January 2021, the Company had contributed RMB126,420,000 and acquired 72% equity interest of Xingang Changlong, and on 15 January 2021, Xingang Changlong completed the change of industrial and commercial registration and became a wholly-owned subsidiary of the Company.

The book value of the identifiable assets and liabilities of Xingang Changlong on the purchase date are as follows:

Unit: RMB '000

	31 December 2020 Book value
<b>Assets:</b>	
Cash and bank balances	59
Trade receivables	10,930
Prepayments	62
Other receivables	4
Property, plant and equipment	219,901
Construction in process	793
Intangible assets	12,844
<b>Total assets</b>	<b>244,593</b>
<b>Liabilities:</b>	
Trade payables	23,935
Advances from customers	10
Employee benefits payable	1,331
Taxes payable	342
Other payables	79,797
Non-current liabilities due within one year	21,000
Long-term borrowings	22,000
<b>Total liabilities</b>	<b>148,415</b>
<b>Net assets</b>	<b>96,178</b>
Goodwill	58,500
	<b>154,678</b>

Note: The amount is RMB154,678,000 in cash paid by the Company in the business combination.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

#### VI. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

##### 1. Business combinations not involving entities under common control (Continued)

The assets of Xingang Changlong that could not be separately recognised formed goodwill of RMB58,500,000.

The operating results and cash flow of Xingang Changlong from the date of purchase to the end of the period are listed as follows:

	From 15 January 2021 to 30 June 2021
Revenue	48,969
Net profit	12,379
Net cash flow	(13)

#### VII. INTERESTS IN OTHER ENTITIES

##### 1. Equity in subsidiary

Composition of significant subsidiaries:

Name of the subsidiary	Main operating place	Place of registration	Business nature	Registered capital <i>RMB 0'000</i>	Shareholding ratio (%)		Acquisition method
					Direct	Indirect	
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
Chongqing Xingang Changlong Logistics Co., Ltd.	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Transportation and warehouse	110,000	100	-	Business combinations not involving entities under common control

On 30 June 2021, there were no subsidiaries with material interests of non-controlling shareholders.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

	Principal place of business	Domicile	Business nature	Registered capital	Shareholding ratio(%)		Accounting policy
					Direct	Indirect	
<b>Joint venture</b>							
Chongqing Jianwei	Changshou District, Chongqing	Changshou District, Chongqing	Software and information technology services	5,000	50	-	Equity method
<b>Associate</b>							
Baocheng Carbon	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Manufacturing	33,333	10	-	Equity method
Baowu Raw Materials	Shanghai Free Trade Zone	Shanghai Free Trade Zone	Trading industry	500,000	8	-	Equity method

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:

	30 June 2021	31 December 2020
Associate		
Book value of investment	51,236	79,494
Total amount calculated by shareholding ratio as follows	-	-
Net profit	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

#### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

##### 1. Classification of financial instruments

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

*financial assets*

30 June 2021	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and bank balances	-	-	5,268,501	5,268,501
Financial assets held for trading (acquired by standards)	-	550,000	-	550,000
Trade receivables	-	-	8,965	8,965
Receivables financing (acquired by standards)	3,605,463	-	-	3,605,463
Other receivables	-	-	16,959	16,959
Other equity investment (designated)	5,000	-	-	5,000
	<b>3,610,463</b>	<b>550,000</b>	<b>5,294,425</b>	<b>9,454,888</b>

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>



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

###### *Financial liabilities*

	Financial liabilities measured at amortized cost	
	30 June 2021	31 December 2020
Short-term borrowings	1,979,336	700,788
Notes payable	1,880,137	1,272,291
Trade payables	3,884,132	2,652,728
Other payables	1,062,032	1,567,618
Non-current liabilities due within one year	2,552,245	4,056,471
Long-term borrowings	435,000	450,000
Bonds payable	996,553	995,150
Lease liabilities	2,939,683	3,022,612
Long-term payables	2,615,946	1,352,264
Other non-current liabilities	–	445,480
	<b>18,345,064</b>	16,515,402

##### 2. Transfer of financial assets

###### *Financial assets transferred but fully derecognized and transferred but still continuing involved*

As at 30 June 2021, 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 RMB3,565,053,000 (31 December 2020: RMB386,783,000). As of 30 June 2021, the maturity date is within 6 months. According to the relevant provisions of the “Negotiable Instruments Law”, if the accepting bank refuses to pay, its holder has the right to recourse against the Group (“continued involvement”). The Group believes that the Group has transferred almost all of its risks and rewards, and therefore, derecognizes the book value of it and its related settled accounts payable. The maximum loss and undiscounted cash flow of continuing involvement and repurchase are equal to its book value. The Group believes that continued involvement in fair value is not significant.

From January to June 2021, the Group has not recognized gains or losses on the transfer date. The Group had no current or accumulated gain or expense arising from the continuing involvement in financial assets which had been derecognized. Endorsements were incurred evenly throughout this period.

# Section X Financial Report

## Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

#### 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.

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 receivables are placed in the well-established banks and with high credit ratings, these financial instruments are exposed to lower credit risk.

The credit risk of the Group's other financial assets, which comprise trade receivables, other receivables, and other equity investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

Maximum credit risk exposure the Group faced at each balance sheet date is the total amount received from customer less impairment.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI. 2.

Since the Group traded only with recognized and creditworthy third parties, there was no requirement for collateral. Credit risk was managed in accordance with customer and industry. At the end of the reporting year, the Group had a certain concentration of credit risk as 47% (31 December 2020: 93%) of the Group's trade receivables were due from the Group's five largest customers in terms of trade receivables. The Group did not hold any collateral or credit enhancements for the balance of trade receivables.

###### *Criteria for judging significant increase in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- (1) Quantitative criteria mainly comprise of the circumstance that at the reporting date exceeds a certain number of days overdue;
- (2) Qualitative criteria mainly comprise of the circumstances that significant adverse change in debtor's operation, etc.

# Section X Financial Report

## Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

### 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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

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.

As at 30 June 2021, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
Cash and bank balance	<b>5,268,501</b>	–	–	–	<b>5,268,501</b>
Trade receivables	–	–	–	<b>10,013</b>	<b>10,013</b>
Receivables financing	<b>3,605,463</b>	–	–	–	<b>3,605,463</b>
Other receivables	<b>15,012</b>	<b>2,377</b>	<b>3,078</b>	–	<b>20,467</b>
	<b>8,888,976</b>	<b>2,377</b>	<b>3,078</b>	<b>10,013</b>	<b>8,904,444</b>

As at 31 December 2020, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
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
	7,027,973	2,247	3,078	36,089	7,069,387

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

###### *Liquidity risk*

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in collecting liabilities from counterparts of contracts; or early redemption of debts; or failure in achieving estimated cash flows.

The Company and its subsidiaries were responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the Board of the Company when the borrowings exceeded certain predetermined levels of authority). The Group's liquidity management method was to make sure enough liquidity for the performance of matured debts, so as not to cause any unacceptable losses or any damage to its reputation. As at 30 June 2021, the Group's current assets already exceeded current liabilities by RMB1,527,702,000 (31 December 2020: current liabilities exceeded current assets by RMB380,840,000).

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

###### Liquidity risk (Continued)

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

	30 June 2021					
	Carrying amount	Undiscounted contract amount	Within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	1,979,336	2,025,115	2,025,115	-	-	-
Notes payable	1,880,137	1,880,137	1,880,137	-	-	-
Trade payables	3,884,132	3,884,132	3,884,132	-	-	-
Other payables	1,062,032	1,062,032	1,062,032	-	-	-
Non-current liabilities due within one year	2,552,245	2,563,188	2,563,188	-	-	-
Long-term borrowings	435,000	493,246	84,568	115,915	292,763	-
Bonds payables	996,553	1,048,850	16,820	1,032,030	-	1,836,404
Lease liabilities	2,939,683	3,140,201	140,139	2,635,018	365,044	-
Long-term payables	2,615,946	2,844,544	675,340	754,064	1,415,140	-
	<b>18,345,064</b>	<b>18,941,445</b>	<b>12,331,471</b>	<b>4,537,027</b>	<b>2,072,947</b>	<b>-</b>

  

	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 non-current liabilities	445,480	492,255	18,060	19,196	454,999	-
	<b>16,515,402</b>	<b>17,256,086</b>	<b>10,553,666</b>	<b>2,136,819</b>	<b>4,565,601</b>	<b>-</b>

# Section X Financial Report

## Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

##### *Market risk*

Market risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market price variation. Market risk mainly includes interest risk and foreign exchange risk.

##### *Interest risk*

Interest risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market interest variation. The market interest rate variation risk faced by the Group mainly correlated with its loans with the interest measured by the floating interest rate.

The Group's revenue and operating cash flows are largely unaffected by fluctuation in market interest rate. As at 30 June 2021, all the Group's bank loans were calculated by stable interest rate.

##### *Foreign exchange risk*

The Group has currency exposures arising from purchases by operating units in currencies other than the units' functional currencies.

During this year, the Group's operating activities were carried out in Mainland China. Majority of transactions are denominated in RMB, the transactions of sales are denominated in RMB, and approximately 17.93% (2020: 40.17%) of purchase were denominated in US dollars for the purchase of iron ores. The finance department of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent. Fluctuations in the exchange rate of USD against RMB will affect the Group's operating results.

For the book value and exchange rate risk exposure of the Group's cash and bank balances and accounts payable, please refer to Note V. 55 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).



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

###### Market risk (Continued)

###### Foreign exchange risk (Continued)

January to June 2021

	Exchange rate Increase/ (Decrease) %	Net profit Increase/ (Decrease)	Total shareholders' equity Increase/ (Decrease)
RMB depreciation against the U.S. dollar	1	(251)	(251)
RMB appreciation against the U.S. dollar	(1)	251	251

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business development 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.

	30 June 2021	31 December 2020
Debt-to-asset ratio	49.63%	49.84%

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### IX. DISCLOSURE OF FAIR VALUE

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

As at 30 June 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets held for trading	–	–	550,000	550,000
Other equity investments	–	–	5,000	5,000
Receivables financing	–	3,605,463	–	3,605,463
	–	3,605,463	555,000	4,160,463

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

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

As at 30 June 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	–	432,330	–	432,330
Bonds payables	–	953,014	–	953,014
Lease liabilities	–	–	2,803,921	2,803,921
Long-term payables	–	2,476,131	–	2,476,131
	–	3,861,475	2,803,921	6,665,396

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 payables	–	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

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 3. Fair value estimation

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

	Carrying amount		Fair value	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Long-term borrowings	<b>435,000</b>	450,000	<b>432,330</b>	437,244
Bonds payable	<b>996,553</b>	995,150	<b>953,014</b>	948,283
Lease liabilities	<b>2,939,683</b>	3,022,612	<b>2,803,921</b>	3,004,650
Long-term payables	<b>2,615,946</b>	1,352,264	<b>2,476,131</b>	1,122,827
Other non-current liabilities	–	445,480	–	408,607
	<b>6,987,182</b>	6,265,506	<b>6,665,396</b>	5,921,611

Management has assessed that the fair values of cash and bank balances, financial assets held for trading, trade receivables, receivables financing, other receivables, short-term borrowings, notes payable, trade payables, other payables, 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 market interest rate of other financial instruments with similar contract terms, credit risks and remaining Term. As at 30 June 2021, non-performance risks underlying other non-current liabilities were appraised as immaterial.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 4. Unobservable input value

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

	Valuation technique	Unobservable inputs	Weighted average	Fair value
Trust products classified as financial assets held for trading	30 June 2021: 550,000	Discounted cash flow method	Yield of similar products in private market	January to June 2021: 4.2%
	2020: —			2020: —

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

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

January to June 2021

	Transfer into		Transfer out		Total gains or losses					Change in unrealized gains or losses included in profit or loss for assets held	
	Opening balance	Stage 3	Stage 3	Through profit or loss	Through other comprehensive income	Purchase	Issue	Sale	Settlements		Closing balance
Financial assets held for trading	-	-	-	-	-	550,000	-	-	-	550,000	-

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

2020

	Opening balance	Transfer into		Transfer out		Total gains or losses				Closing balance	Changes in unrealized gains or losses included in profit or loss for assets held at end of year
		Stage 3	Stage 3	Through profit or loss	Through other comprehensive income	Purchase	Issue	Sale	Settlements		
Financial assets held for trading	400,000	-	-	6,803	-	33,000	-	-	(439,803)	-	-

#### 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 (%)
Chongqing Changshou Iron & Steel Company Limited	Chongqing	Technology development, technology transfer, technology service and management consultancy services of the fields of iron and steel, metallurgy and mining, coal, chemical industry, electricity and transportation; sales of raw materials, namely steel; operation of terminals; warehouse services; leases of owned property and equipment; import and export of goods and technology; corporate management and consultancy services	4,000,000	23.51	23.51

Changshou Iron & Steel is the controlling shareholders of the Company.

# Section X Financial Report

## Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

#### 2. Subsidiary

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

#### 3. Information about other related parties of the Company

Company name	Relationship between the Company and other related parties
Baocheng Carbon	Associate
Baowu Raw Material	Associate
Chongqing Jianwei	Joint venture
Baowu Group	Major 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 subsidiary
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 subsidiary
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd. (“Meishan Research Institute”) 上海梅山工業民用工程設計研究院有限公司(“梅山研究院”)	China Baowu's subsidiary
Shanghai Baosteel Shipping Co., Ltd. (“Baosteel Shipping”) 上海寶鋼航運有限公司(“寶鋼航運”)	China Baowu's subsidiary
Shanghai Baoding Energy Co., Ltd. (“Baoding Energy”) 上海寶頂能源有限公司(“寶頂能源”)	China Baowu's subsidiary
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 subsidiary
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 subsidiary
Shanghai Ouyeel Purchasing Information Technology Co., Ltd. (“Ouyeel Purchasing”) 上海歐冶採購資訊科技有限責任公司(“歐冶採購”)	China Baowu's subsidiary
Wuhan Huafeng Sensing Technology Co.,Ltd. (“Huafeng Sensing”) 武漢華楓傳感技術股份有限公司(“華楓傳感”)	China Baowu's subsidiary
Ouyeel International E-commerce Co., Ltd. (“Ouyeel International”) 歐冶國際電商有限公司(“歐冶國際”)	China Baowu's subsidiary
Baosteel Co., Ltd. 寶鋼股份	China Baowu's subsidiary
Ouyeel Blockchain Finance and Metal Recycling Resources Co., Ltd. (“Ouyeel Blockchain Finance”) 歐冶鏈金再生資源有限公司(“歐冶鏈金”)	China Baowu's subsidiary



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 3. Information about other related parties of the Company (Continued)

Company name	Relationship between the Company and other related parties
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 subsidiary
Ouyeel Cloud Commerce Corporation Limited (“Ouyeel Cloud”) 歐冶雲商股份有限公司(“歐冶雲商”)	China Baowu's subsidiary
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 subsidiary
Chengdu Baosteel West Trade Co., Ltd. (“Baosteel West”) 成都寶鋼西部貿易有限公司(“寶鋼西部”)	China Baowu's subsidiary
Baosteel Engineering & Technology Group Co., Ltd. (“Baosteel Engineering”) 寶鋼工程技術集團有限公司(“寶鋼工程”)	China Baowu's subsidiary
Baosteel Huangshi Coating Sheet Co., Ltd. (“Huangshi Coating Sheet”) 寶鋼股份黃石塗鍍板有限公司(“黃石鍍板”)	China Baowu's subsidiary
Baowu Group Echeng Iron and Steel Co., Ltd. (“Echeng Iron and Steel”) 寶武集團鄂城鋼鐵有限公司(“鄂城鋼鐵”)	China Baowu's subsidiary
Baowu Water Technology Co., Ltd. (“Baowu Water”) 寶武水務科技有限公司(“寶武水務”)	China Baowu's subsidiary
Guangdong Kunlun Information Technology Co., Ltd. (“Kunlun Technology”) 廣東昆侖信息科技有限公司(“昆侖科技”)	China Baowu's subsidiary
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 subsidiary
Shanghai Baohui Environmental Technology Co., Ltd. (“Baohui Environment”) 上海寶滙環境科技有限公司(“寶滙環境”)	China Baowu's subsidiary
Shanghai Baoscape Information Technology Co., Ltd. (“Baoscape Information”) 上海寶景信息技術發展有限公司(“寶景信息”)	China Baowu's subsidiary
Wugang Resources Group Ezhou Pelletizing Co., Ltd. (“Wugang Resources”) 武鋼資源集團鄂州球團有限公司(“武鋼資源”)	China Baowu's subsidiary
Wuhan Wugang Port Affairs Foreign Trade Dock Co., Ltd. (“Wugang Port Affairs”) 武漢武鋼港務外貿碼頭有限公司(“武鋼港務”)	China Baowu's subsidiary
Wuhan Wugang Green City Technology Development Co., Ltd. (“Wugang Green”) 武漢武鋼綠色城市技術發展有限公司(“武鋼綠色”)	China Baowu's subsidiary
Zhejiang Zhoushan Wugang Terminal Co., Ltd. (“Wugang Terminal”) 浙江舟山武港碼頭有限公司(“武港碼頭”)	China Baowu's subsidiary
Wuhan Iron and Steel Group Logistics Co., Ltd. (“Wuhan Iron and Steel Logistics”) 武漢鋼鐵集團物流有限公司(“武鋼物流”)	China Baowu's subsidiary
Shanghai Baosteel Energy Service Co., Ltd. (“Baosteel Energy Service”) 上海寶鋼節能環保科技有限公司(“寶鋼節能環保”)	China Baowu's subsidiary
Wuhan Iron and Steel Company Limited (“Wuhan Iron & Steel”) 武漢鋼鐵有限公司(“武漢鋼鐵”)	China Baowu's subsidiary
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 subsidiary
Shanghai Baoneng Information Technology Co., Ltd. (“Baoneng Information”) 上海寶能信息科技有限公司(“寶能信科”)	China Baowu's subsidiary

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 4. Information about related party transactions

(1) *Transaction of services with related parties*

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

Related party	Content of transaction	January to June 2021
Baowu Equipment	Receiving of services	31,656
Baowu Group	Receiving of services	5
Baosight Software	Receiving of services	6,904
Ouyeel Logistics	Receiving of services	155
Ouyeel Purchasing	Receiving of services	1,434
Wuhan Iron and Steel Logistics	Receiving of services	14,800
Total		54,954

The price of receiving related party services shall be determined by reference to the price of similar transactions between the related party and other third parties, or the cost plus profit premium, or the bidding price of the supplier.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

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

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

Related party	Content of transaction	January to June 2021
Baocheng Carbon	Supply production materials	1,642
Baowu Equipment	Supply production materials and project construction	30,357
Baoscape Information	Supply production materials	300
Baosteel Casting	Supply production materials	320
Baosteel Engineering	Supply engineering services	359,082
Baosight Software	Supply production materials and project construction	60,270
Meishan Research Institute	Supply engineering services	6,350
Baosteel Shipping	Supply raw materials	26,407
Baoding Energy	Supply raw materials	409,959
Kunlun Technology	Supply engineering services	88
Baosteel Resources	Supply raw materials	795,636
Ouyeel Purchasing	Supply production materials and project construction	3,961
Huafeng Sensing	Supply production materials	601
Ouyeel International	Supply raw materials	127
Wugang Terminal	Supply raw materials	8,735
Baosteel	Supply raw materials	475,513
Wugang Green	Supply production materials	72
Wugang Resources	Supply raw materials	224,396
Wugang Port Affairs	Supply raw materials	139
Baowu Water	Supply engineering services	44,955
Baowu Raw Material	Supply raw materials	2,038,876
Ouyeel Blockchain Finance	Supply raw materials	170,733
Total		4,658,519

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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

###### (3) *Sale of goods and energy medium to related parties*

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

Related party	Content of transaction	January to June 2021
Baocheng Carbon	Sale of goods and energy medium	149,113
Baosteel Engineering	Sale of energy medium	28
Baosteel Huazhong	Sale of goods	161,618
Huangshi Coating Sheet	Sale of goods	51,895
Baosteel Resources	Sale of goods	125,326
Ouyeel Cloud	Sale of goods	551,353
Ouyeel Blockchain Finance	Sale of goods	98,861
Baohui Environment	Sale of goods	211
Ouyeel Material	Sale of goods	1,926,112
Baosteel West	Sale of goods	10,891
Echeng Iron and Steel	Sale of goods	113,169
Total		3,188,577

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.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

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

###### (4) Leases

As a lessee

Related party	Content of transaction	January to June 2021	January to June 2020
Changshou Iron & Steel	Machinery and equipment ( <i>Note 1</i> )	<b>94,912</b>	94,912

*Note 1:* On 16 November 2020, the Proposal on Renewal and Final Purchase of Changshou Iron & Steel Assets 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, and the Company was authorized to enter into the Asset Lease Contract with Changshou Iron & Steel, pursuant to which it was agreed to renew the lease of production equipment and facilities of Changshou Iron and Steel in 2021 and subsequently purchase these assets with reference to the fair value assessed by the appraisal institution. In 2021, the monthly rent was RMB17,875,000, and the lease term was from 1 January 2021 to 31 December 2021. As at 30 June 2021, the relevant right-of-use assets of the Group were RMB3,330,351,000.

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.

###### (5) Guarantee

*Guarantee provided by related parties:*

As at 30 June 2021, no related parties provided guarantees for the Company and its subsidiaries.

31 December 2020

	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Siyuanhe Investment	300,000	2017/12/27	2020/12/26	Yes
Changshou Iron & Steel	1,000,000	2019/10/08	2020/10/08	Yes

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

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

(6) *Interest fee paid to a related party*

*Borrowings from a related party*

Related party	Amount borrowed	Interest in the current year
Changshou Iron & Steel	561,880	13,151

Pursuant to the reorganization plan in 2017, Changshou Iron & Steel provided loans of RMB2.4 billion to the Company for its execution of the reorganization plan. The loans had a term of 7 years, which was from 24 November 2017 to 23 November 2024, and borne interest at the rate of 4.9% in 2020 (31 December 2019: 4.9%). As of 30 June 2021, the loans were fully repaid.

Changshou Iron & Steel provided the Company with a financing facility of RMB1 billion in 2020 with a financing period of 3 years. The financing interest rate was 4.25% from 1 July 2020 to 30 June 2023. As of 30 June 2021, the Group borrowed RMB561,880,000 from Changshou Iron & Steel.

(7) *Remuneration of key management personnel*

Related party	January to June 2021	January to June 2020
Remuneration of key management personnel	<b>5,066</b>	18,331

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 5. Balance due to or from related parties

###### (1) Trade receivables

As at 30 June 2021, the trade receivables between Baowu Group and its subsidiaries and the Group are as follows:

	30 June 2021	31 December 2020
Baocheng Carbon	911	–
Baosteel Engineering	69	38
Ouyeel Blockchain Finance	–	18,327
Wuhan Iron and Steel	–	13,177
Total	980	31,542

###### (2) Receivables financing

As at 30 June 2021, the receivables financing between Baowu Group and its subsidiaries and the Group are as follows:

Related party	30 June 2021	31 December 2020
Baocheng Carbon	126,947	44,144
Huangshi Coating Sheet	15,210	–
Ouyeel Material	209,286	111
Total	351,443	44,255

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 5. Balance due to or from related parties (Continued)

(3) *Other receivables*

Related party	30 June 2021	31 December 2020
Changshou Iron & Steel	<b>500</b>	500

(4) *Prepayments*

As at 30 June 2021, the balances of prepayments between Baowu Group and its subsidiaries and the Group are as follows:

Related party	30 June 2021	31 December 2020
Baosteel Casting	<b>564</b>	42
Baosteel Engineering	<b>28,506</b>	–
Baosight Software	<b>1,968</b>	–
Baoding Energy	<b>63,105</b>	35,369
Baowu Raw Material	<b>112,360</b>	5,960
Baosteel Resources	–	45,181
Baosteel	–	7,963
<b>Total</b>	<b>206,503</b>	94,515

(5) *Contract liabilities*

As at 30 June 2021, the balances of contractual liabilities between Baowu Group and its subsidiaries and the Group are as follows:

Related party	30 June 2021	31 December 2020
Baocheng Carbon	<b>25,758</b>	12,108
Huangshi Coating Sheet	<b>12</b>	–
Ouyeel Cloud	<b>71,193</b>	11,279
Ouyeel Material	<b>268,734</b>	219,316
Baosteel West	–	1,919
Huagongbao	–	420
Baosteel Huazhong	–	13,347
<b>Total</b>	<b>365,697</b>	258,389



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 5. Balance due to or from related parties (Continued)

###### (6) Trade payables

Related party	30 June 2021	31 December 2020
Changshou Iron & Steel	17,875	17,875

As at 30 June 2021, the balances of trade payables between Baowu Group and its subsidiaries and the Group are as follows:

	30 June 2021	31 December 2020
Baowu Equipment	29,583	6,365
Baosight Software	6,846	1,074
Baosteel Shipping	14,138	29,076
Baoding Energy	5,097	–
Baosteel Resources	406,355	–
Ouyeel Purchasing	1,657	1,033
Huafeng Sensing	78	7,026
Wugang Terminal	1,128	–
Baosteel	7,233	–
Wugang Green	59	–
Ouyeel Blockchain Finance	31,375	–
Baosteel Energy Service	–	150
Baosteel Engineering	–	94
Meishan Research Institute	–	12
Wuhan Iron & Steel	–	6
Ouyeel International	–	1,368
Total	503,549	46,204

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 5. Balance due to or from related parties (Continued)

(7) *Notes payable*

As at 30 June 2021, the balances of notes payable between Baowu Group and its subsidiaries and the Group are as follows:

Related party	30 June 2021	31 December 2020
Baocheng Carbon	133	600
Baowu Equipment	19,727	10,030
Baosteel Casting	64	–
Baosteel Engineering	40,667	174,774
Baosight Software	962	1,659
Meishan Research Institute	619	3,106
Kunlun Technology	93	–
Ouyeel Purchasing	373	412
Baosteel	94	–
Baowu Water	750	–
Baowu Raw Material	353,445	–
Huafeng Sensing	–	1,070
Baoneng Information	–	513
Total	416,927	192,164

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 5. Balance due to or from related parties (Continued)

###### (8) Other payables

As at 30 June 2021, the balances of other payables between Baowu Group and its subsidiaries and the Group are as follows:

Related party	30 June 2021	31 December 2020
Baosteel Engineering	189	208
Meishan Research Institute	20	3,918
Ouyeel Logistics	50	3,000
Wuhan Iron and Steel Logistics	200	–
Baowu Water	60	–
Baowu Equipment	7,035	1,621
Huafeng Sensing	720	–
Wugang Green	15	–
Baoneng Information	–	354
Baosight Software	430	330
Ouyeel Purchasing	656	217
Ouyeel Material	–	50
Total	9,375	9,698

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

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

##### 5. Balance due to or from related parties (Continued)

(9) *Non-current liabilities due within one year*

Related party	30 June 2021	31 December 2020
Changshou Iron & Steel	1,529,396	1,402,214

(10) *Lease liabilities*

Related party	30 June 2021	31 December 2020
Changshou Iron & Steel	2,468,881	2,490,580

(11) *Other noncurrent liabilities*

Related party	30 June 2021	31 December 2020
Changshou Iron & Steel	–	445,480

(12) *Right-of-use assets*

Related party	30 June 2021	31 December 2020
Changshou Iron & Steel	3,330,351	3,447,314

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### XI. COMMITMENTS AND CONTINGENCIES

##### 1. Significant commitments

	30 June 2021	31 December 2020
<b>Contracted, but not provided for</b>		
Capital commitment	<b>6,390,993</b>	5,371,446
Investment commitment	<b>25,000</b>	116,445
	<b>6,415,993</b>	5,487,891

##### 2. Contingencies

On 26 February 2018, all the independent directors of the Company issued the Special Statement and Independent Opinion of Independent Directors on External Guarantees which stated the Company's guarantees in 2017. A supplementary statement is as follows:

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 Group 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 Group, 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 Group, as the guarantor of Syndicated Loan, assumed joint guarantee liability. On the same day, Qianxin Group, 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).

# Section X Financial Report

## Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

### XII. OTHER SIGNIFICANT EVENTS

#### 1. Segment report

(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 period.

(3) *Information of significant customers*

The Group generated revenue from no customer (for the six months ended 30 June 2020: one, which accounted for 19% of the Group's revenue) that reached or exceeded 10% of the Group's revenue.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

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

##### 2. Lease

###### (1) As a lessor

The Group rent partial of plants and buildings with lease term of 1 to 5 years, which develops into operating lease. According to the lease contracts, the yearly rental required to adjust based on market rental. The revenue related to plants and buildings lease for the six months ended 30 June 2021 was RMB115,000 (for the six months ended 30 June 2020: RMB48,000). Please refer to Note V.11 for more details.

###### Operating lease

The profit/loss relating to operating lease is as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Lease income	115	48

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	30 June 2021	31 December 2020
Within 1 year (first year inclusive)	265	344
1 – 2 years (second year inclusive)	89	174
2 – 3 years (third year inclusive)	81	81
3 – 4 years (fourth year inclusive)	44	61
4 – 5 years (fifth year inclusive)	–	–
	479	660

Please refer to Note V.11 for more details about PPE leased out under operating lease.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

## XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Lease (Continued)

(2) *As a lessee*

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Lease liability interest expense	<b>98,550</b>	–
Short-term lease expenses through profit or loss subject to simplified treatment	–	167,920
<b>Total cash outflows related to lease</b>	<b>69,370</b>	167,920

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 contracts 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:

	<b>30 June 2021</b>	31 December 2020
Within 1 year	–	–

*Leaseback*

	<b>30 June 2021</b>	31 December 2020
Cash inflow from leaseback	<b>1,700,000</b>	500,000
Cash outflow from leaseback	<b>264,009</b>	–

*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.



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

##### 1. Trade receivables

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

Ageing Analysis of trade receivables is as follows:

	30 June 2021	31 December 2020
Within 3 months (third month inclusive)	<b>6,800</b>	37,218
4 to 12 months (first year inclusive)	<b>2,970</b>	2,190
1–2 years	<b>1,113</b>	–
2–3 years	<b>120</b>	120
Above 3 years	<b>975</b>	–
	<b>11,978</b>	39,528
Less: Provision for bad debts of trade receivables	<b>1,000</b>	25
	<b>10,978</b>	39,503

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

	30 June 2021				31 December 2020			
	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	11,978	100	1,000	8	39,528	100	25	–

As at 30 June 2021 and at 31 December 2020, the Company had no trade receivables with separate provision for bad debts.

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

#### 1. Trade receivables (Continued)

Receivables that are subject to provision by group with similar credit risk characteristics are as follows:

	30 June 2021			31 December 2020		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 3 months (third month inclusive)	6,800	–	–	37,218	–	–
4–12 months (first year inclusive)	2,970	–	–	2,190	–	–
1–2 years	1,113	–	–	–	–	–
2–3 years	120	21	25	120	21	25
Over 3 years	975	100	975	–	–	–
	<b>11,978</b>		<b>1,000</b>	39,528		25

For steel product customers, it is usually necessary to receive payment in advance, and major customers are also provide with a 30-day credit period. For customers of other products, the Group's contract price usually expires within 30 days after the delivery of the product, and the expected credit loss risk of accounts receivable is relatively low.

The movement for provision of bad debt of trade receivables is as follows:

	Opening balance	Provision	Reversal	Written-off	Closing balance
For the six months ended 30 June 2021	25	975	–	–	1,000
2020	25	–	–	–	25

As at 30 June 2021, the closing balance of the top five trade receivable of the Company amounted to RMB9,238,000 (31 December 2020: RMB38,203,000) in aggregate, accounting for 77% (31 December 2020: 97%) of the total of closing balance of trade receivables, without provision for bad debts (31 December 2020: nil).

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 2. Other receivables

	30 June 2021	31 December 2020
Other receivables	49,625	17,181

Ageing analysis of other receivables is as follows:

	30 June 2021	31 December 2020
Within 3 months (third month inclusive)	1,259	12,306
4 to 12 months (first year inclusive)	46,703	3,059
1–2 years	83	236
2–3 years	2,011	2,011
Above 3 years	3,077	3,077
	53,133	20,689
Less: Provision for bad debts	3,508	3,508
	49,625	17,181

Other receivables presented by nature:

	30 June 2021	31 December 2020
Guarantee deposits, staff advances, etc.	7,054	18,956
Prepayments for trading	44,808	1,733
Others	1,271	–
	53,133	20,689

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

#### **XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**

##### **2. Other receivables (Continued)**

The movement of bad debt provision of other receivables based on 12-month and lifetime ECLs are as follows:

<b>30 June 2021</b>	<b>Stage 1 12-month ECLs</b>	<b>Stage 2 Lifetime ECLs</b>	<b>Stage 3 Credit- impaired financial assets (Lifetime ECLs)</b>	<b>Total</b>
Opening balance	–	430	3,078	3,508
Opening balance for the period				
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	–	–	–	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Provision	–	–	–	–
Reversal	–	–	–	–
Transfer	–	–	–	–
Write-off	–	–	–	–
<b>Closing balance</b>	<b>–</b>	<b>430</b>	<b>3,078</b>	<b>3,508</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 2. Other receivables (Continued)

2020	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	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 stage 1	–	–	–	–
Provision	–	–	–	–
Reversal	–	–	–	–
Transfer	–	–	–	–
Write-off	–	–	–	–
Closing balance	–	430	3,078	3,508

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

#### 2. Other receivables (Continued)

The movement of book value of other receivables:

30 June 2021	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	Total
Opening balance	15,366	2,245	3,078	20,689
Changes due to the opening balance				
– Transfer to Stage 2	–	–	–	–
– Transfer to Stage 3	–	–	–	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Addition	77,368			77,368
Derecognition	(44,773)	(151)		(44,924)
Write-off	–	–	–	–
Closing balance	47,961	2,094	3,078	53,133

2020	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	Total
Opening balance	76,212	2,245	3,078	81,535
Changes due to the opening balance				
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	–	–	–	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Addition	15,366	–	–	15,366
Derecognition	(76,212)	–	–	(76,212)
Write-off	–	–	–	–
Closing balance	15,366	2,245	3,078	20,689

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 2. Other receivables (Continued)

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

	Opening balance	Increase	Reversal	Write-off	Closing balance
For the six months ended 30 June 2021	<b>3,508</b>	–	–	–	<b>3,508</b>
2020	3,508	–	–	–	3,508

As at 30 June 2021, the five largest other receivables are as follows:

	30 June 2021	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	<b>43,000</b>	<b>81</b>	<b>Transactions with subsidiaries</b>	<b>Within 1 year</b>	–
The second	<b>1,500</b>	<b>3</b>	<b>Guarantee deposits</b>	<b>Within 1 year</b>	–
The third	<b>1,026</b>	<b>2</b>	<b>Petty cash</b>	<b>0–3 years</b>	<b>1,026</b>
The fourth	<b>598</b>	<b>1</b>	<b>Guarantee deposits</b>	<b>Within 1 year</b>	–
The fifth	<b>500</b>	<b>1</b>	<b>Guarantee deposits</b>	<b>Within 1 year</b>	–
	<b>46,624</b>	<b>88</b>			<b>1,026</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 2. Other receivables (Continued)

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

	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>

##### 3. Long-term equity investments

	30 June 2021			31 December 2020		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Subsidiary	<b>992,288</b>	–	<b>992,288</b>	837,610	–	837,610
Joint ventures	–	–	–	–	–	–
Associate	<b>51,236</b>	–	<b>51,236</b>	79,494	–	79,494
	<b>1,043,524</b>	–	<b>1,043,524</b>	917,104	–	917,104



## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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

2021

Investees	Opening balance	Increase/(decrease)		Investment income recognized through equity method	Closing balance
		Investments increased	Investments decreased		
<i>Subsidiary</i>					
Chongqing Iron & Steel Energy (Note 3)	837,610	-	-	-	837,610
Xingang Changlong (Note 2)	28,258	126,420	-	-	154,678
	865,868	126,420	-	-	992,288
<i>Joint venture</i>					
Chongqing Jianwei (Note 2)	-	-	-	-	-
<i>Associate</i>					
Baowu Raw Material (Note 2)	40,000	-	-	-	40,000
Baocheng Carbon (Note 2)	11,236	-	-	-	11,236
	51,236	-	-	-	51,236

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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

2020

Investees	Opening balance	Investments increased	Increase/(decrease)		Closing balance
			Investments decreased	Investment income recognized through equity method	
<i>Subsidiary</i>					
Chongqing Iron & Steel Energy Environmental Protection Company Limited (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

*Note 1:* The Company incorporated Chongqing CIS Building Materials Sales Co., Ltd., and the amount of the subscribed contribution is RMB10 million. The Company has not yet paid the above capital contribution. In January 2021, the subsidiary has been de-registered from the industrial and commercial bureau.

*Note 2:* Please refer to Note VII for details.

*Note 3:* On 30 June 2021, the Company pledged 100% equity of Chongqing Iron and Steel Energy Environmental Protection Co., Ltd. to obtain a working capital loan of RMB500,000,000.

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 4. Revenue and cost of sales

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	22,407,576	19,048,742	10,881,485	10,324,389
Revenue from other operations	261,905	290,731	51,612	26,048
	<b>22,669,481</b>	<b>19,339,473</b>	10,933,097	10,350,437

Details of revenue are as follows:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Revenue from contracts with customers	22,669,366	10,933,049
Revenue from lease	115	48
	<b>22,669,481</b>	10,933,097

Disaggregation of revenue from contracts with customers are as follows:

For the six months ended 30 June 2021

Main Product	Steel products	Others	Total
Hot roll	11,050,037	–	11,050,037
Wide and thick plate	5,112,310	–	5,112,310
Medium plate	1,000,390	–	1,000,390
Bars			
Wire rods	134	–	134
Commodity billet	4,493,015	–	4,493,015
Others	–	1,013,480	1,013,480
	<b>21,655,886</b>	<b>1,013,480</b>	<b>22,669,366</b>

## Section X Financial Report

### Notes to Financial Statements (Continued)

*For the six months ended 30 June 2021*

#### XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

##### 4. Revenue and cost of sales (Continued)

For the six months ended 30 June 2020

Main Product	Steel products	Others	Total
Hot roll	5,313,435	–	5,313,435
Plate	3,461,606	–	3,461,606
Bars	958,852	–	958,852
Wire rods	773,392	–	773,392
Others	–	425,764	425,764
	10,507,285	425,764	10,933,049

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

The details of revenue recognized from the opening carrying amount of contract liabilities for the period:

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Contract for goods	<b>2,554,123</b>	1,105,972

##### 5. Investment income

	<b>For the six months ended 30 June 2021</b>	For the six months ended 30 June 2020
Investment income of financial assets held for trading	–	6,791
Investment income from long-term equity investments under equity method	<b>310</b>	–
	<b>310</b>	6,791

## Section X Financial Report

### Notes to Financial Statements (Continued)

For the six months ended 30 June 2021

#### XIV. OTHER SUPPLEMENTARY INFORMATION

##### 1. Non-recurring profit or loss

	Amount
Gains/(losses) from disposal of non-current assets, including offset portion of impairment provision for such asset	–
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	28,149
Capital occupied income from non-financial entities charged in profit or loss	1,000
Income from disposal of financial assets held for trading	–
Non-operating income and expenses other than the above items	-166,590
<b>Sub-total</b>	<b>-137,441</b>
Less: Impact of corporate income tax (decreases represented by “-”)	–
<b>Net non-recurring profit or loss attributable to the owners</b>	<b>-137,441</b>

Note: The items of non-recurring profit or loss were stated at the pre-tax amount. The Group recognized non-recurring profit and loss items in accordance with the provisions in Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public No. 1 – Extraordinary Items (CSRC Announcement [2008] No. 43).

##### 2. Return on net assets and earnings per share

For the six months ended 30 June 2021	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	12.61	0.30	0.30
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	13.25	0.32	0.32

Chairman: Zhang Wenxue

The date of approval of the Board for submission: 28 August 2021

#### REVISION

Applicable  Not applicable