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鞍 鋼 股 份 有 限 公 司

ANGANG STEEL COMPANY LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0347)

ANGANG STEEL COMPANY LIMITED*
2022 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB131,072 million
- Profit attributable to shareholders of the Company amounted to RMB156 million
- Basic earnings per share amounted to RMB0.017 (2021: adjusted basic earnings per share amounted to RMB0.740)
- The financial information contained in this announcement is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC

In this announcement, the following expressions shall have the following meanings unless the context indicates otherwise:

“Angang”	Angang Group Company Limited* (鞍鋼集團有限公司), the de facto controller of the Company
“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
“Angang Group”	Angang and the companies in which it holds 30% or above interests (excluding the Group)
“Angang Holding”	Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司), the controlling shareholder of the Company
“Anshan Iron & Steel Group Complex”	Angang Holding and the companies in which it holds 30% or above interests (excluding the Group)
“Angang International Trade”	Angang Group International Economic and Trade Co., Ltd. *(鞍鋼集團國際經濟貿易有限公司)
“Ansteel Parts”	Ansteel (Beijing) Auto Parts Technology Co., Ltd.
“Bayuquan Branch Company”	Bayuquan Iron & Steel Branch Company* of Angang Steel Company Limited*
“Beijing International Trade”	Beijing Angang Trade Co., Ltd.* (北京鞍鋼貿易有限公司)
“Chaoyang Iron and Steel”	Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司)
“Company” or “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司)
“Continuing Connected Transaction Agreements”	collectively, the Supply of Materials and Services Agreement (2022–2024), the Supply of Materials Agreement (2022–2024), the Financial Service Agreement (2022–2024) and the Supply Chain Financial Service Agreement (2022–2024)
“Corporate Governance Code”	the Corporate Governance Code in Appendix 14 to the Hong Kong Stock Exchange Listing Rules (as amended from time to time)
“Delin Industrial Products”	Delin Industrial Products Ltd.* (德鄰工業品有限公司)
“Director(s)”	the director(s) of the Company

“Financial Service Agreement (2022–2024)”	the Financial Service Agreement (2022–2024) entered into between the Company and Angang Financial Company, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Group”	Angang Steel Company Limited* (鞍鋼股份有限公司) and its subsidiaries
“Hong Kong Stock Exchange Listing Rules”	the Listing Rules of The Stock Exchange of Hong Kong Limited
“Karara”	Karara Mining Limited (卡拉拉礦業有限公司*)
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團釩鈦資源股份有限公司)
“Reporting Period”	year ended 31 December 2022
“Supply Chain Financial Service Agreement (2022–2024)”	the Supply Chain Financial Service Agreement (2022–2024) entered into between the Company and Angang Group Capital Holding Co., Ltd., which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Supply of Materials Agreement (2022–2024)”	the Supply of Materials Agreement (2022–2024) entered into between the Company and Pangang Vanadium & Titanium, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Supply of Materials and Services Agreement (2022–2024)”	the Supply of Materials and Services Agreement (2022–2024) entered into between the Company and Angang Group, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Xinneng Air”	Xinneng Air Products (Liaoning) Co., Ltd* (新能空氣產品(遼寧)有限公司)

PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Whether the Company needs to retroactively adjust or restate the accounting data for previous year

Yes No

Reason for retroactive adjustment or restatement: business combination under the common control

Unit: RMB million

Items	2022	2021		Changes over the preceding year (%)	2020	
		before adjustment	after adjustment		before adjustment	after adjustment
Operating income	131,072	136,674	136,120	-3.71	100,903	100,349
Operating profit	-218	8,985	9,023	-102.42	2,482	2,694
Total profit	-269	8,920	8,959	-103.00	2,403	2,615
Net profit attributable to shareholders of the Company	156	6,925	6,964	-97.76	1,978	2,190
Net profit attributable to shareholders of the Company after extraordinary items	11	6,941	6,941	-99.84	1,975	1,975
Net cash flow from operating activities	6,139	12,846	12,935	-52.54	9,916	10,188
Basic earnings per share (RMB/share)	0.017	0.736	0.740	-97.70	0.210	0.233
Diluted earnings per share (RMB/share)	0.017	0.720	0.720	-97.64	0.198	0.220
Weighted average return on net assets (%)	0.26	12.26	12.12	Decreased by 11.86 percentage points	3.74	4.06
	At the end of 2022	At the end of 2021		Increase /decrease at the end of the year as compared with the end of the preceding year (%)	At the end of 2020	
Items		before adjustment	after adjustment		before adjustment	after adjustment
Total assets	96,935	97,526	98,652	-1.74	88,046	89,166
Total liabilities	38,138	37,334	37,415	1.93	34,188	34,388
Owner's equity attributable to shareholders of the Company	58,140	59,666	60,711	-4.23	53,365	54,285
Assets-liability ratio (%)	39.34	38.28	37.93	Increased by 1.41 percentage points	38.83	38.57
Total share capital	9,403	9,405	9,405	-0.02	9,405	9,405

Note: On 30 December 2021, as approved at the 55th meeting of the eighth session of the Board of the Company, the Company entered into an agreement with Angang Holding for the acquisition of the net assets of the Second Power Plant of Angang Holding. In 2022 the Company has completed the acquisition, which was treated as a business combination under common control according to the asset delivery date as determined in the agreement, and retrospectively adjusted its financial data for 2021 and 2020.

Total share capital of the Company as at the trading day before the date of disclosure:

Total share capital of the Company as at the trading day before the date of disclosure (<i>shares</i>)	9,400,979,520
Fully diluted earnings per share calculated based on the latest share capital (<i>RMB/share</i>)	0.017

Is there any corporate bond?

Yes No

MAJOR FINANCIAL INDICATOR BY QUARTER

Unit: RMB million

Items	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating income	34,927	35,367	30,556	30,222
Net profit attributable to shareholders of the Company	1,482	234	-1,523	-37
Net profit attributable to shareholders of the Company after extraordinary items	1,519	150	-1,568	-90
Net cash flow from operating activities	1,975	2,165	2,058	-59

Whether there is substantial difference between the aforesaid financial indicators or their sum and those disclosed in the quarterly report and interim report.

Yes No

ITEMS OF NON-RECURRING GAINS AND LOSSES AND EFFECT ON PROFIT

Unit: RMB million

Items of Non-Recurring Gain and Losses	2022	2021	2020
1. Gains/losses from disposal of non-current assets	-25	-33	-78
2. Government grant recorded in to profit/loss for current period except that relevant to enterprise operation and in compliance with government policies and continuously entitled for standard amount or quantities	89	43	66
3. Changes in fair value of financial assets held for trading	-10	9	-4
4. Changes in fair value of other non-current liabilities (part of derivative financial instruments)	87	-55	14
5. Reversal of the allowance for impairment of receivables and contract assets that is individually tested for impairment	64		
6. Net profit and loss of subsidiaries in the previous year arising from business combination under common control		39	212
7. Other non-operating revenue and expenses except those mentioned above	-12	15	6
Subtotal	<u>193</u>	<u>18</u>	<u>216</u>
Less: Effect on income tax	48	-5	1
Effect on minority shareholders (after tax)	-	-	
Total	<u>145</u>	<u>23</u>	<u>215</u>

Note: For the figures of non-recurring gains and losses items, “+” indicates gains or income, “-” indicates losses or expenses.

Explanations for the Company’s extraordinary gain or loss item as defined in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No.1 – Extraordinary Gains or Losses, and the extraordinary gain or loss item as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses which has been defined as its recurring gain or loss items.

Applicable Not Applicable

OPERATING RESULTS FOR 2022

The Group recorded a net profit attributable to shareholders of the Company of RMB156 million and basic earnings per share of RMB0.017 for the year ended 31 December 2022. Adjusted net profit attributable to shareholders of the Company was RMB6,964 million and adjusted basic earnings per share was RMB0.740 for the year ended 31 December 2021.

PROFIT DISTRIBUTION

Net profit attributable to shareholders of the Company amounted to RMB156 million for the year of 2022, provision of statutory surplus reserve amounted to RMB5 million, and the Group's undistributed profit amounted to RMB10,252 million as at 31 December 2022, in accordance with the PRC Accounting Standard for Business Enterprise, as audited and confirmed by ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所 (特殊普通合伙)).

The Board recommended distributing cash dividend of RMB0.068 (tax inclusive) per 10 shares to all shareholders of the Company, based on the total number of shares which were entitled to the distribution on the record date at the time of the implementation of distribution plan in the future, the estimated total profit to be distributed amounted to approximately RMB64 million, representing approximately 40% of the net profit attributable to the shareholders of the Company. The funds to be used for profit distribution are from the Company's own funds. If there is a change in the total number of shares entitled to the distribution prior to the implementation of the distribution plan, the total amount of cash distribution will be adjusted based on the total number of shares entitled to the distribution on the record when the distribution plan is implemented in the future date in accordance with the principle that the amount of cash distribution of RMB0.068 (tax inclusive) per 10 shares will remain unchanged. This proposal is subject to approval at the 2022 annual general meeting.

The annual general meeting of the Company is proposed to be held on 29 May 2023. Upon the approval of profit distribution plan at the annual general meeting, in order to determine the list of H Shareholders that are entitled to the profit distribution, the H Share register of members of the Company will be closed from Saturday, 3 June 2023 to Thursday, 8 June 2023 (both days inclusive), during which period no share transfer will be registered. Any H Shareholder whose name appears on the list of H Shareholder (the “**Relevant Shareholder**”) of the Company as at Thursday, 8 June 2023 (the “**Dividend Record Date**”) is entitled to the profit distribution. In order to be entitled to the profit distribution, any H Shareholder who has not had their share transfer documents registered shall lodge their transfer documents, together with relevant share certificates, with the Company’s H share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 2 June 2023 (the “**Equity Record Date**”). The final dividend is expected to be distributed on or around Tuesday, 27 June 2023.

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds on the Hong Kong Stock Exchange. The convertible bonds were listed and dealt on the Hong Kong Stock Exchange on 28 May 2018 (Stock Code: 5105) (the “**Bonds**”), and will fall due on 25 May 2023. Subject to the terms and conditions of the Bonds, the holders of such Bonds shall not exercise their conversion rights 30 days prior to the annual general meeting, five days prior to the Dividend Record Date or during the period when the share transfer registration is closed. The conversion date shall be the first Hong Kong Stock Exchange working day after the holder has exercised the conversion right. Since the Company requires five working days to complete the registration of the new shares, if the holders of the Bonds exercise the conversion right after the annual general meeting but before the Equity Record Date, the Company cannot guarantee the converted shares will be registered in time by the Equity Record Date. Therefore, it is suggested that the holders of the Bonds exercise their conversion right no later than the 30 days prior to the annual general meeting, i.e. Friday, 28 April 2023 according to the terms and conditions of the Bonds so as to enjoy the benefits of the profit distribution.

Pursuant to the Corporate Income Tax Law of the PRC and its implementing regulations, which came into force on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise (as defined in the Corporate Income Tax Law of the PRC) shareholders whose name appear on the H shares register of members of the Company. Any H Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups, will be treated as being held by non-resident enterprise shareholders. Thus, the Company will distribute the dividend to such non-individual shareholders after withholding the 10% corporate income tax. The 10% corporate income tax will not be withheld from the dividend payable to any natural person shareholders whose names appear on the H share register of members of the Company.

Any natural person investor whose H shares are registered under the name of any such non-individual shareholders and who does not wish to have any corporate income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her name and duly lodge all transfer documents with the relevant H share certificates with the Company's H share registrar for registration.

Pursuant to the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), for mainland corporate investors that invest in a company via the Shenzhen-Hong Kong Stock Connect, corporate income tax will be levied according to the law. In particular, for any dividend to be distributed to resident enterprises in the mainland China which hold H shares for more than 12 consecutive months, corporate income tax may be exempted according to the law. Such mainland enterprises shall declare and pay taxes by themselves in respect of such dividends, which will not be withheld by such H share company. In respect of dividends for the H shares of a company invested in by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect, the H share company shall apply to China Securities Depository and Clearing Co., Ltd., which will then provide the H share company with the register of mainland individual investors. The H share company shall withhold an individual income tax at the rate of 20% on such dividends.

For dividends received by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on the Shenzhen Stock Exchange, and before Hong Kong Securities Clearing Company Limited is able to furnish China Securities Depository and Clearing Co., Ltd. with the identity, holding period and other detailed data of the investors in the Hong Kong market, the differentiated tax treatment based on the holding period of shares will not be implemented temporarily. Listed companies shall withhold income tax at the rate of 10% and make withholding filings with the competent tax authorities. For those investors who are tax residents of other countries and the tax rate applicable to dividends is lower than 10% under the tax treaty between China and the relevant countries, such investors may, by themselves or request the withholding agent to act on

their behalf to, apply to the competent tax authorities in respect of the listed company for the preferential relevant treatment under the relevant treaties. Once verified by the competent tax authorities, the amount being the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

All investors should consider the above contents carefully. The Company will strictly comply with the relevant PRC tax laws and regulations; and the final dividend will only be payable to the shareholders whose names appear on the register of members of the Company. The Company assumes no responsibility or liability whatsoever for confirming the identity of the shareholders of the Company and for any claims arising from any delay in or inaccurate determination of the identity of shareholders of the Company or any disputes over the withholding mechanism.

BUSINESS REVIEW

- Achieved continuous increase in production and operation efficiency. The Company insisted on intensive and efficient production, promoted the concurrent development of “coke, iron and steel” of the its production, optimized resource allocation, streamlined organization and strengthened collaboration to strive for maximum efficiency. In 2022, the output of iron, steel and rolled steel was 26,235,500 tonnes, 26,586,600 tonnes and 25,083,800 tonnes respectively, representing an increase of 3.50%, 0.45% and 1.14% respectively, as compared with the previous year. The sales volume of rolled steel was 25,816,500 tonnes, representing an increase of 5.83%. The Company strengthened its quality management, and the comprehensive yield ratio increased by 0.22 percentage points as compared with the previous year.
- Achieved remarkable results in the cost reform. The Company strengthened the effort of reducing costs, benchmarked with industry leading peers, and tackled key areas from “scale, indicators, production reduction, structure, energy, logistics and cost control” to control costs across the business chain, reducing product costs by 3.8% year-on-year in 2022 and providing effective supports to the Company’s operating results.
- Enhanced capability in market development capability. With the customer-centric principle, the Company improved the competitive advantage of “products+services”. The Company increased the proportion of direct supply by 3.5 percentage points as compared with the previous year and increased the proportion of fist products by 2.55 percentage points year-on-year. The sales volume in the northeast region increased by 10% compared with the previous year. Two products including steels for marine equipment with high strength, toughness, and weldability in extremely cold environments, have won the China Iron and Steel Industry Product Development Market Exploration Award. The Company expanded overseas markets, increased product exports, and won bids for 7 key overseas projects, including the Nigerian Karka Railway, with export orders increasing by 26.5% year-on-year.

- Significant improvement in scientific and technological innovation capability. Four products such as bridge steel with low yield strength ratio and high toughness have been launched globally, and four technologies such as single winding spiral electromagnetic stirring device have achieved global leadership. The “Low Co2 Emission Blast Furnace Charge Solution Based on Low Basicity High Silicon Pellets and Its Application (基於低碱度高硅球團的低碳排放高爐爐料解決方案及其應用)” has won the 13th Steelie Low Carbon Production Excellence Achievement Award of the World Iron and Steel Association, and “A method for preparing high-strength iron making coke using chemical waste (一種利用化工廢棄物製備高強度煉鐵用焦炭的方法)” has won the 23rd China Patent Excellence Award, the patent innovation index has ranked the third in the national steel industry for two consecutive years, and the “Construction and Implementation of the Science and Technology Leading Plan for Large Iron and Steel Enterprise Groups Targeting World Class (大型鋼鐵企業集團以世界一流為目標的科技領軍計劃構建與實施)” has won the second prize of the National Enterprise Management Innovation Achievement Award.
- New progress in digitalization construction. The Company has made great efforts to promote the rapid promotion and transplantation of demonstration projects such as intelligent equipment upgrade, 3D post machine replacement and process model optimisation, and accelerated the overall level of production line and base intelligence. The Company has put 62 projects into operation, including the blast furnace centralized control. 16 smart manufacturing achievements were evaluated as pilot demonstrations and excellent cases by the national and provincial industrial and information departments, among which 4 achievements such as “production operation – process dynamic optimization” of Chaoyang Iron and Steel were selected as national-level smart manufacturing outstanding scenes. For five consecutive years, Angang Steel has been evaluated by the Ministry of Industry and Information Technology as a pilot demonstration unit of intelligent manufacturing.
- Continuous progress in green and low-carbon development. The Company continued to increase investment in energy conservation and released 23 energy-saving projects, which are expected to reduce carbon dioxide emissions by more than 800,000 tonnes per year. The Company actively promoted the use of clean energy and traded clean energy power of 2,620,000,000 kWh throughout the year, and reduced carbon dioxide emissions by 420,000 tonnes. The Company accelerated the construction of new energy industry projects, and the construction of the Coke Oven Gas-Produced LNG Co-producing Hydrogen Project of Angang CIMC (Yingkou) New Energy Technology Co., Ltd., a joint venture of Energy Technology, is expected to reduce carbon dioxide emissions by 470,000 tonnes per year.

- Continuous improvement in Company’s influence. The Company operated solidly and steadily, and actively rewarded investors through cash dividends. It has been recognized by the capital market, and its brand influence continued to improve. In 2022, the Company was selected as one of the “Rich Return List of A-share Listed Companies Cash Dividend List for 2021” by China Association for Public Companies, and won the “Investor Relations Gold Award (2021) for Diligence in Performance Presentation” (投資者關係金獎(2021) – 業績說明會勤勉獎). Chaoyang Iron and Steel was awarded the 2022 China Outstanding Steel Enterprise Brand, and Bayuquan Branch Company was awarded the 2022 China Excellent Steel Enterprise Brand.

DEVELOPMENT PLAN OF THE COMPANY FOR 2023

1. Development Strategy for 2023

The Company has the mission of “making better materials and creating a better life”, and the vision of “building an ‘iron & steel flagship’ with high-quality development to become a world-class enterprise with the most global competitiveness”. During the planning period, the Company will closely focus on the strategic goal of “New Angang” in the new era of Angang Group and the strategic deployment of building a new industrial pattern of “Two Cores + Third Ultimate”, and continue to promote the “11361” development strategy. The Company will consistently strengthen the Party building, insist on high-quality development, implement the concept of “intensification, quantity reduction, and wisdom @ customers”, continuously optimize the three major layouts of space, products and industries, and accelerate the capacities in “efficiency improvement, cost change, service leadership, smart manufacturing and ecological integration”. In response to market changes, the Company will continue to enhance its core competitiveness, and strive to become a listed company with excellent corporate citizenship values and the most competitive ‘iron & steel flagship’ in the industry.

2. Business Guidelines for 2023

2023 marks the starting year for the Company to accelerate the construction of a world-class enterprise. The Company will firmly implement the spirit of the 20th National Congress of CPC and the Central Economic Work Conference, keeping in mind the “three imperatives”, maintaining strategic determination, deepening reform and innovation, and creating greater value for shareholders, customers, employees and society with better development and better performance.

- (1) To promote the implementation of strategies to enhance the determination of high-quality development. The Company will promote the upgrade of steel base, speed up equipment upgrade and process replacement in the areas of quality adjustment, energy saving and environmental protection, green production and intelligent manufacturing. The Company will promote the

upgrade of production line products, enhance the ability of product creation, insist on the development of high-quality products, and continuously increase the proportion of fist products. The Company will also promote the upgrade of related industries to create new profit growth points and strategic support points.

- (2) To promote the construction of service-oriented enterprises and enhance the influence of the brand. The Company will deepen the construction of multi-dimensional services and future-oriented marketing system. The Company will improve the marketing strategy layout, enhance the market development ability and internationalization supply ability. The Company will focus on innovative service model, insist on the whole life cycle management of the contract, listen to the voice of the customer with zero-distance, solve the customer's concerns, meet the customer's personalized needs to enhance customer retention and become the most reliable partner of the customer.
- (3) To promote reform and innovation to enhance our core competitiveness. The Company will adhere to the principles of preservation and innovation, and deepen the reform of system and mechanism. The Company will strengthen the construction of governance and control system. With the main line of construction of a world-class enterprise, the Company will take the "light tower factory" as the benchmark to modernize our governance system and ability to govern. The Company will deepen the market-oriented reform. On the basis of differentiated classification and control, it will implement "penetrating" authorization and power delegation, clarify the boundaries of authority and responsibility, rationalize the management process, and stimulate the vitality of enterprises.
- (4) To promote high-level scientific and technological research and development, and enhance the leading power of scientific and technological innovation. The Company will deepen the construction of the "Four Innovation Platforms", promote 21 leading plan projects in science and technology and 5 outstanding projects in science and technology. Taking the state key laboratory as the carrier, the Company will accelerate the second phase of key core technology research, build a source of original and innovative technology of advanced metal materials for marine equipment, and conquer key core technology. The Company will carry out the "one factory, one institute, one laboratory" collaborative research project to improve the effectiveness of scientific and technological achievements transformation, and increase investment in research and development to continuously improve technology leadership.

- (5) To promote cost reform and enhance the internal potential of development. Grasping the main line of “high efficiency, low cost, robust system and cost reduction”, and through benchmarking target, method and difference from external aspect, finding problems, potentials and measures from internal aspect, and focusing on all personnel, foundation and implementation, the Company will tackle key issues one by one with all staff participation from the three dimensions of full cost, manufacturing cost, and operation processing cost. The Company will raise the standard, process improvement, index optimization and technology innovation, and expand new ways to reduce costs and continuously improve the cost competitiveness.
- (6) To promote digital transformation and enhance lean management capability. The Company will build a digital lean management system and become a leading enterprise in digital transformation. It will take lean benchmarking as a guide, carry out lean improvement activities for all employees, and promote the two-way integration of lean management and digital intelligence construction. It will promote digitalization construction, seize new digital production factors, and accelerate the construction of enterprise digital ecology. It will strengthen the application of new-generation data technologies such as industrial meta-universe, and plan and build an industrial Internet platform service system that integrates “data + platform + application”.
- (7) To establish a bottom-line mindset and enhance the ability to prevent and control risks. The Company will prevent all kinds of risks to ensure the stable operation of the enterprise. It will prevent safety and fire risks, deepen the safety management mode, strictly implement “one post with two responsibilities” and “five clearings and five eliminations”, keep the safety red line and prevent fire accidents. It will strengthen financial risk control, carry out regular financial risk monitoring; effectively utilize financing resources to enhance the ability of capital creation and risk avoidance.
- (8) To promote energy saving, carbon reduction and emission reduction to enhance green development capacity. The Company will implement the “dual carbon” strategy and promote the construction of pilot projects of hydrogen metallurgy process with fluidized bed reactor. It will accelerate the implementation of energy-saving projects and continuously improve the level of waste heat and energy recycling. It will take the cultivation of the “Dual Carbon Best Practice Energy Efficiency Benchmark Demonstration Plant” in the Bayuquan base as a guide to promote the continuous improvement of energy efficiency in each base in an orderly manner. It will accelerate the transformation of ultra-low emission, further reduce the emission of pollutants, and create A-class environmental protection enterprise in Bayuquan Branch Company and Chaoyang Iron and Steel.

3. Plans for Funding Requirements

In 2023, the proposed investments for fixed assets and external investments of the Group will amount to RMB3,709 million.

In 2023, the sources of funding for the Group will mainly be from its internal fund, supplemented by bank loans and issuing bonds.

ANALYSIS OF FINANCIAL INFORMATION

1. Overview

Unit: RMB million

Items	Reporting Period	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Operating income	131,072	136,120	-3.71	-
Operating costs	128,022	122,792	4.26	-
Marketing expenses	600	596	0.67	-
Administrative expenses	1,298	1,485	-12.59	-
Financial expenses	487	491	-0.81	-
R&D expenditure	727	640	13.59	-

Items	Reporting Period	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Total profit	-269	8,959	-103.00	Since the second quarter of 2022, affected by the global economic situation, changes in market supply and demand, the steel market has seen a weak cycle and low momentum with insufficient demand, a sharp drop in steel prices and an expanding loss in the steel industry. In the face of the severe market situation, the Company actively stepped up efforts to expand the sales market, enhance the competitive advantage of “product + service”, and intensify quality improvement and efficiency enhancement. It expanded the procurement resources channels, accurately controlled procurement, reasonably control inventory, and made efforts to reduce procurement and consumption. It followed closely the main line of “high efficiency, low cost, robust system and cost reduction”, which enables maximum cost reduction. The Company effectively completed indicators, implemented responsibilities, strengthened assessment and explored potential. The Company realized net profit attributable to shareholders of the listed company of RMB156 million in 2022, but the total profit and net profit attributable to shareholders of the listed company still showed a relatively large decrease compared with the market conditions of a strong cycle and momentum.
Net profit attributable to shareholders of the Company	156	6,964	-97.76	

Items	Reporting Period	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Net increase in cash and cash equivalents	-305	12	-2,641.67	The net increase in cash and cash equivalents decreased by RMB317 million as compared to the same period of the previous year, which was mainly due to (i) decrease of RMB6,796 million in net cash inflow from operating activities as compared to the same period of the previous year; (ii) the decrease of RMB260 million in net cash outflow from investing activities as compared to the same period of the previous year; (iii) the decrease of RMB6,219 million in net cash outflow from financing activities as compared to the same period of the previous year.

2. Income and Cost

(1) Composition of operating income

Unit: RMB million

	2022		2021		Year-on-year increase/decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total operating Income	131,072	100	136,120	100	-3.71
By industries					
Steel rolling and processing industry	130,769	99.77	135,442	99.50	-3.45
Others	303	0.23	678	0.50	-55.31
By products					
Steel products	118,482	90.39	126,845	93.19	-6.59
Others	12,590	9.61	9,275	6.81	35.74
By geographical locations					
Domestic China	125,013	95.38	130,615	95.96	-4.29
Export sales	6,059	4.62	5,505	4.04	10.06
By sales modes					
Direct selling	60,260	45.97	74,647	54.84	-19.27
Distribution	70,812	54.03	61,473	45.16	15.19

(2) Industries, products, geographical locations and sales modes accounting for more than 10% of the operating income or operating profit of the Company

Unit: RMB million

	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/decrease in operating cost as compared with the corresponding period of the previous year (%)	Increase/decrease in gross profit margin as compared with the corresponding period of the previous year (percentage point)
By industries						
Steel rolling and processing industry	130,769	127,727	2.33	-3.45	4.40	-7.34
By products						
Hot-rolled sheets products	37,382	36,401	2.62	-10.83	2.22	-12.43
Cold-rolled sheets products	43,401	42,146	2.89	-10.77	-1.80	-8.86
Medium and thick plates	25,833	25,270	2.18	10.93	15.98	-4.26
By geographical locations						
Domestic China	124,710	122,038	2.14	-4.02	3.82	-7.39
Export Sales	6,059	5,689	6.11	10.06	18.74	-6.86
By sales modes						
Direct selling	59,960	58,342	2.70	-18.99	-11.34	-8.40
Distribution	70,809	69,385	2.01	15.28	22.72	-5.94

In case of adjustment in statistical calibers of principal businesses of the Company during the Reporting Period, the principal businesses data of the Company in the latest year according to adjusted calibers at the end of the Reporting Period

Applicable Not Applicable

(3) Whether the Company's income from the sale of goods is greater than its income from the provision of services

Yes No

Industry Classification	Items	2022	2021	Year-on-year increase/decrease (%)
Steel rolling and processing industry	Sales volume (0'000 tons)	2,581.65	2,439.50	5.83
	Production volume (0'000 tons)	2,508.38	2,480.19	1.14
	Stock volume (0'000 tons)	72.20	132.61	-45.55

Reasons for the year-on-year change of over 30% in the relevant data:

Applicable Not Applicable

In 2022, the Company accelerated the pace of spot sales, resulting in a lower inventory of finished products.

(4) Performance of material sales contracts and material procurement contracts entered into by the Company as of the end of the Reporting Period

Applicable Not Applicable

(5) Composition of operating costs

Unit: RMB million

Industry Classification	Items	2022		2021		Year-on-year increase/decrease in operating costs (%) (Percentage point)
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Steel rolling and processing industry	Raw materials and fuel	104,800	82.05	103,048	84.23	-2.18
	Others	22,927	17.95	19,293	15.77	2.18
	Total	127,727	100.00	122,341	100.00	-

(6) Whether the scope of consolidation was changed during the Reporting Period

Applicable Not Applicable

This year, the Company absorbed and merged the Second Power Plant of Angang Holding under common control.

This year, the Company invested and established three subsidiaries: Beijing International Trade, Delin Industrial Products and Xinneng Air.

This year, the Company written off a subsidiary Ansteel Parts.

(7) Material changes or adjustment in businesses, products or services during the Reporting Period

Applicable Not Applicable

(8) Major customers and suppliers

Sales to major customers of the Company

Total sales amount of the top five customers (<i>RMB million</i>)	51,326
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	39.25
Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year (%)	39.25

Top five customers of the Company

No.	Customer name	Sales amount (<i>RMB million</i>)	Proportion of sales amount over total sales amount for the year (%)
1	Customer A	15,688	12.00
2	Customer B	14,353	10.98
3	Customer C	12,558	9.60
4	Customer D	4,681	3.58
5	Customer E	4,046	3.09
Total		<u>51,326</u>	<u>39.25</u>

Note: the top five customers include companies under the control of the same parent company, which include related parties of the Company.

Major suppliers of the Company

Total purchase amount from the top five suppliers (RMB million)	37,063
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	41.36
Proportion of purchase from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%)	30.95

Top five suppliers of the Company

No.	Supplier name	Purchase amount (RMB million)	Proportion of purchase amount over total purchase amount for the year (%)
1	Supplier A	15,574	17.38
2	Supplier B	9,327	10.41
3	Supplier C	5,538	6.18
4	Supplier D	3,792	4.23
5	Supplier E	2,832	3.16
Total		<u>37,063</u>	<u>41.36</u>

Note: the top five suppliers include companies under the control of the same parent company, which include related parties of the Company.

In 2022, saved as disclosed in this annual results announcement, none of the Directors or supervisors whose associates or any shareholders (who hold 5% or more of the Company's shares as known to the Board) has an interest in the Company's top five suppliers or customers.

3. Expenses

Unit: RMB million

	2022	2021	Year-on-year increase/decrease	Explanations on material changes
Marketing expenses	600	596	0.67%	
Administrative expenses	1,298	1,485	-12.59%	
Financial expenses	487	491	-0.81%	
R&D expenditure	727	640	13.59%	
Income tax expenses	-455	1,961	-123.20%	The income tax expenses decreased by RMB2,416 million as compared to the same period of the previous year, which was mainly due to (i) the year-on-year decrease in total profit for the year, as a result of the decreased in the current income tax expenses by RMB991 million as compared to the same period of the previous year; (ii) the decrease of RMB1,425 million in deferred income tax expense resulting from deferred income tax assets recognized for offsetting losses formed in the current year as compared to the same period of the previous year.

4. R&D expenditure

Applicable Not Applicable

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
Research on BF (Blast Furnaces) Efficient Smelting Technology	To provide a scientific basis for blast furnace operation, ensure long-term stable and smooth operation of the blast furnaces and enhance the technical level and competitiveness of blast furnaces of Angang.	Experiments have been launched to increase hot air pressure and a cost benchmarking system has been established for 11 blast furnaces at three production bases of the Company.	To increase the oxygen enrichment rate of the blast furnaces by 1%; enable the direct feed capacity of granular iron through slag magnetic separation to reach more than 35kg/t, increase the feed grade by 0.15% and decrease the slag ratio by 5kg/t.	It will help improve the production efficiency of blast furnaces and help increase the production capacity and reduce energy consumption of the blast furnaces of the Company.
Research on Development and Industrialisation of Needle-coke Products	To develop and prepare needle-coke products that meet the needs of downstream manufacturers and improve the quality of needle-coke products to meet the needs of the industry.	Physical and chemical indicators of the raw materials have been analysed and evaluated and the evaluation on the performance of needle-coke products has been completed.	To optimise the needle-coke production technique and produce products that meet the requirements of both the electrode industry and the lithium-ion battery cathode material industry.	It will expand and enhance the coal chemical product field and improve product efficiency.

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
Development and Application of Ansteel Bayuquan Coal Blending Model Based on Data Mining	In order to prevent occurrence of coke quality being affected by the substantial change of coal species due to force majeure, to develop a coal blending model with rapid response by using AI means, so as to improve the ability of the Company to deal with emergencies.	A complete coking coal index characterization system has been established; a kilogram-grade high temperature in-situ visualised coke dissolution evaluation device has been developed and a complete coke quality index characterization system has been established.	To adopt coal blending model to reduce the response time of coal blending scheme, improve the efficiency of coal blending, and form a set of production control standards; to prevent excess coke mass and accurately predicts coke mass with an error of $\pm 3\%$.	It is a good solution to the problem of low coal blending efficiency and quality, reducing production costs and improving the competitiveness of the Company.
Key Technologies to Improve the Strength-Toughness Synergy and Service Life of High Performance Railroad Rails under Severe Conditions	To develop technology for upgrading of the strength-toughness synergy and manufacturing of high performance steel rails under high freight volume and large axle weight service conditions.	The design and demonstration application of an on-line heat-treated rail with a high carbon and micro-alloyed composition system with a hardness of 380HB on the railhead tread for heavy haul rail use has been completed. The batch trial production and supply of 1,600 tonnes of steel rails.	To develop high performance steel rails with yield strength $> 690\text{MPa}$, tread hardness $\geq 380\text{HB}$, fracture toughness $\geq 26\text{MPa}\cdot\text{m}^{1/2}$ (-60°C test) and have the capability to produce and supply small quantities of high performance steel rails for demonstration applications.	It will help with the promotion and application of the Company's steel rails for heavy haul railways and enhance its competitiveness and market share of the steel rail market.

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
High Performance Electrical Steel Materials for Precision Servo Motors	To successfully develop electrical steel materials for precision servo motors.	The sample production of high performance electrical steel for machine tool servo motors has been completed with satisfactory performance; trial use has been conducted at users; has been equipped with batch production and supply conditions.	To develop high performance electrotechnical steel 30A-JC250 for servo motors for robots.	The successful development of this product will expand the demonstration and promotion of the Company's electrotechnical steel products in the field of servo motors and enhance the Company's brand awareness.
Angang New Energy Vehicle Battery Pack Solution Development	To develop a full set of solution for lightweight, high-strength steel battery packs.	The selection of materials for the battery pack structure has been completed, the materials for the battery pack frame and the materials for the battery pack top cover and the assembly process design has been developed; the performance simulation analysis of the first edition 3D data of the battery pack has been completed.	To design a battery pack, complete the trial assembly of high-strength components for battery pack and develop a complete set of lightweight high-strength steel battery pack solution.	The research and development of the project will provide a new steel solution for new energy vehicle users, which is necessary to capture the larger new energy vehicle market and facilitate the application of Angang's advanced high-strength steels.

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
Development of High-Al Zn-Al-Mg Steel Plate Products	To research and develop high-Al Zn-Al-Mg plating products to increase market share and promotion.	The integrated development of high-Al Zn-Al-Mg equipment and production process technology has been completed, the development of high-Al Zn-Al-Mg series products has been developed, which have been applied to Angang's colour coated substrates and the development of high-Al Zn-Al-Mg substrates colour coated panels has been completed, forming a production capacity of 240,000 tonnes/year.	To complete the development of the Company's standards for high-Al Zn-Al-Mg; to achieve a production capacity of high-Al Zn-Al-Mg coated plates up to 240,000 tonnes/year; the plane corrosion resistance of high-Al Zn-Al-Mg coated plates is 50% higher; the weight of single dot on single side of the plating is not less than 40% of the average value of three dots on both sides.	Al-Zn-Mg steel plate has good edge protection and it is the development trend of our products in the future. The development of this product is conducive to improving the profitability of our products.

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
Development of Wire Rod for Ultra-high Strength Prestress Steel Strand	To develop technology for the production of wire rod for ultra-high strength prestress steel strand.	The wire rod for ultra-high strength prestress steel strand and steel strand have been successfully developed; the application of ultra-high strength steel strand to engineering has been completed at the same time. All the performance indicators of the wire rod meet the standard requirements for steel strand.	To develop perfect production technology to ensure that the wire rod meet the requirements for processing and performance of ultra-high strength steel strand, and to achieve stable production of wire rod for ultra-high strength prestress steel strand.	It will enable the Company to iterate and upgrade its ultra-high strength steel strand towards high strength, high fatigue and low cost, which will be conducive to capturing the high-end market and enhancing the profitability.
Research on Key Technologies for the New Generation of Low-cost Steel for Railway Truck Bodies	To improve the corrosion resistance of steel materials and reduce the consumption of alloying elements or processes by replacing precious metal elements with economic elements or by improving the purity of steel through technological means, in order to meet the long life requirements of steel for railway freight vehicles in China.	In March 2022, the project passed the final acceptance China State Railway Group Co., Ltd. with a grade of A.	To develop and industrially produce a new generation of low-cost steel for truck bodies to address the engineering problem of corrosion in truck bodies, reducing the overall cost of steel for truck bodies by 10% in terms of use, raw materials and production.	Relying on this project, Angang Steel has become a TB/1979 compilation unit for the first time, enhancing the company's voice in the field and laying the foundation for increasing its market share.

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
Development of High Quality Biphasic Stainless Steel Products for Nuclear Power Generation	To improve the weak links of China in wide specification and high-quality duplex stainless steel, to solve the “bottleneck” problem of wide specification and high-quality duplex stainless steel and to support the construction of national key projects.	The chemical composition range has been determined and the production process route has been identified. Materials suitable for welding duplex stainless steel have been identified. The mechanical properties of the studied welding materials have been studied and all have met the welding requirements.	To complete the research on key process routes such as smelting, rolling, solid solution treatment and pickling passivation of high-quality duplex stainless steel for nuclear power, and realize the upgrade of high-quality duplex stainless steel for nuclear power.	It may enable us to break through the foreign technology blockade and achieve a new breakthrough in the Company’s products in this field.
Steel Plate Preparation for Steel Catenary Riser, Steel Tube Moulding and Welding and Manufacturing Technology Development	To develop production and process control techniques for the steel for steel catenary riser.	A study on the online precision control scheme for the main chemical composition, impurities and gas elements of the smelting process has been completed.	To produce steel plates special for steel catenary riser with a thickness of $\geq 32\text{mm}$, guaranteeing a strength of X65 grade after tube production, with an average value of $\geq 85\%$ for DWTT (-10°C) and $\geq 0.51\text{ mm}$ for CTOD (0°C).	It will enable the Company to capture the domestic market for high value-added steel plates for steel catenary riser, and strengthen Angang’s leading position in the development and production of high-end steel plates for pipelines in China.

R&D staff of the Company:

	2022	2021	Year-on-year increase/decrease
Number of R&D staff (<i>person</i>)	2,185	1,806	21%
Percentage of the number of R&D staff in the Company	7.46%	5.94%	Increased by 1.52 percentage points
Educational background of R&D staff	-	-	-
Bachelor	1,414	1,194	18.4%
Master	418	199	110%
Age structure of R&D staff	-	-	-
Below 30	121	184	-34.2%
30~40	704	570	23.5%

R&D expenditure of the Company:

	2022	2021	Year-on-year increase/decrease
Amount of R&D expenditure (<i>RMB million</i>)	2,621	2,644	-0.8%
Percentage of R&D expenditure in operating income	2.0%	1.93%	Increased by 0.07 percentage point
Amount of capitalization of R&D expenditure (<i>RMB million</i>)	-	-	-
Percentage of capitalization of R&D expenditure in the R&D expenditure	-	-	-

Reasons for and effects of the significant change in the composition of R&D staff

Applicable Not Applicable

Reasons for the significant change in the proportion of total R&D expenditure in operating income as compared with the previous year

Applicable Not Applicable

Reasons for and reasonableness of the significant change of the capitalization rate of R&D expenditure

Applicable Not Applicable

5. Cash flow

Unit: RMB million

Item	2022	2021	Year-on-year increase/ decrease (%)
Sub-total of cash inflow from operating activities	133,193	142,638	-6.62
Sub-total of cash outflow from operating activities	127,054	129,703	-2.04
Net cash flow from operating activities	6,139	12,935	-52.54
Sub-total of cash inflow from investing activities	409	504	-18.85
Sub-total of cash outflow from investing activities	4,378	4,733	-7.50
Net cash flow from investing activities	-3,969	-4,229	6.15
Sub-total of cash inflow from financing activities	3,174	5,144	-38.30
Sub-total of cash outflow from financing activities	5,649	13,838	-59.18
Net cash flow from financing activities	-2,475	-8,694	71.53
Net increase of cash and cash equivalents	-305	12	-2,641.67

➤ Explanations of the main factors for significant year-on-year changes of the relevant figures:

Applicable Not Applicable

- (1) Net cash inflow from operating activities decreased by RMB6,796 million as compared with the same period of the previous year, mainly because (i) the cash received from sales of goods and rendering of services decreased by RMB9,617 million as compared with the same period of the previous year; (ii) the cash paid for goods purchased and services received decreased by RMB951 million as compared with the same period of the previous year; and (iii) the payment for various taxes decreased by RMB1,649 million as compared with the same period of the previous year.
- (2) Net cash outflow from financing activities decreased by RMB6,219 million as compared with the same period of the previous year, mainly because (i) the cash received from borrowings obtained decreased by RMB1,891 million as compared with the same period of the previous year; (ii) the cash payment for repayment of debts for the period decreased by RMB9,581 million as compared with the same period of the previous year; and (iii) a increase of RMB1,247 million in cash payment for distribution of dividends, profits or payment of interest as compared with the same period of the previous year.
- (3) Net increase in cash and cash equivalents decreased by RMB317 million as compared with the same period of the previous year, mainly because (i) the net cash inflow from operating activities decreased by RMB6,796 million as compared with the same period of the previous year; (ii) the net cash outflow from investing activities decreased by RMB260 million as compared with the same period of the previous year; (iii) the net cash outflow from financing activities decreased by RMB6,219 million as compared with the same period of the previous year.

- Explanations on reasons for significant differences in cash flow from operating activities and net profit of the Company during the Reporting Period:

Applicable Not Applicable

Unit: RMB million

Item	This year
Reconciliation of net profit to cash flow from operating activities:	
Net Profit	186
Add: Provision for impairment on assets	-337
Credit impairment loss	-65
Depreciation of fixed assets	3,462
Amortization of intangible assets	214
Depreciation of right to use assets	163
Loss on disposal of fixed assets, intangible assets and other non-current assets (“-” for gains)	-16
Loss on scrap of fixed assets (“-” for gains)	41
Loss on the change of fair value (“-” for gains)	-185
Financial expenses (“-” for gains)	457
Investment loss (“-” for gains)	-237
Decrease in deferred tax assets (“-” for increase)	-779
Increase in deferred tax liabilities (“-” for decrease)	-19
Decrease in inventories (“-” for increase)	5,833
Decrease in operating receivables (“-” for increase)	-3,363
Increase in operating payables (“-” for decrease)	773
Others	11
Net cash flow from operating activities	6,139

6. Liquidity and financial resources

As at 31 December 2022, the Group had long-term loans (exclusive of loans due within one year) of RMB600 million with average interest rate of 2.85% per annum and a term of three years. The loans are mainly used for replenishing the working capital. The Group's long-term loans due within one year amounted to RMB2,600 million. All bank loans of the Group are at fixed interest rates.

In 2022, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) with a credit rating of "AAA". In 2022, over 20 financial institutions that had cooperated with the Company provided credit facilities to the Company. The Group is capable of repaying its debts when they become due.

As at 31 December 2022, cash and bank balances of the Group denominated in foreign currencies was RMB1 million (31 December 2021: RMB1 million).

Cash and bank balances denominated in the currencies as set out below:

	<i>Unit: RMB million</i>	
	31 December 2022	31 December 2021
RMB	5,092	5,397
US dollars	1	1
HK dollars	–	–
Others	–	–
	<hr/>	<hr/>
Sub-totals	<u>5,093</u>	<u>5,398</u>

As at 31 December 2022, the Group had a total capital commitment of RMB3,050 million, which was primarily attributable to the construction and renovation contracts of RMB3,036 million entered into but not yet performed or partially performed and foreign investment contracts of RMB14 million entered into but not yet performed or partially performed.

7. Pension scheme

In accordance with the requirements of national insurance policies of the PRC, the Group provides all employees with basic pension (which are contributed as to 16% by the employer and as to 8% by the individual employee), pursuant to which the employee is entitled to receive pension payments on a monthly basis after retirement. For each month, the Group makes contribution to the basic pension scheme at 16% of the gross salary recognized as cost (expenses) of the previous month. In addition, the Group maintains corporate annuity scheme for all of its employees, the contribution to which was made by the Group at 4% of the gross salary recognized as cost (expenses) of the previous year.

The Group, as an employer, cannot use forfeited contributions (by the employer on behalf of employees who leave the scheme prior to vesting fully in such contributions) to reduce the existing level of contributions.

8. Foreign exchange risk

The Group carries out import and export through agent trade by Angang International Trade for its main foreign currency transactions including the export of sales products, import of raw materials and engineering equipment. Foreign currency risk is mainly reflected in the impact of exchange rate changes when settling through agent on sales and procurement costs.

The Group issued HK\$1.85 billion of H-share convertible bonds (current balance is HK\$1.818 billion), the foreign exchange risk of which depends on the exchange rate of the Renminbi against the Hong Kong dollar at the time of redemption of the unconverted bonds.

Analysis of Non-Principal Businesses

Unit: RMB million

Item	Amount	As a percentage of total profit (%)	Reasons for the changes	Sustainable or not
Investment income	237	N/A	Mainly included investment income from long-term equity investments accounted by equity method and other equity instruments during holding period.	Yes
Gains arising from changes in fair value	185	N/A	Mainly included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Impairment losses on asset (“-” for losses)	337	N/A	Mainly included reversal of provisions for impairment on inventories.	No
Credit impairment loss (“-” for losses)	65	N/A	Mainly included reversal of credit impairment loss on account receivables	No
Other gains	87	N/A	Mainly included gains on government grants.	No
Non-operating income	59	N/A	Mainly included gains on damaged or destroyed and retirement of non-current assets.	Yes
Non-operating expenses	110	N/A	Mainly included losses on destroy or scrap of non-current assets.	Yes

ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in composition of assets

Unit: RMB million

Items	End of 2022		Beginning of 2022		Increase/ decrease (Percentage point)	Explanation for significant amount change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	5,093	5.25	5,398	5.47	-0.22	–
Account receivables	2,838	2.93	1,894	1.92	1.01	–
Inventories	13,575	14.00	19,059	19.32	-5.32	–
Long-term equity investments	3,169	3.27	3,071	3.11	0.16	–
Fixed assets	46,985	48.47	48,558	49.22	-0.75	–
Construction in progress	6,732	6.94	4,644	4.71	2.23	–
Right-of-use assets	761	0.79	689	0.70	0.09	–
Short-term loans	1,579	1.63	650	0.66	0.97	–
Contract liabilities	6,393	6.60	8,631	8.75	-2.15	–
Long-term loans	600	0.62	3,650	3.70	-3.08	–
Lease liability	226	0.23	346	0.35	-0.12	–

2. Assets and liabilities measured at fair value

Unit: RMB million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Changes in cumulative fair value reported in equity	Impairment made for the period	Purchases during the period	Disposals during the period	Other changes	Closing balance
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	43	-10						33
2. Derivative financial assets	3	34						37
3. Other credit investment								
4. Other equity instrument investment	496		204					641
Sub-total of financial assets	542	24	204					711
Investment properties								
Productive biological assets								
Others								
Total	542	24	204					711
Financial liabilities	116	-75						41

Material changes in measurement of major assets during the Reporting Period

Yes No

3. Gearing ratio

As at 31 December 2022 and 31 December 2021, the Group's ratio of equity to liability was 1.54 times and 1.64 times, respectively. This ratio is calculated on the basis of total shareholders' equity divided by total liabilities.

4. Restrictions on assets as at the end of the Reporting Period

During the year, the Group pledged accounts receivable with carrying amount of RMB399 million to bank through factoring business to obtain short-term borrowings of RMB399 million.

5. Contingent liabilities

As at 31 December 2022, the Group had no contingent liabilities.

ANALYSIS ON THE CORE COMPETITIVENESS

1. Market competitiveness

- (1) Brand popularity and influence continue to increase. In 2022, Angang Steel ranked 99th among the Fortune China 500. The Company has strong technical reserves, excellent product quality, strong ability on product R&D and innovation, a complete quality assurance system and national certification qualifications. It has a leading position in producing steel for shipbuilding and marine engineering, automotive steel plates, home appliance plates, container plates and heavy rails. Its railway steel, container steel and shipbuilding plates won the title of "China Famous Brand Products". 16 products such as hot rolling pickling steel plates, dip aluminized and galvanized plates and steel for bridges are awarded as "Gold Cup". The Company was recognized as the "Outstanding Strategic Partner" by BYD for two consecutive years, "Gold Medal Supplier" by CSSC; and Steel enterprise brand supplier awarded by "Steel House".
- (2) Technology strength is at the forefront of the industry and has strong advantages in new product technology development. It has unique technical advantages in hot-rolled railway weather-resistant, superior cutting tools, medium and high carbon ultra-thin products of 45# and above, and spring steel. Four products, including bridge steel structure made their global debut; four technologies, including the world's first single-winding spiral electromagnetic stirring device, have achieved global leadership. The steel for welding ship plates with super-high linear energy passed the certification of many national classification societies and reached the international advanced level; the weathering steel for railway vehicles covered all specifications and the bogies of bullet trains led the development of the

industry. The Company was awarded the title of “China Pilot Enterprises in Patent Operation”, and the patent innovation index ranked third in China’s steel industry for two consecutive years. The Company established the national industry-academia-research alliance in the technical field of steel for marine engineering, and became the only steel enterprise to join the Unit 1 of the “Guohe One” industrial chain alliance.

- (3) Advantages in scale and technical equipment. The annual crude steel output ranks top 10 in the industry. Low-cost blast furnace ironmaking, rapid selection of coking coal and converter ultra-pure steel production equipment are among the best of the PRC. The technology equipment of 1580, 1780, 2150 hot rolling production line, cold rolling line, wire rods 2# lines and universal lines and wide and thick plate line have reached the domestic advanced level, while the self-integrated cold rolling wide strip production technology, self-developed and applied cold rolling mill shape control system core technology and wide and thick plate production technology have all reached the internationally advanced level. Bayuquan base is leading the world in equipment and craft, realizing large-scale equipment, constant processing, parameter modeling, operation automation, management informatization, and information digitization, of which 1580 lines adopt a number of internationally leading cutting-edge hot rolling technologies; the 5500 line is currently one of the largest wide and thick plate mills in the world.

2. Product competitiveness

The steel products are comprehensive in types and specifications. Steel for shipbuilding, steel for bridges, steel for nuclear power, steel for pipelines, steel for railways and steel for home appliances are the traditional advantageous products of the Company, with a relatively high market share, and are well recognised and praised by downstream end customers. In particular, the market share of corrosion-resistant steel for railways has been maintained at over 40% for a long time, ranking first in the industry for 19 consecutive years; the market share of cold-rolled steel products for home appliances has ranked top in the industry for a long time. The market share of steel rail products was 16.9%, ranking second in the industry. Sales of zinc aluminum magnesium products for photovoltaic applications achieved a new breakthrough. New achievements have been made in the development of silicon steel for new energy vehicles, and the trial production of 35ADG1900B and 30ADG1500 brands of high-magnetic non-oriented silicon steel has been successfully completed. The performance indicators reach the advanced level in the industry, and the product performance has recognised by customers. The sales of oriented silicon steels hit a record high. Heavy rail and steel for nuclear power were rated as the most competitive products in China’s metallurgical industry in 2022.

3. Cost competitiveness

Angang Steel has always taken the “low-cost” operation as the main line. Through unified thinking, enhanced measures, self-pressure, outstanding incentives and rigid guarantee, we systematically promote cost reduction, strengthen comprehensive budget management, and comprehensively improve cost competitiveness. Chaoyang Iron and Steel continuously improved the market-oriented system and mechanism by constructing the operation model, continuing the cost reform and implementing the “authorization plus shared benefits”, etc., and has a relatively strong low-cost competitive advantage.

4. Resource Guarantee

The abundant reserves of iron ore in the areas of Anshan are the foundation of Angang Holding’s business. Mining companies of Angang Group have iron ore resources of 8,800 million tons and production stripping capacity of 280 million tons per year, mineral processing capacity of 65 million tons per year, and iron ore concentrate production capacity of 22 million tons, which ranked the first in China and are in leading positions in the world. In addition, Angang Group also owns Karara iron ore base with annual output of 8 million tons overseas, and has relative strong international trading capacity of iron ore.

5. Corporate culture

After accumulating, generalizing, extracting, sublimating the spirit of the past generations, the Company has established a profound corporate culture with “Innovation, Factualism, Hard Work and Contribution” as its core value and gave birth to the “Angang Constitution” which is praised as the fundamental law for running socialist enterprises. It abounds in heroic figures like Meng Tai, Lei Feng, Wang Chonglun as well as advanced models in the new period including Guo Mingyi and Li Chao. Its “model culture” plays an irreplaceable role in making concerted efforts.

SIGNIFICANT EVENTS

(I) Performance of Undertaking

The undertakings performed by the de facto controllers, shareholders, related parties, offerors and the Company during the Reporting Period as well as the undertakings that they have not yet performed as at the end of the Reporting Period.

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Industry competition commitments	<p>The Non-competition Undertaking Letter of Anshan Iron & Steel Group Complex (《鞍山鋼鐵集團公司避免同業競爭承諾函》):</p> <ol style="list-style-type: none"> (1) Angang Holding and its wholly-owned and holding subsidiaries have complied with relevant requirements of the state on the non-competition. (2) Angang Holding and its wholly-owned and holding subsidiaries have never engaged in any business which directly or indirectly competes with the iron and steel business, the principal business of the Company. (3) Angang Holding undertakes that the Company is entitled to the pre-emptive rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the iron and steel business of the Company. (4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that it will transfer all the capital contribution, shares or equity interests and grant the Company preemptive rights for such capital contribution, shares or equity interests. 	20 May 2007	Indefinite	There was no breach of such undertaking

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
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(5) If Angang Holding and its wholly-owned and holding subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes the purchase requirement, Angang Holding and its wholly-owned and holding subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.

(6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first for the opportunity of new business.

If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and holding subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.

If the Company proposes the purchase requirement in the future, Angang Holding and its wholly-owned and holding subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions.

(7) Other effective measures to avoid and eliminate horizontal competition.

The above undertakings do not limit the business of Angang Holding and its wholly-owned and holding subsidiaries which do not compete with the Company, especially the business of provision of required materials or services necessary for the operation of the Company.

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible for engaging in business not prohibited by the state.</p> <p>Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:</p> <ol style="list-style-type: none"> (1) Angang Holding ceases to be the controlling shareholder of the Company. (2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of the shares of the Company due to any reason) (3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically. <p>Considering that Angang Holding does not have any iron and steel production projects in production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter.</p>			
Whether the commitments are fulfilled on time			Yes			

2. The explanation provided by the Company for the original profit forecast which assets and projects meet and its reasons in the event that there is a profit forecast for the Company's assets and projects which remain in the profit forecast during the Reporting Period.

Applicable Not Applicable

(II) Misappropriation of Non-operating Funds of the Company by Controlling Shareholders and Its Related Persons

Applicable Not Applicable

(III) Non-complied External Guarantee

Applicable Not Applicable

(IV) The Board of Directors' Explanation Regarding the Related Information of the Latest "Non-standard Audit Opinion"

Applicable Not Applicable

(V) The Explanation of the Board of Directors, the Supervisory Committee and the Independent Directors (if any) Regarding the Accounting Firm's "Non-standard Audit Opinion" for the Reporting Period

Applicable Not Applicable

(VI) Explanation of Changes in Accounting Policies and Accounting Estimates and Correction of Major Accounting Errors During this Year as Compared with the Financial Report of the Previous Year

Applicable Not Applicable

There were no changes in accounting policies, accounting estimates or corrections of major accounting errors during the Reporting Period.

(VII) Explanation of Changes of Scope in Consolidated Statements As Compared With the Financial Report of the Previous Year

Applicable Not Applicable

During the Reporting Period, the Company absorbed and merged Second Power Plant of Angang Holding under common control.

During the Reporting Period, the Company invested and established three subsidiaries: Beijing International Trade, Delin Industrial Products and Xinneng Air.

During the Reporting Period, the Company wrote off a subsidiary Ansteel Parts.

(VIII) Appointment and Dismissal of Accounting Firm

1. Accounting Firm Currently Engaged by the Company

Name of the PRC accounting firm	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration of the PRC accounting firm	RMB5 million
Continued term of auditing service of the PRC accounting firm	Five years
Name of certified public accountants of the PRC accounting firm	Fan Jianping (范建平) and Fu Yangyi (付羊意)
Continued term of auditing services by certified public accountants of the PRC accounting firm	Five years

2. Whether Appointed Another Accounting Firm During the Period

Applicable Not Applicable

3. Particulars on Appointment of Accounting Firms, Financial Consultants or Sponsors for Internal Control and Auditing Purposes

Applicable Not Applicable

The Company engaged ShineWing Certified Public Accountants (Special General Partnership) as the internal control and auditing firm of the Company for 2022 and the remuneration was RMB0.70 million.

4. Whether the Accounting Firms Has Changed in the Last Three Years

In the last three years, the Company did not change the accounting firm.

(IX) Delisting Risks after the disclosure of Annual Report

Applicable Not Applicable

(X) Bankruptcy Reorganization

Applicable Not Applicable

During the Reporting Period, the Company was not involved in bankruptcy reorganization.

(XI) Material Litigation and Arbitration

Applicable Not Applicable

The Company was not involved in any material litigation and arbitration during the Reporting Period.

Non-material litigation and arbitration are as follows:

Background of litigation (arbitration)	Amount involved (RMB0'000)	Any estimated liabilities incurred	Status of litigation (arbitration)	Trial outcome and impact of litigation (arbitration)	Enforcement of the judgment on litigation (arbitration)
Non-material proceedings	100,588	No	Most of the successful cases have entered the execution process, while other cases are still in court.	-	Some cases is performing deduction and auction procedures by court.
Non-material response to proceedings	6,958.32	No	Some of the cases were concluded in favour of the Company, while other cases are still in court.	-	-

(XII) **Penalties and Rectifications**

Applicable Not Applicable

The Company has not been subject to any material penalty or rectification during the Reporting Period.

(XIII) **Credibility of the Company, its Controlling Shareholders and De Facto Controllers**

Applicable Not Applicable

(XIV) **Major Connected Transactions**

The related party transactions set out below fall within the definition relating to “Connected Transaction” or “Continuing Connected Transaction” under Chapter 14A of the Hong Kong Stock Exchange Listing Rules (“**Connected Transaction**”, or where applicable, “**Continuing Connected Transaction**”). Relevant related party transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Stock Exchange Listing Rules.

1. Related party transactions related to daily operations

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	22.33	16,859	-	In cash	-
Shanxi Wuchan International Energy Co., Ltd. (Shanxi Wuchan International Energy Co., Ltd. (山西物產國際能源有限公司))	Connected person of controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	3.96	2,988	-	In cash	-
Angang International Trade (鞍鋼貿易公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	2.35	1,774	-	In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd. (鞍鋼集團中元產業發展有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	2.15	1,624	-	In cash	-
Angang Cast Steel Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	0.59	449	-	In cash	-
Bensteel Group Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	0.43	327	-	In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	0.46	344	-	In cash	-
Sub-total	-	-	Purchase main materials	-	-	32.27	24,365	-	-	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Pangang Group Company Limited	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase steel products	Market principle	-	1.10	611		In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase steel products	Market principle	-	0.71	395	1,462	In cash	-
Sub-total	-	-	Purchase steel products	-	-	1.81	1,006		-	-
Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	15.34	1,039		In cash	-
Angang Refractory Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	10.29	697		In cash	-
Angang Engineering Technology Development Co., Ltd.	Connected person of controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	7.72	523		In cash	-
Ansteel Group Engineering Technology Development	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	3.73	253	3,691	In cash	-
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	3.17	215		In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	4.37	296		In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	44.62	3,023		-	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Procurement of energy and power	Market principle	-	96.32	157	-	In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	96.32	157	No	-	-
Angang Engineering Technology Development Co., Ltd.	Connected person of controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	8.40	1,418	-	In cash	-
Delin Land Port Supply Chain Service Co., Ltd. (德鄰陸港供應服務有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	6.96	1,175	-	In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd. (鞍鋼集團眾元產業發展有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	6.95	1,174	-	In cash	-
Angang Holding	Controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	5.72	966	-	In cash	-
Ansteel Group Engineering Technology Development	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	4.91	829	No	In cash	-
Angang Cold Rolled Steel Plate (Putian) Co., Ltd. (鞍鋼冷軋鋼板(莆田)有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	3.16	533	-	In cash	-
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	2.42	409	-	In cash	-
Ansteel Information Industry Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	1.95	330	-	In cash	-
Angang Yingkou Port Affairs Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	1.70	287	-	In cash	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angang International Trade (鞍鋼貿易公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	1.08	183	-	In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	4.10	693	-	In cash	-
Sub-total	-	-	Receive supporting services	-	-	47.35	7,997	-	-	-
Delin Land Port Supply Chain Service Co., Ltd. (德鄰陸港供應服務有限公司)	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	4.81	7,442	-	In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd. (鞍鋼集團眾元產業發展有限公司)	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	0.46	711	-	In cash	-
Angang International Trade (鞍鋼貿易公司)	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	0.42	656	-	In cash	-
Anshan Falan Packing Material Co. Ltd.	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	0.19	292	16,171	In cash	No
Ansteel Group Engineering Technology Development	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	0.17	266	-	In cash	-
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	0.14	212	-	In cash	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	0.26	395	-	In cash	-
Sub-total	-	-	Sales of products	-	-	6.45	9,974	-	-	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angeng Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sell scrap steel material, abandoned material, minus sieve powder	Market principle	-	341	93.42	-	-	In cash	-
Sub-total	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	341	93.42	418	No	-	-
Angeng Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Provide Comprehensive services	Market principle	-	422	23.17	-	-	In cash	-
Sub-total	-	-	Provide Comprehensive services	-	-	422	23.17	1,527	No	-	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interests	Market principle	-	57	70.37	100	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	4,984	-	5,000	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	7	2.13	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	-	-	100	No	In cash	-
Angang Group Capital Holding Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring	Market principle	-	225	14.23	1,000	No	In cash	-
Angang Group Capital Holding Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring interest	Market principle	-	2	10.53	50	No	In cash	-

Particulars on refund of bulk sale

Estimated total amount for continuing connected transactions to be conducted during the period and their actual implementing during the Reporting Period

The estimated data of continuing connected transactions of the Company in 2022 was based on the content and estimated caps of transactions set out in the Continuing Connected Transaction Agreements of the Company. The total amount of continuing connected transactions of the Company in 2022 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements. The difference between actual amounts of certain connected transactions and estimated amounts was relatively larger, due to the impact of changes in prices of commodities and trading volumes during actual operation. As the originally estimated data represented the estimated caps of transactions, the existence of difference was reasonable which did not prejudice the interests of non-controlling shareholders and the Company.

Reason for the difference between transaction price and market reference price

Relevant explanation on connected transactions

As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary support services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.

2. *Related party transactions in relation to asset or equity acquisition or disposal*

Unit: RMB million

Related Party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Carrying value of assets transferred	Appraised value of assets transferred	Transfer price	Means of settlement of related party transaction	Transaction gains or losses	Date of Agreement
Angang Holding	Controlling shareholder	Acquisition of net assets	Acquisition of the net assets of the Second Power Plant of Anshan Group	Price was determined based on the appraised value of the net assets of the Second Power Plant held by Angang Holding issued by China United Assets Appraisal Group Co., Ltd.	1,035	1,126	1,126	Cash	0	30 December 2021
Reasons for the substantial differences between the transfer price and the carrying value or appraised value (if any)				-						
Impact on the operating results and financial condition of the Company				No significant impact						
Results realization status during the Reporting Period if relevant transaction involves agreement on results				-						

3. *Related party transactions in relation to joint external investments*

Unit: RMB million

Co-investors	Related relationship	Name of investee	Principal business of the investee	Registered capital of the investee	Total assets of the investee	Net assets of the investee	Net profit of the investee
Delin Lugang Supply Chain Service Co., Ltd.* (德鄰陸港供應鏈服務有限公司)	Controlled by the same controlling shareholder	Delin Industrial Products Ltd.* (德鄰工業品有限公司)	Procurement and consulting services of industrial products such as equipment and materials; industrial goods e-commerce trading and supply chain financial services; related logistics, warehousing and distribution services; asset leasing and other services.	180	303	182	2
Progress of major projects under construction of the investee (if any)			-				

4. *Related party credit and debt transaction*

There were no claims or obligations for non-operating purposes during the Reporting Period.

5. *Transaction with connected financial company*

Applicable Not Applicable

Unit: RMB million

Deposit business

Connected party	Connected relationship	Maximum daily deposit limit	Range of deposit interest rate	Balance as at the beginning of the period	Amount during the period		Balance as at the end of the period
					Total amount deposited during the period	Total amount withdrawn during the period	
Angang Financial Company	Controlled by the same controlling shareholder	5,000	0.455%-1.9%	3,497	456,123	455,396	4,224

Loan business

Connected party	Connected relationship	Loan facility	Range of loan interest rate	Balance as at the beginning of the period	Amount during the period		Balance as at the end of the period
					Total loan amount for the period	Total amount repaid during the period	
Angang Financial Company	Controlled by the same controlling shareholder	5,000	2.61%-3.48%	0	500	500	0

Credit extension or other financial business

Connected party	Connected relationship	Type of business	Total amount	Actual amount
Angang Financial Company	Controlled by the same controlling shareholder	Credit extension	5,000	500

6. *Transaction with connected financial company which is under the control of the Company*

Applicable Not Applicable

7. *Other major related party transactions*

On 19 May 2022, the Resolution on Provision of Counter Guarantee to Anshan Iron and Steel Group Co., Ltd. in Relation to the Reinforcing Steel Delivery Warehouse Business was approved at the 64th meeting of the eighth session of the Board of the Company. As Angang Holding, the controlling shareholder of the Company, provided a guarantee for the Company's application to the Shanghai Futures Exchange for the qualification of designated reinforcing steel delivery warehouse and signed a letter of guarantee (hereinafter referred to as the "Letter of Guarantee"), in order to promote the steady development of the Company's futures business, the Company provided counter guarantee to Angang Holding in accordance with the relevant terms of the letter of guarantee. The amount of counter guarantee shall not exceed RMB300 million.

8. *Opinions of independent non-executive Directors*

(1) The Daily Connected Transactions (i.e. Continuing Connected Transactions) of the Company in 2022 were carried out in the ordinary and usual course of business of the Company; (2) the Continuing Connected Transactions of the Company in 2022 were conducted (A) in accordance with the normal commercial terms (with reference to transactions of a similar nature made by similar entities in the PRC); (B) on terms no less favorable than the terms available to or offered by the third parties (if no comparable case is available); and (C) on terms which are fair and reasonable to shareholders of the Company (if no reference is available); (3) the Continuing Connected Transactions of the Company in 2022 were conducted in accordance with the terms set out in the Continuing Connected Transaction Agreements, which are fair and reasonable and in the interest of the Company and shareholders as a whole; (4) the total amount of Continuing Connected Transactions of the Company in 2022 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements. The difference between actual amounts of certain connected transactions and estimated amounts was relatively large, due to the impact of changes in prices of commodities and trading volumes during actual operation. As the originally estimated data represented the estimated caps of transactions, the existence of difference was reasonable which did not prejudice the interests of non-controlling shareholders and the Company.

9. *Opinions of auditors*

The auditors have reviewed the non-exempt continuing connected transactions conducted during the year 2022 of the Company and issued a letter to the Board. In respect of the Continuing Connected Transactions disclosed by the Company, the auditors are of the opinion that nothing has come to their attention that causes them to believe that:

- (1) the disclosed Continuing Connected Transactions have not been approved by the Board of the Company.
- (2) for the transactions involving provision of the Group's goods and services, the Continuing Connected Transactions were not carried out in accordance with the pricing policies of the Group in all material aspects.
- (3) the transactions were not carried out in accordance with the relevant agreements in all material aspects.
- (4) any Connected Transactions had exceeded the relevant annual cap.

XV. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Trust, contractual or lease arrangement

(1) Trust arrangement

On 26 November 2021, the Company approved the Supply of Materials and Services Agreement (2022-2024) between the Company and Angang at the second extraordinary general meeting of the Company in 2021. The Company entered into the Entrusted Management Services of Asset and Business Agreement with Angang Holding in December 2021 as the specific agreement for execution under the approved Supply of Materials and Services Agreement (2022-2024). Pursuant to the Entrusted Management Services of Asset and Business Agreement, Angang Holding entrusts the Company to daily operate and manage the assets, businesses, additional future assets and businesses of the unlisted units under its control.

During the Reporting Period, the Company did not address any entrusted projects which resulted in profit or loss of the Company amounting to more than 10% of the Company's total profit during the Reporting Period.

(2) Contractual arrangement

The Company did not enter into any contractual arrangement during the Reporting Period.

(3) Lease arrangement

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the Land Lease Agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, with a total amount of RMB123 million in 2022.

During the Reporting Period, there was no lease which generated profit of more than 10% of the gross profit of the Company.

2. *Material guarantee*

During the Reporting Period, there was no material guarantee provided by the Company, nor was there any material guarantee subsisting during the Reporting Period.

3. *Entrusted cash assets management*

(1) *Entrusted cash assets management.*

Applicable Not Applicable

During the Reporting Period, the Company did not have entrusted wealth management.

(2) *Entrusted loans*

Applicable Not Applicable

During the Reporting Period, the Company did not have entrusted loan.

4. *Other significant contracts*

Applicable Not Applicable

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable Not Applicable

XVII. SIGNIFICANT EVENTS OF THE COMPANY'S SUBSIDIARIES

Applicable Not Applicable

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company completed the repurchase of 52,450,023 A shares held by the public through centralized bidding transactions during the period from 10 to 24 December 2020 pursuant to the Resolution on the Repurchase of Part of A Shares of the Company (《關於回購公司A 股部分社會公眾股的議案》) held by the Public approved at the thirty-second meeting of the eighth session of the Board of the Company for the purpose of implementing the share-based incentives or the employee stock ownership scheme. On 8 January 2021, the Resolution on the First Grant of the Restricted Shares to Incentive Participants (《關於向激勵對象首次授予限制性股票的議案》) was approved at the thirty-eighth meeting of the eighth session of the Board of the Company. On 27 January 2021, the Company completed the registration of the first grant under the 2020 Restricted Share Incentive Scheme, and granted 46,800,000 restricted shares to 174 incentive participants. On 28 January 2022, the Company completed the registration of the grant of reserved portion of the restricted shares under the 2020 Restricted Share Incentive Scheme and granted 5,241,400 restricted shares to 37 incentive participants. On 25 February 2022, the Company completed the repurchase and cancellation of 2,229,750 restricted shares granted but not yet unlocked held by 8 former incentive participants who did not meet the incentive conditions. On 10 February 2023, the Company completed the repurchase and cancellation of 2,040,931 restricted shares granted but not yet unlocked held by 12 former incentive participants.

Save for the aforementioned matter, during the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its securities.

CORPORATE GOVERNANCE PRACTICE

With shares listed in both Hong Kong and Shenzhen, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for establishing good corporate governance practices and procedures and the strict implementation of such practices and procedures, in order to protect the interests of the shareholders and to create value for the shareholders in the long term.

The Company has adopted the code provisions set out in Appendix 14 to the Hong Kong Stock Exchange Listing Rules as currently effective. The Company has periodically reviewed its corporate governance practices, and the Company has properly complied with the code provisions of the Corporate Governance Code. During the year ended 31 December 2022, the Company has complied with all the code provisions of the Corporate Governance Code which were effective during the year.

AUDIT COMMITTEE

The Audit Committee and the management of the Company have jointly examined the Company's accounting policy and have discussed issues in relation to the auditing, internal control and financial statements of the Company, including a review of the audited financial statements for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The 2022 annual general meeting will be held on Monday, 29 May 2023. A notice to convene the annual general meeting of the Company and the 2022 annual report of the Company will be published and delivered to H shareholders of the Company as required by the Hong Kong Stock Exchange Listing Rules in due course.

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

Prepared by: Angang Steel Company Limited

Monetary unit: RMB million

Items	Notes	31 December 2022	31 December 2021
Current assets:			
Cash and cash equivalents		5,093	5,398
Derivative financial assets		37	3
Notes receivable		173	25
Accounts receivable	2	2,838	1,894
Receivables financing		1,824	1,844
Prepayments		5,113	2,950
Other receivables		27	62
Including: Interests receivable			
Dividends receivable			
Inventories		13,575	19,059
Other current assets		552	1,306
Total current assets		29,232	32,541
Non-current assets:			
Long-term equity investments		3,169	3,071
Other investments in equity instruments		641	496
Other non-current financial assets		33	43
Fixed assets		46,985	48,558
Construction in progress		6,732	4,644
Right-of-use assets		761	689
Intangible assets		6,553	6,430
Deferred income tax assets		1,506	744
Other non-current assets		1,323	1,436
Total non-current assets		67,703	66,111
Total assets		96,935	98,652

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2022

Items	Notes	31 December 2022	31 December 2021
Current liabilities:			
Short-term loans		1,579	650
Derivative financial liabilities		41	116
Notes payable		11,743	8,086
Accounts payable	3	8,854	9,970
Contract liabilities		6,393	8,631
Employee benefits payable		158	218
Tax payable		255	189
Other payables		2,871	2,164
Including: Interests payable		6	2
Dividends payable		3	
Non-current liabilities due within 1 year		4,260	601
Total current liabilities		36,154	30,625
Non-current liabilities:			
Long-term loans		600	3,650
Bonds payable		299	1,463
Lease liability		226	346
Long-term payables		119	480
Long-term employee benefits payable		60	112
Deferred income		523	543
Deferred income tax liabilities		157	157
Other non-current liabilities		–	39
Total non-current liabilities		1,984	6,790
Total liabilities		38,138	37,415

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 31 December 2022*

Items	<i>Notes</i>	31 December 2022	31 December 2021
Shareholders' equity:			
Share capital		9,403	9,405
Capital reserve		33,879	34,624
Less: Treasury shares		96	100
Other comprehensive income		152	44
Special reserve		93	107
Surplus reserve		4,457	4,452
Undistributed profit	4	10,252	12,179
Subtotal of Shareholders' equity attributable to shareholders of parent company		58,140	60,711
Minority interests		657	526
Total shareholders' equity		58,797	61,237
Total liabilities and shareholders' equity		96,935	98,652

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

*Person-in-charge of
accounting department:*
You Yu

CONSOLIDATED INCOME STATEMENT
For the Twelve Months Ended 31 December 2022

Prepared by: Angang Steel Company Limited

Monetary unit: RMB million

Items	<i>Notes</i>	Current period cumulative	Preceding period comparative
Operating income		131,072	136,120
Including: operating income	5	131,072	136,120
Operating costs		132,217	127,057
Less: Operating costs	5	128,022	122,792
Tax and surcharges	6	1,083	1,053
Marketing expenses		600	596
Administrative expenses		1,298	1,485
Research and development expenses		727	640
Financial expenses	8	487	491
Including: Interests expenses		391	577
Interests revenue		68	79
Add: Other income		87	38
Investment income (“-” for losses)		237	331
Including: income from investment in jointly ventures and associates		235	318
Gains/losses from fair value variation (“-” for losses)		185	(65)
Impairment losses on assets (“-” for losses)		337	(306)
Credit impairment loss (“-” for losses)		65	(90)
Asset disposal income (“-” for losses)		16	52
Operating profit (“-” for losses)		(218)	9,023
Add: Non-operating income		59	59
Less: Non-operating expenses		110	123
Profit before income tax (“-” for losses)		(269)	8,959
Less: Income tax expenses	9	(455)	1,961

Items	<i>Notes</i>	Current period cumulative	Preceding period comparative
Net profit for the period (“-” for losses)		186	6,998
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		186	6,998
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		156	6,964
ii. Minority interest income		30	34
The net amount after tax of other comprehensive income		108	(27)
Net after-tax net of other comprehensive income attributable to the parent company owner		108	(27)
I. The other comprehensive income which can not be reclassified into profit or loss		108	(26)
i. Changes in fair value of other investments in equity instrument investment		108	(26)
II. The other comprehensive income which can be classified into profit or loss			(1)
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			(1)

Items	<i>Notes</i>	Current period cumulative	Preceding period comparative
Net after-tax net of other comprehensive income attributable to minority shareholders			
Total comprehensive income		294	6,971
The other comprehensive income attributed to the owners of the company		264	6,937
The other comprehensive income attributed to the minority		30	34
Earnings per share:			
Basic earnings per share (<i>RMB/share</i>)	10	0.017	0.740
Diluted earnings per share (<i>RMB/share</i>)	10	0.017	0.720

In the case of business combination under common control in the current period, the net profit realized by the merged party before the merger was RMB0 million, and the net profit realized by the merged party in the same period last year was RMB39 million.

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

*Person-in-charge of
accounting department:*
You Yu

NOTES TO FINANCIAL STATEMENTS

31 December 2022

(Expressed in million RMB unless otherwise indicated)

1. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The Group has evaluated the continuous operations ability for the 12 months from December 31, 2022, and has not found any matters or circumstances that have significant doubts about the continuous operations ability. Therefore, the financial statements are prepared on the assumption of going concern principle. In addition, the Group has prepared this report based on the actual transactions and events and in accordance with the Basic Standard and 42 specific standards of the Accounting Standards for Business Enterprises(abbreviated as “**ASBE**”) (Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as the “**Accounting Standards for Business Enterprises**” or “**CAS**”) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

According to the relevant provisions of Accounting Standards, the Group adopted an accrual accounting basis. Except for certain financial instruments, the financial statements are reported at historical cost. If assets are impaired, relevant provisions are made in accordance with relevant standards.

2. ACCOUNTS RECEIVABLE

2.1 Classification of accounts receivable

Items	31 December 2022				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	919	25.47	766	83.35	153
Account receivable for which bad debt is prepared based on group combination	2,689	74.53	4	0.15	2,685
including: Risk-free group combination	734	20.34			734
Risk group combination on the basis of aging-matrix	1,955	54.19	4	0.20	1,951
Total	3,608	100.00	770	21.34	2,838

Items	31 December 2021				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,033	37.89	830	80.35	203
Account receivable for which bad debt is prepared based on group combination	1,693	62.11	2	0.12	1,691
including: Risk-free group combination	207	7.60			207
Risk group combination on the basis of aging-matrix	1,486	54.51	2	0.13	1,484
Total	2,726	100.00	832	30.52	1,894

2. ACCOUNT RECEIVABLE (Continued)

2.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2022			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Tianjin Property Group Finance Co., Ltd.	586	463	79.01	Notes overdue
HNA Group Finance Co., Ltd.	201	179	89.05	Notes overdue
Chongqing Lifan Finance Co., Ltd.	50	43	86.00	Notes overdue
Anshan Zhongyou Tianbao Steel Pipe Co., Ltd.	67	66	98.51	Business is in trouble. It does not have repayment ability
Dongbei Special Steel Group Dalian material trading Co., Ltd.	15	15	100.00	Not expected to be recovered
Total	<u>919</u>	<u>766</u>	<u>—</u>	

2.3 Accounts receivable classified by aging

Aging	31 December 2022	31 December 2021
Within 1 year	2,679	1,645
1 to 2 years	11	10
2 to 3 years		956
3 to 4 years	832	6
4 to 5 years		12
Over 5 years	86	97
Total	<u>3,608</u>	<u>2,726</u>

Note: In the above analysis, the aging of accounts receivable transferred from overdue notes receivable is calculated on the transfer date. The amount of accounts receivable due in 1–2 years is RMB5 million, and the amount due in 3–4 years is RMB832 million. Meanwhile, the rest of the accounts receivable are based on the invoice date.

2. ACCOUNT RECEIVABLE (Continued)

2.4 Bad debt provision

Type	31 December 2021	Increase/Decrease			31 December 2022
		Bad debt provision	Reverse	Resale or verification	
Accounts receivable	832	(62)			770

2.5 Accounts receivable written off this period

There are no accounts receivables that have been written off this period.

2.6 The condition of accounts receivable of the top five debtors by the balances as of 31 December 2022

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB2,221 million as of 31 December 2022, which accounted for 61.56% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB642 million as of 31 December 2022.

2.7 Accounts receivable derecognized resulting from transfer of financial assets

The Group transferred accounts receivable on a non-recourse basis of RMB1,581 million and incurred costs related to derecognition of RMB19 million during the period.

2.8 The Group obtained short-term loans of RMB399 million through factoring with accounts receivable of RMB399 million as collateral this year.

3. ACCOUNTS PAYABLE

3.1 Aging of accounts payable

Items	31 December 2022		31 December 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	8,721	98.50	9,860	98.90
1 to 2 years	74	0.84	82	0.82
2 to 3 years	31	0.35	10	0.10
Over 3 years	28	0.31	18	0.18
Total	<u>8,854</u>	<u>100.00</u>	<u>9,970</u>	<u>100.00</u>

Note: the above aging analysis is based on the invoice date.

3.2 Significant account payable aging over 1 year

Creditors	Balance	Aging
Angang Construction Group Co., Ltd.	10	1 to 5 years
Anshan Metallurgical Group Power Engineering Co., Ltd.	7	1 to 5 years, over 5 years
Anshan Metallurgical Group Industrial Engineering Co., Ltd.	7	1 to 5 years, over 5 years
Angang Metal Structure Co., Ltd.	6	1 to 5 years, over 5 years
Anshan Metallurgical Group Construction and Installation Co. Ltd.	6	1 to 5 years, over 5 years
Anshan Metallurgical Group Construction Engineering Co., Ltd.	6	1 to 5 years, over 5 years
Tangyuan County Tianyu coal Coke Energy Co. Ltd.	4	3 to 4 years
Total	<u>46</u>	

4. UNDISTRIBUTED PROFIT

Items	This period	Last period
Balance as of 31 Dec. 2021	12,179	6,798
Changes in accounting policies		
Business combination under common control		
Balance as of 1 Jan. 2022	12,179	6,798
Increase in 2022	156	6,964
Including: Net profit transferred this period	156	6,964
Other adjustment factors		
Decrease in 2022	2,083	1,583
Including: Extraction of surplus reserve this period	5	603
Extraction of general risk provisions in this period		
Distribution of cash dividend this period (Note 1)	2,078	829
Conversed capital		
Other decreases		151
	10,252	12,179
Balance as of 31 December. 2022	10,252	12,179

Note 1: According to the resolution of the 2021 Annual General Meeting of Shareholders held on May 26, 2022, the Company distributed cash dividends to all shareholders at RMB2.21 (tax included) every 10 shares. Calculated based on the total number of shares entitled to distribution rights of 9,402,611,828 shares, a total distributed profit of RMB2,078 million.

Note 2: The Board of Directors proposes to distribute cash dividends of RMB0.068 (including tax) to all shareholders of the Company for every 10 shares based on the total number of 9,400,570,897 shares with distribution rights, and the total amount of profits to be distributed is expected to be about RMB64 million. If the total number of shares entitled to distribution rights of the company changes before the implementation of the distribution plan, the total amount of cash dividends will be adjusted based on the total number of shares entitled to distribution rights on the registration date of the dividend distribution equity in accordance with the principle that the amount of cash dividends per share remains unchanged. This plan has yet to be submitted to the 2022 General Meeting of Shareholders for deliberation. The cash dividends proposed to be distributed after the balance sheet date are not recognized as liabilities on the balance sheet date.

5. OPERATING INCOME AND OPERATING COSTS

5.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	130,769	127,727	135,442	122,341
Other operating (Note 2)	303	295	678	451
Total	<u>131,072</u>	<u>128,022</u>	<u>136,120</u>	<u>122,792</u>

Note 1: The Group is classified into an operating segment based on the type of business: production and sale of steel products.

Note 2: Other business income and other business costs of The Group are mainly generated from the sales of materials and scrap materials.

5.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	125,013	130,615
Foreign exchange income from outside borders	<u>6,059</u>	<u>5,505</u>
Total	<u>131,072</u>	<u>136,120</u>

5.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	<u>131,072</u>	<u>136,120</u>
Total	<u>131,072</u>	<u>136,120</u>

6. TAX AND SURCHARGES

Items	This period	Last period
City maintenance and construction tax	138	138
Educational surcharge and local educational surcharge	98	100
Land use tax	438	437
Property tax	182	159
Stamp tax	128	112
Resources tax	3	3
Environmental protection tax	96	103
Others		1
	<hr/>	<hr/>
Total	1,083	1,053

7. DEPRECIATION AND AMORTIZATION

Items	This period	Last period
Depreciation of fixed assets	3,462	3,653
Depreciation of right-of-use assets	163	130
Amortization of intangible assets	214	197
	<hr/>	<hr/>
Total	3,839	3,980

8. FINANCIAL EXPENSES

Items	This period	Last period
Interest expense	428	579
Including: Interests expense from the long-term loans and long-term bonds	171	146
Interests expense from the short-term loans and letters of credit	120	169
Other interest expenditures	137	264
Less: Interest income	68	79
Less: Capitalized interest expense	37	2
Exchange gain or loss	135	(40)
Less: Capitalized exchange gain or loss		
Others	29	33
	<hr/>	<hr/>
Total	487	491

9. INCOME TAX EXPENSES

9.1 Income tax expenses

Items	This period	Last period
Income tax during this period	379	1,370
Changes on deferred income tax expenses	<u>(834)</u>	<u>591</u>
Total	<u><u>(455)</u></u>	<u><u>1,961</u></u>

9.2 The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	(269)
Income tax expenses calculated at statutory/applicable tax rates	(67)
Effect of different tax rates applied by subsidiary companies	(5)
Effect of adjustments for income tax for prior period	(24)
Effect of income not subject to tax	(59)
Effect of costs, expenses and loss not deductible for tax purpose	(64)
Effect of deductible loss of deferred income tax assets not recognized in prior periods	(33)
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets	
Changes in the balance of deferred income tax assets/liabilities at the beginning of the period resulting from tax rate adjustments	
Others	<u>(203)</u>
Income tax expenses	<u><u>(455)</u></u>

10. RETURN ON EQUITY (ROE) AND EARNINGS PER SHARE (EPS)

Profit in this period	Weighted average (ROE) (%)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	0.26	0.017	0.017
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	<u>0.02</u>	<u>0.001</u>	<u>0.001</u>

11. SEGMENT INFORMATION

Note: The Group is classified into an operating segment based on the type of business: production and sale of steel products.

12. COMMITMENTS

Items	31 December 2022	31 December 2021
Investment contracts entered but not yet performed or performed partially	14	1,200
Construction and renovation contracts entered but not yet performed or performed partially	<u>3,036</u>	<u>2,448</u>
Total	<u>3,050</u>	<u>3,648</u>

13. SUBSEQUENT EVENTS

The Company held a general meeting of shareholders on December 19, 2022, and passed the “Proposal on the Repurchase and Cancellation of Restricted Shares that have been granted to Some Incentive Objects of the 2020 Restricted Stock Incentive Plan but have not yet been released from restricted sales”, and the “Proposal on Changing the Registered Capital of the Company and Corresponding Amendments to the <Articles of Association> And other motions”. According to the provisions of the 2020 incentive plan and relevant laws and regulations, 10 original incentive objects granted for the first time and 2 original incentive objects reserved for grant have failed to meet the incentive conditions, and the company will repurchase and cancel 2,040,931 shares of restricted shares that have been granted but have not been released from restricted sales. On January 7, 2023, ShineWing Certified Public Accountants (special general partnership) issued the Capital Verification Report. After the cancellation, the share capital of the company was changed from 9,403,020,451 shares to 9,400,979,520 shares, and the registered capital was changed from 9,403,020,451 yuan to 9,400,979,520 yuan.

14. NET CURRENT ASSETS

Items	31 December 2022	31 December 2021
Current assets	29,232	32,541
Less : Current liabilities	36,154	30,625
Net current assets/(liabilities)	<u>(6,922)</u>	<u>1,916</u>

15. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	31 December 2022	31 December 2021
Total assets	96,935	98,652
Less: Current liabilities	36,154	30,625
Total assets less current liabilities	<u>60,781</u>	<u>68,027</u>

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
Wang Yidong
Executive Director and Chairman of the Board

Anshan City, Liaoning Province, the PRC
30 March 2023

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:

Wang Yidong
Zhang Hongjun
Wang Baojun
Tian Yong

Independent Non-executive Directors:

Feng Changli
Wang Jianhua
Wang Wanglin
Zhu Keshi

* *For identification purposes only*