



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: 00347



2022
ANNUAL REPORT

* For identification purposes only

Contents

Corporate Profile	2
Summary of Accounting Figures and Financial Indicators	7
Chairman's Statement	11
Report of the Directors	25
Report of the Supervisory Committee	37
Discussion and Analysis of Operations	39
Corporate Governance	81
Environmental and Social Responsibilities	169
Significant Matters	173
Movement in Share Capital and Shareholders' Profile	197
Relevant Information on Bonds	209
Annual General Meeting	213
Auditor's Report	214
Five-Year Summary	400
Other Relevant Corporate Information	401
Definitions	402
Documents Available for Inspection	404



Corporate Profile

The Board, the Supervisory Committee, the Directors, the Supervisors and the senior management of the Company guarantee the truthfulness, accuracy, and completeness of the contents of this report, and that there is no false representation or misleading statement contained in, or material omission from this report, and severally and jointly undertake the legal liability for it.

Mr. Wang Yidong, the Company's Chairman and the person in charge, Mr. Wang Baojun, Chief Accountant and Mr. You Yu, the person in charge of the accounting institution, guarantee the truthfulness, accuracy and completeness of the financial report in this report.

CORPORATE PROFILE

The Company is a joint stock limited company established on 8 May 1997 with Angang Holding as its sole promoter. Pursuant to the reorganization, subsidiaries of the promoter, namely the Cold Roll Plant, Wire Rod Plant and Heavy Plate Plant were transferred to the Company, with a net asset value of RMB2,028,817,600 as determined by the State-owned Assets Administration Bureau, and 1,319,000,000 domestic state-owned legal person shares with a par value of RMB1 each were issued to Angang Holding.

On 22 July 1997, the Company issued 890,000,000 H Shares at HK\$1.63 per share which were listed and traded on the Hong Kong Stock Exchange on 24 July 1997. The Company subsequently issued 300,000,000 domestic A Shares at RMB3.90 per share on 16 November 1997, of which 285,505,400 shares were offered to the public and 14,494,600 employees' shares were placed to the employees of the Company. Trading of the 285,505,400 shares offered and issued domestically, and the 14,494,600 employees' shares placed to the employees of the Company commenced trading on the Shenzhen Stock Exchange on 25 December 1997 and 26 June 1998, respectively.

On 15 March 2000, the Company issued A Share convertible debentures amounting to RMB1.5 billion in the PRC. On 14 March 2005, the Company paid the principal and interest accrued for the A Share convertible debentures upon their maturity, and conversion of shares and delisting itself ended on the same day. As of the date of maturity, a total of 453,985,697 A Shares were converted from the convertible debentures of the Company.

On 26 January 2006, the Company newly issued 2,970,000,000 A Shares at RMB4.29 per share to Angang Holding as partial payment of the consideration for the acquisition of 100% equity interests of ANSI. The registration for custody of such shares at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited was completed on 23 February 2006 and they were not traded or transferred within 36 months starting from 23 February 2006. The total number of shares of the Company was 5,932,985,697 after the issue of new shares.

Corporate Profile (Continued)

CORPORATE PROFILE (CONTINUED)

On 20 June 2006, it was approved by the annual general meeting of the Company for the year 2005 that the Chinese name of the Company was changed from “鞍鋼新軋鋼股份有限公司” to “鞍鋼股份有限公司”, while the Chinese short name was changed to “鞍鋼股份” from “鞍鋼新軋”, and the English name was changed from “Angang New Steel Company Limited” to “Angang Steel Company Limited”, while the English short name was changed to “Ansteel” from “Angang New Steel”. On 29 September 2006, the Company obtained its new “Business License for Enterprise Legal Person” reflecting such change.

In December 2005, the Company implemented the non-tradable shares reform, pursuant to which, Angang Holding, the holder of the non-tradable shares of the Company, offered 2.5 A Shares and 1.5 “鞍鋼JTC1” share warrants for every 10 shares held by the registered holders of tradable A Shares on the record date for the non-tradable shares reform, and Angang Holding offered a total of 188,496,424 A Shares and 113,097,855 “鞍鋼JTC1” share warrants to other holders of A Shares. The “鞍鋼JTC1” share warrants expired in December 2006. A total of 110,601,666 share warrants were successfully exercised, as a result of which Angang Holding transferred 110,601,666 shares to the other holders of A Shares at RMB3.386 per share. The “鞍鋼JTC1” share warrants which were not exercised on the date of expiry were cancelled thereafter. After the exercise of such warrants, the total number of shares of the Company remained unchanged, comprising 3,989,901,910 A Shares held by Angang Holding, 1,053,083,787 A Shares held by other A shareholders and 890,000,000 H Shares held by H Shareholders.

In 2007, the Company issued rights shares on the basis of 2.2 rights shares for every 10 existing shares to all the shareholders of the Company. From 10 October to 16 October 2007, the Company issued 1,106,022,150 A rights shares to A shareholders of the Company at the price of RMB15.4 per share, including issuance of 228,240,496 shares to holders of shares not subject to trading moratorium and issuance of 877,781,654 shares to holders of shares subject to trading moratorium. Such newly issued domestic rights shares were approved to be listed on the Shenzhen Stock Exchange on 25 October 2007. From 22 October to 5 November 2007, the Company issued 195,800,000 H rights shares to H shareholders of the Company at a price of HK\$15.91 per share (equivalent to RMB15.4 per share according to the then exchange rate). Such newly issued H rights shares were approved to be listed on the Hong Kong Stock Exchange on 14 November 2007. Upon completion of the rights share issue, the total number of shares of the Company amounted to 7,234,807,847 shares, of which 4,867,680,330 A shares were held by Angang Holding, 1,281,327,517 shares were held by other A shareholders and 1,085,800,000 shares were held by H Shareholders.

The Company issued HK\$1.85 billion of zero coupon H share convertible bonds on the Hong Kong Stock Exchange on 25 May 2018. The convertible bonds were listed and dealt with on the Hong Kong Stock Exchange on 28 May 2018 and will expire on 25 May 2023.

Corporate Profile (Continued)

CORPORATE PROFILE (CONTINUED)

In June 2019, the Company issue shares to all shareholders by way of capitalization of capital reserve on the basis of three(3) capitalisation shares for every ten(10) existing shares, and the share capital capitalized is 2,170,442,354 shares in aggregate. Upon capitalization, the Company's total shares is 9,405,250,201 shares, among others, 7,993,710,201 A Shares and 1,411,540,000 H Shares.

On 25 February 2022, the Company repurchased and cancelled 2,229,750 restricted A shares held by 8 original incentive participants who did not meet the incentive conditions due to resignation in accordance with the "2020 Restricted Share Incentive Scheme of Angang Steel Company Limited (Draft)". Upon completion of the cancellation, the Company's total shares was 9,403,020,451 shares, including 7,991,480,451 A shares and 1,411,540,000 H shares.

On 10 February 2023, the Company repurchased and cancelled 2,040,931 restricted A shares held by 12 original incentive participants who did not meet the incentive conditions due to resignation in accordance with the "2020 Restricted Share Incentive Scheme of Angang Steel Company Limited (Draft)". Upon completion of the cancellation, the Company's total shares was 9,400,979,520 shares, including 7,989,439,520 A shares and 1,411,540,000 H shares.

Corporate Profile (Continued)

I. CORPORATE PROFILE

Stock Exchange	Shenzhen Stock Exchange
Stock Abbreviation	Angang Steel Stock Code (A Share) 000898
Stock Exchange	Hong Kong Stock Exchange
Stock Abbreviation	Angang Steel Stock Code (H Share) 00347
Chinese Name of the Company	鞍鋼股份有限公司
Chinese Name Abbreviation	鞍鋼股份
English Name of the Company	Angang Steel Company Limited
English Name Abbreviation	ANSTEEL
Legal Representative of the Company	Wang Yidong
Registered Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
Postal Code of the Registered Address	114021
Historical change of registered address of the Company	First Registered Address in May 1997: No. 396 Zhonghua Road, Tiedong District, Anshan City, Liaoning Province, the PRC Change of registered address in September 2006: Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
Business Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC
Postal Code of Business Address	114021
Website of the Company	http://www.ansteel.com.cn
E-mail	ansteel@ansteel.com.cn

Corporate Profile (Continued)

II. CONTACT PERSONS AND CONTACT METHODS

	Company Secretary	Securities Affairs Representative
Name	Wang Baojun	Wang Fei
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	0412-8417273 0412-6751100
Fax	0412-6727772	0412-6727772
E-mail	wangbaojun@ansteel.com.cn	wangfei@ansteel.com.cn

III. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION

Website of the stock exchange where the Company discloses its annual report in the PRC	http://www.szse.cn
Website and name of media where the Company discloses its annual report in the PRC	(CNINFO) http://www.cninfo.com.cn
Website for Disclosure of the Company's Information Overseas	http://www.hkexnews.hk and http://angang.wspr.com.hk
Company's Annual Report Available for Inspection at	Secretarial Office of the Board of the Company

Summary of Accounting Figures and Financial Indicators

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

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

Items	At the end of 2022	At the end of 2021		Changes over the preceding year (%)	At the end of 2020	
		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
Gearing 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

Summary of Accounting Figures and Financial Indicators (Continued)

Note: On 30 December 2021, with the approval of the 55th meeting of the eighth session of the Board, the Company entered into the agreement with Angang Holding in respect of the acquisition of net assets of Second Power Plant of Angang Holding (the “**Acquisition**”). In 2022, the Company completed the Acquisition, treated the transaction by taking the Completion Date determined in the agreement as the basis and following the principles for business combination involving entities under common control, and made retrospective adjustments to the financial data of 2021 and 2020.

Total share capital of the Company as at 30 March 2023:

Total share capital of the Company (<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

Whether there are debentures issued or not

Yes No

II. MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB million

Item	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

Summary of Accounting Figures and Financial Indicators (Continued)

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

Unit: RMB million

Items of Non-Recurring Gain or Losses	2022	2021	2020
1. Gains/losses from disposal of non-current assets	-25	-33	-78
2. Government grants included in profit or loss for the current period (except those closely related to the normal operation of the Company and granted continuously at a fixed amount or quantity in accordance with the national policy)	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	193	18	216
Less: Effect on income tax	48	-5	1
Effect on minority interest (after tax)			
Total	145	23	215

Note: For the figures of items under non-recurring gains or losses, "+" indicates gains or income, "-" indicates losses or expenses.

Summary of Accounting Figures and Financial Indicators (Continued)

III. ITEMS OF NON-RECURRING GAINS AND LOSSES AND EFFECT ON PROFIT (CONTINUED)

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

Applicable Not applicable

Chairman's Statement

On behalf of the Board of Angang Steel, I am pleased to present the annual report of the Company for the year ended 31 December 2022 and hereby extend my regards to all shareholders.



OPERATING RESULTS FOR 2022:

According to the PRC Accounting Standard for Business Enterprise (“PRC ASBE”), 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. The adjusted net profit attributable to shareholders of the Company was RMB6,964 million and the adjusted basic earnings per share was RMB0.740 for the year ended 31 December 2021.

Chairman's Statement (Continued)

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, 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(特殊普通合夥)). As at the disclosure date, the Company has a total share capital of 9,400,979,520 shares. After having deducted the 408,623 treasury shares held by the Company in the special repurchase account, the total number of shares of the Company entitled to the distribution is 9,400,570,897.

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 9,400,570,897 shares of the Company which were entitled to the distribution. The 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 used for profit distribution were from the Company's own funds. Where there is any change in the total number of shares entitled to the distribution of the Company before the implementation of the distribution plan, the Company shall adjust the total amount of cash dividends on the basis of the total number of shares entitled to the distribution on the Equity Record Date according to the principle of the unchanged amount of cash dividends per share.

The profit distribution plan shall comply with the profit distribution policy described in the Articles of Association. The cash dividend level of the Company is not significantly different from the average level of listed companies in the industry. The plan shall be subject to the approval by 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.

Chairman's Statement (Continued)

PROFIT DISTRIBUTION: (CONTINUED)

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 names appear on the H Share register of members of the Company. Any H Share 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.

Chairman's Statement (Continued)

PROFIT DISTRIBUTION: (CONTINUED)

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. Dividends received by mainland resident enterprises for holding H shares for 12 consecutive months will be exempted from corporate income tax according to 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.

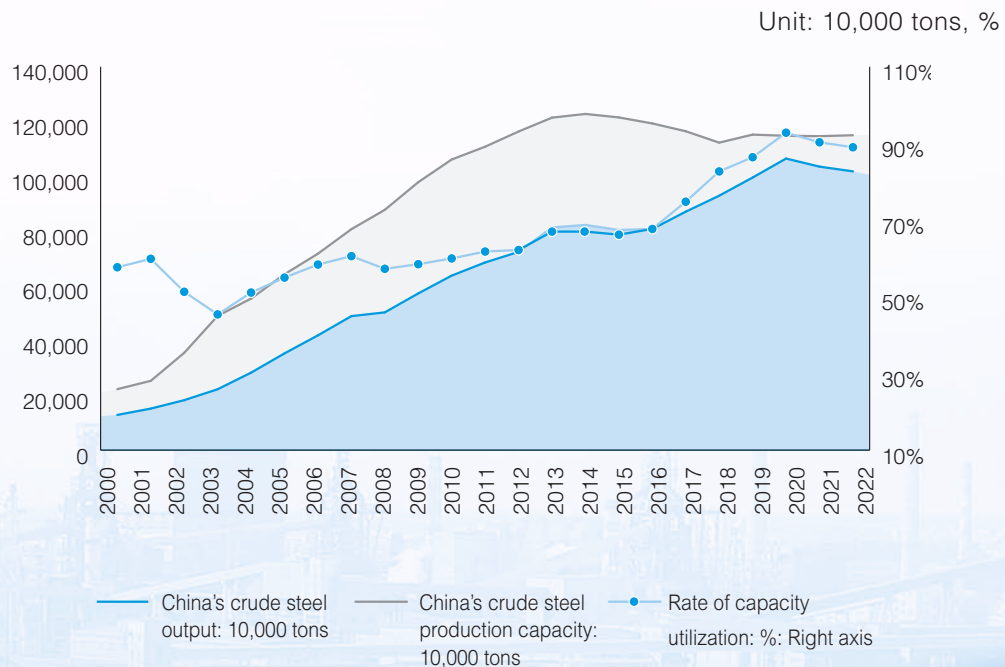
Chairman's Statement (Continued)

BUSINESS REVIEW:

1. Industry situation of the Company during the Reporting Period

In 2022, major economies saw a significant slowdown of their economic growth and the global steel market suffered a downturn as affected by local international conflicts, energy shortages, tightening monetary policy in developed economies and stronger US dollars. Moreover, the operation of China's steel industry was greatly impacted under the influence of lower demand, supply shock and weaker expectations, with significant fluctuations of iron ore prices and soaring energy prices. In the volatile and downward trend of steel prices, the profitability of the steel industry has significantly declined.

Even so, as the structural reform on the supply side continued to deepen, China's steel industry was getting more concentrated. With the support of policies, such as the important deployment of the 20th CPC National Congress and the Guidance on Promoting the High-quality Development of the Iron and Steel Industry《關於促進鋼鐵工業高質量發展的指導意見》, China's steel industry showed its resilience. Strengthening self-discipline of the industry effectively guarded the dynamic balance between market supply and market demand. In 2022, domestic crude steel output was 1,018 million tons, down 1.7% year on year. Substantive progress in the Cornerstone Program will help maintain the stable operation of industrial and supply chains. The digital transformation and development of the steel industry were being accelerated, and the deployment of low-carbon development was underway on a step-by-step basis. The continuous increase of investment in scientific research and environmental protection and the continuous emergence of innovative results showed the resolution of China's steel industry to pursue high-quality development.



Data source: National Bureau of Statistics, OECD

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

2. The main business of the Company during the Reporting Period

- (1) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period

As a modern super-large iron and steel complex in China, the Company is the core enterprise of Angang Steel Group, which is known as “the cradle of new China’s iron and steel industry”. The Company is mainly engaged in the steel manufacturing industry, has three major production bases in Anshan, Yingkou and Chaoyang, and has developed a multi-base development pattern with complementary advantages and efficient coordination featured “coordination among bases and concentration within bases” and a nationwide marketing, processing and distributing services network. Relying on Angang Steel Group’s overseas sales agencies, it carries out international operations. The Company has a diverse product structure, with a relatively complete product series such as hot-rolled sheet, medium and heavy sheet, cold-rolled sheet, galvanized sheet, color-coated sheet, cold-rolled silicon steel, heavy rail, profiles, seamless steel pipe, and wire rods, which are widely applied in such industries as machinery, metallurgy, petroleum, chemical, coal, electric power, railway, ship, automobile, construction, home appliances, and aviation.

The Company also focuses on the development of steel processing and distribution, chemical industry, green energy, e-commerce, clean power generation and other industries in respect of the main steel business. Angang Energy Technology established a joint venture on new energy air products with Air Products and Chemicals, Inc., and initiated the Coke Oven Gas-to-Liquefied Natural Gas (LNG) Co-Production Hydrogen Project with CIMC, taking a solid step toward the Company’s goals of forming the eco-chain of the clean energy industry and building a “Green New Angang Steel”.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

2. The main business of the Company during the Reporting Period (Continued)

- (1) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

The Company also highlights the enhancement of technological innovation and support. It developed the implementation plan for technology management improvement and innovation capability enhancement, continued to refine the technological innovation system, initiated Technology Leadership Program Phase II, recruited 21 leaders, and launched 173 projects to tackle key scientific and technological problems. On account of promoting rapid conversion of technological achievements, the Company was awarded the title of “National Enterprise with Strengths in Intellectual Property Rights”. 29 national research projects, including the national major science and technology project R&D of High Strength Containment Plates, four national special supporting scientific research projects, one national key new material industry chain technology capability enhancement project of “high performance structural steel” undertaken by the Company passed acceptance.

The Company adheres to green, circular and low-carbon development, actively responds to climate changes, and has established and refined its environmental management system. On the basis of improving the efficiency of energy use, it vigorously practiced the substitution with renewable energy, deeply tapped the potential of energy conservation and carbon reduction, and realized the use of fewer resources, harmless emissions, use of clean energy, and ecological protection of the environment. Furthermore, the Company exerted great efforts in developing new technologies for energy conservation and emission reduction and in improving the efficiency of energy use. It refined the energy system for green, low-carbon and circular development to promote green manufacturing.

In 2022, in the face of the complex external environment, the tough market situation and other adverse influences, the Company stuck to the main task of “stable output, better quality, lower cost and higher efficiency”, devoted greater effort to market expansion, organized production in an efficient manner, focused on product regulation and efficiency improvement, deeply tapped the potential for cost reduction, and made solid and effective progress on all fronts of work. In 2022, the Company recorded an operating income of RMB131,072 million, and a net profit attributable to shareholders of the Company of RMB156 million.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

2. The main business of the Company during the Reporting Period (Continued)

(2) Highlights of the Company

- ◆ **Continuously improved production and operating efficiency.** The Company adhered to intensive and efficient production, vigorously promoted the concurrent development of “coke, iron and steel” of the Company production, optimized resources allocation, organized in a lean manner and collaborated in a more efficient way, striving maximize benefits. In 2022, the output of iron, steel and rolled steel was 26,235,500 tons, 26,586,600 tons and 25,083,800 tons respectively, up 3.50%, 0.45% and 1.14%, respectively, over the previous year. Meanwhile, 25,816,500 tons of steel were sold, an increase of 5.83% over the previous year. The Company enhanced quality management, and saw an increase of 0.22 percentage point in the comprehensive yield ratio over the previous year.
- ◆ **Achieved remarkable results in cost reform.** The Company strengthened cost control, made adjustment based on the standards of leading enterprises, established key projects in the aspects of “scale, indicator, consumption reduction, structure, energy, logistics and cost control”, and controlled costs throughout the entire business chain. In 2022, product cost decreased by 3.8% year on year, effectively supporting the Company's business results.
- ◆ **Continuously enhanced the capability of market expansion.** Centering on customers, the Company improved its competitive advantage in both products and services. The proportion of direct supply was 3.5 percentage points higher than the target value, the proportion of star products was 2.55 percentage points higher than the target value, and the sales volume in Northeast China increased by 10% compared with the previous year. The Company's high-strength, easy-welding steel for marine equipment in extreme cold environment and another product won the Market Expansion Award for Development of China's Steel Industry Products. The Company also expanded overseas markets and promoted product exports. It won seven key overseas engineering projects including Kaka Railway in Nigeria, and recorded a 26.5% year-on-year increase in the number of export orders.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

2. The main business of the Company during the Reporting Period (Continued)

(2) Highlights of the Company (Continued)

- ◆ **Significantly improved the capability of technological innovation.** The Company is the first around the world to launch low-yield-ratio, high-tenacity steel for bridges and other three products, and the global pioneer of four technologies including the single-winding spiral electromagnetic stirring machine. Its project, "Solution for Low Carbon Emission Blast Furnace Burden based on Low-Alkalinity High-Silicon Pellets and its Application, won the 13th "Steelie" Excellence in low-carbon steel production award from the World Steel Association, and "The Invention Relates to a Method for Preparing High Strength Coke for Iron Making from Chemical Waste" won the 23rd China Patent Excellence Award. In terms of the patent innovation index, the Company ranked third in China's steel industry for the second consecutive year, and its "Construction and Implementation of the Technology Leadership Program of Large Iron and Steel Enterprise Groups Targeting World Class" won the second prize in the Enterprise Innovative Management Achievement Award in China.

- ◆ **Made new achievements in digital construction.** The Company vigorously advanced the quick promotion and transplantation of demonstration projects on intelligent equipment upgrading, 3D post machine shift and process model optimization, speeding up the improvement of the overall intelligent level of production lines and bases. A total of 62 projects, including centralized control of blast furnaces, were put into operation. Sixteen intelligent manufacturing achievements were listed as pilot demonstrations and outstanding cases by national and provincial industry and information technology departments, and four results, including the dynamic production operation-process optimization project of Chaoyang Steel, were included in state-level excellent scenes of intelligent manufacturing. For the fifth consecutive year, the Company was named pilot and demonstration enterprise of intelligent manufacturing by the Ministry of Industry and Information Technology.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

2. The main business of the Company during the Reporting Period (Continued)

(2) Highlights of the Company (Continued)

- ◆ **Continuously deepened green and low-carbon development.** The Company continued to increase investment in energy conservation, and approved the initiation of 23 energy-saving projects throughout the year, with an expectation of reducing annual carbon dioxide emissions by over 800,000 tons. It also actively promoted the use of clean energy, and traded 2.62 billion kWh of clean energy electricity throughout the year, reducing carbon dioxide emissions by 420,000 tons. The construction of new energy industry projects was accelerated. The joint venture, Angang-CIMC (Yingkou) New Energy Technology Co., Ltd., subordinate to Angang Energy Technology initiated the Coke Oven Gas-to-Liquefied Natural Gas (LNG) Co-Production Hydrogen Project, expecting to reduce annual carbon dioxide emissions by 470,000 tons.

- ◆ **Influence kept growing.** The Company maintained solid and stable operations, and took the initiative to pay back investors through cash dividends, earning recognition from the capital market and getting its brand influence kept growing. In 2022, the Company was included in “2021 A-share Listed Companies with Rich Cash Dividend Returns” by China Association for Public Companies, and was awarded the “Investor Relations Gold Award (2021) – Performance Presentation Diligence Award”. Chaoyang Steel won the 2022 China Excellent Steel Enterprise Brand and Bayuquan Branch won the 2022 China Outstanding Steel Enterprise Brand.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR:

I. 2023 development strategy

The Company takes “manufacturing better materials for creating better life” as its mission, and anchors the goal of “becoming an iron & steel flagship enterprise of high-quality development and a world-class enterprise with the strongest global competitiveness”. During the planning period, the Company will, by closely centering on the “New Angang” strategic objective of Angang Group in the new era, and the strategic deployment of the new industrial pattern of “dual cores + three poles”, continue to advance the “11361” development strategy, strengthen Party building, adhere to high-quality development, practice the philosophy of “intensive, reductive and intelligent @ customers”, continue to optimize the layout of spaces, products and industries, and speed up the improvement of such six capabilities as efficiency improvement, cost reform, service leadership, technology leadership, intelligent manufacturing and ecological integration, so as to constantly enhance the core competitiveness of the Company in response to market changes, build the Company into a listed company with excellent corporate citizen values and the most competitive “iron & steel flagship enterprise” in the industry.

II. 2023 business guidelines

2023 marks the year for Angang to speed up its development as a world-class enterprise. The Company will resolutely implement the guidelines put forward at the Party's 20th National Congress and Central Economic Work Conference, keep in mind the “three musts”, maintain strategic focus, deepen reform and innovation, and create greater value for shareholders, customers, employees and society with better development and performance.

1. To advance the implementation of strategies and strengthen the focus on high-quality development. The Company will advance the upgrading of iron and steel bases, speed up equipment upgrading and technological iteration in areas such as product regulation, quality improvement, energy conservation, environmental protection, green production and intelligent manufacturing, promote product upgrading of production lines, improve products' profitability, stick to high-quality development, and continue to increase the proportion of star products. It will also promote the upgrading of relevant industries, and create new profit growth points and strategic support points.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR:

II. 2023 business guidelines (Continued)

2. To promote the building of a service-oriented enterprise and improve brand influence. The Company will further develop the future-oriented marketing system of multi-dimensional services, refine marketing strategies, and enhance the capability of market expansion and international supply. Additionally, it will develop innovative service models, insist on whole-life-cycle contract management, listen to customers' voices and solve customers' problems wholeheartedly, meet customers' individualized demands, and improve customer viscosity, so as to become the most trusted partner for customers.
3. To advance reform and innovation and improve core competitiveness. The Company will stay on track with integrity and innovation, deepen institutional reform, and intensify the governance and control system. It will realize the modernization of governance system and governance capacity with building a world-class enterprise as the main task and developing into a lighthouse factory as the goal. It will also further market-oriented reform, implement the "penetration-type" authorization and delegation policy on the basis of differentiated and classified management and control, and make clear the boundaries of power and responsibilities, sort out the management processes, and stimulate enterprise vitality.
4. To promote high-level technological R&D and strengthen the leadership of technological innovation. The Company will deepen the construction of the "four innovation platforms", advance 21 Technological Leadership Program projects and 5 technological excellence projects. It will speed up the second phase of breakthrough-making in key core technologies with the national key laboratory as the carrier, build the sources of original technologies of advanced metal materials for marine equipment, and conquer key and core technologies. Besides, it will initiate the "One Plant, One Office and One Room" collaborative project to tackle key problems and improve the efficiency of conversion of technological results. It will also increase investment in R&D, and keep improving technological leadership.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR:

II. 2023 business guidelines (Continued)

5. To advance cost reform and enhance the inherent potential of development. The Company will stick to the main task of “improving efficiency, lowering cost, strengthening systems and reducing expenses”, and get all employees to tackle key problems by benchmarking external indicators, methods and differences, identifying internal problems, potentials and measures, emphasizing full coverage, solid foundation and effective implementation, and reducing full cost, manufacturing cost and processing cost. Through stricter benchmarking, process improvement, indicator optimization, technological innovation and further expansion of new ways to reduce costs, the Company will continue to improve cost competitiveness.
6. To promote digital transformation and improve lean management. The Company will construct the digital lean management system, and build itself into a leading enterprise of digital transformation. Targeting lean benchmarking, the Company will offer lean training to all employees to promote the mutual integration of lean management and digital intelligence. It will promote digital development centering on the factors of new digital production, accelerate the construction of a digital ecology, intensify the application of new-generation data technologies such as the industrial metauniverse, and make a plan for the construction of the online industrial platform service system that integrates data, platforms and applications.
7. To consolidate the bottom-line thinking and strengthen risk prevention and control. The Company will prevent risks of all kinds to ensure steady business operation. It will prevent fire risk, refine safety management, strictly implement the policy of “one position with dual responsibilities” and “five clearances and five eliminations”, hold the bottom line for safety, and avoid fire accidents. It will also strengthen financial risk control, carry out routine financial risk monitoring, effectively use financing resources, and enhance the ability of funds to improve efficiency and avoid risks.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR:

II. 2023 business guidelines (Continued)

8. To boost energy conservation and carbon emission reduction and enhance green development. The Company will implement the “dual carbon” strategy, advance the Fluidized Bed Hydrogen Metallurgy Process Pilot Project, boost the implementation of energy conservation projects, and continuously improve the recycling and re-utilization ratios of waste heat and energy. Furthermore, it will, setting out from the building of Bayuquan Base into a “Demonstration Plant for Best Practice of “Dual Carbon” Strategy”, foster the continuous efficiency improvement of bases in an orderly manner. Through more efficient ultra-low emission transformation and further pollutant discharge reduction, Bayuquan Branch and Chaoyang Steel will mend their paces toward A-level environmental protection enterprises.

III. 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 mainly include internal fund, supplemented by bank loans and issuing bonds.

Wang Yidong
Chairman

Anshan, PRC
30 March 2023

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements for the year ended 31 December 2022.

I. PRINCIPAL BUSINESSES

(1) Composition of the principal businesses

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 industry					
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 product					
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 location					
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 model					
Direct selling	60,260	45.97	74,647	54.84	-19.27
Distributorship	70,812	54.03	61,473	45.16	15.19

Report of the Directors (Continued)

I. PRINCIPAL BUSINESSES (CONTINUED)

(2) Industries, products, geographical locations and sales models 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 industry						
Steel rolling and processing industry	130,769	127,727	2.33	-3.45	4.40	-7.34
By product						
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 location						
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 model						
Direct selling	59,960	58,342	2.70	-18.99	-11.34	-8.40
Distributorship	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

Report of the Directors (Continued)

I. PRINCIPAL BUSINESSES (CONTINUED)

(3) Composition of operating costs

Unit: RMB million

Industry classification	Item	2022		2021		Year-on-year increase/decrease in operating cost (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	-

II. WHETHER THE SCOPE OF CONSOLIDATION WAS CHANGED DURING THE REPORTING PERIOD

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.

III. MATERIAL CHANGES OR ADJUSTMENT IN BUSINESSES, PRODUCTS OR SERVICES DURING THE REPORTING PERIOD

Applicable Not applicable

Report of the Directors (Continued)

IV. THE PROFIT DISTRIBUTION PROPOSAL OF THE COMPANY FOR THE REPORTING PERIOD

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, 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). As at the disclosure date, the Company has a total share capital of 9,400,979,520 shares. After having deducted the 408,623 treasury shares held by the Company in the special repurchase account, the total number of shares of the Company entitled to the distribution is 9,400,570,897.

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 9,400,570,897 shares of the Company which were entitled to the distribution. The 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 used for profit distribution were from the Company's own funds. Where there is any change in the total number of shares entitled to the distribution of the Company before the implementation of the distribution plan, the Company shall adjust the total amount of cash dividends on the basis of the total number of shares entitled to the distribution on the Equity Record Date according to the principle of the unchanged amount of cash dividends per share. The plan shall be subject to the approval by the 2022 annual general meeting.

The profit distribution plan conforms to the profit distribution policy stipulated in the Articles of Association of the Company. There is no significant difference between the Company's cash distribution level and the average level of listed companies in the industry.

Report of the Directors (Continued)

V. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

(1) Major subsidiaries and investees accounting for over 10% of the net profit of the Company

Unit: RMB million

Name of companies	Type of companies	Principal activities	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Chaoyang Iron and Steel	Production enterprise	Steel rolling and processing	8,000	6,944	4,802	9,425	344	323
TKAS Auto Steel Company Limited	Production enterprise	Metal products	USD132 million	3,550	1,364	6,030	302	272
Ansteel Guangzhou Automobile Steel Co., Ltd.	Production enterprise	Metal products	700	1,930	791	2,183	95	85
Angang Financial Company	Financial enterprise	Financial services	5,000	35,926	7,640	1,119	567	428

(2) Acquisition and disposal of subsidiaries during the Reporting Period

Name of company	Means of acquisition and disposal of subsidiary during the Reporting Period	Effect on the overall business operation and results
Beijing International Trade	Establishment through investment	No significant impact
Delin Industrial Products	Establishment through investment	No significant impact
Xinneng Air Ansteel Parts	Establishment through investment Cancellation	No significant impact No significant impact

Report of the Directors (Continued)

VI. 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	51,326	39.25

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

Report of the Directors (Continued)

VI. MAJOR CUSTOMERS AND SUPPLIERS (CONTINUED)

Major suppliers of the Company

Total purchase amount from the top five suppliers (<i>RMB million</i>)	37,063
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	41.36
Proportion of procurement 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 (<i>RMB million</i>)	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	37,063	41.36

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

In 2022, save as disclosed in this annual report, none of the Directors, Supervisors and their associates nor any shareholders (who to the knowledge of the Directors hold 5% or more of the shares of the Company) had any interest in any of the top five suppliers or top five customers of the Company.

Report of the Directors (Continued)

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

For details of Directors and Supervisors of the Company during the Reporting Period and as at the date of this annual report, please refer to the “Information on Directors, Supervisors, and Senior Management” under “Corporate Governance” in this annual report.

Each of the Directors of the ninth session of the Board and Supervisors of the ninth session of the Supervisory Committee entered into a service contract with the Company. The term of the Directors of the Ninth Session of the Board and the Supervisors of the Ninth Session of the Supervisory Committee shall be three years from 26 May 2022 until the election of Directors or Supervisors for the next session of the Board or Supervisory Committee at the general meeting of the Company to be held in 2025. None of the Directors or Supervisors entered into a service contract with the Company, under which the Company shall make any compensation (except statutory compensation) to the Director or Supervisor if such contract is terminated within one year of its execution.

VIII. 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 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 for 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 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 held by 8 incentive participants which had been granted but not yet released from restriction on sales. On 10 February 2023, the Company completed the repurchase and cancellation of 2,040,931 restricted shares held by 12 incentive participants which had been granted but not yet released from restriction on sales.

For the movement in share capital related to the incentive scheme, please refer to “Corporate Governance” in this annual report.

Report of the Directors (Continued)

VIII. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES (CONTINUED)

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

IX. PRE-EMPTIVE RIGHTS

In accordance with the Articles of Association of the Company or the laws of the PRC, no pre-emptive rights exist to require the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

X. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of the Directors and Supervisors had any material interest in any contract to which the Company, the holding companies or subsidiaries of the holding companies was a party in 2022.

XI. DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Hong Kong Stock Exchange Listing Rules) has an interest in any business which competes or may compete with the business in which the Company or the holding companies or any of its subsidiaries are engaged.

XII. INDEMNITY PROVISIONS

The Company has not entered into any provision with Directors of the Company entitling them to an indemnity against liabilities in connection with their service as Directors of the Company.

Report of the Directors (Continued)

XIII. DISCLOSURE UNDER CHAPTER 13 OF THE HONG KONG STOCK EXCHANGE LISTING RULES

The Directors confirmed that there was no matter occurring in 2022 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Stock Exchange Listing Rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor did the Company sign loan agreements imposing specific performance obligations on the controlling shareholders.

XIV. SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company, and so far as the Directors are aware of as at the latest practicable date before publication of this annual report, the Company had been maintaining sufficient public float as required by the Hong Kong Stock Exchange Listing Rules during the year.

XV. FIXED ASSETS

Changes in the fixed assets during the year are set out in note 6.13 to the financial statements on pages 304 to 305 of this annual report.

XVI. OPERATING RESULTS

The results of the Company for the year ended 31 December 2022 and its financial position as at that date are set out in the financial statements included in this annual report.

XVII. SHARE CAPITAL

Changes in the share capital during the Reporting Period are set out in note 6.35 to the financial statements on pages 327 of this annual report.

XVIII. RESERVES

Changes in the reserves are set out in note 6.39 to the financial statements on pages 328 of this annual report.

Report of the Directors (Continued)

XIX. DONATIONS

During the Reporting Period, the total amount of donations made by the Group was RMB16.3993 million. For details of the donations and subsidies, please refer to the section of Significant Matters/Social Responsibilities in this annual report.

XX. EMPLOYEE RETIREMENT SCHEME

Details of the employee retirement scheme of the Company are set out in note 6.24 to the financial statements on page 316-317 of this annual report.

XXI. CONTINUING CONNECTED TRANSACTIONS

Details of Continuing Connected Transactions of the Company for the year are set out on pages 181 to 193 and in note 11.5 to the financial statements on pages 363 to 372 of this annual report.

XXII. COMPLIANCE WITH LAWS AND REGULATIONS THAT HAVE MATERIAL IMPACT ON THE COMPANY

The Board attaches importance to the compliance of the Group's policies and practices with the requirements of national laws and regulations. As at 31 December 2022, to the best of the Board's knowledge, the Company has strictly complied with relevant laws and regulations of China and Hong Kong, such as the Company Law of the PRC, the Securities Law of the PRC and the Listing Rules of the Hong Kong Stock Exchange.

XXIII. FIVE-YEAR SUMMARY

A summary of the results and balance sheet of the Company for five years are set out on page 400 of this annual report.

XXIV. AUDITOR

ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合伙)) was appointed as the Company's auditor in 2022.

Report of the Directors (Continued)

XXV. PAYROLL

The Group's payroll for 2022 is set out in note 6.24 on page 316 of this annual report.

XXVI. EVENTS AFTER THE REPORTING PERIOD

1. The Company held a general meeting of shareholders on 19 December 2022, and passed the "Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants 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 participants granted for the first time and 2 original incentive participants reserved for grant have failed to meet the incentive conditions, and the Company will repurchase and cancel 2,040,931 restricted shares that have been granted but have not been released from restricted sales. On 10 February 2023, the Company repurchased and cancelled the aforesaid restricted shares via the registration with China Securities Depository and Clearing Corporation Limited Shenzhen Branch. The Company's share capital was changed from 9,403,020,451 shares to 9,400,979,520 shares, and the registered capital was changed from RMB9,403,020,451 to RMB9,400,979,520.
2. On 22 March 2023, the Company elected Mr. Zhang Hongjun as the Executive Director of the ninth session of the Board of Directors and elected Mr. Cao Yuhui as the shareholder representative supervisor of the ninth session of the Supervisory Committee at the 2023 first extraordinary general meeting. On the same day, the Company elected Mr. Cao Yuhui as Chairman of the ninth session of the Supervisory Committee at the sixth meeting of the ninth session of the Supervisory Committee.

Save as disclosed above, there is no significant event after 31 December 2022 that has material impact on the Group's results and financial performance as at the date of this report.

By order of the Board
Wang Yidong
Chairman

30 March 2023

Report of the Supervisory Committee

During the year, the Supervisory Committee duly fulfilled its duties in accordance with the Company Law and the Articles of Association of the Company in order to protect the lawful interests of the Company and its shareholders.

I. SUPERVISORY COMMITTEE MEETINGS

During the year, the Supervisory Committee duly fulfilled its duties in accordance with the Company Law and the Articles of Association of the Company in order to protect the lawful interests of the Company and its shareholders. The Supervisory Committee raised no objection to the matters it supervised in the Reporting Period.

In 2022, members of the Supervisory Committee attended four general meetings and two Board meetings as non-voting participants and convened seven Supervisory Committee meetings. The Supervisory Committee has provided independent opinions and recommendations on the basis of their sufficient knowledge of the Company's major business decisions and implementation process.

II. SUPERVISION OVER CORPORATE GOVERNANCE AND OPERATION

In 2022, the Supervisory Committee of the Company monitored the Company's operations to ensure compliance with the relevant laws and regulations, such as the Company Law, and the Articles of Association of the Company. It also exercised supervision on the connected transactions entered into by the Company. The Supervisory Committee raised no objection to the matters it supervised in the Reporting Period.

The Supervisory Committee had given independent opinions on the following matters:

- (1) The Supervisory Committee was, based on its examination, of the opinion that the procedures by which the Board prepared and considered the 2022 annual report complied with laws, administrative regulations and the requirements of CSRC, the annual report truly, accurately and fully reflected the Company's actual development, and there was no false representation or misleading statement contained in, or material omission from the annual report.
- (2) During the year, the Company's operations complied with the laws, the Company had comprehensive internal control system and the decision-making procedures of the Company complied with applicable laws, and the Supervisory Committee was not aware of any violation of regulations.

Report of the Supervisory Committee (Continued)

II. SUPERVISION OVER CORPORATE GOVERNANCE AND OPERATION (CONTINUED)

- (3) None of the Directors and senior management of the Company were found to be in violation of any laws or regulations or the Articles of Association of the Company when performing their duties or otherwise act in a manner which infringed upon the interests of the Company.
- (4) The Company's financial report truly reflected the Company's financial position and operating results.
- (5) The acquisitions of assets were carried out by the Company at fair prices and it was not aware of any insider dealing or any damage to part of the shareholders' interests or any erosion of the Company's assets.
- (6) During the year, routine continuing connected transactions and other connected transactions were conducted on a fair basis in the Company's production and operation and it was not aware of any insider dealing or any impairment of interests of the Company or any erosion of the Company's assets.

On behalf of the Supervisory Committee

Cao Yuhui

Chairman of the Supervisory Committee

30 March 2023

Discussion and Analysis of Operations

I. ANALYSIS OF PRINCIPAL BUSINESSES

(I) Overview

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	-

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Overview (Continued)

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 "improving efficiency, lowering cost, strengthening systems and reducing expenses", 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 Company of RMB156 million in 2022, but the total profit and net profit attributable to shareholders of the Company still showed a relatively large decrease compared with the market conditions of a strong cycle and momentum.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Overview (Continued)

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 profit attributable to shareholders of the Company	156	6,964	-97.76	
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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) 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 industry					
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 product					
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 location					
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 model					
Direct selling	60,260	45.97	74,647	54.84	-19.27
Distributorship	70,812	54.03	61,473	45.16	15.19

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

2. Industries, products, geographical locations and sales models 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 industry						
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						
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 model						
Direct selling	59,960	58,342	2.70	-18.99	-11.34	-8.40
Distributorship	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

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

3. The Company's income from the sale of goods is greater than its income from the provision of services

Applicable Not applicable

Industry classification	Item	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

Explanation of reasons for year-on-year increase/decrease by over 30% in 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 purchase contracts entered into by the Company as of the end of the Reporting Period

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

5. Composition of operating cost

Unit: RMB million

Industry classification	Item	2022	As a	2021	As a	Year-on-year
		Amount	percentage of operating costs	Amount	percentage of operating costs	increase/decrease in operating costs
			(%)		(%)	(percentage point)
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

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

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

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	51,326	39.25

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

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

8. Major customers and suppliers (Continued)

Major suppliers of the Company

Total purchase amount from the top five suppliers (<i>RMB million</i>)	37,063
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	41.36
Proportion of procurement 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 (<i>RMB million</i>)	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	37,063	41.36

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

In 2022, save as disclosed in this annual report, none of the Directors, Supervisors and their associates nor any shareholders (who to the knowledge of the Directors hold 5% or more of the shares of the Company) had any interest in any of the top five suppliers or top five customers of the Company.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) 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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure

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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

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 > 690MPa, 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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

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%

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

R&D expenditure of the Company:

	2022	2021	Year-on-year increase/ decrease
Amount of R&D expenditure (RMB million)	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 (RMB million)	—	—	—
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

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(V) Cash Flow

Unit: RMB million

Items	2021	2020	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 in cash and cash equivalents	-305	12	-2,641.67

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(V) Cash Flow (Continued)

- Explanation of the main influencing factors for the significant year-on-year changes in relevant data:

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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(V) Cash Flow (Continued)

- Explanations on reasons for the significant difference between cash flow from operating activities and net profit for the current year of the Company during the Reporting Period:

Applicable Not applicable

Unit: RMB million

Items	Current Year Amount
Reconciliation of net profit to cash flows 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 retirement 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

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(VI) 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:

Unit: RMB million

	31 December 2022	31 December 2021
RMB	5,092	5,397
US dollars	1	1
HK dollars	–	–
Others	–	–
Subtotal	5,093	5,398

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.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(VII) 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 Company also made compensation to the employees for their years of service prior to the establishment of the corporate annuity scheme.

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.

(VIII) 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.

Discussion and Analysis of Operations (Continued)

II. ANALYSIS OF NON-PRINCIPAL BUSINESS

Unit: RMB million

Items	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 destroy or scrap of non-current assets.	Yes
Non-operating expenses	110	N/A	Mainly included losses on destroy or scrap of non-current assets.	Yes

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY

(I) Significant Changes in Composition of Assets

Unit: RMB million

	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	-

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY (CONTINUED)

(II) 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 of above	542	24	204					711
Financial liabilities	116	-75						41

Material changes in measurement of major assets during the Reporting Period

Yes No

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY (CONTINUED)

(III) 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.

(IV) 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.

(V) Contingent Liabilities

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

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY

(I) Overall Information

Investments during the Reporting Period (RMB million)	Investments in the corresponding period of the previous year (RMB million)	Change
758	211	259.24%

(II) Significant Equity Investments Obtained During the Reporting Period

Applicable Not applicable

(III) Significant Non-equity Investments being conducted during the Reporting Period

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments

1. Securities Investments

Unit: RMB million

Stock type	Stock code	Stock abbreviation	Initial investment	Accounting measurements	Book value at the beginning of the period	Gains or losses on fair value change for the current period	Accumulative changes in fair value included in equity	Book value at the beginning of the period	Book value at the beginning of the period	Loss or gain during the Reporting Period	Book value at the end of the period	Accounting item	Source of funds
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	43	-10	-	-	-	-10	33	Financial asset held for trading	Self-owned funds

2. Derivative investments

Unit: RMB million

Name of the derivative investment operator	Relationship with the Group	Related-party transaction or not	Type of derivatives investment	Initial investment amount of derivatives	Date of commencement	Date of termination	Investments at the beginning of the period	Purchase amount during the Reporting Period	Disposal amount during the Reporting Period	Provision for impairment (if any)	Investments at the end of the Reporting Period	Proportion of investments at the end of the period to net assets of the Company at the end of the Reporting Period	Actual profit or loss during the Reporting Period
Angang Steel	None	No	Futures hedging	1	29 April 2015	-	306	858	815	-	353	0.6%	60
Angang Steel	None	No	Exchange rate swap	-	29 October 2020	18 May 2023	-	-	-	-	-	-	48
Total				1	-	-	306	858	815	-	353	0.6%	108

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

Source of funds for
derivative investments

Self-owned funds

Litigation case
(if applicable)

None

Date of the
announcement
disclosing the
approval of derivative
investments by the
Board

On 30 March 2022, the Resolution in relation to the Company's 2022 Annual Hedging Business Amount was approved at the 60th meeting of the eighth session of the Board.

On 29 October 2020, the Resolution in relation to the Company's Foreign Exchange Hedging Business was approved at the 29th meeting of the eighth session of the Board.

Date of the
announcement
disclosing the
approval of derivative
investments at
shareholders' meeting

None

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)

❖Futures hedging:

- (1) Market risk exists when the position held by the Company is related to the steel products industry, which is highly relevant to spot commodity operated by the Company. Although the Company makes regular analysis and forecast on the market, the judgment on the market may be deviated, resulting in potential risk. However, the risk is controllable after futures hedging with spot commodities.
- (2) As the category of position held has sufficient liquidity, there is no liquidity risk.
- (3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk minimal.
- (4) The Company carries out such business in strict compliance with the relevant requirements of hedging, and total holding position and term are in line with the Company's approval.

The Company has performed evaluation of relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

❖ Foreign exchange hedging:

The hedging process is to first enter into a swap contract with a bank and purchase foreign currency at the agreed price at maturity. The purpose of the transaction is to guard against the exchange rate risk associated with the payment of convertible bonds for H Shares upon maturity in May 2023. The transaction is easy and convenient to conduct and is not subject to significant risk.

Control measures:

- (1) In order to regulate the behavior of foreign exchange derivatives trading and strengthen the supervision and management of foreign exchange derivatives trading business, the Company has issued the Foreign Exchange Capital Management Measures on the basis of relevant laws, regulations and policies, which makes detailed provisions for the principles, conditions and implementation of trading, capital management and position management of the foreign exchange derivatives trading, as well as the corresponding approval process and authority;

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

- (2) The Company strengthens the management of bank accounts and funds, strictly complies with the approval procedures for the allocation and use of funds, arranges full-time personnel, clarifies the responsibilities, and strictly engages in the above business within the scope of authorization. The Company properly arranges funds for completion to ensure delivery on schedule; in case a special circumstance requires early completion through swap transactions, extension or adoption of other methods acceptable to counter parties, etc., relevant procedures should be completed in accordance with the regulations of foreign exchange derivative transactions;
- (3) Regarding the risk of mismatch between the amount of future sell-back and the Company's hedge amount, as some of the bonds may be held until maturity, the Company can take measures such as closing out the positions or extension of the term to control the risk in the future after communication and consultation with professional financial institutions.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

Changes in market price or product fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value

❖Futures hedging:

Hot-rolled coil and nickel quoted on the Shanghai Futures Exchange; iron ore, coking coal and coke quoted on the Dalian Commodity Exchange; on 4 January 2022, the settlement prices of main connected contracts of hot-rolled coil, nickel, iron ore, coking coal and coke were RMB4,459/ton, RMB151,690/ton, RMB679.5/ton, RMB2,313/ton and RMB3,019.5/ton, respectively; on 30 December 2022, the settlement prices of main connected contracts of hot-rolled coil, nickel, iron ore, coking coal and coke were RMB4,136/ton, RMB229,180/ton, RMB855/ton, RMB1,874.5/ton and RMB2,705/ton, respectively. The changes in fair values of hot-rolled coil, nickel, iron ore, coking coal and coke were -RMB323/ton, +RMB77,490/ton, +RMB175.5/ton, -RMB438.5/ton and -RMB314.5/ton, respectively.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

❖ Foreign exchange hedging:

At the time of entering into the 2020 contracts, an exchange rate of 0.866 HKD/RMB was adopted as the settlement price on 18 May 2021. The central parity of HKD/RMB on 31 December 2020 was 0.84164. The Company paid interest to the bank on the principal amount of HK\$1 billion (converted to RMB866 million at the settlement price of 0.866 at maturity) at an annualized interest rate of 3.58% based on the actual number of subsisting days of the contracts. The Company extended the term of the contracts upon the expiry of the term of such contracts in May 2021, and an exchange rate of 0.866 HKD/RMB was adopted as the settlement price on 18 May 2023. The central parity of HKD/RMB on 30 December 2022 was 0.89327. The Company paid interest to the bank on the principal amount of HK\$1 billion (converted to RMB866 million at the settlement price of 0.866 at maturity) at an annualized interest rate of 3.11% based on the actual number of subsisting days of the contracts.

Explanations of any significant changes in the Company's accounting policies and specific accounting principles on derivatives adopted during the Reporting Period as compared with those of the last reporting period

N/A

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

Specific opinions of independent directors on the derivative investments and risk control of the Company

❖Futures hedging:

- (1) The Company utilized the self-owned funds for the development of futures hedging business on the basis of ensuring its normal production and operation, and performed the related approval procedures in compliance with relevant requirements of the relevant laws, regulations and the Articles of Association, which was beneficial to the reduction of operating risks of the Company, without prejudice to the interests of the Company and shareholders as a whole.
- (2) The Company established the Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and explicitly confirmed internal control procedures such as the business operation procedures, approval process and risks prevention and control, achieving protection for the Company to control futures risks.
- (3) The Company confirmed that the maximum amount and the types for trading of the annual hedging guarantees were reasonable and in compliance with the actual situation of production and operation of the Company, and were conducive to reasonably controlling risks by the Company.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

❖ Foreign exchange hedging:

- (1) In order to prevent foreign exchange risks, the Company has carried out foreign exchange hedging business and fulfilled the relevant approval procedures, which are in compliance with the relevant national laws, regulations and the relevant provisions of the Articles of Association, and are conducive to reducing of operating risks of the Company, without prejudice to the interests of the Company and its shareholders.
- (2) The Company has formulated the Measures for the Management of Foreign Exchange Funds of Angang Steel Company Limited* (《鞍鋼股份有限公司外匯資金管理辦法》), which provides clear regulations on the principles of foreign exchange derivatives trading, trading process, internal control and risk prevention measures, and plays a protective role in controlling the risk of foreign exchange derivatives trading by the Company.
- (3) The types and quantities of foreign exchange hedging trading determined by the Company are in line with the business requirements of the Company and are conducive to reasonably controlling risks by the Company.

(V) Use of Proceeds

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

V. DISPOSAL OF SIGNIFICANT ASSETS AND EQUITY INTERESTS

(I) Disposal of Significant Assets

Applicable Not applicable

(II) Disposal of Significant Equity Interests

Applicable Not applicable

VI. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

(I) Major Subsidiaries and Investees Accounting for over 10% of the Net Profit of the Company

Unit: RMB million

Name of companies	Type of companies	Principal activities	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Chaoyang Iron and Steel	Production enterprise	Steel rolling and processing	8,000	6,944	4,802	9,425	344	323
TKAS Auto Steel Company Limited	Production enterprise	Metal products	USD132 million	3,550	1,364	6,030	302	272
Ansteel Guangzhou Automobile Steel Co., Ltd.	Production enterprise	Metal products	700	1,930	791	2,183	95	85
Angang Financial Company	Financial enterprise	Financial services	5,000	35,926	7,640	1,119	567	428

Discussion and Analysis of Operations (Continued)

VI. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES (CONTINUED)

(II) Acquisition and Disposal of Subsidiaries during the Reporting Period

Name of company	Means of acquisition or disposal of subsidiary during the Reporting Period	Effect on the overall business operation and results
Beijing International Trade	Establishment through investment	No significant impact
Delin Industrial Products	Establishment through investment	No significant impact
Xinneng Air	Establishment through investment	No significant impact
Ansteel Parts	Cancellation	No significant impact

VII. STRUCTURE ENTITY CONTROLLED BY THE COMPANY

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS

(I) Market competitiveness

1. Popularity and influence of the Company's brand have been continuously improved. It ranked 99th in Fortune's Chinese Top 500 Enterprises in 2022. Sufficient technical reserves and high-quality products of the Company enables it to possess extraordinary product R&D innovation capacity as well as complete quality assurance system and qualification certified by the State. 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 plates and ship plates won the title of "China Famous Brand Products"; sixteen of its products such as hot-rolled pickled steel strip, aluminized zinc plates and bridge steel are awarded as "Gold Cup" high quality products; the Company has won the "Distinguished Strategic Partner" prize of BYD Auto and the "Gold Medal Supplier" prize of China State Shipbuilding for two consecutive years; besides, it is also the supplier of steel enterprise brands on the "Steelhome" website.
2. The Company's technical strength ranks in the leading position in the industry. It has strong advantages in technical development of new products. The Company has advantages of unique techniques in the weathering hot-rolled railways, high-quality combined cutting tools, medium-high carbon extremely thin products of 45# and above, and spring steel. Four products such as the new bridge steel were the first of their kinds at home and abroad; four techniques such as the first single-winding spiral electromagnetic stirrer lead the world. Ship steel capable of being welded in super-high energy passes the certification of ship classification societies of multiple countries and reaches the international leading level; railway weathering steel features in all specifications, and the train steering rack is in the leading position in the industry. The Company has been awarded the "National Intellectual Property Advantage Enterprise", ranking third in the patent innovation index of Chinese steel enterprises. It has established the national "Industry-university-research League of Steel for Marine Engineering Technology" and become the only steel enterprise participating in the "CAP1400" industry chain league.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(I) Market competitiveness (Continued)

3. The Company has advantages in scale and technical equipment. The Company's crude steel output ranks among the top 10 in the industry. Low-cost blast furnace iron making technology, rapid selection technology of coking coal and converter ultra-pure steel production equipment are among the best in the PRC. The technical equipment of 1,580mm, 1,780mm and 2,150mm hot-rolled production line, cold-rolled line, wire rods 2# lines and universal lines and wide and thick plate production line have reached the domestic advanced level, while the self-integrated cold-rolled wide strip production technology, self-developed and applied cold-rolled 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, achieving large-scale equipment, continuous processing, operation automation, management informatization, and information digitization. The 1,580mm line adopts a number of internationally leading hot rolling technologies, and the 5,500mm line is currently one of the largest wide and heavy plate rolling mills in the world.

(II) Product competitiveness

The Company's steel products are comprehensive in types and specifications. Traditional advantaged product of the Company such as steel for shipbuilding, bridge, nuclear power, pipes and lines, railway and home appliance enjoy a high market share and are well recognised and praised by the downstream terminal customers. The railway corrosion-resistant steel holds more than 40% of market share, having ranked first in the industry for 19 consecutive years; the cold-rolled products of home appliance steel have been in a leading position of the industry in the market; its steel rail products hold 16.9% of market share, ranking second in China in the industry. In addition, it has achieved new breakthrough in the sales of photovoltaic zinc aluminum magnesium product. The Company has achieved new results in the development of silicon steel for new energy vehicles and completed the trial production of high magnetic induction non-oriented silicon steel No. 35ADG1900B and No. 30ADG1500, whose performance indicators reach the advanced level in the industry and performance is recognised by customers. Sales of the grain-oriented silicon steel hit a record high. Steel for heavy rails and nuclear power were recognised as the most competitive product of China's metallurgical industry in 2022.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(III) Cost competitiveness

Angang Steel has always held the philosophy of “low-cost” operation, systematically promoted cost reduction through unifying thinkings, strengthening measures, self-pressurizing, emphasising incentives, and ensuring rigid guarantee, strengthened the overall budget management, and comprehensively improved the cost competitiveness. Chaoyang Iron and Steel now has a relatively strong advantage in low-cost competition by continuously improving its market-oriented system mechanism through constructing operating model, sticking to the cost revolution, and implementing “authorization plus shared benefits”.

(IV) Resource guarantee

The areas of Anshan have abundant reserves of iron ore, which are the foundation of Ansteel. Ansteel Group Mining Co., Ltd. holds 8.8 billion tons of iron ore resources. It has a production capacity of 280 million tons per year for mining and stripping, 65 million tons per year for mineral processing, and 22 million tons for iron ore concentrate production, ranking first in China and leading the world. In addition, Ansteel Group has a Karara iron ore base with an annual output of 8 million tons, and has relative strong international trading capacity of iron ore.

(V) Corporate culture

Through the accumulation, generalization, refinement and sublimation of the spirit of several generations, Ansteel has formed the core corporate values of “Innovation, Factualism, Hard Working and Contribution” and given birth to the “Ansteel Constitution” which is praised as the fundamental law for operating socialist enterprises. It abounds in heroic figures such as 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 uniting the teams and making concerted efforts.

Discussion and Analysis of Operations (Continued)

IX. POTENTIAL RISKS

In 2023, big changes unseen in a century of the world accelerates to evolve, in which a new round of technological revolution and industrial revolution deeply develop, the international powers and the relationship among them remarkably change, and the suppression from other countries may intensify at any moment; however, China's economic recovery foundation is not firm yet. With the triple pressures of lower demand, supply shock, and weakening expectation remaining relatively serious and the economic and social risks increasing, the macro situation steel industry facing is still severe. Currently, China's steel industry is in the three-period overlay-Overall reduction, accelerated restructuring, and strengthened environmental protection-with fiercer competition between enterprises and differentiated industries. The Company's steel production capacity is expected to stay in a relatively high level in 2023, and there are still new replaced production capacities put into operation. The steel industry is faced with three major problems-overcapacity, low industrial concentration degree, and high degree of dependence on foreign trade of iron ore. Its development trend is possible to become "severe and complicated in short term and unpromising in long term". The Company will promote the high-quality development, accelerate the upgrade of production lines and products, and continuously optimize marketing to deepen reforms and activate the corporates' vigour and impetus. It will also focus on technological innovation, work hard in overcoming the weakness, strengthening the shortcomings, consolidating the basis, and utilising the advantages to comprehensively improve the capacity of innovation, competitiveness, governance, influence and guidance.

Corporate Governance

I. BASIC INFORMATION ON CORPORATE GOVERNANCE

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Stock Exchange Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, the Corporate Governance Code and the Guideline No. 1 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies - Standardized Operation of Companies Listed on the Main Board, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system.

The Company's corporate governance practices did not have any significant deviation from the laws, administrative regulations and the regulatory documents on corporate government of listed companies issued by the CSRC.

II. THE INDEPENDENCE OF THE COMPANY FROM ITS CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER IN TERMS OF ASSETS, PERSONNEL, FINANCE, ORGANIZATIONS, BUSINESS AND OTHER ASPECTS

The Company is completely independent from its controlling shareholder in terms of business, personnel, assets, organizations, finance and other aspects. The Company is set up and operates in complete independence of its controlling shareholder in terms of business, personnel, assets, organizations, finance and other aspects, which is in conformity with the requirements of relevant laws and regulations. The Company has independent and complete business operations and possesses the capability for operating independently.

Corporate Governance (Continued)

III. COMPETITION WITH PEERS IN THE INDUSTRY

Type of Problem	Type of relationship with the Company	Company Name	Nature of Company	Cause of Problem	Solutions	Work progress and follow-up plans
Peer Competition	Other companies controlled by the actual controller of the Company	Bensteel Group Corporation Limited	Others	Restructuring of Bensteel Group Corporation Limited by Ansteel Group	Ansteel Group undertakes that it will, in accordance with the requirements of the relevant securities regulatory authorities, and on the premise of complying with the applicable laws and regulations and relevant regulatory rules at that time, comprehensively use asset reorganization, business adjustment, entrusted management and other ways to steadily promote the integration of related businesses to solve the problem of horizontal competition in the industry within 5 years from the date of its Letter of Commitment, and it will strive to achieve this goal in an even shorter period of time.	No specific implementation plan yet

Corporate Governance (Continued)

IV. INFORMATION ON THE ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING DURING THE REPORTING PERIOD

Session of Meeting	Type of Meeting	Investors' involvement	Date of Convening	Date of disclosure	Resolutions
2022 First Extraordinary General Meeting	Extraordinary General Meeting	59.43%	6 January 2022	7 January 2022	<p>Resolution 1. Election of Mr. Xu Shishuai as an Executive Director of the Eighth Session of the Board of Directors</p> <p>Resolution 2. 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</p> <p>Resolution 3. Proposal on Changing the Registered Capital of the Company and Corresponding Amendments to the Articles of Association</p>

Corporate Governance (Continued)

IV. INFORMATION ON THE ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING DURING THE REPORTING PERIOD (Continued)

Session of Meeting	Type of Meeting	Investors' involvement	Date of Convening	Date of disclosure	Resolutions
2021 Annual General Meeting	Annual General Meeting	59.64%	26 May 2022	27 May 2022	<p>Resolution 1. Considered the 2021 Annual Report on the Work of the Board of Directors</p> <p>Resolution 2. Considered the 2021 Annual Report on the Work of the Supervisory Committee</p> <p>Resolution 3. Considered the 2021 Annual Report and Its Summary</p> <p>Resolution 4. Considered the 2021 Audited Financial Report</p> <p>Resolution 5. Considered the 2021 Profit Distribution Plan</p> <p>Resolution 6. Considered the Proposal on the Remuneration of Directors and Supervisors in 2021</p> <p>Resolution 7. Considered the Proposal on the Appointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company's Auditor in 2022</p> <p>Resolution 8. Proposal on Election of Executive Directors of the Ninth Session of the Board of Directors</p> <p>Resolution 9. Proposal on Election of Independent Non-executive Directors of the Ninth Session of the Board of Directors</p> <p>Resolution 10. Proposal on Election of Shareholder Representative Supervisors of the Ninth Session of the Supervisory Committee</p>

Corporate Governance (Continued)

IV. INFORMATION ON THE ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING DURING THE REPORTING PERIOD (Continued)

Session of Meeting	Type of Meeting	Investors' involvement	Date of Convening	Date of disclosure	Resolutions
2022 Second Extraordinary General Meeting	Extraordinary General Meeting	58.97%	14 July 2022	15 July 2022	<p>Resolution 1. Proposal on Amendments to the Articles of Association</p> <p>Resolution 2. Passed the Proposal on the Issuance of Ultra-short-term Financing Bills of the Company in the Inter-bank Bond Market</p> <p>Resolution 3. Passed the Proposal on the Issuance of Short-term Financing Bills of the Company in the Inter-bank Bond Market</p> <p>Resolution 4. Passed the Proposal on the Issuance of Medium-term Notes of the Company in the Inter-bank Bond Market</p>
2022 Third Extraordinary General Meeting	Extraordinary General Meeting	57.99%	19 December 2022	20 December 2022	<p>Resolution 1. Election of Mr. Tian Yong as an Executive Director of the Ninth Session of the Board of Directors</p> <p>Resolution 2. 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</p> <p>Resolution 3. Proposal on Changing the Registered Capital of the Company and Corresponding Amendments to the Articles of Association</p>

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

(I) Basic Information

Name	Position	Service Status	Gender	Age	Start Date of Term	Termination Date of Term	Number of shares held at the beginning of the period (shares)	Number of shares increased in the current period	Number of shares decreased in the current period (shares)	Other increase or decrease (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease of shares (shares)
Wang Yidong	Chairman	Incumbent	Male	54	2017.11.23	-	9,945	-	-	-	9,945	-
	Executive Director	Incumbent			2013.07.08	-						
Zhang Hongjun	General Manager	Incumbent	Male	49	2022.12.29	-	400,000	-	-	-	400,000	-
	Executive Director	Incumbent			2023.03.22	-						
Wang Baojun	Executive Director	Incumbent	Male	56	2021.05.07	-	0	-	-	265,500	265,500	Grant of restricted shares in the period
	Deputy General Manager, Chief Accountant	Incumbent			2021.03.16	-						
	Secretary of the Board, Joint Company Secretary	Incumbent			2021.06.16	-						
Tian Yong	Executive Director	Incumbent	Male	44	2022.12.19	-	300,000	-	-	-	300,000	-
	Deputy General Manager	Incumbent			2022.10.11	-						
Feng Changli	Independent Non-executive Director	Incumbent	Male	59	2018.06.05	-	-	-	-	-	-	-
Wang Jianhua	Independent Non-executive Director	Incumbent	Male	49	2019.05.28	-	-	-	-	-	-	-

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

Name	Position	Service Status	Gender	Age	Start Date of Term	Termination Date of Term	Number of shares held at the beginning of the period (shares)	Number of shares increased in the current period	Number of shares decreased in the current period (shares)	Other increase or decrease (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease of shares (shares)
Wang Wanglin	Independent Non-executive Director	Incumbent	Male	48	2020.03.16	-	-	-	-	-	-	-
Zhu Keshi	Independent Non-executive Director	Incumbent	Male	56	2020.11.30	-	-	-	-	-	-	-
Cao Yuhui	Chairman of the Supervisory Committee	Incumbent	Male	51	2023.03.22	-	-	-	-	-	-	-
Liu Ming	Supervisor	Incumbent	Male	50	2021.11.26	-	-	-	-	-	-	-
Yang Zhengwen	Supervisor	Incumbent	Male	56	2021.02.02	-	-	-	-	-	-	-
Meng Jinsong	Deputy General Manager	Incumbent	Male	53	2016.03.30	-	450,000	-	-	-	450,000	-
Zhang Peng	Deputy General Manager	Incumbent	Male	50	2021.12.30	-	-	-	-	-	-	-
Xu Shishuai	Executive Director General Manager	Resigned	Male	49	2022.01.06 2021.11.19	2022.12.29 2022.12.29	0	-	-	225,500	225,500	Grant of restricted shares in the period
Li Zhongwu	Executive Director Deputy General Manager	Resigned	Male	60	2020.03.16 2019.12.30	2022.03.25 2022.03.25	450,000	-	-	-	450,000	-

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

Name	Position	Service Status	Gender	Age	Start Date of Term	Termination Date of Term	Number of shares held at the beginning of the period (shares)	Number of shares increased in the current period	Number of shares decreased in the current period (shares)	Other increase or decrease (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease of shares (shares)
Shen Changchun	Chairman of the Supervisory Committee	Resigned	Male	57	2021.05.07	2023.03.22	-	-	-			
Yang Xu	Deputy General Manager Executive Director	Resigned	Male	49	2022.03.25	2022.10.11	400,000	-	-	-345,000	55,000	Repurchase and cancellation of certain shares due to disqualification for the incentive scheme

Note: Shares held by Directors, supervisors and the senior management stated above are all A Shares.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

1. Directors, supervisors and senior executives' interests and short positions in the shares, underlying shares and debentures of the Company

Save as disclosed above, as at 31 December 2022, none of the Directors, supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) which were recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance, or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Stock Exchange Listing Rules.

2. Resignation of directors, supervisors and dismissal of senior executives within their term of office during the Reporting Period

On 25 March 2022, Mr. Li Zhongwu resigned as the executive director and deputy general manager of the Company due to change of work arrangements.

On 25 March 2022, Mr. Zhang Hongjun resigned as the executive director and deputy general manager of the Company due to change of work arrangements.

On 11 October 2022, Mr. Yang Xu resigned as the executive director and deputy general manager of the Company due to change of work arrangements.

On 29 December 2022, Mr. Xu Shishuai resigned as the executive director and general manager of the Company due to change of work arrangements.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

3. Changes of Directors, Supervisors and Senior Management

Name	Position	Status of Position	Date	Reason for Change
Xu Shishuai	Director	Elected	2022.01.06	–
Li Zhongwu	Director, Deputy General Manager	Resigned	2022.03.25	Resignation due to change of work arrangements
Zhang Hongjun	Deputy General Manager	Dismissed	2022.03.25	Resignation due to change of work arrangements
Yang Xu	Deputy General Manager	Appointed	2022.03.25	–
Yang Xu	Director	Elected	2022.05.26	–
Yang Xu	Director, Deputy General Manager	Resigned	2022.10.11	Resignation due to change of work arrangements
Xu Shishuai	Director, Deputy General Manager	Resigned	2022.12.29	Resignation due to change of work arrangements
Zhang Hongjun	General Manager	Appointed	2022.12.29	–
Zhang Hongjun	Director	Elected	2023.03.22	–
Shen Changchun	Supervisor, Chairman of the Supervisory Committee	Resigned	2023.03.22	Resignation due to change of work arrangements
Cao Yuhui	Supervisor, Chairman of the Supervisory Committee	Elected	2023.03.22	–

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information

1. Professional background, major work experiences and duties of the incumbent Directors, Supervisors and senior management members of the Company

Members of the Board of Directors

Executive Directors:

Mr. Wang Yidong, Chairman, Executive Director and Secretary of the Party Committee of the Company, a member of the Standing Committee of the Party Committee, and Deputy General Manager of Angang, Secretary of the Party Committee, Chairman of the Board and a senior engineer of Angang Holding. Mr. Wang has obtained a bachelor's degree in smelting equipment of Northeast Heavy Machinery College and a master's degree in industrial engineering from the University of Science and Technology Beijing as well as a PhD degree in machinery design and theory from the Yanshan University. Mr. Wang joined Angang Group in 1991 and has previously held positions as the plant manager of the Cold-Rolling Plant of the Company, deputy general manager of Bayuquan Steel Branch Company of the Company, vice head of Product Manufacturing Department of the Company, head of the Manufacturing Management and Control Centre of branch company, head of the Cold-Rolling Department, manager of Bayuquan Steel Branch Company of the Company, the Deputy General Manager and General Manager of the Company.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

1. Professional background, major work experiences and duties of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Board of Directors (Continued)

Executive Directors: (Continued)

Mr. Zhang Hongjun currently serves as Executive Director, General Manager, Deputy Secretary of the Party Committee of the Company, Deputy Secretary of the Party Committee, Director, General Manager of Angang Holding and a senior engineer. Mr. Zhang obtained a bachelor's degree in Engineering from Zhejiang University, majoring in industrial electrical automation, and a master's degree in engineering from Northeastern University, majoring in material engineering. Mr. Zhang joined Angang Group in 1996 and served as the deputy general manager of Bayuquan Iron & Steel Branch Company of Angang Steel, the assistant of the general manager of Angang Steel, the manager, deputy secretary of the Party Committee of Bayuquan Iron & Steel Branch Company of Angang Steel, a member of the standing committee of the Party Committee of Angang Holding, a member of the standing committee of the Party Committee, a deputy general manager of Angang Steel and the general manager and deputy secretary of the Party Committee of Bayuquan Iron & Steel Branch Company, and the general manager of the Strategic Planning Department of Angang.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

1. Professional background, major work experiences and duties of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Board of Directors (Continued)

Executive Directors: (Continued)

Mr. Wang Baojun, Executive Director, Deputy General Manager, Chief Accountant, Board Secretary, a member of the Standing Committee of the Party Committee of the Company, a member of the Standing Committee of the Party Committee and a senior Accountant of Angang Holding. Mr. Wang graduated from East China University of Metallurgy, majoring in industrial accounting; and he obtained a master degree in business administration for the senior management, graduating from University of Electronic Science and Technology of China. Mr. Wang Baojun joined Pangang Group Company Limited in 1988, served as the head of Audit Department of Pangang Group, the head of Audit Department of Pangang Group Steel Vanadium & Titanium Co., Ltd., the head of Audit Department of Angang Group Corporation and also a supervisor of Angang Group Integrated Industrial Company Limited and Engineering Technological Development Company Limited, an external director of Pangang Group Company Limited and Angang Group Financial Company Limited, the chief auditor, general manager of the Audit Department and director of the Audit Center of Angang, and the chairman of the Supervisory Committee of the Company, etc.

Mr. Tian Yong currently serves as Executive Director, Deputy General Manager, a member of the standing committee of the Party Committee of the Company, a member of the standing committee of the Party Committee of Angang Holding and a senior engineer. Mr. Tian graduated from Tsinghua University with a doctorate degree in power engineering and engineering thermophysics. Mr. Tian started working in 2005 and served as the director of the general steelmaking plant of the Angang Steel, and the director, general manager and deputy secretary of the Party Committee of Chaoyang Iron and Steel.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

1. Professional background, major work experiences and duties of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Board of Directors (Continued)

Independent Non-executive Directors:

Mr. Feng Changli, an independent Non-Executive Director of the Company, serves as a professor at the Faculty of Management and Economics of Dalian University of Technology. Mr. Feng obtained a bachelor's degree in electronics from Dalian College of Technology; a master's degree in systems engineering from Dalian University of Technology; and a doctorate in business management from Dalian University of Technology. Mr. Feng served as the director of the information department of Dalian Branch of China Petroleum Engineering Co., Ltd., the Party branch secretary of Enterprise Management Department of Faculty of Management of Dalian University of Technology, and the Party branch secretary of Institute of Operations & Logistics of School of Business Administration of Dalian University of Technology. Mr. Feng is also an evaluation expert for the key special projects under the national key research and development programs, an evaluation expert for the science and technology awards of the Ministry of Education, an evaluation expert for academic dissertations at China Academic Degrees & Graduate Education Development Center.

Mr. Wang Jianhua, an independent Non-Executive Director of the Company, and is the chief steel analyst of Shanghai Ganglian E-commerce Holdings Co., Ltd. Mr. Wang obtained a bachelor's degree in international trade from Renmin University of China. Mr. Wang served as an engineer of the research institute under Baosteel Group Co., Ltd.; director of the research center and editor-in-chief of the chief editor office of Shanghai Ganglian E-Commerce Co., Ltd.; and a visiting professor at Shanghai University of International Business and Economics. Mr. Wang currently serves as an independent director of Shanxi Taigang Stainless Steel Co., Ltd., an A shares listed company and an director of Baowu Special Metallurgy Co., Ltd..

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

1. Professional background, major work experiences and duties of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Board of Directors (Continued)

Independent Non-executive Directors: (Continued)

Mr. Wang Wanglin, an independent Non-Executive Director of the Company, and is currently a deputy director and lawyer of Beijing Zhicheng Lawyer, a practice tutor of postgraduates of law of Beijing Technology and Business University and a supervisor of the supervisor committee of Chinese Young Volunteers Association. Mr. Wang Wanglin obtained a master's degree in civil and commercial law from Beijing Technology and Business University. Mr. Wang Wanglin served as the deputy director of Legal Aid Division of the Department of Justice, the director of Community Correction Authority of Department of Justice, the deputy director of Tibet Bureau of Prisons, the head of Tibet Police Hospital for Criminal Justice, the lawyer of Beijing Tianchi Juntai Law Firm.

Mr. Zhu Keshi, an independent Non-Executive Director of the Company, the head and a professor of the Research Institute of Coordination Strategy of Fiscal and Financial Policy under Beijing National Accounting Institute, researcher level Senior Certified Public Accountant, and a China Certified Tax Agent. Mr. Zhu obtained a master's degree in accounting from Liaoning University, a master's degree in finance from the University New South Wales, Australia, and a doctorate degree in finance from Renmin University of China. Mr. Zhu successively worked in Liaoning Province Local Taxation Bureau, Liaoning Province Finance Department, International Taxation Research Institute under the State Administration of Taxation and Beijing Aerospace Online Technology Co., Ltd.. He has been working in Beijing National Accounting Institute since July 2013, and mainly engaged in teaching and scientific research activities. Mr. Zhu currently serves as an independent director of Tread Holdings Group Co., Ltd. (an A shares listed company), Xizi Clean Energy Equipment Manufacturing Co., Ltd. (an A shares listed company) and Hengxin Xili Industry Co., Ltd. (a company listed on the National Equities Exchange and Quotations).

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

1. Professional background, major work experiences and duties of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Supervisory Committee

Shareholders' Representative Supervisor:

Mr. Cao Yuhui currently serves as a supervisor, a member of the standing committee of the Party Committee, the secretary of the discipline inspection commission of the Company and a member of the standing committee of the Party Committee and the secretary of the discipline inspection commission of Angang Holding. Mr. Cao obtained a bachelor's degree in electronic instrumentation and measurement technology from Shenyang University of Technology. Mr. Cao started working in 1997 and has served as the deputy director of the Fourth Discipline Inspection and Supervision Office of Liaoning Provincial Discipline Inspection Commission, deputy director of the Eighth Discipline Inspection and Supervision Office of Liaoning Provincial Discipline Inspection Commission (responsible for daily operations), deputy director and I-level researcher of the Eighth Discipline Inspection and Supervision Office of Liaoning Provincial Discipline Inspection Commission, supervisor of Liaoning Provincial Supervision Commission stationed in Bensteel Group Corporation Limited, member of the standing committee of the Party Committee and secretary of the discipline inspection commission of Bensteel Group Corporation Limited, member of the standing committee of the Party Committee and secretary of the discipline inspection commission of Bensteel Group Corporation Limited of Angang Group.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

1. Professional background, major work experiences and duties of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Supervisory Committee (Continued)

Shareholders' Representative Supervisor: (Continued)

Mr. Liu Ming, Supervisor of the Company, now serves as the General Manager of Legal Compliance Department of Angang, a senior engineer. Mr. Liu graduated from the Party School of Liaoning Provincial Party Committee with a master degree in business administration. Mr. Liu joined Angang in 1993, served as Head of Discipline Inspection and Supervision Office and member of the Standing Committee of Committee of Discipline Inspection of Angang Group, Secretary of Committee of Discipline Inspection and Chairman of the Supervisory Committee of Angang Industrial Group, Secretary of Committee of Discipline Inspection and Chairman of the Supervisory Committee of Angang Group Zhongyuan Industrial Development Co., Ltd..

Staff Representative Supervisor:

Mr. Yang Zhengwen, a Supervisor and the vice chairman of the labour union of the Company, is a senior economist. Mr. Yang obtained a bachelor's degree in engineering from the Metallurgy Department of Anshan Institute of Iron & Steel and a master's degree in engineering from School of Business Administration, Northeastern University. Mr. Yang successively held various positions including deputy director of the Human Resource Department of the Company, secretary of Party committee of the Human Resource Service Center of Anshan Iron & Steel, and vice plant manager and secretary of the Party committee of the general iron-making plant of the Company.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

1. Professional background, major work experiences and duties of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Other Senior Management Members

Mr. Meng Jingsong, Deputy General Manager, a member of the Standing Committee of the Party Committee of the Company, a member of the Standing Committee of the Party Committee of Angang Holding, and a professor-level senior engineer. Mr. Meng graduated from Northeastern University with a master's degree and a doctoral degree in iron and steel metallurgy. Mr. Meng had previously held various positions including the assistant to director of Sales & Marketing Department of the Company, plant manager of First Steel Making Plant, deputy manager of Bayuquan Iron & Steel Branch Company, vice director of the Technical Quality Control Department of Angang, director of Technology Development Department of Angang.

Mr. Zhang Peng, Deputy General Manager, a member of the Standing Committee of the Party Committee of the Company, a director, a member of the Standing Committee of the Party Committee of Angang Holding, a senior engineer. Mr. Zhang obtained a bachelor degree from School of Materials Physics of University of Science and Technology Beijing, majoring in Physics. He obtained his doctor's degree in engineering from School of Materials and Metallurgy of Northeastern University, majoring in Materials Processing Engineering. Mr. Zhang Peng had previously held various positions including Deputy General Manager of Bensteel Group Corporation Limited, vice mayor of Fuxin, Liaoning Province, General Manager, Vice Chairman and Deputy Secretary of Party Committee of Dongbei Special Steel Group Co., Ltd., a director of Fushun Special Steel Co., Ltd (hereinafter referred to as Fushun Special Steel), and a member of the Standing Committee of Party Committee of Bensteel Group Corporation Limited.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

2. Positions at the Shareholders of the Company

Name of the personnel who held position	Name of the shareholder	Position at the shareholder	Commencement date of term	Termination Date of Term	Receipt of remuneration and allowance in the shareholder
Wang Yidong	Angang	Deputy General Manager	2017.05	-	Yes
	Angang Holding	Secretary of the Party Committee, Chairman	2017.12	-	-
Zhang Hongjun	Angang Holding	Deputy Secretary of the Party Committee, Director	2022.12	-	No
Cao Yuhui	Angang Holding	General Manager	2023.03	-	No
		Secretary of Committee for Discipline Inspection	2023.02	-	Yes
Yang Zhengwen	Angang Holding	Vice Chairman of the Labor Union	2020.12	-	No
Liu Ming	Angang	General Manager of Legal Compliance Department	2021.05	-	Yes
Zhang Peng	Angang Holding	Director	2021.12	-	No
Note on positions at the shareholders of the company	In March 2023, the Listed Company Supervision Department of China Securities Regulatory Commission released A Letter of Agreement on Relaxing Restrictions on Concurrent Positions for Senior Management of Anshan Iron & Steel Co. Ltd., according to which the General Manager of the Company Mr. Zhang Hongjun is agreed to be exempted from the restriction to serve as the General Manager of Angang Holding.				

Independent directors of the Company believe that Mr. Xu Shishuai, the former general manager of the Company, and Mr. Zhang Hongjun, the current general manager of the Company, have strictly followed their promises, performed their duties diligently according to the Company Law, the Securities Law and relevant laws and regulations. They prioritized the performance of duties as members of the senior management of the company and better handled the relationship between the Company and the controlling shareholder Angang Holding when concurrently serving as the general manager of Angang Holding, without damaging the interests of the Company and minority shareholders.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

3. Positions at other organizations

Name of the personnel who held position	Name of the organization	Position in the organization	Commencement date of term	Termination date of term	Receipt of remuneration and allowance in the organization
Feng Changli	Dalian University of Technology	Professor	2016.12	-	Yes
Wang Jianhua	Shanghai Ganglian E-Commerce Holdings Co., Ltd.	Chief Steel Analyst	2015.01	-	Yes
	Shanxi Taigang Stainless Steel Co., Ltd.	Independent Director	2021.05	-	Yes
	Baowu Special Metallurgy Co., Ltd.	Director	2021.06	-	No
Wang Wanglin	Beijing Zhicheng Lawyer	Deputy Director, Lawyer	2018.11	-	Yes
Zhu Keshi	Research Institute of Coordination Strategy of Fiscal and Financial Policy under Beijing National Accounting Institute	President	2015.11	-	Yes
	Toread Holdings Group Co., Ltd.	Independent Director	2021.12	-	Yes
	Xizi Clean Energy Equipment Manufacturing Co., Ltd.	Independent Director	2019.11	-	Yes
	Hengxin Xili Industry Co., Ltd.	Independent Director	2017.09	-	Yes
Wang Baojun	Angang Financial Company	Director	2019.01	-	No
Meng Jinsong	Ansteel Beijing Research Institute Co., Ltd.	Director	2019.08	-	No
Notes on the officeholding in other organizations	-				

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

4. Penalties imposed by securities regulators on the current and outgoing directors, supervisors and senior managers of the Company in the past three years

Applicable Not Applicable

(III) Emoluments of directors, supervisors and senior managers

1. Decision-making procedures, determination basis and actual payment of remuneration for directors, supervisors and senior managers

The emoluments of the Company's directors, supervisors and senior managers is proposed by the Remuneration and Appraisal Committee of the Board of Directors and the Supervisory Committee respectively. After discussion and approval by the Board of Directors and the Supervisory Committee, it is submitted to the general meeting of shareholders for approval and decision. The emoluments are determined on the basis of the operating conditions of the Company and the emoluments of those of similar domestic enterprises.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(III) Emoluments of directors, supervisors and senior managers (Continued)

2. Emoluments of directors, supervisors and senior managers of the Company during the Reporting Period

Name	Position	Gender	Age	Current Situation	Total pre-tax remuneration received from the Company (RMB10,000)	Whether received remuneration from related parties of the Company during ones tenure
Wang Yidong	Executive Director, Chairman	Male	54	Incumbent	-	Yes
Zhang Hongjun	Executive Director, General Manager	Male	49	Incumbent	14.90	-
Wang Baojun	Executive Director, Deputy General Manager, Chief Accountant, Secretary of the Board	Male	56	Incumbent	115.51	-
Tian Yong	Executive Director, Deputy General Manager	Male	44	Incumbent	8.11	-
Feng Changli	Independent Non-executive Director	Male	59	Incumbent	12.00	-
Wang Jianhua	Independent Non-Executive Director	Male	49	Incumbent	12.00	-
Wang Wanglin	Independent Non-Executive Director	Male	48	Incumbent	12.00	-
Zhu Keshi	Independent Non-Executive Director	Male	56	Incumbent	12.00	-
Cao Yuhui	Chairman of the Supervisory Committee	Male	51	Incumbent	-	Yes

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(III) Emoluments of directors, supervisors and senior managers (Continued)

2. Emoluments of directors, supervisors and senior managers of the Company during the Reporting Period (Continued)

Name	Position	Gender	Age	Current Situation	Total pre-tax remuneration received from the Company (RMB10,000)	Whether received remuneration from related parties of the Company during ones tenure
Liu Ming	Supervisor	Male	50	Incumbent	-	-
Yang Zhengwen	Supervisor	Male	56	Incumbent	64.73	-
Meng Jinsong	Deputy General Manager	Male	53	Incumbent	175.29	-
Zhang Peng	Deputy General Manager	Male	50	Incumbent	131.77	-
Xu Shishuai	Director, General Manager	Male	49	Resigned	158.88	-
Shen Changchun	Chairman of the Supervisory Committee	Male	57	Resigned	-	Yes
Li Zhongwu	Executive Director, Deputy General Manager	Male	60	Resigned	12.37	-
Yang Xu	Executive Director, Deputy General Manager	Male	49	Resigned	92.99	-
Total	-	-	-	-	822.55	-

Note: The above emoluments do not include insurance, welfare, education surcharge and other remuneration costs accrued by the Company. The emoluments of executive directors, supervisors and senior managers is the performance salary they have received during their tenure in 2022 and the total amount of annual risk salary in 2021 that has been fulfilled.

Corporate Governance (Continued)

VI. DIRECTORS' PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD

(I) Meetings of the Board of Directors during the Reporting Period

Meeting session	Convening date	Disclosure date	Resolutions
The 57th meeting of the eighth session of the Board of Directors	17 January 2022	18 January 2022	Approved the Proposal on the Adjustment of Member of the Strategic Committee of the Board of Directors
The 58th meeting of the eighth session of the Board of Directors	17 February 2022	-	Approved the Proposal on the Amendments to the Rules of Procedures for the General Manager of Angang Steel Company Limited Approved the Proposal on formulating the "Measures for the Administration of the Authorization of the Board of Directors of Angang Steel Company Limited" and the "List of Decisions of the Authorization of the Board"
The 59th meeting of the eighth session of the Board of Directors	25 March 2022	26 March 2022	Approved the Proposal on the Appointment of Mr. Yang Xu as Deputy General Manager of the Company Approved the 2022 Major Risk Assessment Report of Angang Steel Company Limited
The 60th meeting of the eighth session of the Board of Directors	30 March 2022	31 March 2022	<ol style="list-style-type: none">1. Passed the 2021 Annual Report on the Work of the Board of Directors.2. Passed the 2021 Annual Report and Its Summary.3. Passed the 2021 Financial Report.4. Passed the 2021 Profit Distribution Plan.5. Passed the Proposal on the Remuneration of Directors and Senior Managers in 2021.6. Passed the Proposal on Daily Related Transactions in 2021.

Corporate Governance (Continued)

VI. DIRECTORS' PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD (CONTINUED)

(I) Meetings of The Board of Directors during the Reporting Period (Continued)

Meeting session	Convening date	Disclosure date	Resolutions
			7. Passed the Proposal on Estimated Daily Related Transactions in 2022.
			8. Passed the 2021 Internal Control Evaluation Report.
			9. Passed the 2021 Corporate Social Responsibility Report and Environmental, Social and Governance Report.
			10. Passed the Risk Assessment Report of Angang Steel Group Finance Co., Ltd..
			11. Passed the Proposal on the 2022 Hedging Business Quota.
			12. Passed the Proposal on the Appointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company's Auditor in 2022.
			13. Passed the Proposal on the Nomination of Candidates for the Ninth Session of the Board of Directors.
			14. Passed the Proposal on the Changes of Accounting Policy.
			15. Passed the Proposal on Convening the 2021 Annual General Meeting.
The 61th meeting of the eighth session of the Board of Directors	22 April 2022	-	Approved the Proposal on the 2022 Annual Operating Performance Evaluation Measures for Angang Steel's Senior Managers.
The 62th meeting of the eighth session of the Board of Directors	27 April 2022	28 April 2022	Approved the 2022 First Quarterly Report of Angang Steel Company Limited.

Corporate Governance (Continued)

VI. DIRECTORS' PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD (CONTINUED)

(I) Meetings of The Board of Directors during the Reporting Period (Continued)

Meeting session	Convening date	Disclosure date	Resolutions
The 63th meeting of the eighth session of the Board of Directors	10 May 2022	–	Approved the Proposal on Donating Steel Tail Slag to the Charity Federation of Bayuquan District, Yingkou City.
The 64th meeting of the eighth session of the Board of Directors	19 May 2022	20 May 2022	<ol style="list-style-type: none"> 1. Passed the Proposal on the Adjustment of Comparable Companies of the Restricted Share Incentive Scheme in 2020. 2. Passed the Proposal on the Provision of Counter Guarantee to Anshan Iron and Steel Group Co., Ltd. in Relation to the Reinforcing Steel Delivery Warehouse Business. 3. Passed the Proposal on the Issuance of Ultra-short-term Financing Bills of the Company in the Inter-bank Bond Market. 4. Passed the Proposal on the Issuance of Short-term Financing Bills of the Company in the Inter-bank Bond Market. 5. Passed the Proposal on the Issuance of Medium-term Notes of the Company in the Inter-bank Bond Market.
The first meeting of the ninth session of the Board of Directors	26 May 2022	27 May 2022	<ol style="list-style-type: none"> 1. Passed the Proposal on Election of the Chairman of the Ninth Session of the Board of Directors of the Company. 2. Passed the Proposal on Election of Members of the Special Committee of the Ninth Session of the Board of Directors of the Company.

Corporate Governance (Continued)

VI. DIRECTORS' PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD (CONTINUED)

(I) Meetings of The Board of Directors during the Reporting Period (Continued)

Meeting session	Convening date	Disclosure date	Resolutions
The second meeting of the ninth session of the Board of Directors	17 June 2022	18 June 2022	<ol style="list-style-type: none"> 3. Passed the Proposal on Confiscating the Profits of the Wholly-owned Subsidiaries of Angang Steel in 2021. 1. Passed the Proposal on Amendments to the Articles of Association. 2. Passed the Administrative Measures on Comprehensive Evaluation and Remuneration for the Person-in-Charge of Angang Steel Company Limited. 3. Passed the Proposal on Convening the 2022 Second Extraordinary General Meeting.
The third meeting of the ninth session of the Board of Directors	26 August 2022	27 August 2022	<ol style="list-style-type: none"> 1. Passed the 2022 Interim Report and Its Summary. 2. Passed the Proposal on the Risk Assessment Report of Angang Steel Group Finance Co., Ltd.. 3. Passed the 2022-2024 Development Strategy and Planning.
The fourth meeting of the ninth session of the Board of Directors	11 October 2022	12 October 2022	<ol style="list-style-type: none"> 1. Approved the Proposal on the Appointment of Mr. Tian Yong as the Deputy General Manager of the Company.

Corporate Governance (Continued)

VI. DIRECTORS' PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD (CONTINUED)

(I) Meetings of The Board of Directors during the Reporting Period (Continued)

Meeting session	Convening date	Disclosure date	Resolutions
The fifth meeting of the ninth session of the Board of Directors	19 October 2022	–	<ol style="list-style-type: none">2. Approved the Proposal on the Nomination of Mr. Tian Yong as the Candidate for Executive Director of the Ninth Session of the Board of Directors of the Company.1. Approved the Proposal on the Investment Plan for the Newly-built Continuous Annealing Furnace (AA1) Project in the West Zone of Cold Rolled Silicon Steel Plant.2. Approved the Proposal on the Investment Plan for the Newly-built Non-oriented High-grade 20-high Rolling Mill Project in the West Zone of Cold Rolled Silicon Steel Plant.
The sixth meeting of the ninth session of the Board of Directors	28 October 2022	29 October 2022	Approved the 2022 Third Quarterly Report of Angang Steel Company Limited.
The seventh meeting of the ninth session of the Board of Directors	7 November 2022	–	<ol style="list-style-type: none">1. Approved the Proposal on the Investment Plan for the Comprehensive Utilization of Residual Gas Power Generation Project of Bayuquan Iron & Steel Branch Company* of Angang Steel Company Limited.

Corporate Governance (Continued)

VI. DIRECTORS' PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD (CONTINUED)

(I) Meetings of The Board of Directors during the Reporting Period (Continued)

Meeting session	Convening date	Disclosure date	Resolutions
The eighth meeting of the ninth session of the Board of Directors	23 November 2022	24 November 2022	<ol style="list-style-type: none"> 2. Approved the Proposal on the Investment Plan for the Comprehensive Utilization of Resources for Power Generation Projects of Angang Group Chaoyang Iron and Steel Co., Ltd.*. 1. 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. 2. Passed the Proposal on Changing the Registered Capital of the Company and Corresponding Amendments to the Articles of Association. 3. Passed the Proposal on Convening the 2022 Third Extraordinary General Meeting, the 2022 Second Domestic Shareholders' Class Meeting and the 2022 Second Foreign Shareholders' Class Meeting of the Company.
The ninth meeting of the ninth session of the Board of Directors	29 December 2022	30 December 2022	<ol style="list-style-type: none"> 1. Passed the Proposal on the Appointment of Mr. Zhang Hongjun as the General Manager of the Company.

Corporate Governance (Continued)

VI. DIRECTORS' PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD (CONTINUED)

(I) Meetings of The Board of Directors during the Reporting Period (Continued)

Meeting session	Convening date	Disclosure date	Resolutions
The tenth meeting of the ninth session of the Board of Directors	30 December 2022	–	<ol style="list-style-type: none">Passed the Administrative Measures on Anti-Fraud and Reporting of Angang Steel Company Limited.Passed the Proposal on the Nomination of Mr. Zhang Hongjun as the Candidate for Executive Director of the Ninth Session of the Board of Directors of the Company.

Corporate Governance (Continued)

VI. DIRECTORS' PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD (CONTINUED)

(II) Attendance of Directors in the meetings of the Board of Directors and general meeting of shareholders

Attendance of directors in the meetings of the Board of Directors and general meeting of shareholders

Name of Directors	Number of attendance in board meetings required during the Reporting Period	Number of		Number of attendance in board meetings by proxy	Number of absence from board meetings	Whether or not attending board		Number of attendance in general meetings of shareholders
		on-site attendance in board meetings	telecommunication-based attendance in board meetings			in person for two consecutive times	Number of attendance in general meetings of shareholders	
Wang Yidong	18	-	17	1	-	No	1	
Wang Baojun	18	2	16	-	-	No	4	
Tian Yong	2	-	2	-	-	No	-	
Feng Changli	18	-	18	-	-	No	2	
Wang Jianhua	18	-	18	-	-	No	4	
Wang Wanglin	18	-	18	-	-	No	2	
Zhu Keshi	18	-	18	-	-	No	3	
Xu Shishuai	16	2	14	-	-	No	1	
Li Zhongwu	2	-	2	-	-	No	1	
Yang Xu	3	-	2	1	-	No	2	

(III) Objections raised by Directors on matters related to the Company

During the Reporting Period, the Directors did not raise any objection to the relevant matters of the Company.

Corporate Governance (Continued)

VII. THE SITUATION OF SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS DURING THE REPORTING PERIOD

Name of Committee	Membership	Number of Meetings	of Convening Date	Meeting Contents	Important Opinions and Suggestions	Other Performance of Duties	Specific Situations of Objections (if any)
Nomination Committee	Convener:	4	25 March 2022	Passed the Proposal on the Nomination of Mr. Yang Xu as Deputy General Manager of the Company.	-	-	-
	Member:			30 March 2022	1. Passed the Opinions on the Structure and Composition of the Board of Directors of Angang Steel Company Limited.	-	-
	Wang Jianhua			2. Passed the Opinions on Independence Verification of Independent Non-executive Directors.			
	Wang Yidong, Li Zhongwu, Feng Changli, Wang Wanglin, Zhu Keshi			3. Passed the Proposal on Suggesting the Nomination of Candidate for Director of the Ninth Session of the Board of Directors.			
			11 October 2022	1. Passed the Proposal on the Nomination of Mr. Tian Yong as Deputy General Manager of the Company.	-	-	-
				2. Passed the Proposal on Suggesting the Nomination of Mr. Tian Yong as the Candidate for Executive Director of the Ninth Session of the Board of Directors of the Company.			
			29 December 2022	1. Passed the Proposal on the Nomination of Mr. Zhang Hongjun as the General Manager of the Company.	-	-	-
				2. Passed the Proposal on Suggesting the Nomination of Mr. Zhang Hongjun as the Candidate for Executive Director of the Ninth Session of the Board of Directors of the Company.			

Corporate Governance (Continued)

VII. THE SITUATION OF SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS DURING THE REPORTING PERIOD (CONTINUED)

Name of Committee	Membership	Number of Meetings	of Convening Date	Meeting Contents	Important Opinions and Suggestions	Other Performance of Duties	Specific Situations of Objections (if any)	
Remuneration and Appraisal Committee	Convener:	4	30 March 2022	Passed the 2021 Remuneration Plan for Directors and Senior Managers of the Company.	-	-	-	
	Member:			22 April 2022	Passed the Proposal on the 2022 Annual Operating Performance Evaluation Measures of Senior Managers of Angang Steel Company Limited.	-	-	-
	Wang Yidong,			19 May 2022	Passed the Proposal on the Adjustment of Comparable Companies of the Restricted Share Incentive Scheme in 2020.	-	-	-
	Wang Jianhua, Wang Wanglin, Zhu Keshi			17 June 2022	Passed the Administrative Measures on Comprehensive Evaluation and Remuneration for the Person-in-Charge of Angang Steel Company Limited.	-	-	-
Strategy Committee	Convener:	3	25 March 2022	2022 Major Risk Assessment Report of Angang Steel Company Limited	-	-	-	
	Member:			30 March 2022	Passed the 2021 Corporate Social Responsibility Report and Environmental, Social and Governance Report and 2022 Key Work of ESG Management.	-	-	-
	Xu Shishuai, Feng Changli, Wang Jianhua, Wang Wanglin, Zhu Keshi			26 August 2022	Passed the 2022-2024 Development Strategy and Planning of Angang Steel Company Limited.	-	-	-

Corporate Governance (Continued)

VII. THE SITUATION OF SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS DURING THE REPORTING PERIOD (CONTINUED)

Name of Committee	Membership	Number of Meetings	of Convening Date	Meeting Contents	Important Opinions and Suggestions	Other Performance of Duties	Specific Situations of Objections (if any)
Audit Committee	Convener:	6	27 January 2022	Considered the Opinions on 2021 Annual Financial Report Audit Plan (Pre-audit) Stage Report of Angang Steel Company Limited.	-	-	-
	Member:			30 March 2022	1. Passed the 2021 Audited Financial Report of Angang Steel Company Limited.	-	-
	Feng Changli, Wang Jianhua, Wang Wanglin			2. Passed the Proposal on the Changes of Accounting Policy of the Company. 3. Passed the 2021 Internal Audit Work Report and 2022 Work Plan of Angang Steel Company Limited. 4. Passed the 2021 Internal Control Evaluation Report of Angang Steel Company Limited. 5. Passed the Proposal on the Appointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company's Auditor in 2022.			
			27 April 2022	1. Passed the Report on the Review Results of Financial Statements of Angang Steel Company Limited for the First Quarter of 2022. 2. Passed the 2022 First Quarter Work Report and Second Quarter Work Plan of the Audit Department of Angang Steel Company Limited.	-	-	-
			26 August 2022	1. Passed the Report on the Review Results of Interim Financial Statements of Angang Steel Company Limited in 2022.	-	-	-

Corporate Governance (Continued)

VII. THE SITUATION OF SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS DURING THE REPORTING PERIOD (CONTINUED)

Name of Committee	Membership	Number of Meetings	Convening Date	Meeting Contents	Important Opinions and Suggestions	Other Performance of Duties	Specific Situations of Objections (if any)
				2. Passed the Work Summary of the Audit Department of Angang Steel Company Limited for the First Half of 2022 and the Work Plan for the Second Half of the Year.			
		28	October 2022	1. Passed the Report on the Review Results of the Financial Statements of Angang Steel Company Limited for the Third Quarter of 2022. 2. Passed the 2022 Third Quarter Work Report and Fourth Quarter Work Plan of the Audit Department of Angang Steel Company Limited.	-	-	-
		30	December 2022	Passed the Administrative Measures on Anti-Fraud and Reporting of Angang Steel Company Limited.	-	-	-

Corporate Governance (Continued)

VIII. EMPLOYEES OF THE COMPANY

(I) Number of employees, specialty composition and education level

Number of current employees in the Company (<i>person</i>) as at the end of the Reporting Period	25,405
Number of current employees in major subsidiaries as at the end of the Reporting Period	3,898
Total number of current employees (<i>person</i>) as at the end of the Reporting Period	29,303
Total number of employees receiving remuneration during the period (<i>person</i>)	29,303
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations (<i>person</i>)	–

Specialty composition

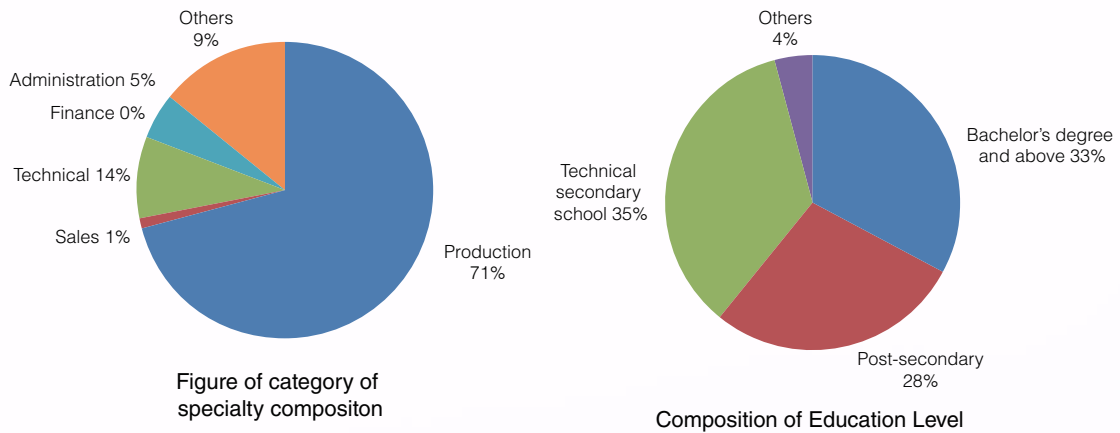
Category of specialty composition	Number of people (person)
Production	20,759
Sales	378
Technical	4,095
Finance	175
Administration	1,360
Others	2,536
Total	29,303

Education level

Category of education level	Number of people (person)
Bachelor's degree and above	9,730
Post-secondary	8,255
Technical secondary school	10,246
Others	1,072
Total	29,303

VIII. EMPLOYEES OF THE COMPANY (CONTINUED)

(I) Number of employees, specialty composition and education level (Continued)



(II) Remuneration policy

The Company has adopted “base salary + annual profit-linked salary + performance-linked award + tenure incentive” packages for the senior management; the allocation method of “base salary + annual merit salary + allowance + performance bonus + R&D bonus” remuneration packages for scientific research positions; “base salary + annual merit salary + allowance + performance bonus + profit-linked bonus” remuneration packages for sales personnel; and position-and-performance based remuneration packages for other personnel. The Company implemented the Restricted Share Incentive Scheme for Directors, the senior management and core technical (business) staff of the Company in 2020, further established and improved the long-term incentive mechanism of the Company, attracting and retaining outstanding talents, fully mobilizing the enthusiasm of core and key employees and effectively combining the interests of shareholders, the Company and the personal interests of employees.

Corporate Governance (Continued)

VIII. EMPLOYEES OF THE COMPANY (CONTINUED)

(III) Training programs

In 2022, the Company further developed the new training pattern which was closely related to business operation, transformation and upgrading and aimed to boost vitality by talents, advance development by innovation and drive improvement by role model. Regarding talent cultivation as the top priority, the Company further strengthened the training system with the purpose of boosting core businesses and achieving maximum synergy. During the year, special trainings covered 13,108 participants; key special-theme trainings covered 8,569 participants; expertise and skill trainings for frontline employees covered 46,631 participants; trainings on safety qualification for work permits of special operations covered 4,455 participants. The Company witnessed greater improvement of employees' comprehensive quality, which laid a solid foundation for high-quality development.

(IV) Labor outsourcing

Applicable Not applicable

IX. PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL OF THE COMPANY

(I) Formulation, implementation and adjustment of profit distribution policy, especially cash dividend policy, during the Reporting Period

Special Explanation of the Policy of Distribution of Cash Dividend

Whether it complies with the provisions of the Articles of Association or requirements of resolutions in shareholders' general meetings:	Yes
Whether the standards and ratio of dividends are clear and definite:	Yes
Whether relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors have tried their best to perform their duties and duly fulfilled their roles:	Yes
Whether the minority shareholders have sufficient opportunity to express their views and appeal, whether their legitimate rights and interests are fully protected:	Yes
Whether the conditions and procedures of the adjustments or changes of cash dividend policy are in compliance with regulations and transparent:	Yes

Corporate Governance (Continued)

IX. PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL OF THE COMPANY (CONTINUED)

(II) Details of profit distribution and transfer of reserve to share capital during the Reporting Period

Numbers of bonus share per 10 shares (share(s))	–
Dividend distribution per 10 shares (RMB) (tax inclusive)	0.068
Conversion per 10 shares (share(s))	–
Share base of the distribution proposal (shares)	9,400,570,897
Amount of cash dividend (RMB million) (tax inclusive)	64
Amount of cash dividend distributed in other forms (such as share repurchase) (RMB)	–
Total cash dividend (including other forms) (RMB million)	64
Distributable profits (RMB)	10,252
Percentage of total cash dividend (including other forms) to total profits distribution	100%

Distribution of cash dividends for this year

Based on 9,400,570,897 shares, the total number of shares entitled to distribution, the Company distributed cash dividends to all shareholders at RMB0.068 (tax included) for every 10 shares, which totaled approximately RMB64 million, accounting for 40% of the net profit attributable to shareholders of the Company.

Particulars of profit distribution and capitalization of capital reserves plan

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). As at the disclosure date, the Company's total share capital is 9,400,979,520 shares; after deducting the 408,623 treasury shares in the special account designated for repurchase, the number of shares entitled to distribution totaled 9,400,570,897 shares.

Corporate Governance (Continued)

IX. PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL OF THE COMPANY (CONTINUED)

(II) Details of profit distribution and transfer of reserve to share capital during the Reporting Period (Continued)

The Board recommended distributing cash dividend of RMB0.068 (tax inclusive) per 10 shares to all shareholders of the Company, based on 9,400,570,897 shares, the total number of shares which were entitled to the distribution, and the estimated total profit to be distributed amounted to approximately RMB64 million, representing 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 date in accordance with the principle that the amount of cash distribution per share will remain unchanged. This proposal is subject to approval at the 2022 annual general meeting.

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY

(I) Basic information of the Share Incentive Scheme

Purpose of the Scheme	In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the core and key employees, effectively align the interests of Shareholders, the interest of the Company and the personal interests of the employees, the 2020 Restricted Share Incentive Scheme (Draft) of Angang Steel Company Limited (hereinafter referred to as the Scheme) was considered and approved at the thirty-second meeting of the eighth session of the Board of Directors and the eleventh meeting of the eighth session of the Supervisory Committee of the Company on 26 November 2020, and was approved at the 2020 third extraordinary general meeting of the Company on 31 December 2020.
Participants of the Scheme	The Participants under the Scheme are the incumbent directors, senior and middle-level management, core technical (business) personnel upon the implementation of the Scheme, excluding Supervisors and independent Directors.
Total number of shares available for issue under the Scheme	Not applicable
Percentage of shares issued at the end of 2022	Not applicable
Source of restricted shares granted in the Scheme	The ordinary A shares repurchased by the Company from the secondary market.
Maximum entitlement of each participant in the Scheme	The total number of Restricted Shares to be granted to any single Incentive Participant under all the fully effective share incentive schemes of the Company within the effective period shall not exceed 1% of the total share capital of the Company at the date of the First Announcement (i.e., 26 November 2020).
Period during which the grantee may exercise the option under the Scheme	Not applicable

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

(I) Basic information of the Share Incentive Scheme (Continued)

Vesting period for options or awards granted under the Scheme	The share awards granted under this Scheme have no vesting period. The lock-up period of the Restricted Shares granted under this Scheme shall be 24 months from the date of completion of equity registration. If the conditions for the unlocking of the Restricted Shares are met, the Restricted Shares will be unlocked in three batches within the next 36 months in the proportion of 33%, 33% and 34%, respectively.
The amount payable (if any) on application or acceptance of the option or award and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount that is not required to be paid upon acceptance of the award.

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

(I) Basic information of the Share Incentive Scheme

Basis for determining the purchase price (if any) of the Shares granted	I. Basis for determination of the price of the First Grant The date of determining the price of the Restricted Shares under the First Grant is the date of the publication of the draft of the Scheme. The Grant Price shall not be lower than the nominal value of the Share, and shall not be lower than 60% of the higher of: <ol style="list-style-type: none">1. the average trading price of the underlying Shares of the Company for the last trading day preceding the announcement date of the draft of the Scheme;2. the average trading price of the underlying Shares of the Company for the last 20 trading days, 60 trading days or 120 trading days preceding the announcement date of the draft of the Scheme.
	II. Methods of determining the Grant Price of the reserved Restricted Shares Prior to the grant of reserved Restricted Shares, a separate Board meeting shall be convened to consider and approve the relevant proposal. The Grant Price shall not be lower than the nominal value of the Share, and shall not be lower than 60% of the higher of: <ol style="list-style-type: none">1. the average trading price of the Company's Shares on the trading day preceding the date of announcement of the Board's resolution regarding the grant of the reserved Restricted Shares;2. any one of the average trading prices of the Company's Shares in the last 20, 60 or 120 trading days preceding the date of announcement of the Board's resolution regarding the grant of the reserved Restricted Shares.
Remaining life of the Scheme	The effective period of this Scheme shall commence from the date of completion of registration for the First Grant and end on the date when all the Restricted Shares are fully unlocked or repurchased, for a maximum of 72 months. On 27 January 2021, the Company completed the registration of the First Grant of Restricted Shares under the Scheme with the China Securities Depository and Clearing Corporation Limited. As of 31 December 2022, there are no more than 49 months remaining under the Scheme.

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

(II) Implementation of the Share Incentive Scheme during the Reporting Period

1. Details of the Grant under the Scheme during the Reporting Period

On 10 December 2021, the fifty-fourth meeting of the eighth session of the Board of Directors and the twentieth meeting of the eighth session of the Supervisory Committee of the Company considered and approved the Resolution on Grant of Some Restricted Shares Reserved to Incentive Participants, under which 5,241,400 A shares of Restricted Shares were granted to 37 Incentive Participants at a Grant Price of RMB2.31 per share, with 10 December 2021 as the reserved grant date. On 28 January 2022, the Company completed the registration of the reserved grant under the Scheme and the listing date of the reserved grant of Restricted Shares was 28 January 2022.

On 19 May 2022, the 64th meeting of the eighth session of the Board of Directors and the 24th meeting of the eighth session of the Supervisory Committee of the Company considered and approved the "Proposal on the Adjustment of Comparable Companies of the Restricted Share Incentive Scheme in 2020".

2. Details of Cancellation of Share Incentive during the Reporting Period

On 10 December 2021, the fifty-fourth meeting of the eighth session of the Board of Directors and the twentieth meeting of the eighth session of the Supervisory Committee of the Company considered and approved the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales, and the proposal was approved at the 2022 first extraordinary general meeting, the 2022 first domestic shareholders' class meeting and the 2022 first foreign shareholders' class meeting of the Company on 6 January 2022. The Company repurchased and cancelled 2,229,750 shares of restricted shares granted but not yet released from restricted sales to the eight original incentive objects at a repurchase price of RMB1.88 per share, for a total repurchase price of RMB4,191,93. On 25 February 2022, the Company completed the Repurchase and Cancellation at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

(II) Implementation of the Share Incentive Scheme during the Reporting Period (Continued)

2. Details of Cancellation of Share Incentive during the Reporting Period (Continued)

On 23 November 2022, the eighth meeting of the ninth session of the Board of Directors and the fourth meeting of the ninth session of the Supervisory Committee of the Company considered and approved the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales.

On 19 December 2022, the 2022 third extraordinary general meeting, the 2022 second domestic shareholders' class meeting and the 2022 second foreign shareholders' class meeting of the Company considered and approved the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales.

On 10 February 2023, the Company completed the Repurchase and Cancellation of 2,040,931 Restricted Shares granted but not yet released from restricted sales to 12 original incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and upon completion of the cancellation, the total share capital of the Company was reduced from 9,403,020,451 shares to 9,400,979,520 shares.

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

(II) Implementation of the Share Incentive Scheme during the Reporting Period (Continued)

3. Grantees

Name	Position	Grant date	Lock-up Period <i>Note 4</i>	Grant price <i>(RMB/share)</i>	Number of	Number	Number	Purchase	Number of shares lapsed <i>(10,000 shares)</i>	Number of
					grants held at the beginning of the year <i>(10,000 shares)</i>	of shares of shares granted <i>(10,000 shares)</i>	of shares unlocked during the period <i>(10,000 shares)</i>	of shares cancelled during the year <i>(10,000 shares)</i>		price of cancelled incentive shares <i>(RMB/share)</i>
I. Directors and Senior Managers										
Zhang Hongjun	Executive Director and General Manager	2021.01.08	2021.01.27- 2023.01.26	1.85	40	-	-	-	-	40
Wang Baojun	Executive Director, Deputy General Manager, Chief Accountant and Secretary to the Board	2021.12.10	2022.01.28- 2024.01.27	2.31	0	26.55 <i>Note 1</i>	-	-	-	26.55
Tian Yong	Executive Director and Deputy General Manager	2021.01.08	2021.01.27- 2023.01.26	1.85	30	-	-	-	-	30
Meng Jinsong	Deputy General Manager	2021.01.08	2021.01.27- 2023.01.26	1.85	45	-	-	-	-	45
Xu Shishuai	Former Director and Former General Manager	2021.12.10	2022.01.28- 2024.01.27	2.31	-	22.55 <i>Note 1</i>	-	-	-	22.55
Li Zhongwu	Former Executive Director and Former Deputy General Manager	2021.01.08	2021.01.27- 2023.01.26	1.85	45	-	-	-	-	45
Yang Xu	Former Executive Director and Former Deputy General Manager	2021.01.08	2021.01.27- 2023.01.26	1.85	40	-	-	34.5	1.88	34.5
										5.5

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

(II) Implementation of the Share Incentive Scheme during the Reporting Period (Continued)

3. Grantees (Continued)

Name	Position	Grant date	Lock-up Period <i>Note 4</i>	Grant price <i>(RMB/share)</i>	Number of grants held at the beginning of the year <i>(10,000 shares)</i>	Number of shares granted <i>(10,000 shares)</i>	Number of shares unlocked during the period <i>(10,000 shares)</i>	Number of shares cancelled during the year <i>(10,000 shares)</i>	Purchase price of cancelled incentive shares <i>(RMB/share)</i>	Number of shares lapsed <i>(10,000 shares)</i>	Number of grants held at the end of the year <i>(10,000 shares)</i>
II. Other core employees											
Other core employees in the First Grant (169)		2021.01.08	2021.01.27- 2023.01.26	1.85	4,480	-	-	188.475	1.88	188.475	4,291.525
Other core employees in the Reserved Grant (35)		2021.12.10	2022.01.28- 2024.01.27	2.31	-	475.04 <i>Note 1</i>	-	-	-	-	475.04
Total		-	-	-	4,680	524.14	-	222.975	-	222.975	4984.165
III. Five individuals with the highest total compensation											
Employees in the First Grant (2)		2021.01.08	2021.01.27- 2023.01.26	1.85	85	-	-	34.5	1.88	34.5	50.5
Employees in the Reserved Grant (2)		2021.12.10	2022.01.28- 2024.01.27	2.31	-	49.1 <i>Note 1</i>	-	-	-	-	49.1

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

(II) Implementation of the Share Incentive Scheme during the Reporting Period (Continued)

3. Grantees (Continued)

Notes:

1. The grant date was 10 December 2021 and the registration of transfer was completed on 28 January 2022 at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.
2. During the Reporting Period, no Restricted Shares were unlocked.
3. During the Reporting Period, four of the five individuals with the highest total compensation were granted restricted A shares, namely the Directors and senior managers listed in the table above; the other individual was not granted restricted A shares.
4. The lock-up period of the Restricted Shares shall be 24 months from the date of completion of equity registration. The unlocking period and schedule for each unlocking of the Restricted Shares (including the reserved Restricted Shares) are set out below:

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

(II) Implementation of the Share Incentive Scheme during the Reporting Period (Continued)

3. Grantees (Continued)

Arrangement of unlocking	Unlocking period	Percentage of the number of Restricted Shares to be unlocked to the number of the Restricted Shares granted
First unlocking period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of the grant and ending on the last trading day of the 36-month period from the date of completion of registration of such grant	33%
Second unlocking period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of the grant and ending on the last trading day of the 48-month period from the date of completion of registration of such grant	33%
Third unlocking period	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of the grant and ending on the last trading day of the 60-month period from the date of completion of registration of such grant	34%

Corporate Governance (Continued)

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

(III) Appraisal mechanism and incentives for the senior management

The Company adopts the “base salary + annual profit-linked salary + performance-linked award + tenure incentive” packages for the senior management. The base salary refers to the average salary of employees for the year; the annual profit-linked salary is associated with the comprehensive performance review; the performance-linked award is the bonus funded from the excessive profit when the achievement is higher than the performance target; the tenure incentive is associated with the tenure performance review.

XI. THE ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

(I) Establishment and implementation of internal control

With the goal of “strengthening internal control, preventing risks, and promoting compliance”, the Company further improved the risk control awareness, faithfully performed the responsibilities of risk control operator, and built a stringent, standard, comprehensive and effective risk control system with risk management as the main task and compliance supervision as the core, shaping a comprehensive risk control mechanism that covered all members, the whole process and the overall system and operating risk management and internal control systems effectively.

The Company standardized the internal control operation mechanism by improving relevant internal control policies. It incorporated internal control provisions into every process of business operation and management, making the internal control system more scientific, systematic and effective; fully complied with the internal and external regulation requirements, and comprehensively reviewed the rules and policies related to internal control, risk and compliance management. In 2022, the Company developed and revised 56 sets of rules and policies and abolished 2 sets of rules and policies that were not appropriate or outdated.

With close risk monitoring, the Company reinforced the material risk management. As it improved the quarterly monitoring and reporting mechanism for material risks, the Company was able to take proactive measures to identify, prevent and react to material risks at the early stage, which avoided the aggravation and superposition of material risks. Meanwhile, the Company standardized the reporting mechanism to make sure that the reporting channel was available all the time.

Corporate Governance (Continued)

XI. THE ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD (CONTINUED)

(II) Specific information on significant defects of internal control identified during the Reporting Period

Yes No

XII. MANAGEMENT CONTROL OF SUBSIDIARIES BY THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT

(I) Self-evaluation Report on Internal Control

Date of disclosure of full text of evaluation report on internal control	31 March 2023
Index of Full Disclosure of Evaluation report on internal control	Cninfo website http://www.cninfo.com.cn
The proportion of the total unit asset under the scope of evaluation to the total assets of the consolidated financial statements of the Company	94.27%
The proportion of the unit operating income under the scope of evaluation to the operating income of the consolidated financial statements of the Company	93.71%

Corporate Governance (Continued)

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT (CONTINUED)

(I) Self-evaluation Report on Internal Control (Continued)

Type	Defect identification standards	
	Financial report	Non-financial report
Qualitative identification standard	<p>1. Significant defect:</p> <p>(1) The directors, supervisors and senior management are found to have fraudulent behavior.</p> <p>(2) Amendment to the published financial report of the Company.</p> <p>(3) There was a material misstatement in the financial statements, and the internal control failed to find the misstatement during the operation.</p> <p>(4) The supervision of internal control by the enterprise audit committee and the internal audit institution was invalid.</p>	<p>1. Defect identification standards for internal control of daily operations:</p> <p>(1) General defect</p> <p>has medium or below impact on the normal operation of the Company: affects certain of the principal business types/ major functions or general business/general functions of the Company; has medium or below impact on the overall operation of the Company and the Company is required to pay a certain consideration for its recovery in a certain period.</p>

Corporate Governance (Continued)

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT (CONTINUED)

(I) Self-evaluation Report on Internal Control (Continued)

Type	Defect identification standards	
	Financial report	Non-financial report
<p>2. Major defect:</p> <p>The severity and economic consequences of accounting policies, accounting and financial reporting were lower than significant defects, but there still existed internal control defects that may cause the Company to deviate from the control objectives.</p>	<p>(2) Major defect</p> <p>has relatively large impact on the normal operation of the Company; affects part of the principal business types/major functions of the Company; has relatively large impact on the overall operation of the Company and the Company is required to pay a considerable consideration for its recovery in a longer period.</p>	
<p>3. General defect:</p> <p>Internal control defect of financial reports other than significant defect and major defect.</p>	<p>(3) Significant defect</p> <p>has significant impact on the normal operation of the Company; affects most of the principal business types/major functions of the Company; has significant effect on the overall operation of the Company and it will be difficult for the Company to recover in the long run.</p>	

Corporate Governance (Continued)

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT (CONTINUED)

(I) Self-evaluation Report on Internal Control (Continued)

Type	Defect identification standards	
	Financial report	Non-financial report

2. Defect identification standards for internal control of the Company's reputation as follows:

- (1) General defect

has medium or below impact on the Company and the Company is required to pay a certain consideration for its recovery in a certain period; the Company is required to pay a certain consideration for its recovery in a certain period; overly prolonged delivery of goods and unstable quality, resulting in the reduction in cooperation with partners; concern from partners due to negative reports in a certain scope; quality issues in the application of products and inappropriate response resulting in tightening of conditions for continual cooperation with customers; the occurrence of counterfeit incident affects the normal sales of the Company's customers, resulting in the request of goods return or clarification from customers; internal rectification required by regulatory authorities.

Corporate Governance (Continued)

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT (CONTINUED)

(I) Self-evaluation Report on Internal Control (Continued)

Type	Defect identification standards	
	Financial report	Non-financial report

(2) Major defect

has relatively large impact on the Company and the Company is required to pay a certain consideration for its recovery in a longer period: partners continue to be dissatisfied with the Company in terms of quality, delivery time and price and other factors, thus certain partners cease their cooperation with the Company; negative reports from various media causes important partners to be concerned and public image is prejudiced; material quality issue results in discontinuity of cooperation and indirectly affects the cooperation with similar customers; the occurrence of counterfeit incident affects the normal sales channels and refund, thus the interests of both the Company and the customers are prejudiced; the Company is reported or publicly denounced by regulatory authorities.

Corporate Governance (Continued)

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT (CONTINUED)

(I) Self-evaluation Report on Internal Control (Continued)

Type	Defect identification standards	
	Financial report	Non-financial report

(3) Significant defect

has significant impact on the Company and the Company is required to pay a considerable consideration for its recovery in a longer period: serious problems occur in various sales factors and most of the partners cease to cooperate or reduce the level of cooperation; negative reports issued by popular authoritative media to cause the suspension of cooperation among customers, suppliers and the Company; material quality problems are found in application of products to key construction projects and have certain impact on the society, thus the recognition from the public decreases; negative effect brought by counterfeit incident, thus the recognition from the public and loyalty of customers decrease; the Company's business is forced to stop for rectification by regulatory authorities.

Corporate Governance (Continued)

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT (CONTINUED)

(I) Self-evaluation Report on Internal Control (Continued)

Type	Defect identification standards	
	Financial report	Non-financial report
		3. Defect identification standards for internal control of the Company's safety: (1) General defect affects minority of staff/public health/safety; relatively larger accidents. (2) Major defect affects part of staff/public health/safety; major accidents. (3) Significant defect affects certain number of staff/public health/safety; significant accidents.

Corporate Governance (Continued)

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT (CONTINUED)

(I) Self-evaluation Report on Internal Control (Continued)

Type	Defect identification standards	
	Financial report	Non-financial report
		<p>4. Defect identification standards for internal control of the Company's environmental protection:</p> <p>(1) General defect</p> <p>middle-level impact on the environment, the occurrence of general environmental incident (National level IV).</p> <p>(2) Major defect</p> <p>relatively large damage on the environment, the occurrence of larger environmental accident (National level III).</p> <p>(3) Significant defect</p> <p>serious damage on the environment, the occurrence of environmental protection incident at the level of significant environmental accident (National level II) or above.</p>

Corporate Governance (Continued)

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT (CONTINUED)

(I) Self-evaluation Report on Internal Control (Continued)

Type	Defect identification standards	
	Financial report	Non-financial report
Quantitative identification standard	1. Significant defect	
	significant effect on financial indicators and liquidity (0.8 time \leq turnover of current assets < 1 time); effect on total profit RMB50 million; effect on total assets RMB8 billion.	
	2. Major defect	
	larger effect on financial indicators and liquidity (0.5 time \leq turnover of current assets < 0.8 time); RMB10 million \leq effect on total profit < RMB50 million; RMB4.8 billion \leq effect on total assets < RMB8 billion.	-
	3. General defect	
	middle-level or smaller effect on financial indicators and liquidity (turnover of current assets < 0.5 time); effect on total profit < RMB10 million; effect on total assets < RMB4.8 billion.	
	Number of significant defects of financial report	0
	Number of significant defects of non-financial report	0
	Number of major defects of financial report	0
	Number of major defects of non-financial report	0

Corporate Governance (Continued)

XIII. SELF-EVALUATION REPORT ON INTERNAL CONTROL OR INTERNAL CONTROL AUDIT REPORT (CONTINUED)

(II) Auditor's report on internal control

Opinion on the review of the auditor's report on internal control

ShineWing Certified Public Accountants (Special General Partnership) has audited the internal control of the financial report of the Company in respect of its effectiveness, and is of the opinion that Angang Steel Company Limited maintained effective internal control on the financial report in all material aspects in accordance with the Basic Standards for Enterprise Internal Control 《企業內部控制基本規範》) and the relevant regulations as of 31 December 2022.

Disclosure of the auditor's report on internal control	Disclosed
Date of disclosure of full text of the auditor's report on internal control	31 March 2023
Index of full disclosure of the auditor's report on internal control	Cninfo website http://www.cninfo.com.cn
Type of opinion on the auditor's report on internal control	Standard unqualified opinion
Whether there is material defect of the non-financial report	No

Whether the accounting firm has issued the internal control audit report with unqualified opinion

Yes No

Whether the opinion of the auditor's report on internal control issued by accounting firm is consistent with that of the self-evaluation report of the Board

Yes No

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT

(I) Corporate governance practices

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 Listing Rules of Hong Kong Stock Exchange as currently effective. The Company has periodically reviewed its corporate governance practices, and 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.

(II) Securities transactions by Directors

The Board has adopted the relevant code for Directors' securities transactions for the purpose of complying with the Hong Kong Stock Exchange Listing Rules. In response to the Company's specific enquiries with all Directors, the Directors have confirmed that they have complied with the code set out in Appendix 10 to the Hong Kong Stock Exchange Listing Rules.

The Company has also adopted a code of conduct governing securities transactions by the employees of the Company who may possess or have access to price sensitive information in relation to the Company or its securities.

(III) Independent non-executive Directors

Throughout the Reporting Period, the Board had been in compliance with Rule 3.10(1) of the Hong Kong Stock Exchange Listing Rules, which requires a company to maintain at least three independent non-executive Directors, and with Rule 3.10(2) of the Hong Kong Stock Exchange Listing Rules, which requires one of the independent non-executive Directors to possess professional qualifications or accounting or related financial management expertise.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(III) Independent non-executive Directors (Continued)

Pursuant to the requirements of the Hong Kong Stock Exchange, the Company has verified with its independent non-executive Directors in respect of their independence as follows: the Company has received the written confirmation of each of the independent non-executive Directors ascertaining that they are in compliance with Rule 3.13 of the Hong Kong Stock Exchange Listing Rules in respect of their independence. The Company is of the opinion that all of the independent non-executive Directors are independent.

(IV) The Board and its special committees

1. Composition of the Board

The Board of the Company comprises seven members including three executive Directors (including one Chairman) and four independent non-executive Directors as at the end of the Reporting Period. The number of independent non-executive Directors of the Company represents over one-third of the members of the Board.

The Board of the Company establishes four special committees, which are all comprised of Directors. In particular, the majority of the members of the Audit Committee, Nomination Committee, Remuneration and Appraisal Committee are independent non-executive Directors who are also the conveners. There is at least one independent non-executive Director in the Audit Committee who possesses professional qualifications in accounting. Each of the special committees is accountable to the Board and submits proposals to the Board for consideration and approval.

The Board of the Company held 18 Board meetings and considered and approved 50 proposals in 2022.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

2. Duties and Operation of the Board

The Board is accountable to the general meetings and exercises the following powers:

- i. to convene and report at the general meetings;
- ii. to implement the resolutions passed at the general meetings;
- iii. to decide the Company's business and investment plans;
- iv. to prepare the Company's annual budget and its final accounts plan;
- v. to prepare the Company's profit distribution plan and loss recovery plan;
- vi. to prepare the proposals for the increase or reduction of the Company's registered capital, issue of debentures or other securities as well as listing;
- vii. to draw up plans for significant acquisition by the Company, purchase of the Company's shares or the merger, division and dissolution of the Company and change of corporate form;
- viii. to decide the Company's external investment, acquisition and sale of assets, asset mortgage, external guarantee, entrusted financial management, related transactions within the scope of powers prescribed by laws, regulations and listing rules of the Company's listing places and the authorization of the general meeting;
- ix. to determine the Company's internal management structure;
- x. to appoint or dismiss the Company's manager and the secretary to the Board, to appoint or dismiss the Company's deputy general manager and other senior management including the financial controller as nominated by the manager, and determine their remunerations, awards and punishment;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

2. Duties and Operation of the Board (Continued)

- xi. to prepare the Company's basic management system;
- xii. to prepare amendments to the Articles of Association of the Company;
- xiii. to manage the Company's information disclosure;
- xiv. to propose to the general meeting to hire or replace the accounting firm for the Company;
- xv. to hear the work report of the Company's manager and check the work of the manager;
- xvi. other powers granted by laws, administrative regulations, departmental rules or the Articles of Association of the Company.

Save for the resolutions in respect of the matters specified in subparagraphs vi, vii and xii above, which shall be passed by votes of more than two-thirds of the Directors, the resolutions in respect of other matters specified above may be passed by votes of at least half of the Directors.

The Board of the Company is responsible for the preparation of the financial statements for each financial period, which gives a true and fair view of the state of business condition, results and cash flows of the Company during the relevant period.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

2. Duties and Operation of the Board (Continued)

To ensure that the Board will receive independent insight and opinions, the Company has adopted the following policies:

- (1) Members of the Board shall take relevant business trainings every year, to ensure that they have adequate professional capabilities to fulfill the duties as directors.
- (2) The Company shall provide independent non-executive Directors with necessary conditions for discharging duties and shall ensure that independent non-executive Directors enjoy the right to know as equally as other directors. When independent non-executive Directors perform their duties, relevant personnel of the Company shall cooperate and shall not refuse to cooperate, hinder the performance or conceal any information, and shall not intervene in the independent performance of duties. The Company shall afford the cost of independent non-executive Directors' engagement of intermediaries and other expenses incurred in the performance of duties. Other than the remuneration for acting as independent non-executive Directors, independent non-executive Directors shall not receive additional or undisclosed benefits from the Company and its substantial shareholders or interested institutions and persons.
- (3) The Nomination Committee reviews the independence of independent non-executive Directors every year, to ensure that all independent non-executive Directors are non-connected parties.
- (4) Independent non-executive Directors do not engage in the Company's daily operation and management.
- (5) The remuneration of independent non-executive Directors is not linked with the Company's business performance.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

3. Remuneration and Appraisal Committee

In 2022, the Remuneration and Appraisal Committee of the Company held four meetings which mainly assessed the performance of the Directors and senior management of the Company during 2021, reviewed their remunerations for 2021, adjusted the 2020 Restricted Share Incentive Scheme to align with the conditions of the Company, and submitted these matters to the Board for consideration.

In 2022, the members of the Remuneration and Appraisal Committee of the Company and their attendance at meetings are as follows:

Name	Position in the Committee	Attendance at meetings
Feng Changli	convener	100%
Wang Yidong	member	100%
Wang Jianhua	member	100%
Wang Wanglin	member	100%
Zhu Keshi	member	100%

Main duties of the Remuneration and Appraisal Committee are:

- (a) to make recommendation to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives set up by the Board;
- (c) to determine, with delegated responsibility, the specific remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make consultation with and recommendations to the Chairman and/or Chief Executive Officer on the remuneration of other executive Directors;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

3. Remuneration and Appraisal Committee (Continued)

- (d) to make recommendations to the Board on the remuneration of non-executive Directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company;
- (f) to review and approve the compensation payable to executive Directors and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with relevant contractual terms and are otherwise reasonable and appropriate;
- (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

4. Nomination Committee

In 2022, the Nomination Committee of the Company held four meetings to nominate the candidates of Directors, general manager and deputy general manager of the Company for consideration by the Board in accordance with the qualification requirements and relevant requirement of regulations and the Articles of Association of the Company.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

4. Nomination Committee (Continued)

- (1) In 2022, the members of the Nomination Committee of the Company and their attendance are as follows:

Name	Position in the Committee	Attendance at meetings
Wang Jianhua	convener	100%
Wang Yidong	member	100%
Feng Changli	member	100%
Wang Wanglin	member	100%
Zhu Keshi	member	100%
Li Zhongwu	former member	100%
Yang Xu	former member	100%

- (2) Main duties of the Nomination Committee are:

- (a) to review the structure, size, composition of the Board (including skills, knowledge and experience) at least annually and make recommendations with respect to the changes to be made to the Board in order to coordinate with the Company's corporate strategy;
- (b) to identify individuals appropriately qualified to serve as Directors and to select or make recommendation to the Board on the selection of individuals nominated for directorship;
- (c) to assess the independence of independent non-executive Directors; and
- (d) to make recommendations to the Board on the appointment or reappointment of Directors and succession plan for Directors, in particular, the Chairman and the General Manager.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

4. Nomination Committee (Continued)

(3) Nomination policy

- (a) The Nomination Committee shall review at least once a year the number, composition and organizational structure of the Board (including the skills, knowledge base, work experience and diversity of the Board members), and advise on personnel changes of the Board to consolidate the Company's development strategy;
- (b) The Nomination Committee shall consider the criteria and procedures for selecting directors, general manager and other senior management members and make recommendations thereon to the Board, develop or revise the Board Diversity Policy and focus on developing board diversity in the member selection process. Factors to consider include but are not limited to gender, age, culture, perspectives, education background and previous experience;
- (c) The Nomination Committee shall identify candidates qualified to become the Board members and make recommendations thereon to the Board, having due regard to the Company's Board Diversity Policy, the requirements in the Articles of Association regarding the appointment of directors of the Company, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experience, independence and gender diversity;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

4. Nomination Committee (Continued)

(3) Nomination policy (Continued)

- (d) The Nomination Committee shall review the independence of independent non-executive Directors with reference to the factors set out in the Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board. If a proposed independent non-executive Director will be holding his/her seventh (or more) listed company directorship, the Nomination Committee shall assess his/her ability to devote sufficient time to the Board matters.

The Company's nomination policy is aimed to ensure that members of the Board have necessary skills and experience and diverse insights that are important to the businesses.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

5. Audit Committee

In 2022, the Audit Committee of the Company held a total of six meetings. During the meetings, the Audit Committee mainly reviewed the quarterly, interim and annual financial statements of the Company and financial information set out in the quarterly, interim and annual reports of the Company, reviewed the internal control system and risk management of the Company and nominated auditor of the Company for 2022.

In 2022, the members of the Audit Committee of the Company and their attendance are as follows:

Name	Position in the Committee	Attendance at meetings
Zhu Keshi	convener	100%
Feng Changli	member	100%
Wang Jianhua	member	100%
Wang Wanglin	member	100%

The Audit Committee and the management of the Company have jointly examined the Company's accounting policy and have discussed the 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.

Main duties of the Audit Committee are:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

5. Audit Committee (Continued)

Main duties of the Audit Committee are: (Continued)

- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

5. Audit Committee (Continued)

Main duties of the Audit Committee are: (Continued)

- (e) Regarding (d) above:
 - (i) members of the committee should liaise with the Board and senior management. The committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) to review the Company's financial control, internal control and risk management system at least annually, and, unless there is another risk committee under the Board or the Board itself explicitly deals with it, review the Company's risk management and internal control system;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (h) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the Company's financial and accounting policies and practices;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

5. Audit Committee (Continued)

Main duties of the Audit Committee are: (Continued)

- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in respect of the terms of reference;
- (n) to consider other topics, as defined by the Board;
- (o) to review arrangements as: employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) The Board and its special committees (Continued)

6. Training for Directors

In 2022, all the Directors of the Company have received relevant training and studied relevant laws and regulations at home and abroad, relevant rules and updates of Shenzhen Stock Exchange and Hong Kong Stock Exchange, details of which are as follows:

Name	Position in the Board	Continuous Professional Training Category
Wang Yidong	Chairman	A, B
Wang Baojun	Executive Director	A, B
Tian Yong	Executive Director	A, B
Feng Changli	Independent Non-executive Director	A, B
Wang Jianhua	Independent Non-executive Director	A, B
Wang Wanglin	Independent Non-executive Director	A, B
Zhu Keshi	Independent Non-executive Director	A, B
Li Zhongwu	Former Executive Director	A, B
Yang Xu	Former Executive Director	A, B

Notes: A: Attend meetings/forums/reporting meetings/trainings/lectures relating to businesses or functions of the Directors

B: Internal trainings of the Company/read supervisory update information about laws, rules and regulations relating to the roles and functions of the Directors.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(V) Chairman and general manager

The positions of Chairman and General Manager of the Company are assumed by different persons with definite division of duties.

Duties of the Chairman:

- i. to preside over the general meetings and to convene and preside over the Board meetings;
- ii. to supervise and check the implementation of resolutions of the Board;
- iii. to sign the securities issued by the Company;
- iv. to exercise other powers conferred by the Board.

Duties of the General Manager:

The General Manager of the Company reports to the Board and exercises the following powers:

- i. to take charge of the Company's production, operation and management and to organize and implement the resolutions of the Board and report to the Board;
- ii. to organize and implement the Company's annual business plan and investment plan;
- iii. to make proposals in relation to the Company's internal organizational structure;
- iv. to make proposals in relation to the Company's basic management system;
- v. to prepare the basic rules and regulations of the Company;
- vi. to make proposals in relation to the appointment or dismissal of the deputy general manager or other senior management personnel of the Company (including the financial controller);
- vii. to appoint or dismiss the management personnel other than those required to be appointed or dismissed by the Board;
- viii. other powers as conferred under the Articles of Association of the Company or granted by the Board.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VI) Company secretaries

During the Reporting Period, Mr. Wang Baojun and Mr. Zhou Dongzhou, the joint secretaries, were in compliance with Rule 3.29 of the Hong Kong Stock Exchange Listing Rules. Mr. Wang Baojun and Mr. Zhou Dongzhou were respectively appointed by the Board on 16 June 2021 and 30 November 2021. Mr. Zhou Dongzhou has signed an engagement contract with the Company to provide certain corporate secretarial services to the Company. Mr. Wang Baojun was the major contact person between Zhou Dongzhou and the Company in relation to corporate secretarial matters.

(VII) Rights of shareholders

1. How the shareholders can convene an extraordinary general meeting

Pursuant to Article 77 of the Articles of Association of the Company:

“any shareholder(s) individually or aggregately holding more than 10% of the shares of the Company shall be entitled to request in writing to the Board to convene an extraordinary general meeting. The Board shall reply, in writing, within 10 days upon receipt of such proposal, whether or not it consents to the convening of extraordinary general meeting in accordance with the provisions of the laws, administrative regulations and the Articles of Association of the Company.

The Board shall give the notice convening an extraordinary general meeting within 5 days after it has passed the relevant resolution. Any change made to the original request in the notice shall be subject to the consent of such shareholder(s).

If the Board does not consent to convene such an extraordinary general meeting or does not reply within 10 days upon receipt of such request, such shareholder(s) individually or in aggregate holding more than 10% of the shares of the Company shall be entitled to request in writing to the Supervisory Committee to convene such an extraordinary general meeting.

The Supervisory Committee shall give the notice convening an extraordinary general meeting within 5 days after it has passed the relevant resolution. Any change made to the original request in the notice shall be subject to the consent of such shareholder(s).

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VII) Rights of shareholders (Continued)

1. How the shareholders can convene an extraordinary general meeting (Continued)

If the Supervisory Committee fails to give a notice convening a general meeting within the prescribed period of time, it shall be deemed as not to convene and hold such a general meeting, in which circumstance, shareholder(s) individually or aggregately holding more than 10% of the shares of the Company shall be entitled to convene and chair such a general meeting on its/their own.”

2. The procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed.
3. Procedures and sufficient contact details for putting forward proposals at the general meetings.

(VIII) Investor relations

1. Communication with Shareholders

In order to protect the rights of its shareholders, the Company convenes general meetings at appropriate time and venue according to the relevant requirements and notifies its shareholders in a timely manner. The general meetings are convened by adopting the way of poll combining on-site voting and online voting to ensure that the shareholders can exercise their rights.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VIII) Investor relations (Continued)

1. Communication with Shareholders (Continued)

The Company has developed the Investor Relation Management Measures and the Work Plan for Investor Relation Management; strengthened communication with investors by holding results briefings and attending strategic review meetings organized by brokers; held 20 investor relation activities; met and exchanged views with 118 institutions, 125 investors; participated in the activity of Online Reception Day sponsored by the CSRC for listed companies under the supervision of Liaoning Branch; replied inquiries of 153 investors via the interaction platform of Shenzhen Stock Exchange. During the Reporting Period, the Company strictly followed the requirements of the Articles of Association and the Investor Relation Management Measures concerning the shareholder communication policy, truly protected the rights and interests of shareholders and ensured smooth channels for communication between the Company and investors.

The Board reviewed the shareholder communication policy on the regular basis, to ensure its implementation and effectiveness. Having considered the multiple communication and engagement channels provided by the Company, the Board believes that the shareholder communication policy is effective during the Reporting Period.

2. Significant Changes in the “Articles of Association”

In 2022, the Company's Articles of Association were amended at the 2022 First Extraordinary General Meeting, the 2022 Second Extraordinary General Meeting and the 2022 Third Extraordinary General Meeting, respectively, details were as follows:

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VIII) Investor relations (Continued)

2. Significant Changes in the “Articles of Association” (Continued)

Existing Articles

Amended Articles

Article 11 In accordance with the relevant provisions under the Constitution of the Communist Party of China, the Company shall establish an organization of the Communist Party of China. The Party committee shall perform the core leading and political functions, control the directions, manage the situation and ensure the implementation. The Company shall set up a working agency for the Party, allocate sufficient personnel to handle Party affairs and guarantee working funds for the Party organization.

Article 12 The aim of operation of the Company is to take the major business of steel production as principal, excellent business performance as basis and capital operation as means. By reasonably utilizing capital in the domestic and foreign capital markets, to promote the level of technical equipment and product competitiveness of the enterprise, thereby constantly adding value of capital, increasing the revenue of the enterprise year by year and taking excellent business performance as satisfactory return for the shareholders of the Company.

Article 20 Upon approval by the regulatory authority for the examination and approval of companies authorized by the State Council, the Company may issue up to a total amount of 9,405,250,201 shares (not including the shares that may be issued pursuant to the exercise of an over-allotment option).

One article is added after Article 10

Article 11 The Company shall comply with national laws and administrative regulations regarding labor protection and production safety, and implement relevant policies promulgated by the State to protect the legitimate rights and interests of the employees. The Company shall develop labor, personnel and salary system in accordance with the laws, administrative regulations and policies of the State regarding labor and personnel and based on the needs of production and operation. The Company shall establish a market-competitive salary allocation system for key core employees and flexibly carry out medium and long-term incentive plans through various means.

Article 12 In accordance with the relevant provisions under the Constitution of the Communist Party of China, the Company shall establish an organization of the Communist Party of China. The Party committee shall perform the leading functions, control the directions, manage the situation and promote the implementation. The Company shall set up a working agency for the Party, allocate sufficient personnel to handle Party affairs and guarantee working funds for the Party organization.

Article 13 The aim of operation of the Company is to take the major business of steel production as principal, excellent business performance as basis and capital operation as means. By reasonably utilizing capital in the domestic and foreign capital markets, to promote the level of technical equipment and product competitiveness of the enterprise, and improve its independent innovation capabilities, thereby constantly adding value of capital, increasing the revenue of the enterprise year by year and taking excellent business performance as satisfactory return for the shareholders of the Company.

Article 21 Upon approval by the regulatory authority for the examination and approval of companies authorized by the State Council, the Company may issue up to a total amount of 9,400,979,520 shares (not including the shares that may be issued pursuant to the exercise of an over-allotment option).

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VIII) Investor relations (Continued)

2. Significant Changes in the “Articles of Association” (Continued)

Existing Articles

Amended Articles

Article 21 (original text omitted)

Article 22 (A new content is added to the end to the original Article 21 as follows)

In 2022, upon the repurchase and cancellation of certain restricted shares, the shareholding structure of the Company shall be as follows: a total of 9,403,020,451 ordinary shares, of which 5,016,111,529 tradable A shares not subject to trading moratorium are held by Anshan Iron & Steel Co. Ltd., representing 53.35% of the total share capital of the Company; 845,000,000 tradable A shares not subject to trading moratorium are held by China National Petroleum Corporation, representing 8.99% of the total share capital of the Company; 2,130,368,922 shares are held by other holders of domestic invested shares, representing 22.65% of the total share capital of the Company and 1,411,540,000 shares are held by holders of overseas invested shares in the form of H shares, representing 15.01% of the total share capital of the Company.

In 2023, upon the repurchase and cancellation of certain restricted shares, the shareholding structure of the Company shall be as follows: a total of 9,400,979,520 ordinary shares, of which 5,016,111,529 tradable A shares not subject to trading moratorium are held by Anshan Iron & Steel Co. Ltd., representing 53.36% of the total share capital of the Company; 845,000,000 tradable A shares not subject to trading moratorium are held by China National Petroleum Corporation, representing 8.99% of the total share capital of the Company; 2,128,327,991 shares are held by other holders of domestic invested shares, representing 22.64% of the total share capital of the Company and 1,411,540,000 shares are held by holders of overseas invested shares in the form of H shares, representing 15.01% of the total share capital of the Company.

Article 24 The registered capital of the Company shall be RMB9,405,250,201.

Article 25 The registered capital of the Company shall be RMB9,400,979,520.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VIII) Investor relations (Continued)

2. Significant Changes in the “Articles of Association” (Continued)

Existing Articles

Article 169 The board of directors shall be accountable to the shareholders' general meeting and shall exercise the following functions and powers: (1) To be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting; (2) To implement resolutions of the shareholders' general meetings; (3) To decide on the Company's business plans and investment proposals; (4) To formulate the Company's annual financial budget and final accounts; (5) To formulate the Company's profit distribution plans and plans for making up losses; (6) To formulate proposals for the increase or reduction of the registered capital of the Company, proposals for the issuance of debentures or other securities of the Company and proposals for the listing of the Company; (7) To draft proposals for major acquisitions or the purchase of the Company's shares, or proposals for the merger, division, dissolution or change of the form of the Company; (8) Within the terms of reference prescribed by the laws, rules and regulations, and the listing rules of the place where the Company is listed and the scope of authorization of the shareholders' general meeting, to determine matters relating to the foreign investment, acquisition and sale of assets, mortgage of assets, matters of foreign guarantees, entrustment for financial management and connected transactions of the Company and such other matters; (9) To decide on the establishment of the Company's internal management organization; (10) To appoint or remove the manager and secretary of the board of the Company, and to appoint or remove senior officers such as the deputy managers and person-in-charge of financial affairs of the Company based on the recommendations of the manager, and to decide on their remunerations, rewards and punishments; (11) To formulate the Company's basic management system; (12) To formulate proposals for any amendment of the Articles; (13) To administer matters relating to the disclosure of information of the Company; (14) To propose to the shareholders' general meeting the appointment or removal of an accounting firm as the auditor of the Company; (15) To listen to the manager of the Company reporting his work and inspect his work; (16) Other functions and powers conferred by laws, administrative regulations, departmental rules or the Articles. Except the board resolutions in respect of the matters specified in paragraphs (6), (7) and (12) above, which shall be passed by two-thirds or more of the directors, board resolutions in respect of all other matters may be passed by more than one half of the directors.

Amended Articles

Article 170 The board of directors shall be accountable to the shareholders' general meeting, which is the Company's management decision-making body, to discharge its duties of formulating strategies, making decisions and preventing risks, and shall exercise the following functions and powers: (1) To formulate proposals for implementing the decisions and arrangement of the Party Central Committee and the State Council and major national development strategy initiatives; (2) To be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting; (3) To implement resolutions of the shareholders' general meetings; (4) To decide on the Company's business plans and investment proposals; (5) To formulate the Company's annual financial budget and final accounts; (6) To formulate the Company's profit distribution plans and plans for making up losses; (7) To formulate proposals for the increase or reduction of the registered capital of the Company, proposals for the issuance of debentures or other securities of the Company and proposals for the listing of the Company; (8) To draft proposals for major acquisitions or the purchase of the Company's shares, or proposals for the merger, division, dissolution or change of the form of the Company; (9) Within the terms of reference prescribed by the laws, rules and regulations, and the listing rules of the place where the Company is listed and the scope of authorization of the shareholders' general meeting, to determine matters relating to the foreign investment, acquisition and sale of assets, mortgage of assets, matters of foreign guarantees, entrustment for financial management and connected transactions of the Company and such other matters; (10) To decide on the establishment of the Company's internal management organization; (11) To appoint or remove the manager and secretary of the board of the Company, and to appoint or remove senior officers such as the deputy managers and person-in-charge of financial affairs of the Company based on the recommendations of the manager, and to decide on their remunerations, rewards and punishments; (12) To formulate the Company's basic management system; (13) To formulate proposals for any amendment of the Articles; (14) To administer matters relating to the disclosure of information of the Company; (15) To propose to the shareholders' general meeting the appointment or removal of an accounting firm as the auditor of the Company; (16) To listen to the manager of the Company reporting his work and inspect his work; (17) Other functions and powers conferred by laws, administrative regulations, departmental rules or the Articles. Except the board resolutions in respect of the matters specified in paragraphs (7), (8) and (13) above, which shall be passed by two-thirds or more of the directors, board resolutions in respect of all other matters may be passed by more than one half of the directors.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VIII) Investor relations (Continued)

2. Significant Changes in the “Articles of Association” (Continued)

Existing Articles	Amended Articles
<p>Article 170 The Board shall exercise its functions and powers in combination with the role of core leadership and political nucleus of the Party committee of the Company and solicit opinions from the Party committee of the Company before making decisions on material matters of the Company.</p>	<p>Article 171 The Board shall exercise its functions and powers in combination with the role of leadership of the Party committee of the Company. Major operational and management issues must be studied and discussed by the Party committee of the Company before the Board makes decisions in accordance with the terms of reference and prescribed procedures.</p>
<p>Article 193 The general manager shall exercise his/her functions and powers in combination with the role of political nucleus of the Party organization of the Company and solicit opinions from the Party organization of the Company before making decisions on material production and operational matters of the Company and appointing managers within his/her term of reference.</p>	<p>Article 194 The general manager shall exercise his/her functions and powers in combination with the role of leadership of the Party committee of the Company and solicit opinions from the Party committee of the Company before making decisions on material production and operational matters of the Company and appointing managers within his/her term of reference.</p>

(IX) Corporate governance functions

The Board is responsible for performing the functions as set out in code provision A.2.1 of the Corporate Governance Code to ensure that the Company has established comprehensive corporate governance practices and procedures. During the Reporting Period, the Board has:

1. established and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;
2. reviewed and monitored the training and continuous development of the Directors and senior management;
3. reviewed and monitored the policies and practices of the Company regarding the compliance with relevant legal and regulatory requirements;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IX) Corporate governance functions (Continued)

4. established, reviewed and monitored the code of conduct for Directors and employees; and
5. reviewed as to whether the Company has complied with the Corporate Governance Code of Appendix XIV to the Hong Kong Stock Exchange Listing Rules and made disclosures in the Corporate Governance Report.

(X) Risk management and internal control

The Board is responsible for overseeing the Group's risk management and internal control systems and reviewing their effectiveness. The Strategic Committee and the Audit Committee under the Company's Board of Directors assist the Board in monitoring and reviewing the design and operational effectiveness of the risks, associated risk management and internal control systems, and submit reports to the Board.

The Group has established a relatively comprehensive risk management and internal control system, in which there is close integration of the Group's comprehensive risk management and internal control work with other management efforts, so as to integrate the various requirements of risk management into corporate management and business processes. In accordance with the principle of "The one who is in charge of the business is responsible for the risks", the Company has established "Three Lines of Defence" for risk management, with each department and unit as the first line of defence, the departments in charge of overall risk management and internal control and the strategic committee under the Board of Directors as the second line of defence, and the internal audit department and the audit committee under the Board of Directors as the third line of defence.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(X) Risk management and internal control (Continued)

1. Risk management

The Group has established a material risk assessment mechanism, which can, based on the changes in the internal and external environment, identify, analyze and evaluate the risks affecting the achievement of the strategic and operational objectives of the enterprises. Based on the results of the risk assessment, and taking into account the conditions of the internal and external environment as well as important bottlenecks and weaknesses of the enterprises, the Group can comprehensively assess the major risks for the year, formulate countermeasures and implement subject to the approval by the Board of Directors, and carry out prevention and control of major risks.

The Group has established a material operational risk monitoring mechanism. All competent business departments and units closely track and monitor the changes in major risks and relevant implementation on a yearly basis and report on a quarterly basis to the Company on major risk prevention and control, new risk hazards and risk events.

The Group has established and operated an early warning mechanism for operational risks. All competent business departments pay attention to the changes in national laws and regulations, changes in government regulatory policies, industry dynamics and market changes, etc., and identify and assess the major risks that may occur in their respective areas of expertise, and issue risk warning notices in a timely manner.

The Group promotes the joint mechanism of risk assessment and compliance review for the decision making on significant matters. In accordance with relevant regulations on business approval authority, risk assessment and compliance review management of significant matters, organize and conduct special risk assessment and compliance review of significant matters, and form the Special Risk Assessment and Compliance Review Report. Before significant matters are reviewed and decisions are made, they should be submitted to the Joint Review Department for review and a Review Opinion is formed.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(X) Risk management and internal control (Continued)

2. Internal control

The Group has established an internal audit department which reports directly to the Audit Committee. The Audit Department attends the Audit Committee meetings on a quarterly basis to report on the internal audit work of the Company. The Audit Committee oversees and reviews the comprehensiveness and implementation of the Group's internal control system. The Audit Department organizes annual reviews and self-evaluations of the internal control system, prepares self-evaluation reports on internal controls and reports to the Audit Committee for approval by the Board.

The Group has established and operated a long-term mechanism for the management of rules and regulations, an internal control mechanism for authorization and approval, an internal control evaluation mechanism, an internal control rectification mechanism and an internal control system work reporting mechanism. The Audit Department organizes an annual comprehensive self-assessment of the effectiveness of the internal control system to objectively, truthfully and accurately reveal the internal control deficiencies in management. It also issues timely rectification notices concerning internal control deficiencies uncovered by internal control supervision and evaluation, provides guidance and supervises the implementation of rectification, and conducts inspection and evaluation of the effectiveness of rectification.

The Group has established the Procedures for the Administration of Information Disclosure, which clearly specifies the procedures for communication, confidentiality, reporting and external release of insider information prior to its release.

The Board reviews the Group's risk management and internal control systems at least once a year. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board believes that the risk management and internal control system settings of the Group are sufficient and effective.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(XI) Auditor's remuneration

For the year ended 31 December 2022, the Company paid audit fees of RMB5.0 million to the external auditor of the Company, of which RMB4.30 million was paid for audit fees of annual financial report and RMB0.70 million was paid for audit fees of internal control.

(XII) Board diversity policy

In accordance with the requirements of the Hong Kong Stock Exchange, the Company has formulated the Board Diversity Policy. The Company is committed to the principle of equal opportunities in all aspects of its business, and no one will be discriminated against on the grounds of race, gender, disability, religion or ideological belief, age, sexual orientation, family status or any other factors.

The Company strives to ensure that board members maintain an appropriate balance in terms of skills, experience and diversity of views and perspectives to provide different views and perspectives, opinions and questions, and ensure the implementation of the Company's business strategy and the efficient operation of the Board. The appointment of members of the Board will continue to be based on the principle of employing only the best, considering the candidates who can serve as members of the Board according to objective criteria, and with due regard to the benefits of diversity of members of the Board.

Currently, the Company has eight directors, including four independent non-executive directors. Specialized in steel enterprise management, economics and management, steel industry analysis, law and accounting, and tax, the directors have extensive experience, broad horizon and keen sight in market and economic trends and enterprise development trends, master knowledge of macroeconomic development and national policies and regulations, possess high-level professionalism and strategic thinking and have great influence in their respective specialized field, which is a strong support to Angang Steel's high-quality development.

All directors are males, and the gender diversity of the Board is expected to improve. With full consideration of the Board Diversity Policy, the Company will uphold the principle of selecting talents on their merits and remain committed to providing female employees with career development opportunities.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(XII) Board diversity policy (Continued)

The Nomination Committee is responsible for maintaining the diversity of the Board and ensuring compliance with the diversity-related provisions of the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Stock Exchange Listing Rules. With the authorization of the Board, the Nomination Committee gives priority to female employees in selecting and nominating appropriate candidates for directorship, to improve the proportion of female employees and ultimately achieve diversity.

A series of measures have been adopted, which will be further promoted in the future, to enhance the gender diversity of the Board. The Company has set the following goal and policy: the Nomination Committee will review the Board Diversity Policy and the progress (including gender balance) on the regular basis, to ensure continuity and effectiveness, and nominate female candidates to the Board for consideration at appropriate time. The Board plans to elect one additional female directors by the end of 2024, and believes that the policy will provide the talents it is seeking to achieve gender diversity.

In terms of gender diversity of employees, the Group has 29,303 employees in total in 2022, including 2,513 female employees, who account for 8.6% of the workforce. The Company intends to provide more opportunities to females in the process of recruitment and talent cultivation, to achieve a more balanced gender structure. As at the date of this annual report, the Company is not aware of any factor or circumstance that poses challenges to or negatively affects the gender diversity of employees.

Environmental and Social Responsibilities

I. MAJOR ENVIRONMENTAL ISSUES

(I) Information of pollutant discharge

Whether the Company and its subsidiaries are key discharge units of the environmental protection authorities

Yes No

Name of company or subsidiary	Name of major pollutants and characteristic pollutants	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Pollutant discharge standards executed	Total discharge	Approved total discharge	Excessive discharge			
Angang Steel Company Limited (including Anshan area of Angang Steel, Bayuquan Iron & Steel Branch Company and Chaoyang Iron and Steel)	COD	Discharged after being treated to acceptable standards	3	Main drain	<50mg/L	50mg/L	52.7 tons	Not approved by the government department	None			
	Ammonia nitrogen	Discharged after being treated to acceptable standards	3	Main drain	<5mg/L	5mg/L	7.97 tons		None			
	Particulate matter	Discharged after being treated to acceptable standards	589	Coking	<30mg/m ³	30mg/m ³	11195.4 tons		None			
	Sulfur dioxide	Discharged after being treated to acceptable standards	214	Coking	<50mg/m ³	50mg/m ³	8237.9 tons		None			
										Sintering	<200mg/m ³	200mg/m ³
										Steel rolling	<150mg/m ³	150mg/m ³
	Nitrogen oxide	Discharged after being treated to acceptable standards	190	Coking	<500mg/m ³	500mg/m ³	25686.3 tons		None			
										Sintering	<300mg/m ³	300mg/m ³
										Steel rolling	<200mg/m ³	200mg/m ³

Environmental and Social Responsibilities (Continued)

I. MAJOR ENVIRONMENTAL ISSUES (CONTINUED)

(II) Construction and operation of pollution prevention facilities:

In 2022, the Company approved and promoted 50 environmental improvement projects, with total investment of RMB877 million. Among these projects, 44 were about ultra-low carbon emission, with investment totaling RMB841 million. The existing pollution prevention facilities operated with stability; gas emissions satisfied the standards; the wastewater discharge of Chaoyang Iron and Steel and Bayuquan Iron & Steel Branch Company met the standards; the Anshan plant achieved zero wastewater discharge in non-rainy periods.

(III) Environmental impact assessment on construction projects and other environment protection administrative permits:

All new projects have gone through environmental impact assessment procedures, and environmental protection inspection and acceptance procedures have been carried out for all completed projects. The implementation rate of the “Three Simultaneousness” for environmental impact assessment and environmental protection of construction projects reached 100%. The Company has completed the renewal and change of pollutant discharge permits, and has managed to discharge pollutants in compliance with the permits and operate in accordance with the law.

(IV) Emergency plans for environmental pollution accidents:

The Company has formulated and strictly implemented the Contingency Plan for Environmental Events, which is currently in effect.

(V) Environmental protection self-monitoring plan:

The Company has formulated environmental protection self-monitoring plan and organized relevant monitoring.

(VI) Administrative penalty due to environmental issues during the Reporting Period:

There was no administrative penalty for the Company due to environmental issues during the Reporting Period.

Environmental and Social Responsibilities (Continued)

I. MAJOR ENVIRONMENTAL ISSUES (CONTINUED)

(VII) Measures adopted to reduce carbon emission during the Reporting Period and their effectiveness

1. Greater investment in energy conservation projects. In 2022, the Company advanced 23 energy conservation projects with total investment of RMB874 million, which were expected to technically save 210,000 tons of standard coal every year and reduce carbon dioxide emissions by over 800,000 tons every year.
2. Vigorous promotion of green electricity generated by clean energy. In 2022, the trading of electricity generated by clean energy reached 2,620,000,000 kWh, representing increase of 2,300,000,000 kWh as compared with the previous year, reducing carbon dioxide emissions by 420,000 tons and saving electricity costs by RMB180 million.
3. Enhanced management of power generation system, well-organized coal-gas balance and further improvement in recycling of secondary energy and residual heat and energy. The consumption of electricity generated by residual heat and energy increased by 148,000,000 kWh, representing year-on-year increase of 7%, reducing carbon emissions by 115,000 tons.
4. Stronger efforts in development of green and low carbon technologies. The Low CO₂ Emission Blast Furnace Charge Solution Based on Low Basicity High Silicon Pellets and Its Application was honored with the Steelie Low Carbon Production Excellence Achievement Award of the World Iron and Steel Association.
5. Energy conservation upgrading and broader technical exchange. More than 20 technical exchange activities, covering “energy conservation in the process of heating the steel ladle” and “energy conservation solutions for the air compressor system”, were organized. The Life Cycle Assessment (LCA) Working Group was established to construct the Carbon Emission and LCA Platform.
6. Activities of Energy Conservation Week and Low Carbon Day, which enhanced employees’ energy conservation awareness.

(VII) Other environmental information that should be disclosed:

None.

Environmental and Social Responsibilities (Continued)

II. SOCIAL RESPONSIBILITIES

The Company faithfully fulfills the social responsibilities and has disclosed the 2022 Social Responsibility and Environmental, Social and Governance Report of Angang Steel Company Limited, the full text of which is available at the website <http://www.cninfo.com.cn> on 31 March 2023.

III. CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS IN POVERTY ALLEVIATION AND RURAL REVITALIZATION

The Company continuously advanced rural revitalization, and insisted on the principle that “officials continue to fulfil their responsibilities based on policies of poverty alleviation, provide assistance and supervise the work process even if the village has been lifted out of poverty”. It also continued to promote the paired assistance. Besides, it made continuous efforts in industrial revitalization and personnel cultivation, promoted the effective connection between the achievements of poverty alleviation and rural revitalization, thus turning poor villages accepting assistance into sources of economic growth, and leading villagers to pursue sustainable prosperity. In 2022, the Company invested RMB16,399,300 in pair-up assistance projects, promoted 9 pair-up assistance projects, attracted RMB60,210,000 of funds and purchased RMB18,502,300 worth of products under the pair-up assistance programs. These actions strongly supported regions of the pair-up assistance programs to consolidate the achievement in poverty alleviation and improve the capability to develop independently, and contributed to further progress of rural revitalization.

Significant Matters

I. PERFORMANCE OF UNDERTAKING

(I) 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	Non-competition undertakings	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》):	20 May 2007	Indefinite	There was no breach of such undertaking
			(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 preemptive 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.			

Significant Matters (Continued)

I. PERFORMANCE OF UNDERTAKING (CONTINUED)

(I) 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 (Continued)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
------------------------	-------------------	---------------------	-------------------------	---------------------	-----------------------	----------------------------

(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.

Significant Matters (Continued)

I. PERFORMANCE OF UNDERTAKING (CONTINUED)

(I) 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 (Continued)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
------------------------	-------------------	---------------------	-------------------------	---------------------	-----------------------	----------------------------

- (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.

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.

Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:

- (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).

Significant Matters (Continued)

I. PERFORMANCE OF UNDERTAKING (CONTINUED)

(I) 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 (Continued)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			(3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.			
			Considering that Angang Holding does not have any iron and steel production projects already put into 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.			
			Whether the undertakings are fulfilled on time			Yes

Significant Matters (Continued)

I. PERFORMANCE OF UNDERTAKING (CONTINUED)

(II) 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 OTHER CONNECTED PERSONS

Applicable Not applicable

III. NON-COMPLIED EXTERNAL GUARANTEE

Applicable Not applicable

IV. EXPLANATION OF THE BOARD REGARDING THE RELATED INFORMATION OF THE LATEST "NON-STANDARD AUDIT OPINION"

Applicable Not applicable

V. EXPLANATION OF THE BOARD, 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

Significant Matters (Continued)

VI. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF MAJOR ACCOUNTING ERRORS DURING THE YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR

Applicable Not applicable

VII. EXPLANATION OF CHANGES OF SCOPE IN CONSOLIDATED STATEMENTS AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR

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.

Significant Matters (Continued)

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

(I) 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 services by the PRC accounting firm	5 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	5 years

(II) Whether Appointed Another Accounting Firm During the Period

Yes No

(III) Particulars on Appointment of Accounting Firms, Financial Consultants or Sponsors for Internal Control and Auditing Purposes

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.

Significant Matters (Continued)

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM (CONTINUED)

(IV) 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

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

XI. MATERIAL LITIGATION AND ARBITRATION

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	The majority of the successful cases have entered the enforcement process, while the remaining cases are still under trial.	-	Some of the cases are in the stage of payment collection and auction by the court.
Non-material response to proceedings	6,958.32	No	Most of the cases were concluded in favour of the Company, while other cases are still under trial.	-	-

XII. PENALTIES AND RECTIFICATIONS

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

Significant Matters (Continued)

XIII. CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

Applicable Not applicable

XIV. MAJOR CONNECTED TRANSACTIONS

The connected transactions set out below fall within the definition of “Connected Transaction” or “Continuing Connected Transaction” under Chapter 14A of the Hong Kong Stock Exchange Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Stock Exchange Listing Rules for the connected transactions.

(I) Connected transactions related to daily operations

Related party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount	As a	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions	
							percentage of the amount of similar transaction				
						(RMB million)	(%)	(RMB million)			
Ansteel Group Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	16,859	22.33	39,764	No	In cash	-
Shanxi Wuchan International Energy Co., Ltd. (山西物產國際能源有限公司)	Associate of controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	2,988	3.96			In cash	-
Ansteel International Trade	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,774	2.35			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,624	2.15			In cash	-
Ansteel Cast Steel Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	449	0.59			In cash	-
Bensteel Group Corporation Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	327	0.43			In cash	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions related to daily operations (Continued)

Related party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions	
							of the amount of similar transaction (RMB million)				
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	344	0.46		In cash	-	
Sub-total	-	-	Purchase main materials	-	-	24,365	32.27		-	-	
Pangang Group Company Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	611	1.10	1,462	No	In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	395	0.71		In cash	-	
Sub-total	-	-	Purchase steel products	-	-	1,006	1.81		-	-	
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	-	1,039	15.34	3,691	No	In cash	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions related to daily operations (Continued)

Related party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions	
							of the amount of similar transaction (RMB million)				
Angang Refractory Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	697	10.29		In cash	-	
Angang Group Engineering Technology Co., Ltd.	Associate of controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	523	7.72		In cash	-	
Angang Group Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	253	3.73		In cash	-	
Ansteel Group Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	215	3.17		In cash	-	
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	296	4.37		In cash	-	
Sub-total	-	-	Purchase auxiliary materials	-	-	3,023	44.62		-	-	
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	157	96.32	1,798	No	In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	157	96.32		-	-	
Angang Group Engineering Technology Co., Ltd.	Associate of controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	1,418	8.40	9,362	No	In cash	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions related to daily operations (Continued)

Related party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
							of the amount of similar transaction (RMB million)			
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	Purchase goods/ Receive services	Receive supporting services	Market principle	-	1,175	6.96		In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	1,174	6.95		In cash	-
Angang Holding	Associate of controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	966	5.72		In cash	-
Angang Group Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	829	4.91		In cash	-
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	533	3.16		In cash	-
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	409	2.42		In cash	-
Angang Group Information Industry Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	330	1.95		In cash	-
Angang Yingkou Port Services Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	287	1.70		In cash	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions related to daily operations (Continued)

Related party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions	
							of the amount of similar transaction (RMB million)				
Ansteel International Trade	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	183	1.08		In cash	-	
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	693	4.10		In cash	-	
Sub-total	-	-	Receive supporting services	-	-	7,997	47.35		-	-	
Delin Lugang 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	-	7,442	4.81	16,171	No	In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	711	0.46		In cash	-	
Ansteel International Trade	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	656	0.42		In cash	-	
Anshan Falan Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	292	0.19		In cash	-	
Angang Group Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	266	0.17		In cash	-	
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	212	0.14		In cash	-	

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions related to daily operations (Continued)

Related party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount	As a	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions	
							percentage of the amount of similar transaction				
						(RMB million)	(%)	(RMB million)			
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	395	0.26		In cash	-	
Sub-total	-	-	Sales of products	-	-	9,974	6.45		-	-	
Angang 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	418	No	In cash	-
Sub-total	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	341	93.42		-	-	
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	-	422	23.17	1,527	No	In cash	-
Sub-total	-	-	Provide comprehensive services	-	-	422	23.17		-	-	

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions related to daily operations (Continued)

Related party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
							of the amount of similar transaction (%)				
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 Steel Group Capital Holdings Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring	Market principle	-	225	14.23	1,000	No	In cash	-
Angang Steel Group Capital Holdings Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring interest	Market principle	-	2	10.53	50	No	In cash	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions related to daily operations (Continued)

Particulars on refund of bulk sale	–
Estimated total amount for continuing connected transactions to be conducted during the period and their actual implementation 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. 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 supporting 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.

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(II) Connected transactions in relation to asset or equity acquisition or disposal

Applicable Not applicable

Unit: RMB million

Related parties	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Carrying value of assets transferred	Appraised value of assets transferred	Transfer price	Settlement method of connected transactions	Gains and losses arising from transactions	Date of signing
Angang Holding	Associate of controlling shareholder	Acquisition of net assets	Acquisition of net assets of the Second Power Plant of Angang Holding	Pricing based on the appraisal results of 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							-			

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(III) Connected transactions in relation to joint external investments

Unit: RMB million

Joint investor	Connected relationship	Name of the investee corporate	Principal business of the investee corporate	Registered capital of the investee corporate	Total assets of the investee corporate	Net assets of the investee corporate	Net profit of the investee corporate
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 Product Co., Ltd.	Purchase and consultation services of industrial products such as equipments and materials, industrial products e-commerce trading, and supply chain finance services;	180	303	182	2
		Progress on the major project under construction of the investee corporate (if any)		-			

(IV) Related party credit and debt transaction

Debts and obligations due from/owed to related parties incurred from non-operating activities

Yes No

During the Reporting Period, the Group had no debts and obligations due from/owed to related parties incurred from non-operating activities.

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(V) Transactions with connected financial company

Unit: RMB million

Deposit business

Related parties	Connected relationship	Maximum daily deposit limit	Range of deposit interest rate	Opening balance	Amount occurred in the period		Closing balance
					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

Related parties	Connected relationship	Total loan amount	Range of loan facility interest rate	Opening balance	Amount occurred in the period		Closing balance
					Total loan during the period	Total repayment 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

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

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(VI) Transaction with connected financial company which is under the control of the Company

Applicable Not applicable

(VII) Other major connected transactions

On 19 May 2022, the Resolution on Providing Counter-guarantees of Deformed Bar Delivery Warehouse Business for Angang Group Corporation (《關於向鞍山鋼鐵集團有限公司提供螺紋鋼交割廠庫業務反擔保的議案》) was approved at the sixty-fourth meeting of the eighth session of the Board of the Company. Given that the controlling shareholder of the Company, Angang Holding, provided guarantees of the application to Shanghai Future Exchange of designated deformed bar delivery warehouse qualification for the Company, and entered into the Letter of Guarantee (hereinafter referred to as the “Letter of Guarantee”), in order to promote the stable development of the future business of the Company, it provided counter-guarantees for Angang Holding in accordance with the relevant articles of the Letter of Guarantee, with the counter-guarantee limits under RMB300 million.

(VIII) Opinions of independent non-executive Directors

(1) The 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 favourable 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 is fair and reasonable and in the interests of the Company and its 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 Agreement. 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.

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(IX) Opinions of auditors

The auditors have reviewed the non-exempt continuing connected transactions of the Company conducted during the year 2022 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 entered into in accordance with the relevant agreements in all material aspects.
4. Any continuing connected transactions had exceeded the relevant annual cap.

Significant Matters (Continued)

XV. MATERIAL CONTRACT AND THEIR PERFORMANCE

(I) 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 conduct daily operation and management of the assets, businesses, additional future assets and businesses of the unlisted units under its control.

During the Reporting Period, there was no entrusted project which generated profit or loss of more than 10% of the gross profit of the Company for the Reporting Period.

2. Contracting

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.

Significant Matters (Continued)

XV. MATERIAL CONTRACT AND THEIR PERFORMANCE (CONTINUED)

(II) 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.

(III) Entrusted cash assets management

1. Entrusted wealth 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.

(IV) Other material contract

Applicable Not applicable

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable Not applicable

XVII. SIGNIFICANT EVENTS OF THE COMPANY'S SUBSIDIARIES

Applicable Not applicable

Significant Matters (Continued)

XVIII. EVENTS AFTER THE REPORTING PERIOD

1. The Company approved the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants 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 at the general meeting on 19 December 2022. The Company repurchased and canceled 2,040,931 restricted shares that were granted but not released from restriction on sales held by ten first-granted original incentive participants and two reserve-granted original incentive participants who did not meet the incentive conditions in accordance with the 2020 Incentive Scheme and relevant laws and regulations. On 10 February 2023, the Company completed the repurchase and cancellation of the above restricted shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. Upon completion of the cancellation, the total share capital of the Company was reduced from 9,403,020,451 shares to 9,400,979,520 shares, and the registered capital was reduced from RMB9,403,020,451 to RMB9,400,979,520.
2. On 22 March 2023, the Company elected Mr. Zhang Hongjun as the Executive Director of the ninth session of the Board of Directors and elected Mr. Cao Yuhui as the shareholder representative supervisor of the ninth session of the Supervisory Committee at the 2023 first extraordinary general meeting. On the same day, the Company elected Mr. Cao Yuhui as Chairman of the ninth session of the Supervisory Committee at the sixth meeting of the ninth session of the Supervisory Committee.

Movement in Share Capital and Shareholders' Profile

I. MOVEMENT IN SHARE CAPITAL

(I) Movement in share capital

Unit: Share

	Before the change		Increase/decrease during the period (+/-)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Repurchase of shares	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium	52,457,482	0.56	-	-	-	-2,229,750	-2,229,750	50,227,732	0.53
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic share	52,457,482	0.56	-	-	-	-2,229,750	-2,229,750	50,227,732	0.53
Including: shares held by domestic legal persons	5,650,023	0.56	-	-	-	-5,241,400	-5,241,400	408,623	0.00
shares held by domestic natural persons	46,807,459	0.00	-	-	-	3,011,650	3,011,650	49,819,109	0.53
4. Foreign shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas legal person	-	-	-	-	-	-	-	-	-
shares held by overseas natural person	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	9,352,792,719	99.44	-	-	-	-	-	9,352,792,719	99.47
1. Renminbi ordinary shares	7,941,252,719	84.43	-	-	-	-	-	7,941,252,719	84.45
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	1,411,540,000	15.01	-	-	-	-	-	1,411,540,000	15.01
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	9,405,250,201	100.00	-	-	-	-2,229,750	-2,229,750	9,403,020,451	100.00

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

(I) Movement in share capital (Continued)

1. Reasons for movement in share capital:

On 28 January 2022, the Company completed the registration of the grant of reserved 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, at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, completed the redemption and cancellation of 2,229,750 restricted shares held by 8 incentive participants which had been granted but not yet released from restriction on sales. Upon the completion of the above grant and cancellation, the Company still held 408,623 treasury shares in the special repurchase account, and the total share capital of the Company was reduced from 9,405,250,201 shares to 9,403,020,451 shares. This is what leads to the movements in the total shares subject to trading moratorium that were held by domestic legal persons, domestic natural persons and the Company.

2. Approval of movement in share capital:

On 10 December 2021, the Resolution on Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but not yet Unlocked (《關於2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票回購註銷的議案》) and the Resolution on Grant of Some Restricted Shares Reserved to Incentive Participants (《關於向激勵對象授予預留部分限制性股票的議案》) were considered and approved at the fifty-fourth meeting of the eighth session of the Board and the twentieth meeting of the eighth session of the Supervisory Committee of the Company.

On 6 January 2022, the Resolution on Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but not yet Unlocked was approved at the Company's first extraordinary general meeting, first shareholder meeting of domestic shares and first shareholder meeting of foreign shares in 2022.

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

(I) Movement in share capital (Continued)

3. Transfer of movement in share capital:

On 28 January 2022, the Company completed the registration of the grant of reserved 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, at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, completed the redemption and cancellation of 2,229,750 restricted shares held by 8 incentive participants which had been granted but not yet released from restriction on sales.

4. Progress on the implementation of the share repurchase:

Applicable Not applicable

5. Progress on the implementation of reduction in the holding of repurchased shares by way of centralized bidding:

Applicable Not applicable

6. Impact of movement in share capital on the basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the Company in the latest year:

As at February 2022, the Company's total share capital was reduced from 9,405,250,201 shares to 9,403,020,451 shares. Based on the new share capital of 9,405,250,201 shares, the diluted earnings per share in 2021 was RMB0.741, and net assets per share attributable to ordinary shareholders of the Company amounted to RMB6.46. The movement in share capital did not affect the above financial indicators significantly.

7. Other information deemed necessary by the Company or required by securities regulators to be disclosed

Applicable Not applicable

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

(II) Changes in shares subject to trading moratorium

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of new restricted shares during the Reporting Period	Number of reduced restricted shares during the Reporting Period	Number of restricted shares at the beginning of the period	Reasons for restriction on sales	Date of being released from restriction
Incentive participants of restricted shares	46,800,000	5,241,400	2,229,750	49,811,650	Grant of restricted A-shares	-
Special repurchase account of the Company	5,650,023	-	5,241,400	408,623	Grant of reserved restricted A-shares	-
Total	52,450,023	5,241,400	7,471,150	50,220,273	-	-

Movement in Share Capital and Shareholders' Profile (Continued)

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities during the Reporting Period

Applicable Not applicable

(II) Explanation for the changes in total shares of the Company and shareholding structure and movement in the assets and liability structure of the Company

On 28 January 2022, the Company completed the registration of the grant of reserved 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, at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, completed the redemption and cancellation of 2,229,750 restricted shares held by 8 incentive participants which had been granted but not yet released from restriction on sales. Upon the completion of the above grant and cancellation, the Company still held 408,623 treasury shares in the special repurchase account, and the total share capital of the Company was reduced from 9,405,250,201 shares to 9,403,020,451 shares. This is what leads to the movements in the total shares subject to trading moratorium that were held by domestic legal persons, domestic natural persons and the Company.

(III) Existing internal staff shares condition

Applicable Not applicable

(IV) H share convertible bonds

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds on the Hong Kong Stock Exchange, which have been listed and traded on the Hong Kong Stock Exchange since 28 May 2018 and will mature on 25 May 2023. In accordance with the relevant terms of the issuance of the bonds and the request of the bondholders, the Company redeemed the bonds in the principal amount of HK\$32,000,000 at HK\$32,726,720 in cash on 25 May 2021. To date, the Company has outstanding bonds in the principal amount of HK\$1,818,000,000. After the Company implemented the profit distributions for 2017, 2018, 2019 and 2020, the conversion price of the convertible bonds has been adjusted from the original HK\$9.20 per H share to HK\$6.06 per H share. As of 31 December 2022, there has been no conversion of the above convertible bonds.

The Company is currently in good operating condition with sufficient liquidity and good solvency. The Company has the ability to perform bond redemption obligations as agreed.

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Number of shareholders and details of shareholding of the Company

Unit: Share

The total number of ordinary shareholders of the Company as at the end of the Reporting Period **120,270**, of which **452** were holders of H Shares

The total number of ordinary shareholders of the Company as at the end of the month before disclosure of the annual report **117,768**, of which **454** were holders of H Shares

Details of shareholders with more than 5% of shares or top ten shareholders								
Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of shares held as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Number of shares pledged or frozen	
							Status of shares	Number
Anshan Iron & Steel Co. Ltd.	State-owned legal person	53.35%	5,016,111,529	-	-	5,016,111,529	-	-
HKSCC (Nominees) Limited	Overseas legal person	14.87%	1,398,624,535	102,889	-	1,398,624,535	-	-
China National Petroleum Corporation	State-owned legal person	8.99%	845,000,000	0	-	845,000,000	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal person	1.07%	100,983,745	-50,204,775	-	100,983,745	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	0.89%	83,650,620	0	-	83,650,620	-	-
Power Construction Corporation of China	State-owned legal person	0.60%	56,550,580	0	-	56,550,580	-	-
Agricultural Bank of China Co., Ltd. - CSI 500 Exchange-traded Open-ended Index Securities Investment Fund	Others	0.22%	20,540,748	7,095,500	-	20,540,748	-	-
Cong Zhonghong	Domestic natural person	0.20%	18,500,000	4,027,300	-	18,500,000	-	-
Chen Zhiying	Domestic natural person	0.19%	17,471,686	12,363,436	-	17,471,686	-	-
Han Ke	Domestic natural person	0.14%	13,071,600	-1,337,500	-	13,071,600	-	-

Explanations on the connected relationship or concerted action among the shareholders mentioned above

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(I) Number of shareholders and details of shareholding of the Company (Continued)

Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium	Type of shares	
		Type of shares	Number
Anshan Iron & Steel Co. Ltd.	5,016,111,529	Renminbi ordinary shares	5,016,111,529
HKSCC (Nominees) Limited	1,398,624,535	Overseas listed foreign shares	1,398,624,535
China National Petroleum Corporation	845,000,000	Renminbi ordinary shares	845,000,000
Hong Kong Securities Clearing Company Limited	100,983,745	Renminbi ordinary shares	100,983,745
Central Huijin Asset Management Ltd.	83,650,620	Renminbi ordinary shares	83,650,620
Power Construction Corporation of China	56,550,580	Renminbi ordinary shares	56,550,580
Agricultural Bank of China Co., Ltd. - CSI 500 Exchange-traded Open-ended Index Securities Investment Fund	20,540,748	Renminbi ordinary shares	20,540,748
Cong Zhonghong	18,500,000	Renminbi ordinary shares	18,500,000
Chen Zhiying	17,471,686	Renminbi ordinary shares	17,471,686
Han Ke	13,071,600	Renminbi ordinary shares	13,071,600

Explanations on the connected relationship or concerted action among the top 10 shareholders not subject to trading moratorium, and the top 10 shareholders not subject to trading moratorium and the top 10 shareholders

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

Description of top ten shareholders holding ordinary shares to participate in securities margin trading business (if any)

Among the top 10 shareholders, Cong Zhonghong held 18,500,000 shares through an investor credit securities account. Chen Zhiying held 17,471,686 shares through an investor credit securities account. Han Ke held 13,071,600 shares through an ordinary securities account.

The top ten holders of ordinary shares and the top ten holders of ordinary shares not subject to trading moratorium of the Company did not make any agreed repurchase transactions during the Reporting Period.

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(II) Details of the controlling shareholder of the Company

Name of Controlling Shareholder	Legal representative	Date of incorporation	Organization code	Registered capital	Principal scope of operation
Angang Holding	Wang Yidong	9 July 1949	912103002414200141	RMB26.0 billion	Purchase and sales of metal, non-metallic mineral, iron ore and concentrate, processing, passenger transport, transportation of dangerous goods, industrial and civil gases, refractory earth and stone, ferrous metal, steel rolling products, metal products (excluding franchising), coking products, refractory products, electrical machinery, equipment of electricity transmission and distribution and control equipment, instrumentation, railway telecommunication equipment, metallurgical machinery and equipment and manufacturing of spare parts, survey and design of engineering, development, transfer, consulting, services, training of technology, mining of refractory earth and rock, construction, installation of equipment, survey and design, equipment and spare parts, metallurgical materials, alloy and metal materials, sales of steel, iron, vanadium, titanium and coke.

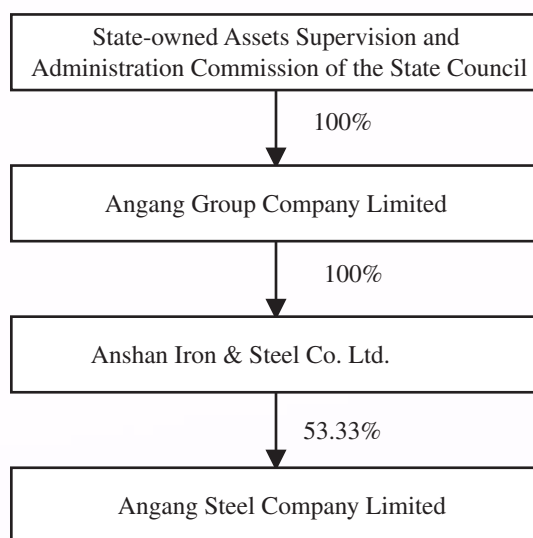
Details of shareholding of other domestic and overseas listed foreign shares by the controlling shareholder during the Reporting Period

Angang Holding directly and indirectly held a total of 51% shares in Anshan Falan (Stock code: 836861), and 1.87% shares in Liaoning Port Co. Ltd. (Stock code: 601880).

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(III) Details of de facto controller of the Company as at the end of the Reporting Period



Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(III) Details of de facto controller of the Company as at the end of the Reporting Period (Continued)

Name of de facto controller	Legal representative	Date of Incorporation	Organization code	Registered capital	Principal scope of operation
Angang Group Company Limited	Tan Chengxu	28 July 2010	91210000558190456G	RMB60.84629 billion	Manufacture of steel, iron, vanadium, titanium, stainless steel and special steel, manufacture of non-ferrous metal, steel rolling and processing, mining and integrated utilization of steel, vanadium, titanium, other non-ferrous metal and non-metallic mineral, ancillary industry of mines, power generation with clean energy, sales of coal and related products, production and sales of chemical products, gas (exclusive of dangerous chemicals) and refractory materials, construction of industrial and mining projects as well as metallurgical project, engineering technological service, equipment manufacturing, information service for IOT, technological service for energy saving and environmental protection, R&D of new type of materials, development of recyclable resources, machinery processing, technological development, transfer and related services, service in communication and transportation, real estate development, energy supply of urban area, software and information technological service, intelligent manufacturing and service, domestic and overseas trading, accounting management, tendering services, medical nursing services, occupational skills training, economic information consultation, corporate management, hotel and catering services, operation of other state-owned assets and investment within the scope of authority by the SASAC. The following businesses operated by the branches of the Company include: publication of newspaper and magazine, publication printing, packaging decoration and printing of other press work (for projects subject to approval according to laws, business activities may only be carried out after obtaining approval from relevant authorities).

Details of shareholding of other domestic and overseas listed foreign shares by the de facto controller of the Company during the Reporting Period

Angang indirectly held 52.62% shares in Pangang Vanadium Titanium (000629.SZ) and indirectly held 76.67% shares in Bengang Steel Plates (000761.SZ).

There was no change of de facto controller of the Company during the Reporting Period.

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(IV) The controlling shareholder or the largest shareholder of the Company and its persons acting in concert have pledged a cumulative total of 80% of the shares held by them in the Company

Applicable Not applicable

(V) Substantial shareholders and other parties' interests and short positions in the shares and underlying shares of the Company

Save as disclosed below, as at 31 December 2022, no parties (other than Directors, Supervisors and senior management of the Company) had any interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO:

Interests in ordinary shares of the Company as at the end of the Reporting Period

Name of shareholder	Number and class of shares held	Percentage to total issued share capital	Percentage of total H Shares in issue	Percentage of total domestic shares in issue	Capacity
Angang Group Company Limited	5,016,111,529 (L) A Shares	53.35% (L)		62.77% (L)	Interests of controlled corporation
Anshan Iron & Steel Co. Ltd.	5,016,111,529 (L) A Shares	53.35% (L)	–	62.77% (L)	Beneficial owner
China National Petroleum Corporation	845,000,000 (L) A Shares	8.99% (L)	–	10.57% (L)	Beneficial owner
Brown Brothers Harriman & Co.	100,022,338 (L) 100,022,338 (P) H Shares	1.06% (L) 1.06% (P)	7.09% (L) 7.09% (P)	–	Approved lending agent

Notes:

- (1) (L) – a long position, (S) – a short position, and (P) – a lending pool
- (2) Anshan Iron & Steel Co. Ltd is a wholly-owned subsidiary of Angang Group Company Limited. For the purpose of the SFO, Angang Group Company Limited is therefore deemed to be interested in the A Shares held by Anshan Iron & Steel Co. Ltd., holding 5,016,111,529 A Shares, representing approximately 62.77% of the A Shares and approximately 53.35% of the total share capital of the Company, respectively.

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(VI) Restrictions on reduction of shares for the controlling shareholder, de facto controller, party to restructuring and other commitment entity

Applicable Not applicable

IV. IMPLEMENTATION OF THE SHARE REPURCHASE DURING THE REPORTING PERIOD

Progress on the implementation of the share repurchase

Date of disclosing the plan	Shares to be repurchased (shares)	Proportion in total share capital	Amount of repurchase (RMB'0,000)	Repurchase period	Purpose	Shares repurchased (shares)	Proportion of shares repurchased to underlying shares under the share incentive scheme (if any)
11 December 2021	2,229,750	0.0237%	419.19	-	Cancellation of certain restricted shares granted but not released from restricted sales, which are held by original participants who have become unqualified under the scheme	2,229,750	-
24 November 2022	2,040,931	0.0217%	397.22	-	Cancellation of certain restricted shares granted but not released from restricted sales, which are held by original participants who have become unqualified under the scheme	2,040,931	-

Progress on the implementation of reduction in the holding of repurchased shares by way of centralized bidding

Applicable Not applicable

Relevant Information on Bonds

I. COMPANY BONDS

Applicable Not applicable

During the Reporting Period, the Company did not have company bonds.

II. CORPORATE BONDS

Applicable Not applicable

During the Reporting Period, the Company did not have corporate bonds.

III. NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

Applicable Not applicable

1. Basic information of non-financial enterprise debt financing instruments

Unit: RMB million

Bond name	Bond abbreviation	Bond code	Issue date	Value date	Maturity date	Bond balance	Interest rate	Way of principal and interest repayment	Trading place
First issue of Green Medium-Term Notes of the Company in 2022	22 Angang Steel GN001	132280095	26 September 2022	28 September 2022	28 September 2025	300.00	2.85%	Principal paid in lump sum at maturity, interest paid once every year	Interbank bond
Investor eligibility arrangement (if any)			-						
Applicable trading mechanism			-						
Risk of termination of listing and trading (if any) and countermeasures			-						

Overdue bonds

Applicable Not applicable

2. Triggering of terms on the issuer's or investor's right to choose and investor protection and enforcement

Applicable Not applicable

Relevant Information on Bonds (Continued)

III. NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS (CONTINUED)

3. Agency

Bond program name	Agency name	Office address	Name of the signing accountant	Contact person of the agency	Contact number
First issue of Green Medium-Term Notes of the Company in 2022	Bank of China Limited	1 Fuxingmennei Avenue, Xicheng District, Beijing	-	Cheng Paihao	010-66594835

Change in the aforesaid agency/agencies during the Reporting Period

Yes No

4. Use of proceeds

Unit: RMB million

Bond program name	Total amount of proceeds	Used amount	Unused amount	Operation of the special account for proceeds (if any)	Rectification of rule-violating uses of proceeds (if any)	Consistency with the purpose, plan of use or other covenants promised in the prospectus
First issue of Green Medium-Term Notes of the Company in 2022	300.00	115.09	184.91	The special account for proceeds was under the special supervision of the bank and was legal and compliant, and the use and management of proceeds were transparent and conformed to regulations.	-	Yes

Relevant Information on Bonds (Continued)

III. NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS (CONTINUED)

4. Use of proceeds (Continued)

Use of proceeds for construction projects

Applicable Not applicable

Construction projects where proceeds were used were in line with the plan, and the progress and operation of the projects have basically met expectations.

The Company changed the purpose of the above proceeds from bonds during the Reporting Period

Applicable Not applicable

5. Credit rating result adjustments during the Reporting Period

Applicable Not applicable

6. Implementation and change of guarantees, debt repayment plans and other debt repayment guarantee measures during the Reporting Period and their impact on the rights and interests of bond investors

Applicable Not applicable

IV. A SHARE CONVERTIBLE DEBENTURES

Applicable Not applicable

During the Reporting Period, the Company did not have A share convertible debentures.

V. H SHARE CONVERTIBLE BONDS

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds on the Hong Kong Stock Exchange, which have been listed and traded on the Hong Kong Stock Exchange since 28 May 2018 and will mature on 25 May 2023. In accordance with the relevant terms of the issuance of the bonds and the request of the bondholders, the Company redeemed the bonds in the principal amount of HK\$32,000,000 at HK\$32,726,720 in cash on 25 May 2021. To date, the Company has outstanding bonds in the principal amount of HK\$1,818,000,000. After the Company implemented the profit distributions for 2017, 2018, 2019, 2020 and 2021, the conversion price of the convertible bonds has been adjusted from the original HK\$9.20 per H share to HK\$6.06 per H share. As of 31 December 2021, there has been no conversion of the above convertible bonds.

The Company is currently in good operating condition with sufficient liquidity and good solvency. The Company has the ability to perform bond redemption obligations as agreed.

Relevant Information on Bonds (Continued)

VI. LOSSES IN THE SCOPE OF CONSOLIDATED STATEMENTS DURING THE REPORTING PERIOD EXCEEDING 10% OF NETS ASSETS AS AT THE END OF THE PREVIOUS YEAR

Applicable Not applicable

VII. OVERDUE INTEREST-BEARING DEBT OTHER THAN BONDS AT THE END OF THE REPORTING PERIOD

Applicable Not applicable

VIII. WHETHER THERE WAS ANY NON-COMPLIANCE WITH THE REGULATIONS DURING THE REPORTING PERIOD

Applicable Not applicable

IX. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

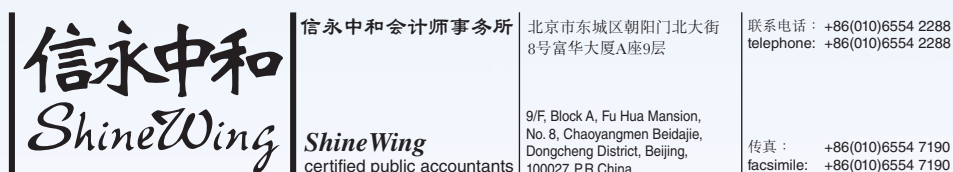
Unit: RMB million

Item	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared with the end of the previous year
	Current ratio	0.81	1.06
Gearing ratio	39.34%	37.93%	Increased by 1.41 percentage point
Quick ratio	0.43	0.44	-2.27%
	During the Reporting Period	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared with the corresponding period of the previous year
Net profit attributable to the shareholders of the Company after deduction of non- recurring gains or losses items	11	6,941	-99.84% Decreased by 25.73 percentage point
EBITDA to total debts ratio	10.39%	36.12%	-98.24%
Interest coverage ratio	0.29	16.47	-40.03%
Cash interest coverage ratio	14.98	24.98	-60.37%
EBITDA interest coverage ratio	9.25	23.34	-
Loan payment ratio	100%	100%	-
Interest payment ratio	100%	100%	-

Annual General Meeting

The 2022 annual general meeting will be held on Monday, 29 May 2023, details of which and the proposed resolutions are set out in the accompanying notice of annual general meeting of the Company.

Auditor's Report



XYZH/2023BJAA15B0007

To the Shareholders of Angang Steel Co., Ltd.

1 · Opinion

We have audited the financial statements of Angang Steel Co., Ltd. (abbreviated as “**Angang Steel Company**” or “**Company**”), which comprise the consolidated and parent company balance sheets as at December 31, 2022, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

2 · Basis for Audit Opinion

We conducted our audit in accordance with China Standards in Auditing. Our responsibilities under those standards are further described in the Certified Public Accountant's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3 · Key Audit Matter

Key Audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

Auditor's Report (Continued)

3 · Key Audit Matter (Continued)

3.1 Revenue recognition

3.1.1 Details

The Company is mainly engaged in the selling of steel products. The accounting policies related to revenue recognition refer to Notes 4.19. As stated in Notes 6.42 to financial statements, the operating revenue in 2022 amounted to 131,072 million yuan. Operating revenue is an important accounting item in the Company income statements and the main source of profit for the Company. The accuracy and completeness of revenue recognition may greatly influence the Company profit. Therefore, we have identified revenue recognition as a key audit matter.

3.1.2 Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

- (1) We obtained understandings of key internal controls related to revenue recognition, assessed the design of these controls, determined whether they had been executed and tested the effectiveness of the operation;
- (2) We checked whether the conditions, methods and timing of revenue recognition were in line with China Accounting Standards for Business Enterprises;
- (3) We checked supporting documents related to revenue recognition by sampling method, including sales details, sales contracts, outbound orders, delivery orders, shipping documents and sales invoices, etc., with the purpose of evaluating the authenticity of revenue recognition;
- (4) In combination with confirmation procedure of accounts receivable, we performed confirmation procedures on main customers' current sales to evaluate the completeness of revenue recognition;
- (5) We performed cut-off tests on the operation revenue recognized around the balance sheet date, and assessed whether the operating revenue was recognized in the appropriate period;
- (6) We checked whether information related to operating revenue had been represented appropriately in the financial statements.

Auditor's Report (Continued)

4 · Other information

The Company's management (the "**Management**") is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

5 · Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for preparing and presenting fairly the financial statements on the basis of China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease the operation, or has no realistic alternative but to do so.

Those charged with governance of the Company ("**those charged with governance**") are responsible for overseeing the Company's financial reporting process.

Auditor's Report (Continued)

6 · Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of these financial statements.

We exercise professional judgement and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in auditor's report to the relevant disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Report (Continued)

6 · Certified Public Accountant's Responsibilities for the Audit of the Financial Statements (Continued)

- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We accept ultimate responsibility for our opinion.

We communicate with those charged with governance regarding the planned audit scope, timing and significant audit findings, including any noteworthy internal control deficiencies that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements with regards to independence, and communicate all relationships and other matters that may reasonably be considered to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public
Accountants (Special General
Partnership)

Chinese Certified Public Accountant: Fan Jianping
(Engagement partner)

Chinese Certified Public Accountant: Fu Yangyi

Beijing, China

March 30, 2023

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	6.1	5,093	5,398
Derivative financial assets	6.2	37	3
Notes receivable	6.3	173	25
Accounts receivable	6.4	2,838	1,894
Receivables financing	6.5	1,824	1,844
Prepayments	6.6	5,113	2,950
Other receivables	6.7	27	62
Including: Interests receivable	6.7		
Dividends receivable	6.7		
Inventories	6.8	13,575	19,059
Other current assets	6.9	552	1,306
Total current assets		29,232	32,541
Non-current assets:			
Long-term equity investments	6.10	3,169	3,071
Other investments in equity instruments	6.11	641	496
Other non-current financial assets	6.12	33	43
Fixed assets	6.13	46,985	48,558
Construction in progress	6.14	6,732	4,644
Right-of-use assets	6.15	761	689
Intangible assets	6.16	6,553	6,430
Deferred income tax assets	6.17	1,506	744
Other non-current assets	6.18	1,323	1,436
Total non-current assets		67,703	66,111
Total assets		96,935	98,652
Current liabilities:			
Short-term loans	6.19	1,579	650
Derivative financial liabilities	6.20	41	116
Notes payable	6.21	11,743	8,086
Accounts payable	6.22	8,854	9,970
Contract liabilities	6.23	6,393	8,631
Employee benefits payable	6.24	158	218
Tax payable	6.25	255	189
Other payables	6.26	2,871	2,164
Including: Interests payable	6.26	6	2
Dividends payable	6.26	3	
Non-current liabilities due within 1 year	6.27	4,260	601
Total current liabilities		36,154	30,625

Consolidated Balance Sheet (Continued)

As at 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2022	31 December 2021
Non-current liabilities:			
Long-term loans	6.28	600	3,650
Bonds payable	6.29	299	1,463
Lease liability	6.30	226	346
Long-term payables	6.31	119	480
Long-term employee benefits payable	6.32	60	112
Deferred income	6.33	523	543
Deferred income tax liabilities	6.17	157	157
Other non-current liabilities	6.34		39
Total non-current liabilities		1,984	6,790
Total liabilities		38,138	37,415
Shareholders' equity:			
Share capital	6.35	9,403	9,405
Capital reserve	6.36	33,879	34,624
Less: Treasury shares	6.37	96	100
Other comprehensive income	6.38	152	44
Special reserve	6.39	93	107
Surplus reserve	6.40	4,457	4,452
Undistributed profit	6.41	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	Notes	Current period cumulative	Preceding period comparative
Operating income		131,072	136,120
Including: operating income	6.42	131,072	136,120
Operating costs		132,217	127,057
Less: Operating costs	6.42	128,022	122,792
Tax and surcharges	6.43	1,083	1,053
Marketing expenses	6.44	600	596
Administrative expenses	6.45	1,298	1,485
Research and development expenses	6.46	727	640
Financial expenses	6.47	487	491
Including: Interests expenses	6.47	391	577
Interests revenue	6.47	68	79
Add: Other income	6.48	87	38
Investment income (“-” for losses)	6.49	237	331
Including: income from investment in jointly ventures and associates	6.49	235	318
Gains/losses from fair value variation (“-” for losses)	6.50	185	(65)
Impairment losses on assets (“-” for losses)	6.51	337	(306)
Credit impairment loss (“-” for losses)	6.52	65	(90)
Asset disposal income (“-” for losses)	6.53	16	52
Operating profit (“-” for losses)		(218)	9,023
Add: Non-operating income	6.54	59	59
Less: Non-operating expenses	6.55	110	123
Profit before income tax (“-” for losses)		(269)	8,959
Less: Income tax expenses	6.56	(455)	1,961
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

Consolidated Income Statement (Continued)

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
ii. Minority interest income		30	34
The net amount after tax of other comprehensive income	6.57	108	(27)
Net after-tax net of other comprehensive income attributable to the parent company owner	6.57	108	(27)
I. The other comprehensive income which can not be reclassified into profit or loss	6.57	108	(26)
i. Changes in fair value of other investments in equity instrument investment	6.57	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)
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 (RMB/share)	19.2	0.017	0.740
Diluted earnings per share (RMB/share)	19.2	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

Consolidated Cash Flow Statement

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		132,596	142,213
Refund of taxes and fares		305	19
Other cash received from operating activities	6.58	292	406
Sub-total of cash inflows		133,193	142,638
Cash paid for goods and services		117,323	118,274
Cash paid to and for the employees		5,157	5,177
Cash paid for all types of taxes		3,191	4,840
Other cash paid for operating activities	6.58	1,383	1,412
Sub-total of cash outflows		127,054	129,703
Net cash flow from operating activities	6.59	6,139	12,935
Cash flows from investing activities:			
Cash received from return of investments			186
Cash received from investment income		239	
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		21	83
Other cash received from investment activities	6.58	149	235
Sub-total of cash inflows		409	504
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		4,249	4,579
Cash paid for acquisition of investments		100	15
Other cash paid for investment activities	6.58	29	139
Sub-total of cash outflows		4,378	4,733
Net cash flow from investing activities		(3,969)	(4,229)

Consolidated Cash Flow Statement (Continued)

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from financing activities:			
Cash received from absorbing investments		126	117
Including: Received of subsidiary from minority shareholders		126	
Cash received from borrowings		3,038	4,929
Other cash received from financing activities	6.58	10	98
Sub-total of cash inflows		3,174	5,144
Cash paid for settling of debts		2,861	12,442
Cash paid for distribution of dividends or profit and repayment of interests		2,426	1,179
Including: dividends or profit paid to minority shareholders		24	2
Other cash paid for financing activities	6.58	362	217
Sub-total of cash outflows		5,649	13,838
Net cash inflow from financing activities		(2,475)	(8,694)
Effect of changes in foreign exchange rate on cash and cash equivalents			
Net increase in cash and cash equivalents	6.59	(305)	12
Add: Cash and cash equivalents at beginning of this period	6.59	5,398	5,386
Cash and cash equivalents at the end of this period	6.59	5,093	5,398

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
You Yu

Consolidated Statement of Changes in equity

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Current period cumulative									
	Equity attributable to parent company									
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	Total of shareholders' equity
Balance as of 31 Dec. 2021	9,405	33,604	100	44	82	4,452		12,179	526	60,192
Add: Changes of accounting policy										
Business combination under common control		1,020			25					1045
Others										
Balance as of 1 Jan. 2022	9,405	34,624	100	44	107	4,452		12,179	526	61,237
Increase/decrease in 2022										
("-" represents loss)	(2)	(745)	(4)	108	(14)	5		(1,927)	131	(2,440)
(1) Total amount comprehensive income				108				156	30	294
(2) Capital introduced or withdrawn by owners	(2)	(745)	(4)						126	(617)
i. Capital introduced by owners	(2)	(2)	(4)						126	126
ii. Amount of share-based payment included in owner's equity		10								10
iii. Others		(753)								(753)
(3) Profit distribution						5		(2,083)	(27)	(2,105)
i. Transfer to surplus reserve						5		(5)		
ii. Distribution to shareholders								(2,078)	(27)	(2,105)
iii. Others										
(4) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings										
v. Others										
(5) Special reserve					(14)				2	(12)
i. Extracts of this period					161				5	166
ii. Usage of this period					(175)				(3)	(178)
Balance as of 31 December 2022	9,403	33,879	96	152	93	4,457		10,252	657	58,797

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
You Yu

Consolidated Statement of Changes in equity (Continued)

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Preceding period comparative									
	Equity attributable to parent company									Total of shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	
Balance as of 31 Dec. 2020	9,405	33,485	166	(80)	74	3,849		6,798	493	53,858
Add: Changes of accounting policy										
Business combination under common control		891			29					920
Others										
Balance as of 1 Jan. 2021	9,405	34,376	166	(80)	103	3,849		6,798	493	54,778
Increase/decrease in 2021										
("-" represents loss)		248	(66)	124	4	603		5,381	33	6,459
(1) Total amount comprehensive income				(27)				6,964	34	6,971
(2) Capital introduced or withdrawn by owners		248	(66)							314
i. Capital introduced by owners		(66)								(66)
ii. Amount of share-based payment included in owner's equity		22								22
iii. Others		292	(66)							358
(3) Profit distribution						603		(1,432)	(2)	(831)
i. Transfer to surplus reserve						603		(603)		
ii. Distribution to shareholders								(829)	(2)	(831)
iii. Others										
(4) Transfer within shareholder's equity					151			(151)		
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings					151			(151)		
v. Others										
(5) Special reserve					4				1	5
i. Extracts of this period					182				4	186
ii. Usage of this period					(178)				(3)	(181)
Balance as of 31 Dec. 2021	9,405	34,624	100	44	107	4,452		12,179	526	61,237

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
You Yu

Parent Company Balance Sheet

For the Twelve Months Ended 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		2,089	2,872
Derivative financial assets		37	3
Notes receivable		34	12
Accounts receivable	16.1	2,693	1,856
Receivables financing		1,499	986
Prepayments		4,585	2,502
Other receivables	16.2	64	82
Including: Interests receivable			
Dividends receivable		17	
Inventories		10,303	14,561
Other current assets		411	1,111
Total current assets		21,715	23,985
Non-current assets:			
Long-term equity investments	16.3	13,633	12,926
Other investments in equity instruments		641	496
Other non-current financial assets		33	43
Fixed assets		39,952	40,888
Construction in progress		6,141	4,299
Right-of-use assets		755	683
Intangible assets		5,771	5,280
Deferred income tax assets		1,444	671
Other non-current assets		1,300	1,435
Total non-current assets		69,670	66,721
Total assets		91,385	90,706
Current liabilities:			
Short-term loans		1,399	650
Derivative financial liabilities		41	116
Notes payable		11,172	7,492
Accounts payable		7,333	8,408
Contract liabilities		5,726	6,900
Employee benefits payable		135	165
Tax payable		119	122
Other payables		4,304	2,989
Including: Interests payable		6	
Dividends payable			
Non-current liabilities due within 1 year		4,211	550
Total current liabilities		34,440	27,392

Parent Company Balance Sheet (Continued)

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2022	31 December 2021
Non-current liabilities:			
Long-term loans		600	3,600
Bonds payable		299	1,463
Lease liability		223	343
Long-term payables		119	480
Long-term employee benefits payable		58	103
Deferred income		395	416
Deferred income tax liabilities		149	122
Other non-current liabilities			39
Total non-current liabilities		1,843	6,566
Total liabilities		36,283	33,958
Shareholders' equity:			
Share capital		9,403	9,405
Capital reserve		26,921	26,646
Less: Treasury shares		96	100
Other comprehensive income		152	44
Special reserve		44	43
Surplus reserve		4,447	4,442
Undistributed profit		14,231	16,268
Subtotal of Shareholders' equity attributable shareholders of parent company		55,102	56,748
Minority interests			
Total shareholders' equity		55,102	56,748
Total liabilities and shareholders' equity		91,385	90,706

Legal representative:

Wang Yidong

Chief Accountant:

Wang Baojun

Person-in-charge of
accounting department:

You Yu

Parent Company Income Statement

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Operating income		113,408	122,278
Including: operating income	16.4	113,408	122,278
Operating costs		115,865	115,862
Less: Operating costs	16.4	112,060	112,264
Tax and surcharges		907	847
Marketing expenses		611	427
Administrative expenses		1,088	1,237
Research and development expenses		660	589
Financial expenses		539	498
Including: Interests expenses		418	559
Interests revenue		40	51
Add: Other income		79	30
Investment income (“-” for losses)	16.5	1,134	1,324
Including: income from investment in jointly ventures and associates	16.5	234	251
Gains/losses from fair value variation (“-” for losses)		184	(65)
Impairment losses on assets (“-” for losses)		367	(270)
Credit impairment loss (“-” for losses)		64	(92)
Asset disposal income (“-” for losses)		16	106
Operating profit (“-” for losses)		(613)	7,449
Add: Non-operating income		54	48
Less: Non-operating expenses		103	120
Profit before income tax (“-” for losses)		(662)	7,377
Less: Income tax expenses		(708)	1,339
Net profit for the period (“-” for losses)		46	6,038
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		46	6,038
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		46	6,038
ii. Minority interest income			

Parent Company Income Statement (Continued)

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
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)
Net after-tax net of other comprehensive income attributable to minority shareholders			
Total comprehensive income		154	6,011
The other comprehensive income attributed to the owners of the company		154	6,011
The other comprehensive income attributed to the minority			

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
You Yu

Parent Company Cash Flow Statement

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		115,010	127,003
Refund of taxes and fares		31	7
Other cash received from operating activities		261	301
Sub-total of cash inflows		115,302	127,311
<hr style="border-top: 1px dashed black;"/>			
Cash paid for goods and services		103,345	106,487
Cash paid to and for the employees		4,354	4,294
Cash paid for all types of taxes		2,268	3,378
Other cash paid for operating activities		1,220	1,875
Sub-total of cash outflows		111,187	116,034
Net cash flow from operating activities		4,115	11,277
<hr style="border-top: 1px dashed black;"/>			
Cash flows from investing activities:			
Cash received from return of investments		50	
Cash received from investment income		879	1,244
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		64	87
Net cash received from disposal of subsidiaries and other business units		135	202
Sub-total of cash inflows		1,128	1,533
<hr style="border-top: 1px dashed black;"/>			
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		3,879	3,908
Cash paid for acquisition of investments		757	35
Other cash paid for investment activities		29	169
Sub-total of cash outflows		4,665	4,112
Net cash flow from investing activities		(3,537)	(2,579)

Parent Company Cash Flow Statement (Continued)

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from financing activities:			
Cash received from investment			
Cash received from borrowings		2,798	4,920
Other cash received from financing activities		1,780	1,203
Sub-total of cash inflows		4,578	6,123
Cash paid for settling of debts			
Cash paid for distribution of dividends or profit and repayment of interests		2,750	12,302
Including: dividends or profit paid to minority shareholders		2,373	1,129
Other cash paid for financing activities		816	104
Sub-total of cash outflows		5,939	13,535
Net cash inflow from financing activities		(1,361)	(7,412)
Effect of changes in foreign exchange rate on cash and cash equivalents			
Net increase in cash and cash equivalents		(783)	1,286
Add: Cash and cash equivalents at beginning of this period		2,872	1,586
Cash and cash equivalents at the end of this period		2,089	2,872

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
You Yu

Parent company statement of changes in equity

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Current period cumulative									
	Equity attributable to parent company									Total of shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	
Balance as of 31 Dec. 2021	9,405	26,646	100	44	43	4,442		16,268		56,748
Add: Changes of accounting policy										
Business combination under common control										
Others										
Balance as of 1 Jan. 2022	9,405	26,646	100	44	43	4,442		16,268		56,748
Increase/decrease in 2022 ("-" represents loss)	(2)	275	(4)	108	1	5		(2,037)		(1,646)
(1) Total amount comprehensive income				108				46		154
(2) Capital introduced or withdrawn by owners	(2)	275	(4)		25					302
i. Capital introduced by owners	(2)	(2)	(4)							
ii. Amount of share-based payment included in owner's equity		10								10
iii. Others		267			25					292
(3) Profit distribution						5		(2,083)		(2,078)
i. Transfer to surplus reserve						5		(5)		
ii. Distribution to shareholders								(2,078)		(2,078)
iii. Others										
(4) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings										
v. Others										
(5) Special reserve					(24)					(24)
i. Extracts of this period					105					105
ii. Usage of this period					(129)					(129)
Balance as of 31 December 2022	9,403	26,921	96	152	44	4,447		14,231		55,102

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
You Yu

Parent company statement of changes in equity (Continued)

For the Twelve Months Ended 31 December 2022 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Current period cumulative									
	Equity attributable to parent company									Total of shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	
Balance as of 31 Dec. 2020	9,405	26,527	166	(80)	25	3,839		11,774		51,324
Add: Changes of accounting policy										
Business combination under common control										
Others										
Balance as of 1 Jan. 2021	9,405	26,527	166	(80)	25	3,839		11,774		51,324
Increase/decrease in 2021 ("-" represents loss)										
(1) Total amount comprehensive income		119	(66)	124	18	603		4,494		5,424
(2) Capital introduced or withdrawn by owners		119	(66)							185
i. Capital introduced by owners		(66)								(66)
ii. Amount of share-based payment included in owner's equity		22								22
iii. Others		163	(66)							229
(3) Profit distribution						603		(1,393)		(790)
i. Transfer to surplus reserve						603		(603)		
ii. Distribution to shareholders								(790)		(790)
iii. Others										
(4) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital					151			(151)		
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings					151			(151)		
v. Others										
(5) Special reserve						18				18
i. Extracts of this period						137				137
ii. Usage of this period						(119)				(119)
Balance as of 31 Dec. 2021	9,405	26,646	100	44	43	4,442		16,268		56,748

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. Company profile

Angang Steel Company Limited (abbreviated as the “**Company**”) was formally established on 8th May 1997 as a joint-stock limited company, currently the headquarter locates in Angang factory, Tie Xi District, Anshan City, Liaoning Province, PRC.

The financial statements have been approved by the Board of Directors on March 30, 2023.

For detailed information about subsidiaries that have been included in the scope of consolidation by the end of the period, please refer to Note 8 “Interests in Other Entities”. The Company absorbed and merged 1 branch, established 3 subsidiaries and reduced 1 subsidiary in the current period, please refer to Note 7 “Changes in Consolidation Scope” for details.

The Company and its subsidiaries (abbreviated as the “**Group**”) are principally engaged in ferrous metal smelting and steel pressing and processing.

2. 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.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

3. Statements on compliance with the enterprise accounting standards

The Group declares that the Financial Report prepared by the Group is in compliance with requirements of Accounting Standards for Business Enterprises. These financial statements present truly, accurately and completely the financial position of the Group as of 31 December 2022, the financial performance and cash flow of the Group for the twelve months ended 31 December 2022. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of “Regulation on disclosure of information of public listed companies, No. 15: General Requirements for Financial Reports”, revised by the China Securities Regulatory Commission (CSRC) in 2014.

4. Significant accounting policies and estimates

As for the statements of significant accounting judgments and estimates made by the management, please refer to Note 4.27 “Significant accounting judgments and estimates”.

4.1 Accounting period

The Group’s fiscal year is the calendar year that starts from January 1 and December 31.

4.2 Operating cycle

The normal operating cycle refers to the period from purchasing the assets for processing to realize the cash and cash equivalents. The operating cycle consists of 12 months which is the standard of the classification for the liquidity of the assets and liabilities.

4.3 Recording currency

The recording currency is the prevailing currency of the primary economic environment in which business of the Group operated. RMB is chosen as its recording currency by the group and the financial statements of the Group are presented in RMB.

4.4 Accounting treatment of business combinations

Business combination refers to a transaction or event bringing together two or more separate entities into one. Business combinations are classified into the business combinations under common control and not under common control.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.4 Accounting treatment of business combinations

4.4.1 The business combinations under common control

A business combination under common control is a business combination in which all of the combined entities are ultimately controlled by the same party or the same parties both before and after the business combination and on (in) which the control is not temporary. In a business combination under common control, the party which obtains control power over the other combined entity on the combining date is the acquirer and the other combined entity is the acquiree. The acquisition date refers to the date on which the combining party actually obtains control power over the combined party.

The assets and liabilities that the combining party obtained in a business combination are measured on the basis of their carrying value in the combined party on the combining date. The difference between the carrying value of the net assets obtained from the combination and the carrying amount of the consideration paid (or the total par value of the shares issued) for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

The direct cost occurred in the business combination is recorded into the profit or loss in the current period when they actually occurred.

4.4.2 The business combinations not under common control

A business combination not under common control is a business combination in which the combined entities are ultimately controlled by the same party or the same parties neither before nor after the business combination. In a business combination not under common control, the party which obtains the control power over the other combined entities at the purchase date is the acquirer, and other combined entity is the acquiree. The “acquisition date” refers to the date on which the acquirer actually obtains the control power over the acquiree.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.4 Accounting treatment of business combinations (Continued)

4.4.2 The business combinations not under common control (Continued)

For business combinations not under common control, the combination cost is the assets paid, liabilities incurred or assumed and the equity securities issued by the acquirer, at fair value at the acquisition date, in exchange for the control power over the acquiree. The direct cost, of the business combination including the expenses for audit, legal service, valuation and other administrative expenses, is recorded into the profit or loss in the current period. Transaction expenses of the issued equity securities or liability securities for the consideration are recorded into the amount of initial measurement of the equity securities or liability securities. The relevant contingent consideration is recorded into the combination costs at its fair value at the acquisition date, and the goodwill is adjusted if the new or additional evidences of adjustment to contingent considerations emerged within 12 months from the acquisition date.

The cost of combination and identifiable net assets obtained by the acquirer in a business combination is measured at fair value at the acquisition date. If the cost of combination exceeds the fair value of the share of the acquirer in the identifiable net assets, the difference is recognized as goodwill; if the cost of combination is lower than the fair value of the share of the acquirer in the identifiable net assets, the acquirer shall firstly review the measurement of the fair value of the identifiable assets obtained, liabilities incurred and contingent liabilities incurred, as well as the combination costs. After that, if the combination costs are still lower than the fair value of the identifiable net assets obtained, the acquirer shall recognize the difference as the profit or loss in the current period.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.5 Methods for preparation of consolidated financial statements

4.5.1 Recognition principle of consolidated scope

The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Control refers to the right to obtain the variable returns by the involvement with the investee, and has the ability to affect those returns through its power to direct the activities of the investee. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to the entities over which the Company has control power.

The Company shall reevaluate if there are changes of relevant elements of defined control due to the changes in the relevant facts and circumstances.

4.5.2 Preparation of consolidated financial statements

The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases, which the control is over the net assets and the operating decision-makings. For the disposed subsidiary, financial performance and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; the 31 December 2018 of the consolidated balance sheet shall not be adjusted due to the disposal. For the subsidiary acquired from business combination not under common control, its financial performance and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statement, and the 31 December 2018 of the consolidated financial statements and comparable data of prior year shall not be adjusted due to this combination. For the subsidiary acquired from business combinations under common control, its financial performance and cash flow from the beginning of the reporting period to combination date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparable data of the consolidated financial statement shall be adjusted simultaneously.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.5 Methods for preparation of consolidated financial statements (Continued)

4.5.2 Preparation of consolidated financial statements (Continued)

In preparing the consolidated financial statements, where the accounting policy or accounting period of the Company and subsidiaries is inconsistent, the financial statements of subsidiaries shall be adjusted in accordance with the accounting policies and accounting period of the Company. For the subsidiaries acquired from the business combination not under common control, financial statements of the subsidiaries shall be adjusted based on the fair value of identifiable net assets on acquisition date.

All significant balances, transactions and unrealized profits shall be offset during the preparation of the consolidated financial statements.

The portion of a subsidiary's equity and the net profit or loss that is not attributable to the Company, shall be recognized as "Minority Interest" and "profit and loss of Minority", and presented on the consolidated financial statements under the owners' equity and the net profit or loss respectively. The portion of subsidiary's net profit or loss for the period attributable to minority interest is presented in the consolidated income statement below the "net profits" as "Minority Interests". Where the amount of the losses for the current period attributed to minority's shareholders of the subsidiary exceeds the minority shareholders' portion of the opening owners' equity of the subsidiary, the amount in excess shall be presented as minority interests.

4.6 The classification of the joint venture arrangement and accounting treatment of joint operation

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. According to the differences in the rights and responsibilities, the joint venture arrangement is classified as a joint operation and joint venture. A joint operation refers to a joint arrangement whereby the parties have the rights to the assets, and obligations for the liabilities, and Joint venture refers to the entity which is only entitled to the joint venture arrangement of the net assets.

The equity method is adopted for the investment of the joint venture, please refers to Note 4.11.2.2 Long-term equity investments accounted by equity method.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.6 The classification of the joint venture arrangement and accounting treatment of joint operation (Continued)

As a joint venture, the Company recognizes the assets held by the Company separately, the liabilities assumed separately, and the co-held assets and co-owned liabilities recognized by the Company's share; confirms its revenue from the sale of its share of the output arising from the joint operation; and recognizes the expenses incurred by the company separately and the expenses incurred arising from the joint operation according to the share of the company.

When the Company transacts with a joint operation in which the Company is a joint operator, such as a sale or contribution assets, (The asset do not constitute a business, the same as below). The profit or loss resulting from the transactions is recognized only to the extent of the other parties' interests in the joint operation; When the Company transacts with a joint operation in which the Company is a joint operator, such as a purchase of assets, the Company does not recognize its share of the profit or loss until it resells those assets to a third party. A loss shall be recognized in the full amount of the sale or contribution of assets, and of the purchase of the assets from the joint operation in accordance with "ASBE – No.8 – assets impairment" and other provisions.

4.7 Recognition standard for cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and highly liquid short-term (within 3 months from the purchase date) investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

4.8 Foreign currency transactions and the translation of foreign currency financial statement

4.8.1 Foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the foreign currency is translated to RMB at the spot exchange rate at the transaction date. (Generally, a spot exchange rate is the middle rate quoted by the People's Bank of China on the day of transaction). Transaction in foreign currency exchange or transaction involving foreign currency exchange shall be translated into RMB at the actual exchange rate.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.8 Foreign currency transactions and the translation of foreign currency financial statement (Continued)

4.8.2 Translation of foreign monetary items and foreign non-monetary items

On the balance sheet date, monetary items denominated in foreign currency are translated into RMB at the spot exchange rate on the balance sheet date and the arising difference shall be recorded into the profit and loss for the current period, except the difference arising from foreign currency borrowings for the purchase and construction or production of qualified assets which shall be capitalized according to the “ASBE – No. 17-Borrowing Costs”, and the exchange difference arising from the change in the carrying amount other than amortized cost of an available-for-sale foreign monetary item which shall be recognized directly in other comprehensive income; otherwise it shall be recorded into the profit and loss.

Foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate at the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate at the date of fair value evaluation, and the translation difference, treated as the variation of fair value (including the variation of exchange rate), shall be recorded into the profit or loss at the current period and recognized as other comprehensive income.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes one party under the financial instrument contract.

4.9.1 Financial assets

4.9.1.1 Classification, confirmation basis and measurement method of financial assets

The Group classifies financial assets based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets. Financial assets will be classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

The Group measures financial assets at amortized cost if both of the following conditions are met: ① the financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; ② the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount; they are subsequently measured at amortized cost. Except for those designated as hedged items, the difference between the initial amount and the amount due is amortized in accordance with the effective interest method. Amortization, impairment, exchange gains and losses, and gains or losses arising from derecognition are recognized in profit or loss.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.1 Classification, confirmation basis and measurement method of financial assets (Continued)

The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met: ① the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; ② the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount. Except for those designated as hedged items, such financial assets, other than credit impairment losses or gains, foreign exchange revaluation and interest on the financial assets calculated according to the effective interest method, are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

The Group designates non-tradable equity instrument investments as financial assets measured at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. The non-trading equity instrument investment designated by the Group at fair value through profit or loss is recognized initially at fair value. Related transaction costs are included in the initial recognition amount. Except for the acquisition of dividends (other than the recovery of investment costs), the other related gains and losses (including exchange gains and losses) are included in other comprehensive income and are not subsequently transferred to the current profits and losses.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.1 Classification, confirmation basis and measurement method of financial assets (Continued)

The financial assets, other than the financial assets measured at amortized cost or fair value through other comprehensive income, are measured at fair value through profit and loss. Those financial assets are initially measured at fair value, and related transaction costs are directly recognized in profit or loss. The gains or losses on the financial assets are included in the current profits and losses.

The contingent consideration recognized by the Group in the business combinations not under common control constitutes financial assets, which are classified as financial assets measured at fair value through profit or loss.

At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can arbitrarily designate financial assets that should be measured at amortized cost or measured at fair value through other comprehensive income as the financial assets that are measured at fair value through profit and loss.

When the Group changes its business model of managing financial assets, it reclassifies all affected financial assets.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.1 Classification, confirmation basis and measurement method of financial assets (Continued)

The interest income on a financial asset shall be recognized based on the effective interest rate method. The Interest income is calculated by multiplying the book value of a financial asset by the effective interest rate, except the following situations: ① for a purchased or derived financial asset with credit impairment, the Group shall, starting from the initial recognition, determine its interest income by multiplying the amortized cost of the financial asset by the adjusted effective interest rate due to credit impairment. ② for a purchased or derived financial asset which does not initially suffer credit impairment but has credit impairment in subsequent periods, the Group shall determine its interest income by using the amortized cost of the financial assets multiple the effective interest rate in subsequent periods.

4.9.1.2 Confirmation basis and measurement method of financial asset transfer

The Group shall stop recognizing a financial asset when, and only when one of the following conditions is met: ① the contractual rights to the cash flow from the financial asset expire, ② the Group transfers substantially all the risks and rewards of the ownership of the financial asset; ③ the Group neither transfers nor retains substantially all the risks and rewards of the ownership of the financial asset, and it has not retained the control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and the cumulative gain or loss, resulting from the changes of fair value of the financial asset, recorded in other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding) shall be recognized in profit and loss.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.2 Confirmation basis and measurement method of financial asset transfer (Continued)

If a part of a financial asset is transferred and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the entire financial asset shall be allocated between the part continued to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and the cumulative gain or loss for the part derecognized, resulting from the changes of fair value of the financial asset, recorded in other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding), Shall be recognized in profit and loss on derecognition of the investments in equity instruments not held for trade designated as financial assets by the Group, all the accumulated gains or losses recognized in other comprehensive income account shall be transferred into retained earning account.

4.9.1.3 Impairment of financial instrument

On the basis of expected credit loss, the Group adopts the impairment accounting treatment for the following items and confirms impairment provision: ① Debt investment; ② Lease receivables; ③ Contract assets; ④ accounts receivable; ⑤ Financial guarantee contract.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract by the Group at the original effective interest rate and all cash flows expected to be received, that is, the present value of all cash shortages.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.3 Impairment of financial instrument (Continued)

The Group always measured the following items at the amount of the expected credit losses for the entire duration of the period for their impairment provision: ① Accounts receivable, construct assets impairment provision formed by transactions regulated by the “ASBE No. 14 – Revenue Standards”, regardless of whether the item contains a significant financing component. ② Finance lease receivables. ③ Operating lease receivables

In addition to the above items, the Group measured the other items in the following situations for their impairment provision: ① For a financial instrument whose credit risk has not increased significantly since initial recognition, the Group measured the expected credit losses for the next 12 months for their impairment provision. ② For a financial instrument whose credit risk has increased significantly since initial recognition, the Group measured the expected credit losses for the entire duration of the period for their impairment provision. ③ For a purchased or derived financial instrument with credit impairment, the Group measured the expected credit losses for the entire duration of the period for their impairment provision.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.3 Impairment of financial instrument (Continued)

The judgment of whether the credit risk has increased significantly since the initial recognition. By comparing default risk of financial instruments on the balance sheet date with that on initial recognition date, the Group determines the relative change for the estimated duration period, therefore, to evaluate whether the financial instrument credit risk has increased significantly since the initial recognition. However, if the Group determines that a financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition. In general, if the overdue period exceeds 30 days, it indicates that the credit risk of financial instruments has increased significantly. Unless the Group obtains reasonable and evidence-based information without unnecessary additional costs or effort, it proves that even if the overdue period exceeds 30 days, the credit risk has not increased significantly since the initial confirmation. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional costs or effort. The information considered by the Group includes: ① The debtor's failure to pay the principal and interest on the contractual maturity date; ② Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected; ③ Serious deterioration of the debtor's operating results that have occurred or are expected; ④ Changes in existing or anticipated technical, market, economic or legal circumstances that will have a material adverse effect on the debtor's ability to repay the Group.

The Group assesses whether credit risk has increased significantly on the basis of a single financial instrument or combination of financial instruments. When conducting an assessment based on a combination of financial instruments, the Group can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.4 Presentation of expected credit loss provision

To reflect the change of credit risk since the initial recognition, the Group remeasures financial instruments for their expected credit loss at each balance sheet date. The increase or reverse of impairment provision from this method should be recognized in profit or loss as impairment losses or gains. For financial assets measured at amortized cost, their impairment provision should compensate their book value presented in the balance sheet.

4.9.1.5 Written off

For the contract cash flow of a financial asset that no longer reasonably be expected to recover, the full amount or partially, the Group directly writes down the book balance of the financial asset. This write-down constitutes the derecognition of related financial assets. This usually happens when the Group determines that the debtor has no assets or a source of income to generate sufficient cash flow to cover the amount that will be written down. However, in accordance with the Group's procedures for recovering due receivables, the write-down of financial assets may still be affected by implementation activities. If the impairment of financial assets is recovered at a later stage, it should be recognized as reverse and recorded into the profit or loss in the recovery period.

4.9.2 Financial liabilities

4.9.2.1 Classification, confirmation basis and measurement method of financial liabilities

The financial liabilities of the Group measured initially are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

4.9.2.1 Classification, confirmation basis and measurement method of financial liabilities (Continued)

Financial liabilities measured at fair value through gain and loss include trading financial liabilities and designated financial liabilities measured at fair value through gain and loss on initial recognition (The relevant classification is based on the disclosure of the financial assets classification basis). Subsequent measurement is based on fair value. Gains or losses arising from changes in fair value and dividends and interest expense related to the financial liabilities are recognized in profit or loss.

Other financial liability (disclosure of specific financial liabilities based on actual conditions). Other financial liabilities are subsequently measured at amortized cost with effective rate. Except for the following, the Group classifies financial liabilities as financial liabilities measured at amortized cost: ① Financial liability measured at their fair value through profit or loss, which include trading financial liabilities (containing derivatives that are financial liabilities) and designated financial liabilities measured at fair value through gain and loss. ② Financial assets that do not meet the conditions for derecognition transfer or continue to be involved in the financial liabilities of the transferred financial assets. ③ Financial guarantee contracts that do not fall into the above 1 or 2 cases, and loan commitments that are not subject to the above 1 situation and are loans at a lower than market rate.

If the Group, as an acquirer, recognizes a contingent consideration to form a financial liability in a business combination not under common control, it is measured at fair value through profit or loss.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

4.9.2.2 Derecognition

The Group shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit and loss.

4.9.2.3 Method for determining the fair value of financial assets and financial liabilities

The Group measures the fair value of financial assets and financial liabilities at the prices of major markets. If there is no major market, the fair value of financial assets and financial liabilities is measured at the most favorable market price. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value. The input values used in fair value measurement are divided into three levels: the level 1 is quoted (unadjusted) market prices in active markets for identical assets or liabilities; the level 2 is valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; the level 3 is valuation techniques for which the lowest level input that is significant to the fair value measurement is non-observable. The Group prioritizes the use of the first level of input values and finally uses the third level of input values.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

4.9.2.3 Method for determining the fair value of financial assets and financial liabilities

The Group's investments in equity instruments are measured at fair value. However, in limited circumstances, if the short-term information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of the fair value within the scope, the cost may represent appropriate estimates of fair value within this distribution.

4.9.2.4 Offset of financial assets and financial liabilities

The Group's financial assets and financial liabilities are presented separately in the balance sheet and are not offset. But financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

4.9.2.5 The distinction between financial liabilities and equity instruments and related treatment methods

The Group distinguishes financial liabilities and equity instruments according to the following principles: ① If the Group cannot unconditionally avoid fulfilling a contractual obligation by paying cash or other financial assets, the contractual obligation is consistent with the definition of financial liability. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions. ② If a financial instrument is required or can be settled by the Group's own equity instruments, it is necessary to consider the Group's own equity instruments used to settle the instrument, whether it is a substitute for cash or other financial assets, or for the holder of the instrument to enjoy the remaining interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is the issuer's financial liability; if it is the latter, the instrument is the issuer's equity instrument. IN some cases, a financial instrument contract stipulates that the Group settles the financial instrument with its own equity instruments, where the amount of contractual rights or contractual obligations equals the amount of equity instruments available or to be delivered multiplied by the fair value at settlement. Whether the amount of the contractual rights or obligations is fixed, or totally or partly based on changes in variables other than the market price of the Group's own equity instruments (interest rate, price of a commodity, or price of a financial instrument). The contract is classified as a financial liability.

When the Group classifies financial instruments (or their components) in the consolidated statements, it considers all the terms and conditions between the group members and the holders of financial instruments. If the group as a whole assumes the obligation to settle cash, other financial assets, or other means of causing the instrument to become a financial liability due to the financial instruments, the instrument should be classified financial liability.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

4.9.2.5 The distinction between financial liabilities and equity instruments and related treatment methods (Continued)

If the financial instrument or their components are classified as financial liabilities. Relevant interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are recognized in profit or loss.

If the financial instrument or its components are equity instruments, it is treated as a change in equity and not recognized changes in the fair value of equity instruments when it is issued (including refinancing), repurchased, sold or cancelled.

4.10 Inventories

4.10.1 Category

The inventories of the Group comprise raw material, work in progress, finished goods, turnover materials, spare parts, materials in transit, and outsourced materials etc.

4.10.2 Pricing of inventories

Inventories are initially measured by actual cost, which consists of purchase price, processing cost and other costs. Inventories are measured by either the weighted average method, specific-unit-cost method or other method while requisitioned or delivered.

4.10.3 Measurement of net realizable value of inventory and measurement of provision for impairment of inventories

The net realizable value refers to the selling price deducted by the estimated cost before completion, estimated selling expense and relevant taxes in the daily operations. Net realizable value of inventories is on the basis of reliable evidence obtained and in consideration of the purpose for holding inventories and the effects of subsequent events.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.10 Inventories (Continued)

4.10.3 Measurement of net realizable, value of inventory and measurement of provision for impairment of inventories (Continued)

On the balance sheet date, the inventory is measured at the lower of cost and net realizable value and a provision for impairment shall be made while the cost of inventories is higher than the net realizable value. Provision for impairment of inventory shall be incurred independently except that impairment of spare parts according to the actual situation and the estimation of the management.

If factors once result in impairment disappeared and the net realizable value exceeds the carrying value, the write-down shall be reversed from the provision to the extent of provision previously made and recorded into profit and loss for the current year.

4.10.4 Physical inventory at fixed period is taken under perpetual inventory system

4.10.5 Amortization of reusable materials

Reusable materials such as low-value consumables, packaging materials and other consumables shall be amortized by one-off method, workload method or amortization method according to their nature. Amount of amortization shall be recorded into the cost of the relevant assets or profit or loss for the current period.

4.11 Long-term equity investment

The long-term equity investment refers to the investment in which the company has control, joint control or significant influence over the invested entities. On the other hand, the long-term equity investments which not result in the control, jointly control or significantly influence on the invested entities, are treated as other investments in equity instruments or financial assets held for trade and their accounting policies refer to Notes 4.9 "Financial Instruments".

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.11 Long-term equity investment (Continued)

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence refers to the right that the Company can participate in the decision-making of the financial and operating policies over the invested company, but is not able to control or jointly control the policy formulation.

4.11.1 Determination of investment cost

For long-term equity investment formed by business combination under common control, the initial cost shall, on the date of acquisition of the final controller, be measured by the share of carrying value of the owner's equity of the acquired entity. The difference between the investment cost, and cash payment and transferred non-cash assets or liabilities on fair value shall be adjusted against the capital reserve; if the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings. For the insurance of the equity securities which is seen as consideration cost, the share of the carrying value is recognized as initial investment cost in the consolidated financial statement of the ultimate controlling party's owner's equity. The capital stock is the aggregate nominal amount of the outstanding ordinary shares. The difference between the initial investment cost and the aggregate nominal amount of the long-term equity investment shall be adjusted against the capital reserve; if the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

For the long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control over the acquiree. The direct cost for the business combination incurred by the acquirer, including the expenses for audit, valuation, legal services and other administrative expenses, shall be recorded into the profit or loss for the current period.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.11 Long-term equity investment (Continued)

4.11.1 Determination of investment cost (Continued)

For long-term equity investment other than those formed by business combination, the initial cost of other long-term equity investment shall be measured at the amount of actual cash paid, the fair value of the equity securities issued, the conventional value stipulated in the investment contract or agreement, the fair value or carrying value of the assets surrendered in the non-monetary assets exchange transaction, the fair value of the long-term equity investment itself, etc. The initial cost consists of the expenses directly related to the acquisition of the long-term equity investment, taxes and other necessary expenses.

4.11.2 Subsequent measurement and recognition method of gains and losses

For long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the Long-term equity investments with joint control or significant influence over invested entities shall be accounted by equity method (except the co-operator). Besides, a long-term equity investment is measured in cost method if the Group is able to control the invested entity.

4.11.2.1 Long-term equity investments accounted by cost method

Long-term equity investment stated by applying the cost method shall be measured at initial investment cost. Except those included in the consideration, dividends or profits declared enjoyed by the investor shall be recognized as the current investment income.

4.11.2.2 Long-term equity investments accounted by equity method

In the equity method, if the initial cost of a long-term equity investment exceeds the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, initial cost of the long term equity investment shall not be adjusted, and if the initial cost of a long-term equity investment lower than the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, the difference shall be recorded into profit or loss for the current year, and the cost of the long-term equity investment shall be adjusted simultaneously.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.11 Long-term equity investment (Continued)

4.11.2 Subsequent measurement and recognition method of gains and losses (Continued)

4.11.2.2 Long-term equity investments accounted by equity method (Continued)

In the equity method, the investment income and other comprehensive income are recognized in accordance with the proportion of the net profit or loss and other comprehensive income of the invested entity attributable to the investor and adjusting the carrying value of long-term equity investment; It shall be decreased of the carrying value of long-term equity investment according to the portion of the declaration of dividend or cash dividends; It shall adjust the carrying value of long-term equity investment and recognize in capital reserve if there is any other changes besides net profit or loss, other comprehensive income and profit distribution of the owner's equity. The invested entity's profit or loss shall be adjusted on the basis of the fair value of all identifiable assets of the invested entity at the acquisition date and adjusted to comply with the accounting policies and accounting periods adopted by the investor. All inter-Group unrealized profits from the jointly ventures and associates attributable to the Group shall be eliminated to recognize the investment income. If there are differences in the accounting policies and accounting period between the company and the invested company, the financial statements shall be adjusted according to the company, and the investment income and other comprehensive income shall be recognized. However, if the unrealized inter- Group loss constitutes impairment of the transferred assets, the losses shall not be adjusted. The investor shall recognize the net losses of the invested entity to the extent that the carrying value of the long-term equity investment and other long-term rights and interests which substantially exist in the net investment to the invested entity is reduced to zero. Furthermore, if the investor has the obligation to reimburse extra losses, the extra obligation shall be recognized as provision and be recognized in investment loss. If the invested entity realizes any net profits in the subsequent periods, the investor shall not recognize its attributable share of profits unless the unrecognized attributable share of loss has been restored.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.11 Long-term equity investment (Continued)

4.11.2 Subsequent measurement and recognition method of gains and losses (Continued)

4.11.2.2 Long-term equity investments accounted by equity method (Continued)

When the net loss incurred by the investee is recognized to be shared, the book value of the long-term investment and other long-term interests that substantially constitute the net investment of the investee shall be written down to zero. In addition, if the Company has responsibilities to bear extraneous losses of the investee, the estimated liabilities shall be recognized in accordance with expected obligations and included in current investment losses. If net profits are made by the investee in subsequent period, the Company is able to restore the recognition of the share of profits after the share of unrecognized losses being compensated by the share of profits.

4.11.2.3 Acquisition of minority interests

While preparing consolidated financial statements, the difference, between the increase in the cost of long-term equity investments as a result of acquisition of minority interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion, shall be offset by capital surplus. If the capital surplus is not sufficient to compensate for the difference, the rest shall be offset by retained earnings.

4.11.2.4 Disposal of long-term equity investment

In consolidated financial statements, when the parent company disposes part of the investment in subsidiary without losing control power, the difference between the consideration received and the carrying value of net asset disposed shall be recognized in equity, while losing control power of subsidiary due to disposal, the relevant terms in Note 4.5.2 shall be applicable.

Under other means of disposal of long-term equity investment, the difference between the carrying value of disposed investment and the consideration received shall be recognized in the current profit or loss.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.11 Long-term equity investment (Continued)

4.11.2 Subsequent measurement and recognition method of gains and losses (Continued)

4.11.2.4 Disposal of long-term equity investment (Continued)

If the equity method is still adopted after the disposal of the rest equity, it shall adopt the same accounting policies to other comprehensive income of the equity by proportion, as the invested company disposing the related assets and liabilities. For the other changes of the owner's equity except for the net income or losses, other comprehensive income and profit distribution, originally recognized in the equity shall be transferred into profit or loss by the percentage disposed.

For long-term equity investments accounting under the cost method, the residual equity after disposal is still accounted for using the cost method, other comprehensive income accounted for the entity method or recognized by financial instrument and standards of measurement before taking control of the investee, shall use the same basis to dispose of related assets and liabilities for accounting treatment just like the investee do, and carry forward current profits and losses simultaneously in proportion. Changes in shareholder's equity, other than net profits and losses, other comprehensive income and profit distribution from net assets of the investee recognized by the entity method are carried forward to current profits and losses proportionately.

4.12 Fixed Assets

4.12.1 Recognition

Fixed assets plant and equipment refer to the tangible assets held by the Group for producing goods, rendering service, renting or operation and administration purpose with useful lives over 1 year. The fixed assets are recognized only when the economic interests are likely to flow into the company and its cost can be measured reliably. The fixed assets are initially measured only when considering the influence of the cost and the expected impact of the disposal expenses.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.12 Fixed Assets (Continued)

4.12.2 Depreciation method of fixed assets

Fixed assets are initially recorded at cost and the estimated asset retirement obligation shall be taken into consideration. From the next month since fixed assets are in state of expected conditions for use, fixed assets are depreciated using the straight-line method over their estimated useful life. The useful life, scrap value rates for each category of fixed assets are as follows:

Category of fixed assets	Useful lives	Estimate	Annual
		residual rate	depreciation rate
		(%)	(%)
Plants and buildings	40 years	3–5	2.375–2.425
Machinery and equipment	17–24 years	3–5	3.958–5.706
Other fixed assets	5–12 years	3–5	7.917–19.40

Estimate residual value refers to the expected disposal proceeds after compensated estimated disposal expenses while the asset is worn out or retired.

4.12.3 Method for impairment test and recognition of impairment provision

Method of impairment test and measurement of impairment provision of fixed assets, please refer to Note 4.16 “Impairment of non-current assets”.

4.12.4 Other explanations

Subsequent expenditure relating to a fixed asset shall be capitalized if the economic benefits related to the fixed asset are likely to flow into the Group and the cost could be measured reliably and the carrying value of replaced parts shall stop recognizing. Subsequent expenditures excluding fore-mentioned shall be recorded into current profit and loss.

The proceeds, from fixed asset disposed, transferred, discarded or destroyed, shall be recorded into current profit and loss after deducting carrying value and relevant taxes.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.12 Fixed Assets (Continued)

4.12.4 Other explanations (Continued)

Significant changes of useful life or residual value or depreciation method of fixed asset shall be considered as changes in accounting estimation.

4.13 Construction in progress

The cost of construction in progress shall be measured according to the actual expenditure for the construction in progress, including the expenditure for the construction project incurred during the construction period, and capitalized borrowing costs before the project is ready for its intended use and other related costs. Construction in progress is transferred to fixed asset while it is ready for its intended use.

Method of impairment test and measurement of the provision of construction in progress, refer to Note 4.16 “Impairment of non-current assets”.

4.14 Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange gain or loss on foreign currency borrowings. The borrowing costs, directly attributable to the acquisition, construction or production of assets eligible for capitalization, shall be capitalized while the capital expenditure and borrowing cost has already occurred and the acquisition, construction or production activities necessary to satisfy intended use or get ready for sale have already started. Capitalization of borrowing costs shall be ceased while the qualified for capitalization asset under acquisition and construction or production is ready for its intended use or sale, and other borrowing costs shall be recognized into the current profit and loss while occurred.

The interests of special borrowings shall be capitalized after deducted the interests or investment income derived from the unused borrowings by depositing in the bank or making short term investment. The amount of interests on general borrowings to be capitalized shall be calculated by multiplying the weighted average of the accumulative capital expenditure exceeding the special borrowings by the capitalization rate of the general borrowings. The capitalization rate is the weighted average rate of interest of general borrowings.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.14 Borrowing costs (Continued)

During the period of capitalization, the exchange gain or loss on foreign currency special borrowings shall be capitalized, while general borrowings into the current profit and loss.

Assets eligible for capitalization refers to the fixed assets, investment properties, inventories and other assets, of which the acquisition, construction or production may take quite a long time to get ready for intended use or be sale.

If the acquisition, construction or production of a qualified asset is interrupted abnormally for more than 3 months, the capitalization of borrowing costs shall be suspended, till acquisition, construction or production of the asset restarts.

4.15 Intangible assets

4.15.1 Intangible assets

Intangible asset refers to the identifiable non-monetary asset with no physical form, possessed or controlled by the Group.

Intangible asset shall be initially measured at its cost. Subsequent expenditure relevant to an intangible asset shall be recorded into the cost of an intangible asset, if the economic benefits associated with the intangible assets are likely to flow into the Group and the cost can be reliably measured. Other expenditures except mentioned before for an intangible item shall be recorded into the profit or loss for the current period.

Land use right is usually recognized as an intangible asset. For self-constructed plants and buildings, the expenditure on land use right and the cost of constructions shall be recognized as intangible assets and fixed assets respectively. For purchased plants and buildings, the relevant cost shall be allocated between the land use right and plants, and if it is impossible to be allocated, all the relevant cost shall be recognized as fixed assets.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.15 Intangible assets (Continued)

4.15.1 Intangible assets (Continued)

The original value of an intangible asset with a definite useful life shall be amortized by the straight-line method over its useful life after deducting estimate residual value and impairment provision, while intangible assets with indefinite useful life shall not be amortized.

Significant change of useful life and amortization method shall be taken as a change in accounting estimation after reviewing the useful life and the amortization method of intangible assets with definite useful life. After reviewing useful life and economic benefits inflow term of an intangible asset with an indefinite useful life, if the latter is predictable, intangible asset with an indefinite useful life shall be amortized according to policies applying to an intangible asset with a definite useful life.

4.15.2 Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on research phase and expenditure on development phase.

Research expenditure shall be recorded into current profits and losses.

Development expenditure is capitalized as intangible assets if the following conditions were met.

- (i) It is technically feasible to get the intangible asset ready for intended use or for sale;
- (ii) It is intended to get the intangible asset ready for use or sale;
- (iii) The intangible asset could be sold out in prevailing market with profit or be applied to production for well selling products, and could be proven useful for internal use;

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.15 Intangible assets (Continued)

4.15.2 Research and development expenditure (Continued)

- (iv) It is technically and financially capable of completing the development of the intangible asset, and capable of using or selling such intangible asset;
- (v) Development expenditure attributed to the intangible asset could be reliably measured;

While it is difficult to distinguish research phase from the development phase, all expenditure shall be recorded into current profit or loss.

4.15.3 Method of impairment test and measurement of impairment provision

Impairment test and measurement of intangible assets refer to Note 4.16 “Impairment of non-current assets”.

4.16 Impairment of non-current assets

Non-financial and non-current assets, such as fixed assets, construction in progress, intangible assets with definite useful life, and long-term equity investments in subsidiaries and joint ventures and associations, judgment shall be made on the balance sheet date, to ensure whether there is any evidence of possible impairment of the assets. If there is, the recoverable amount of the assets shall be estimated and an impairment test shall be conducted. The intangible assets with indefinite useful life and those are not ready for intended use, shall be subject to impairment test every year.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.16 Impairment of non-current assets (Continued)

If the recoverable amount of an asset is lower than its carrying value, the difference shall be recognized as impairment loss and a provision shall be made accordingly. The recoverable amount is the higher of fair value of an asset deducted disposal expense and the present value of expected future cash flow from the asset. The fair value of an asset is determined according to the price stipulated in a selling agreement, and if there is no selling agreement but a dynamic market exists, the fair value shall be determined according to a bid from a buyer. If there is neither a selling contract nor a dynamic market, the fair value of an asset shall be estimated based on maximum information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, transport expenses as well as the direct expenses to get the asset ready for sale. The present value of expected future cash flow of an asset shall be established by discounting cash flow generated by continuous use and final disposal of the asset with an appropriate discount rate. Provision for impairment shall be determined on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the asset shall be integrated into an asset group and impairment shall be carried out by the asset group. Asset group refers to minimum group of asset which can generate cash flow independently.

Once impairment loss is recognized, it could not be reversed in subsequent accounting periods.

4.17 Projected liabilities

Obligations arising from contingent events shall be recognized as projected liability provided that: ① the Group has a practical obligation as a result of the past event; ② probable economic benefit will flow out to settle the obligation and; ③ the obligation could be measured reliably.

On the balance sheet date, projected liability shall be initially measured at reasonably estimated necessary expenditure for settling the obligation, taking into account the risk and uncertainty and time value of money and other factors related to the contingent event.

If the expenditure necessary for the settlement of an obligation is expected to be reimbursed entirely or partially by a third party, the reimbursement shall be separately recognized as an asset only under the circumstance that it is virtually certain that reimbursement will be received, and shall not exceed the amount of the provision incurred previously.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.18 Share-based payment

The share-based payment of the group is the transaction that grants equity instruments or assumes liabilities determined on the basis of equity instruments in order to obtain services provided by employees. The Group's share-based payment is the equity-settled share-based payment.

4.18.1 The equity-settled share-based payment

For equity-settled share-based payments in exchange for services provided by employees, the Group measures the fair value of the equity instruments granted to employees on the authorization date. The amount of the fair value is based on the best estimate of the number of vesting equity instruments during the waiting period, calculated on the straight-line method and included in the relevant costs or expenses, and the capital reserve is increased accordingly. On each balance sheet date during the waiting period, the Group will make the best estimate based on the latest follow-up information such as changes in the number of vested employees and revise the number of equity instruments that are expected to be vested. The impact of the above estimates is included in the relevant costs or expenses of the current period, and the capital reserve is adjusted accordingly.

4.18.2 Implementation, modification, and termination of share-based payment plan

When the Group revises the share-based payment plan, if the revision increases the fair value of the equity instruments granted, the increase in the services obtained shall be recognized according to the increase in the fair value of the equity instruments; if the revision increases the number of equity instruments granted, the fair value of the increased equity instruments is correspondingly recognized as an increase in services obtained. The increase in the fair value of equity instruments refers to the difference between the fair values of the equity instruments before and after the modification on the modification date. If the modification reduces the total fair value of the share-based payment or adopts other methods that are not conducive to the employees to modify the terms and conditions of the share-based payment plan, the accounting treatment of the services obtained will continue, as if the change has never occurred, unless the group cancels part or all of the granted equity instruments.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.18 Share-based payment (Continued)

4.18.3 Other explanations

For the restricted stock subscription money paid by the incentive object, if the unlocking conditions are not met, the subscription money will be returned to the incentive object. When the Group obtains the money, the share capital and capital reserve (share capital premium) are confirmed based on the obtained subscription money. Meanwhile, a liability and treasury shares are fully recognized in terms of the repurchase obligation.

4.19 Revenue

The Group shall recognize the revenue when and, only when, the Group fulfills its performance obligations in a contract and the customer in the contract take the control of the right of the good or service.

Where there are two or more performance obligations included in a contract, the Group shall, on the commencement of the contract, apportion the transaction price to each individual performance obligation in accordance with the relative proportion of each individual selling price of the good or service promised by each individual performance obligation and recognize the income according to the transaction price apportioned to each individual performance obligation.

The transaction price is the amount of consideration that the Group expects to be entitled to collect for the transfer of a good or service to its customers, excluding payments collected on behalf of third parties. The transaction price recognized by the Group does not exceed the accumulated revenue amount that has been recognized when the relevant uncertainties disappear and the amount is highly unlikely to be returned. The amount expected to return to the customer as a liability will not be included in the transaction price. Where there is a significant financing element in a contract, the Group shall recognize the transaction price based on the cash amounts the Group should receive at the time when the Group acquires the control of a good or service. The difference between the transaction price recognized and the contract consideration shall be amortized by the effective interest rate method during the contract period. On the contract commencement date, the interval under the contract between the anticipated date customers acquire the control over the good or service and the date customers make payments for the good or service does not exceed one year, the Group shall not consider the significant financing element in the contract to determine the transaction price.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.19 Revenue (Continued)

If one of the following conditions is satisfied, it is believed that the Group performs its obligations within a certain period of time; otherwise it is believed that the Group performs its obligations at a certain point of time:

- ① Customers are acquiring and are consuming the economic benefits arising from the Group's contract obligation performances while the Group is performing its contract obligations;
- ② Customers are able to control the good under construction by the Group;
- ③ The effects of the good or service produced by the Group in the course of obligation performance are irreplaceable and the Group has the right to collect payments for the part of the performance that has been completed so far throughout the contract period.

For the contract obligations performed within a certain period of time, the Group shall recognize the revenue in accordance with the progress of the obligation performance. Where the progress of obligation performance cannot be reasonably determined and the cost incurred by the group can be expected to be compensated, the revenue can be recognized according to the amount of cost incurred until the progress of obligation performance can be reasonably determined.

For the obligations performed at a certain point of the time, the Group shall recognize revenue at the point when customers gain control of the right of a good or service. In determining whether a customer has acquired the control of the right of a good or service, the Group will consider the following indications:

- ① the Group has the right to receive cash as the consideration of the good or service immediately;
- ② the Group has transferred the legal title of the goods to the customer;
- ③ the Group has transferred the real good to customers;
- ④ the Group has transferred the substantial risks and rewards of the ownership of the good or the ownership of the good to its customers;
- ⑤ customers have accepted the good or service.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.19 Revenue (Continued)

A contract asset is recognized when the group has transferred a good or service to its customers and has the right to receive consideration. The impairment loss of a contract asset is recognized on the basis of expected credit losses. An account receivable is recognized when the group has, unconditionally, the right to collect consideration from customers. A contractual liability is recognized when the Group has the obligation to transfer a good or service to its customers in consideration of its account receivables.

4.20 Government grants

Government grant is the gratuitous monetary asset or non-monetary asset received from the government, excluding the capital injected by the government as an investor. Government grant is classified into government grant pertinent to assets and government grants pertinent to income.

Government grant, designed to purchase or construct or form long-term assets, shall be recognized as a government grant pertinent to assets while others classified into government grants pertinent to income. Government grant received without clear objective shall be categorized according to following rules: (i) government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on the balance sheet date; (ii) government grant shall be categorized as pertinent to income if its usage is just subject to general statement but specific project in relevant document.

A government grant of monetary asset shall be measured at the amount received or receivable while government grant of non-monetary asset at fair value. If fair value cannot be obtained in a reliable way, government grant of a non-monetary asset shall be measured at its nominal amount and recorded into profit and loss for the current year accordingly.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.20 Government grants (Continued)

Government grant shall be recognized while received and be measured at the amount received. If there concrete evidence demonstrates that relevant monetary or non-monetary assets are likely to be received in terms of fiscal supporting policy, government grant shall be measured at the receivable amount. Generally, government grant shall be measured at receivable amount while all the following conditions are satisfied simultaneously: ① Receivable amount shall be confirmed by the documents issued by relevant government departments, or be reasonably calculated according to relevant document without significant uncertainty; ② The fiscal Funds Management Regulations, which will be of benefit to any enterprise but designed enterprise, are formally published according to the Regulations on Government Information Disclosure, and fiscal support projects are previously disclosed. ③ It is reasonable assure that government grant, scheduled in the relevant government documents and guaranteed by the fiscal budget, could be received on schedule.

Government grant pertinent to assets shall be initially recognized as deferred income and amortized into profit and loss on a straight-line basis over the useful life of the relevant asset. Government grant pertinent to income, designed to compensate future expenses or loss in subsequent periods, shall be initially recognized as deferred income and recorded to profit and loss or offset related costs in subsequent periods while relevant expenses occur or loss incurs; designed to compensate the related expenses or loss that have occurred, shall be recorded into the current profit and loss or offset related costs.

Government grants related to the daily activities of the Group are included in other income or offset related costs in accordance with the nature of the economic business; government grants not related to daily activities are included in the non-operating income.

If recognized government grant need be returned, the balance of relevant government grant shall be returned first and the shortage shall be recorded into current profit and loss.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.21 Deferred income tax asset and liability

4.21.1 Current income tax

On the balance sheet date, the current income tax liability (or asset) incurred in the current period or prior periods shall be measured at expected payable (refundable) amount of income tax in terms of the tax law. Current income tax shall be calculated based on the taxable income resulted from accounting profit before tax adjusted in terms of the relevant tax law and regulations.

4.21.2 Deferred income tax asset and liability

The difference between the book value of some assets and liabilities and their tax basis and the difference between the book value of accounting items that are not recognized as assets and liabilities but their tax basis can be recognized in accordance with the tax laws are regarded as temporary differences, and deferred income tax assets and liabilities are thus recognized by the use of debt method based on balance sheet.

If deductible temporary difference relates to initial recognition of good will, and not result from business combination and relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, relevant deferred income tax asset shall not be recognized. Moreover, for taxable temporary difference related to investment to subsidiaries, associates and joint ventures, if the group is able to schedule the reversal of temporary difference which is unlikely to be reversed in the excepted future. Except above-mentioned, deferred income tax liability resulted from any other taxable temporary difference shall be recognized.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.21 Deferred income tax asset and liability (Continued)

4.21.2 Deferred income tax asset and liability (Continued)

If deductible temporary difference relates to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, or not result from business combination, relevant deferred income tax asset shall not be recognized. Moreover, for deductible temporary difference related to investment to subsidiaries, associates and joint ventures, if the temporary difference is unlikely to be reversed in the foreseeable future or to be compensated by future taxable income, deferred income tax asset shall not be recognized. Except the above-mentioned, deferred income tax asset resulted from any other deductible temporary difference shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate a deductible temporary difference.

As for deductible loss or tax deduction that can be carried forward to next year, the corresponding deferred tax assets shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate deductible loss and tax payable.

On the balance sheet date, the deferred tax asset and liability shall be calculated by the tax rate applicable to the period during which the asset is expected to be recovered or the obligation is expected to be settled.

After reviewing the carrying value of deferred tax asset on the balance sheet date, the carrying value of the deferred tax assets shall be written-down if future taxable income is not sufficient to compensate benefit from deferred income tax asset, and if sufficient, the written-down shall be reversed.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.21 Deferred income tax asset and liability (Continued)

4.21.3 Income tax expenses

Income tax expenses comprise current income tax expense and deferred income tax expense.

The current income tax and deferred income tax, associated with the transaction recorded into other comprehensive income or shareholder's equity, shall be recorded into other comprehensive income or shareholder's equity, while resulted from a business combination shall be taken as an adjustment to goodwill. Income taxes and deferred taxes except mentioned before shall be recorded into current profit or loss.

4.22 Leases

As the contract gets started, the Group will assess whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is leased or includes a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customer in the contract is entitled to almost all of the economic benefits arising from the use of the identified assets and has the right to leads the use of identified assets during the period of use.

If the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met: ① the lessee may profit from using the asset alone or in conjunction with other resources that are readily available; ② there is no high dependence or high correlation between the asset and other assets in the contract.

If the contract includes both the lease and non-lease parts, the lease and non-lease parts are separated and accounted for when the Group acts as the lessor and lessee.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.22 Leases (Continued)

4.22.1 Lease to a lessee

The types of the Group's right-of-use assets mainly include: leased houses and buildings, machines and equipment, other equipment, land use right.

4.22.1.1 Initial measurement

When the lease starts, the Group recognizes its right to use the leased asset over the lease term as the right-of-use asset, and recognizes the present value of the lease payments that have not been paid as lease liability, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate.

4.22.1.2 Subsequent measurement

In the subsequent measurement, if it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group depreciates the remaining useful life of the leased asset. If it is not reasonable to determine that the leasehold asset can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the leased asset.

The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognizes it in profit or loss for the current period.

The variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss when incurred.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.22 Leases (Continued)

4.22.1 Lease to a lessee (Continued)

4.22.1.2 Subsequent measurement (Continued)

After the commencement date of the lease, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, the index or ratio used to determine the lease payment amount changes, the evaluated result of the purchase option, the renewal option or the termination option or the actual exercise situation changes, the Group re-measures the lease liability according to the present value of the changed lease payment, and adjusts the book value of the right-of-use asset accordingly. The carrying amount of the right-of-use asset has been reduced to zero. However, if the lease liability still needs to be further reduced, the Group will include the remaining amount in the current profit and loss.

4.22.1.3 Lease alteration

The lease alteration is the lease scope, lease consideration, and change of lease terms outside the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If the lease changes and meets the following conditions, the Group will account for the lease change as a separate lease: ① the lease change expands the scope of the lease by increasing the right to use one or more leased assets; ② the increased consideration and the individual price of the enlarged part of the lease are equivalent to the amount adjusted by the contract.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.22 Leases (Continued)

4.22.1 Lease to a lessee (Continued)

4.22.1.3 Lease alteration (Continued)

If the lease change is not accounted for as a separate lease, the Group re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease interest rate of the remaining lease period as the discount rate; If it is not possible to determine the lease interest rate for the remaining lease period, the Group's incremental borrowing rate at the effective date of the lease change is used as the discount rate.

In view of the above effects of the adjustment of the lease liability, the Group distinguishes between the following cases for accounting treatment: ① if the lease change results in a narrower lease or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the termination or complete termination of the lease. The Group recognizes the related gains on the termination or the complete termination of the leases into the current profits and losses; ② for other lease changes, the Group adjusts the book value of the right-of-use assets accordingly.

4.22.1.4 Short-term leases and low-value asset leases

The Group does not recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During the period of the lease term, the related asset cost or current profit and loss is included in the straight-line method.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.22 Leases (Continued)

4.22.2 Operational lease to a lessor

Rental received from operational lease shall be recorded in the profit and loss for the current period by a straight-line approach over the lease term. Initial direct significant cost occurred shall be capitalized when actually occur, and subsequently recorded into the profit and loss according to the way, by which the rental recorded into profit or loss. Contingent rental shall be recorded into profit and loss in when actually occur.

4.22.3 Finance lease as a lessor

At the commencement of lease term, finance lease receivable shall be measured at the sum of minimum lease receipts and initial direct cost, risk exposure shall be recorded simultaneously, and unrealized finance income shall be measured at the difference between the sum of minimum finance lease receipt and initial direct expenditure and risk exposure, and its present value. Finance lease receivable deducted by unrealized finance income shall be separately listed as long-term receivable and long-term receivable due within one year according to its due term.

Unrecognized finance income shall be amortized with the effective interest rate, and contingent rental shall be recorded into profit and loss while occur.

4.22.4 Sale-Leaseback Transactions

As a lessee, if the transfer of assets in the sale and leaseback transaction belongs to sales, The Group, as a lessee, measures the right-of-use assets formed by the sale and leaseback based on the portion of the book value of the original assets related to the use rights obtained from the leaseback, and only recognize the relevant gains or losses on the right transferred to the lessor; if the transfer of assets in the sale and leaseback transaction is not part of the sale, the Group continues to recognize the transferred assets as the lessee and also recognizes a financial liability equal to the transfer income.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.22 Leases (Continued)

4.22.4 Sale-Leaseback Transactions (Continued)

When the lessor is a seller, if the asset transfer in the sale and leaseback transaction belongs to the sales, The Group accounts it for the purchase of the asset as the lessor, and performs accounting treatment on the asset lease according to the foregoing provisions; if the asset transfer in the sale and leaseback transaction does not belong to the case of sales, the Group as the lessor does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income.

4.23 Contract liabilities

Contract liabilities reflect the obligation of the Group to transfer goods to customers due to the consideration received or receivable by the Group. Before the Group transfers the goods to the customer, the customer has already paid the contract consideration or the Group has obtained the unconditional right to receive the contract consideration. The Group confirms the contract liability according to the amount received or receivable, at the earlier of the actual payment and the due payment due by the customer.

4.24 Employee benefits

The employee benefits, including short-term employee benefits, post-employment benefits, terminal benefits and other long-term employee benefits.

Short-term employee benefits, including wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing fund, labor union funds, employee education fund and non-monetary benefits. The short-term employee benefits are recognized as liabilities when actually incurred of rend services from the employees during the accounting period and eventually recognized in current profit or loss or related assets cost. The non-monetary benefits are measured at fair value.

Post-employment benefits include making contribution plans, which include basic old-age insurance, unemployment insurance and annuities and etc. The amount shall be accrued to the relevant assets cost or profit or loss.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.24 Employee benefits (Continued)

The Group shall recognize the termination benefits as a provision and report in profit or loss accordingly, when the company is not able to withdraw the termination benefits unilaterally due to the relief of labor relationship or lay-off proposal, the terminal benefits are recognized as employee liabilities and recognized in profit or loss at the date which is earlier between recognizing and paying off the terminal benefits related to the recombination. However, terminal benefits shall be recognized as long-term employee benefits if the benefits cannot be settled within 12 months after the reporting date.

The group applied an internal retirement plan which shall be accounted in terms of above-mentioned principal to the termination benefits. Salary and social insurance expected to be paid shall be recorded into current profit or loss from the date stopping rendering service to the normal retirement date, if the relevant expenditure satisfies the recognition criteria of contingent liability.

4.25 Changes of significant accounting policies and estimates

4.25.1 There are no significant changes in accounting policies for the period

4.25.2 There are no significant changes in accounting estimates for the period

4.26 Corrections of prior period errors

There are no corrections of prior year errors for the period.

4.27 Significant accounting judgments and estimates

Judgments, estimates and assumptions shall be made to financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Management bases its judgments, estimates and assumptions on historical experience and other various factors, these judgments will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, these uncertainties have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.27 Significant accounting judgments and estimates (Continued)

The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only influence the current period, relevant adjustment due to the effect shall be recognized in the current period; otherwise, in the current and future period.

On the balance sheet date, the significant fields involving judgments, estimates and assumptions about financial report items are listed as follows:

4.27.1 Provisions for inventories

Inventories are measured by lower of historical cost or net realizable value method according to the accounting policies of inventories; for obsolete and unsalable inventories or whose historical costs are higher than the net realizable, provision for write-down of inventories shall be incurred. The carrying value of inventory shall be written down to the net realizable value on the basis of the marketability of inventories and the net realizable value. Inventory write-down shall be incurred in consideration of solid evidence and the purpose of holding inventories and the effect of subsequent events and etc. The difference between the actual outcome and the previously estimated outcome will influence the carrying value of inventories and accrual or reversal of provision for write-down of inventories during the period accounting estimates are changed.

4.27.2 Impairment of non-current assets

On the balance sheet date, the Group shall judge whether there is any possible indication of impairment against non-financial non-current assets. The intangible assets with indefinite useful life must be tested for impairment on an annual basis as well as when there is any indication of impairment. Other non-financial non-current assets shall be tested for impairment when there is an indication showing that the carrying value is not recoverable.

Impairment occurs while the carrying value of an asset or asset group is higher than the recoverable value, which is the higher of its fair value deducted disposal expenses and the present value of expected future cash flow.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.27 Significant accounting judgments and estimates (Continued)

4.27.2 Impairment of non-current assets (Continued)

The fair value deducted by disposal expenditure is determined in consideration that sale agreement regarding analogous asset, and approachable market price and relevant dispose expenditures.

Significant judgments regarding the production amount, sales price, relevant operating costs of the assets (or assets group) and the discount rate used to calculate the present value shall be made, while determining the present value of future cash flows. Recoverable amount shall be estimated by using all accessible relevant information, including production amount, sales price, and relevant operating costs predictions made based on reasonable and supportive assumptions.

4.27.3 Depreciation and amortization

Fixed and intangible assets are depreciated and amortized by a straight-line approach over their estimated useful life by taking the residual value into consideration. Useful life shall be periodically reviewed to determine the depreciation and amortization expenses for each reporting period and be determined on the basis of historical experience regarding analogous assets and the expected technological innovation. Significant changes to previous accounting estimates will result in adjustments against depreciation and amortization expenses in the future periods.

4.27.4 Deferred tax assets

Deferred tax asset is recognized for all the uncompensated tax losses to the extent of the amount of deductible taxable income. In order to determine the amount of deferred tax assets, the management needs to predict the timing and the amount of taxable profits in the future by taking into account the influence of tax planning.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.27 Significant accounting judgments and estimates (Continued)

4.27.5 Income tax

Within the normal operating activities of the group, some of them are possibly uncertain in the tax treatment and calculation. The approval of tax authority is required by tax expenses of some items. If there is a difference between the final identified result and the original estimated amount, it will have an impact on the current income tax and deferred income tax during the final determination period.

4.27.6 Early retirement pension and supplementary social pension

Expense and liability resulted from early retirement pension and supplementary social pension are determined based on a variety of assumptions, including the discount rate, the growth rate of average medical cost, the growth rate of retired employees' subsidies and other factors. Differences between actual and estimated results will be recognized accordingly as current expenses. Although the management believes that the assumptions are reasonable, the changes in actual empirical value and assumptions will affect the amount of expenses and the balance of liabilities resulted from early retirement pension and supplementary social pension.

4.27.7 Impairment of financial instruments

Expected credit loss model is adopted for assessing impairment of financial instruments. The application of expected credit loss model requires significant judgement and estimates, all reasonable and evidence-based information, including forward-looking information is taken into account. When making such judgments and estimates, the Group infers the expected changes in debtors' credit risk based on historical repayment data, combining with economic policies, macroeconomic indicators, industry risks, major changes in debtors, early warning customer lists, collateral and other considerable factors.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

5. Taxation

Main taxes and tax rate

Type of tax	Specific tax rate
Value added tax (“VAT”)	Output VAT is calculated based on taxable income, according to the applicable tax rate, and deducting the VAT from the difference after deduction of input tax in current period.
City construction and Education surtax	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 15%, 25%
Environmental protection tax	Atmospheric pollutant: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.2 or 2.4. Water pollutants: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.4. Solid wastes: Multiply the emission of solid wastes by 25. Noise: Multiply the noise coefficient of exceeding standards by 350, 700, 2800 or 1400.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements

Unless otherwise specified, the current period refers to the twelve months ended 31 December 2022, and the previous period refers to the twelve months ended 31 December 2021.

6.1 Cash and cash equivalents

Items	31 December 2022	31 December 2021
Cash		
Bank deposits (Note 1)	4,738	5,084
Other cash and cash equivalents (Note 2)	355	314
Total	5,093	5,398

Note 1: For details of the funds deposited by the Group in Angang Finance, please refer to Note 11.5.4

Note 2: Other cash and cash equivalents are mainly futures margin.

6.2 Derivative financial assets

Items	31 December 2022	31 December 2021
Futures contract	13	3
Foreign exchange swap contract	24	
Total	37	3

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.3 Notes receivable

6.3.1 Classification of notes receivable

Items	31 December 2022			31 December 2021		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank acceptance notes	173		173	25		25
Commercial acceptance notes						
Total	173		173	25		25

6.3.2 Notes receivable transferred to accounts receivable due to insolvency of the issuer as of 31 December 2022.

Items	Amount transferred to accounts receivable at the end of the period
Bank acceptance notes	837
Commercial acceptance notes	
Total	837

6.3.3 The aging of the notes receivable at the end of the period

The above aging of the Group's notes receivable at the end of the period is within 1 year.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.4 Accounts receivable

6.4.1 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 including: Risk-free group combination	2,689	74.53	4	0.15	2,685
Risk group combination on the basis of aging-matrix	734	20.34			734
	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 including: Risk-free group combination	1,693	62.11	2	0.12	1,691
Risk group combination on the basis of aging-matrix	207	7.60			207
	1,486	54.51	2	0.13	1,484
Total	2,726	100.00	832	30.52	1,894

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.4 Accounts receivable (Continued)

6.4.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2022			Reason
	Book Value	Bad Debt Provision	Percentage (%)	
Tianjin Property Group Finance Co., Ltd. (Property Finance)	586	463	79.01	Notes overdue
HNA Group Finance Co., Ltd. (HNA Finance Division)	201	179	89.05	Notes overdue
Chongqing Lifan Finance Co., Ltd. (Lifan Finance)	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	919	766		-

6.4.3 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	3,608	2,726

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 RMB 5 million, and the amount due in 3-4 years is RMB 832 million. Meanwhile, the rest of the accounts receivable are based on the invoice date.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.4 Accounts receivable (Continued)

6.4.4 Bad debt provision

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

6.4.5 Accounts receivable written off this period

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

6.4.6 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 RMB 2,221 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 RMB 642 million as of 31 December 2022.

6.4.7 Accounts receivable derecognized resulting from transfer of financial assets

The Group transferred accounts receivable on a non-recourse basis of RMB 1,581 million and incurred costs related to derecognition of RMB 19 million during the period.

6.4.8 The Group obtained short-term loans of RMB 399 million through factoring with accounts receivable of RMB 399 million as collateral this year. Please refer to Note 9.4 for details.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.5 Receivables financing

6.5.1 Classification of receivables financing

Type	31 December 2022			31 December 2021		
	Book Value	Bad Debt Provision	Net Book Value	Book Value	Bad Debt Provision	Net Book Value
Bank acceptance notes	1,824		1,824	1,844		1,844
Commercial acceptance notes						
Total	1,824		1,824	1,844		1,844

6.5.2 Receivables financing that have been endorsed or discounted and have not expired at the end of 31 December 2022

Items	Amount of Termination Confirmation	Amount of Non-termination Confirmation
Bank acceptance notes	13,299	
Commercial acceptance notes	63	
Total	13,362	

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.6 Prepayments

6.6.1 Prepayments classified by aging

Items	31 December 2022		31 December 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	5,040	98.57	2,936	99.52
1 to 2 years	65	1.27	12	0.41
2 to 3 years	6	0.12	2	0.07
Over 3 years	2	0.04		
Total	5,113	100.00	2,950	100.00

6.6.2 The condition of prepayment of the top five debtors by the balances at the end of period

The prepayment balance of the top five debtors is RMB 4,051 million in total, accounting for 79.23% of the prepayment balance on 31 December 2022.

6.7 Other receivables

Items	31 December 2022	31 December 2021
Dividends receivable		
Other receivables	27	62
Total	27	62

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables

6.7.1.1 Classification of other receivables

Items	31 December 2022				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	24.32	9	100.00	
Other receivables for which bad debt is prepared based on group combination	28	75.68	1	3.57	27
Including: Risk-free group combination	2	5.41			2
Risk group combination on the basis of aging-matrix	26	70.27	1	3.85	25
Total	37	100.00	10	27.03	27

Items	31 December 2021				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	12.00	9	100.00	
Other receivables for which bad debt is prepared based on group combination	66	88.00	4	6.06	62
Including: Risk-free group combination	1	1.33			1
Risk group combination on the basis of aging-matrix	65	86.67	4	6.15	61
Total	75	100.00	13	17.33	62

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.2 Other receivables classified by the nature

Type	31 December 2022	31 December 2021
The remaining factoring receivable		25
The service fee of land acquisition	9	9
Petty cash	4	4
Industrial injury loan	7	13
Loan from Angang CIMC (Yingkou) New Energy Technology Co., Ltd. (Angang CIMC)		10
Bid security	6	
Others	11	14
Total	37	75

6.7.1.3 Other receivables classified by aging

Aging	31 December 2022	31 December 2021
Within 1 year	21	61
1 to 2 years	5	1
2 to 3 years	1	1
3 to 4 years	1	
4 to 5 years		
Over 5 years	9	12
Total	37	75

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.4 The accrual condition of bad debt provision

	The first stage	The second stage	The third stage	Total
	Expected credit losses within the next 12 months	Expected credit losses for the entire duration of the period (no credit impairment)	Expected credit losses for the entire duration of the period (credit impairment has occurred)	
Balance at 1 January 2022		1	12	13
Bad debt provision			(3)	(3)
Reverse				
Resale or verification				
Write off				
Other changes				
Balance at 31 December 2022		1	9	10

6.7.1.5 Bad debt provision at the end of the period

Type	31 December 2021	Increase/Decrease		31 December 2022
		Bad debt provision	Reverse	Resale or verification
Other receivables	13	(3)		10

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.6 Other receivables subject to separate assessment for bad debts provision

Debtors	31 December 2022			Reason
	Book Value	Bad Debt Provision	Percentage (%)	
Land acquisition service station of Chaoyang City	9	9	100.00	Not expected to be recovered
Total	9	9	-	

6.7.1.7 The condition of other receivables of the top five debtors by the balances at the end of the period

The total amount of top five other receivables according to closing balance of debtors of the Group was RMB 13 million at 31 December 2022, which accounted for 35.14% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB 0 million.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.8 Inventory

6.8.1 Classification of Inventory

Items	31 December 2022		
	Book Value	Inventory falling Price Reserves	Carrying Value
Raw materials	5,981	28	5,953
Work in progress	3,188	60	3,128
Finished goods	2,910	17	2,893
Revolving materials	570	1	569
Spare parts	869	28	841
Materials in transit	191		191
Work in progress– outsourced			
Total	13,709	134	13,575

Items	31 December 2021		
	Book Value	Inventory falling Price Reserves	Carrying Value
Raw materials	7,080	37	7,043
Work in progress	4,225	176	4,049
Finished goods	6,592	270	6,322
Revolving materials	597	1	596
Spare parts	915	39	876
Materials in transit	171		171
Work in progress – outsourced	2		2
Total	19,582	523	19,059

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.8 Inventory (Continued)

6.8.2 Changes in Inventory falling price reserves

Items	31 December 2021	Increase	Decrease	31 December 2022
		Inventory falling price reserves	Written Back	
Raw materials	37	40	49	28
Work in progress	176	61	177	60
Finished goods	270	31	284	17
Revolving materials	1			1
Spare parts	39		11	28
Total	523	132	521	134

Note: The net realizable value for finished goods and the relevant raw materials is lower than the cost, therefore, provision for inventory was accrued this period. Meanwhile, due to market price recovery or product cost decline, part of inventory's net realized value is higher than its book value, therefore, the provision is reversed within the amount of its original provision.

6.9 Other current assets

Items	31 December 2022	31 December 2021
The amount of input tax to be certified		101
Tax retained	194	870
Prepayment of enterprise income tax	358	335
Total	552	1,306

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.10 Long-term equity investments

Details of long-term equity investments

The invested entity	31 December 2021	Increase/Decrease		Investment income under the equity method	Other comprehensive income
		Increase	Decrease		
Jointly venture					
TKAS Auto Steel Company Limited ("ANSC- TKS")	694			137	
The iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC – Dachuan")	191			(42)	
Ansteel Guangzhou Automobile Steel Co., Ltd. ("Guangzhou Automobile Steel")	376			37	
Angang CIMC		100			
Sub-total	1,261	100		132	
Associated venture					
Angang Group Finance Co., Ltd. ("Angang Finance")	1,442			86	
Anshan Anshan Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder Company")	9			9	
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	70			(5)	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	114			4	
Guangzhou GAC Baoshang Steel Processing Co., Ltd. ("GAC Baoshang")	99			11	
Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company")	41			(3)	
ChaoyangZhong'an Water Co., Ltd. ("Zhong'an Water")	35			1	
Sub-total	1,810			103	
Total	3,071	100		235	

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.10 Long-term equity investments (Continued)

The Invested Entity	Increase/Decrease			31 December 2022	Closing Value of the Provision for Impairment
	Other Equity Changes	Declaration of Cash Dividends or Profits	Provision for impairment Loss		
Jointly venture					
ANSC-TKS		204		(2)	625
ANSC – Dachuan					149
Guangzhou Automobile Steel		28		2	387
Angang CIMC					100
Sub-total		232			1,261
Associated venture					
Angang Finance					1,528
Iron Oxide Powder Company					18
Nansha Logistical					65
AISSG		1			117
GAC Baoshang		2			108
Meizhou Motor Company					38
Zhong'an Water		2			34
Sub-total		5			1,908
Total		237			3,169

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.11 Other investments in equity instruments

6.11.1 Details of other investments in equity instruments

The Invested Entity	Book Balance	
	31 December 2022	31 December 2021
WISDRI Engineering & Research Incorporation Limited Company (hereinafter referred to as "WISDRI")	513	437
Heilongjiang Longmay Mining Group Co., Ltd. (hereinafter referred to as "Longmay Group")	68	
Anshan Falan Packing Material Co. Ltd. (hereinafter referred to as "Falan Packing")	26	26
Changsha Bao steel steel processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel")	10	9
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd. (hereinafter referred to as "China Shipbuilding")	16	18
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. (hereinafter referred to as "Guoqi Lightweight")	3	3
Shanghai Ouye Chemical Po Electronic Commerce Co., Ltd. (hereinafter referred to as "Shanghai Ouye")	5	3
Jindian (Hangzhou) Technology Co., Ltd. (hereinafter referred to as "Jindian")		
Total	641	496

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.11 Other investments in equity instruments (Continued)

6.11.2 Non-tradable investments in equity instruments current period

Items	Recognized dividend income current period	Accumulated gain	Accumulated loss	Designation Reason (measured at fair value and the changes of their value are recorded in other comprehensive income.)	
				other comprehensive income transfer to retained earnings.	Reason (other comprehensive income transfer to retained earnings)
WISDRI*		374			
Longmay Group			(175)		
Falan Packing	2	5			
Changsha steel			(7)		
China Shipbuilding		6			
Guoqi Lightweight					
Shanghai Ouye		3			
Jindian			(2)		
Total	2	388	(184)		

Note: The Group's investment in equity instruments that are not quoted in the open market is an investment that the Group plans to hold for a long period of time. Therefore, the Group designates it as a financial asset that is measured at fair value and whose changes are recorded into other comprehensive income.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.12 Other non-current financial assets

	Book Value	
	31 December 2022	31 December 2021
The Invested Entity		
Zhuzhou Smelter Group Co., Ltd. (hereinafter referred to as “ZhuYe Group”)	33	43
Total	33	43

Note: The Group's equity instruments that are active in the open market and are quoted are designated as financial assets measured at fair value through profit or loss. As the Group plans to hold the investment of ZhuYe Group for a strategic purpose, the investment is reclassified to other non-current financial assets at the end of the period.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.13 Fixed assets

6.13.1 Analysis of fixed assets

Items	Houses and Buildings	Machinery	Others	Total
Original Cost				
1. 31 December 2021	34,042	86,744	6,408	127,194
2. Increase in the period	1,549	755	(264)	2,040
(1) Purchase	20	9	4	33
(2) Transform from project under construction	175	1,546	251	1,972
(3) Increase from combination				
(4) Others	1,354	(800)	(519)	35
3. Decrease in the period	53	683	54	790
(1) Disposal or scrap	53	683	54	790
(2) Others				
4. 31 December 2022	35,538	86,816	6,090	128,444
Accumulated depreciation				
1. 31 December 2021	13,967	55,838	5,347	75,152
2. Increase in the period	1,702	2,292	(487)	3,507
(1) Depreciation	809	2,441	212	3,462
(2) Increase from combination				
(3) Others	893	(149)	(699)	45
3. Decrease in the period	29	605	49	683
(1) Disposal or scrap	29	605	49	683
(2) Others				
4. 31 December 2022	15,640	57,525	4,811	77,976
Provision for impairment				
1. 31 December 2021	605	2,739	140	3,484
2. Increase in the period				
(1) Provision for current period				
(2) Others				
3. Decrease in the period			1	1
(1) Disposal or scrap			1	1
(2) Others				
4. 31 December 2022	605	2,739	139	3,483
Book Value				
1. 31 December 2022	19,293	26,552	1,140	46,985
2. 31 December 2021	19,470	28,167	921	48,558

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.13 Fixed assets (Continued)

6.13.2 Fixed assets leased out by operating lease

Type	31 December 2022	31 December 2021
Houses and buildings	15	19
Machinery	7	5
Total	22	24

6.14 Construction in progress

Items	31 December 2022	31 December 2021
Construction in progress	6,711	4,638
Construction materials	21	6
Total	6,732	4,644

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress

6.14.1.1 Details of constructions in progress

Items	31 December 2022			31 December 2021		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
The environmental protection upgrading and transformation project of the sintering machine of the iron-making general plant	876		876	292		292
Upgrading and reconstruction project of seamless 177 production line of large-scale general factory	247		247	164		164
Quality improvement and reconstruction project of universal line of large-scale factory	190		190	100		100
21 to 096B iron making – Bayuquan raw material yard shed closed project	424		424	114		114
Upgrading and reconstruction project of continuous rolling line of large-scale factory	182		182	99		99
3# blast furnace overhaul project	148		148	116		116
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	146		146	140		140
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant	85		85	80		80
Iron-making Center Blast Furnace Centralized Control Phase I Project	66		66	48		48
Project for the construction and production of the raw material system of the 265m2 sintering machine in the iron smelting general plant	143		143	38		38
Others	4,210	6	4,204	3,453	6	3,447
Total	6,717	6	6,711	4,644	6	4,638

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress (Continued)

6.14.1.2 Changes in major constructions in progress

Items	Items Budget	31 December 2021	Increase of the period	Transferred into fixed assets	Other decrease	31 December 2022
The environmental protection upgrading and transformation project of the sintering machine of the iron-making general plant	1,016	292	584			876
Upgrading and reconstruction project of seamless 177 production line of large-scale general factory	260	164	83			247
Quality improvement and reconstruction project of universal line of large-scale factory	200	100	90			190
21 to 096B iron making – Bayuquan raw material yard shed closed project	492	114	310			424
Upgrading and reconstruction project of continuous rolling line of large-scale factory	185	99	83			182
3# blast furnace overhaul project	178	116	32			148
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	193	140	6			146
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant	135	80	41	36		85
Iron-making Center Blast Furnace Centralized Control Phase I Project	67	48	18			66
Project for the construction and production of the raw material system of the 265m2 sintering machine in the iron smelting general plant	156	38	105			143
Others	11,650	3,453	2,731	1,936	38	4,210
Total		4,644	4,083	1,972	38	6,717

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress (Continued)

6.14.1.2 Changes in major constructions in progress (Continued)

Items	Accumulated capitalized borrowing cost	Of Which: Capitalized this Period	Capitalization Rate (%)	Expenditure Over Budget (%)	Project Progress (%)	Resource of Fund
The environmental protection upgrading and transformation project of the sintering machine of the iron-making general plant	19	19	3.15	86	86	Self-financing
Upgrading and reconstruction project of seamless 177 production line of large-scale general factory	1	1	3.15	95	95	Self-financing
Quality improvement and reconstruction project of universal line of large-scale factory	1	1	3.15	95	95	Self-financing
21 to 096B iron making – Bayuquan raw material yard shed closed project				86	86	Self-financing
Upgrading and reconstruction project of continuous rolling line of large-scale factory				98	98	Self-financing
3# blast furnace overhaul project				83	83	Self-financing
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	9	5	3.15	76	76	Self-financing
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant				90	90	Self-financing
Iron-making Center Blast Furnace Centralized Control Phase I Project				98	98	Self-financing
Project for the construction and production of the raw material system of the 265m2 sintering machine in the iron smelting general plant	3	3	3.15	91	91	Self-financing
Others	100	8	3.15	64	64	Self-financing
Total	133	37				-

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress (Continued)

6.14.1.3 Provision of Impairment

Items	31 December 2021	Increase in Current Period Provision	Decrease in Current Period Reversal	31 December 2022
Hot-rolled pickling plate production line project	6			6
Total	6			6

6.14.2 Construction materials

Item	31 December 2022	31 December 2021
Special equipment	21	6
Total	21	6

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.15 Right-of-use assets

Items	Land Use		Total
	Right	Machinery	
Original Cost			
1. Balance at 31 December 2021		781	781
2. Increase in the period	235		235
① Lease	235		235
② Increase from business combination			
③ Others			
3. Decrease in the period			
① Disposal			
② Decrease from business combination			
3 Others			
4. Balance at 31 December 2022	235	781	1,016
Accumulated depreciation			
1. Balance at 31 December 2021		92	92
2. Increase in current period	117	46	163
① Depreciation for current period	117	46	163
② Increase from business combination			
3. Decrease in current period			
① Disposal			
② Decrease from business combination			
3 Others			
4. Balance at 31 December 2022	117	138	255
Provision for impairment			
1. Balance at 31 December 2021			
2. Increase			
① Provision for current period			
3. Decrease			
① Disposal			
4. Balance at 31 December 2022			
Book Value			
1. 31 December 2022	118	643	761
2. 31 December 2021		689	689

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.16 Intangible assets

Items	Land Use Right	Non- Patented Technology	Software	Steel Capacity Indicators	Total
Original Cost					
1. 31 December 2021	8,891	47	157		9,095
2. Increase	62		38	248	348
① Purchase	62		38	248	348
② Internal R&D					
③ Enterprise merger					
④ Others					
3. Decrease:	10		1		11
① Disposition	10		1		11
② Enterprise merger					
4. 31 December 2022	8,943	47	194	248	9,432
Accumulative amortization					
1. 31 December 2021	2,510	47	108		2,665
2. Increase	182		32		214
① Counting and Drawing	182		32		214
② Enterprise merger					
③ Others					
3. Decrease					
① Disposition					
② Enterprise merger					
③ Others					
4. 31 December 2022	2,692	47	140		2,879
Provision for impairment					
1. 31 December 2021					
2. Increase					
① Counting and Drawing					
3. Decrease					
① Disposition					
4. 31 December 2022					
Book value					
1. 31 December 2022	6,251		54	248	6,553
2. 31 December 2021	6,381		49		6,430

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.17 Deferred income tax assets and deferred income tax liabilities

6.17.1 Recognized deferred income tax assets

Items	31 December 2022		31 December 2021	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment	339	1,356	417	1,668
Deductible loss	926	3,704	50	200
Unrealized profit within the group			4	16
Dismissal welfare	31	124	47	188
Accumulated depreciation of fixed assets	31	124	31	124
Salaries payable			9	36
Employee training expenses	22	88	14	56
Deferred income	99	396	104	416
Changes in the fair value of other equity instrument investments	46	184	63	252
Changes in fair value of trading financial assets	1	4		
Others	11	44	5	20
Total	1,506	6,024	744	2,976

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.17 Deferred income tax assets and deferred income tax liabilities (Continued)

6.17.2 Recognized deferred income tax liabilities

Items	31 December 2022		31 December 2021	
	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference
Valuation of trading financial instruments and derivative financial instrument conversion of equity	52	208	44	176
Changes in the fair value of other equity instrument investments	97	388	78	312
Unrealized profit within the group	8	32	35	140
Total	157	628	157	628

6.17.3 Unrecognized deferred income tax assets

Items	31 December 2022	31 December 2021
Deductible temporary difference-provision for impairment	2,078	2,240
Total	2,078	2,240

6.18 Other non-current assets

Item	31 December 2022	31 December 2021
Prepayment for Construction Projects	1,323	1,436
Total	1,323	1,436

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.19 Short-term loans

Items	31 December 2022	31 December 2021
Pledged loans	399	
Credit loans	1,180	650
Total	1,579	650

6.20 Derivative financial liabilities

Items	31 December 2022	31 December 2021
Future contracts		51
Foreign exchange swap contracts	41	65
Total	41	116

6.21 Notes payable

Items	31 December 2022	31 December 2021
Bank acceptance notes	11,624	7,952
Commercial acceptance notes	119	134
Total	11,743	8,086

Note: There are no notes payable that have expired but have not been paid on 31 December 2022. The above aging of the Group's notes payable at the end of the period is within 1 year.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.22 Accounts payable

6.22.1 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	8,854	100.00	9,970	100.00

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

6.22.2 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	46	-

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.23 Contract liabilities

Items	31 December 2022	31 December 2021
Products selling	6,361	8,597
Others	32	34
Total	6,393	8,631

6.24 Employee benefits payable

6.24.1 Analysis of employee benefits payable

Items	31 December 2021	Increase	Decrease	31 December 2022
Short-term remuneration	132	4,264	4,301	95
After-service benefits defined contribution plans		666	666	
Termination benefits	86	237	260	63
Total	218	5,167	5,227	158

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.24 Employee benefits payable (Continued)

6.24.2 Short-term compensation

Items	31 December			31 December 2022
	2021	Increase	Decrease	
1. Salaries, bonus and allowance	64	3,103	3,167	
2. Staff welfare		326	326	
3. Social insurance	1	333	334	
Including: Medical insurance	1	276	277	
Staff and workers' injury insurance		56	56	
Maternity insurance				
Others		1	1	
4. Housing fund		329	329	
5. Labor union fee and staff training fee	67	108	80	95
6. Short paid absences				
7. The short-term profit sharing plan				
8. Others		65	65	
Total	132	4,264	4,301	95

6.24.3 Defined Contribution Plans

Items	31 December			31 December 2022
	2021	Increase	Decrease	
1. Basic pension insurance		481	481	
2. Unemployment insurance		15	15	
3. Occupational pension		170	170	
Total		666	666	

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.25 Taxes payable

Items	31 December 2022	31 December 2021
VAT	66	2
Environmental protection tax	25	23
Resource tax	1	1
Corporate income tax	64	30
City maintenance and construction tax	6	5
Property tax	15	26
Land use tax	38	71
Individual income tax	9	16
Educational surcharges	4	3
Others	27	12
Total	255	189

6.26 Other payables

Items	31 December 2022	31 December 2021
Interests payable	6	2
Dividends payable	3	
Other payables	2,862	2,162
Total	2,871	2,164

6.26.1 Interests payable

Items	31 December 2022	31 December 2021
Staging interest maturity of long-term borrowings	4	1
Interest for short-term loans		1
Corporate bond interest	2	
Total	6	2

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.26 Other payables (Continued)

6.26.2 Dividends payable

Items	31 December 2022	31 December 2021
FAW Jiefang Automobile Co., Ltd.	3	
Total	3	

6.26.3 Other payables

6.26.3.1 Classification of other payables by nature

Items	31 December 2022	31 December 2021
Construction payable	1,394	780
Retention Money	581	471
Margin	446	506
Freight charges	44	28
Administrative Fund	48	108
Restricted stock repurchases obligations	94	99
Others	255	170
Total	2,862	2,162

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.26 Other payables (Continued)

6.26.3 Other payables (Continued)

6.26.3.2 Significant balances of other payables aging over 1 year

Creditors	Balance	Reason	Whether paid after 31 December 2022
Angang Group Engineering Technology Co., Ltd.	166	Project payment, quality guarantee deposit	否
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	40	Quality guarantee deposit	否
Shanghai Baosight Software Co., Ltd.	21	Quality guarantee deposit	否
Sinosteel Anshan research institute of thermo-energy Co., Ltd.	12	Quality guarantee deposit	否
Anshan Iron and Steel Group Automation Company	24	Quality guarantee deposit	否
Angang Construction Group Co., Ltd.	10	Project payment, quality guarantee deposit	否
MCC North (Dalian) Engineering Technology Co., Ltd	7	Quality guarantee deposit	否
Total	280		

6.27 Non-current liabilities due within 1 year

Items	31 December 2022	31 December 2021
Long-term loans due within 1 year (Note 6.28)	2,600	601
Bonds payable due within 1 year (Note 6.29)	1,660	
Total	4,260	601

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.28 Long-term loans

6.28.1 Classification of long-term loans

Items	31 December 2022	31 December 2021
Guaranteed loans		51
Credit loans	3,200	4,200
Subtotal	3,200	4,251
Less: long-term loans due within 1 year (Note 6.27)	2,600	601
Total	600	3,650

6.28.2 Classification of long-term loans by the maturity date

Items	31 December 2022	31 December 2021
Within 1 year	2,600	601
1 year to 2 year (including 2 year)	600	3,600
2 year to 3 year (including 3 year)		50
3 year to 5 year (including 5 year)		
Total	3,200	4,251

6.29 Bonds payable

6.29.1 Bonds payable

Items	31 December 2022	31 December 2021
Convertible bond	1,660	1,463
22 Angang stock GN001	299	
Less: bonds payable due within 1 year (Note 6.27)	1,660	
Total	299	1,463

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.29 Bonds payable (Continued)

6.29.2 Increase or decrease in bonds payable

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	31 December 2021
Convertible bond (Note 1)	1,512	May 25, 2018	5 years	1,299	1,463
22 Angang stock GN001 (Note 2)	300	Sep. 28, 2022	3 years	300	
Less: bonds payable due within 1 year (Note 6.27)					
Total	1,812	-	-	1,599	1,463

Type of bonds	Current issue	Accrued interest at face value	Amortization with the Premium or Discount of Bond (the positive refer to increase, the negative refers to decrease)	Exchange conversion (the positive refer to increase, the negative refers to decrease)	Repayment this period	31 December 2022
Convertible bond (Note 1)			60	137		1,660
22 Angang stock GN001 (Note 2)	300		(1)			299
Less: bonds payable due within 1 year (Note 6.27)			60	137		1,660
Total	300		(1)			299

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.29 Bonds payable (Continued)

6.29.2 Increase or decrease in bonds payable (Continued)

Note 1: The Company issued a five-year zero-rate convertible bond on 25 May 2018 with a total principal amount of HKD 1.85 billion. The bond conversion period is from 5 July 2018 to 15 May 2023. The price of the H Shares to be issued will be initially at HKD 9.54 per share (H Share). The shareholders of the Company have approved the cash dividend in the 2021 Annual General Meeting of Shareholders, therefore the conversion price has been adjusted to HKD 6.06 per share (H Share) since 8 June 2022. On the issuance date, the convertible bonds-embedded derivative financial instruments are initially recognized at fair value, and the portion of the issue price that exceeds the initial recognition as a derivative financial instrument is recognized as a debt instrument.

Note 2: On September 28, 2022, the Company issued the first phase of green medium-term notes of the year 2022. The principal of the medium-term notes issued this time was RMB 300 million, issued at par, with a par value of RMB 100 and a coupon rate of 2.85%. The term of the medium-term notes is 3 years, with annual interest payment and one-time principal repayment. The value date is September 28, 2022, and the principal repayment date is September 28, 2025.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.29 Bonds payable (Continued)

6.29.3 Classification of bonds payable by the maturity date

Items	31 December 2022	31 December 2021
Within 1 year	1,660	
1 year to 2 year (including 2 year)		1,463
2 year to 3 year (including 3 year)	299	
3 year to 5 year (including 5 year)		
Total	1,959	1,463

6.30 Lease liability

Items	31 December 2022	31 December 2021
lease payments	230	358
Less: Unrecognized financing expenses	4	12
Total	226	346

6.31 Long-term payables

Items	31 December 2022	31 December 2021
Long-term payables		
Special payables	119	480
Total	119	480

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.31 Long-term payables (Continued)

6.31.1 Special payables

Items	31 December 2021	Increase	Decrease	31 December 2022	Cause of formation
The special funds paid by Anshan Iron and Steel Group Co., Ltd. (hereinafter referred to as "Anshan Iron and Steel")	480	63	424	119	
Total	480	63	424	119	

6.32 Long-term employee benefits payable

Items	31 December 2022	31 December 2021
Termination benefits	60	112
Total	60	112

6.33 Deferred income

Items	31 December 2021	Increase	Decrease	31 December 2022	Cause of formation
Government grants	543	70	90	523	
Total	543	70	90	523	

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.33 Deferred income (Continued)

Among them, the projects involved the government grants are as follows:

Items	31 December 2021	New grants	Belong to Non- business income	Belong to Other income	Other decrease	31 December 2022	Associated with the asset/ income
The government grants related to environmental protection	77			14		63	Asset related
The government grant related to scientific research	327	59		63	3	320	Assets/ Income related
Others	139	11	2	8		140	Assets/ Income related
Total	543	70	2	85	3	523	

6.34 Other non-current liabilities

Items	31 December 2022	31 December 2021
Embedded derivative financial instruments		39
Total		39

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.35 Share capital

Items	31 December 2021		Increase/Decrease				31 December 2022		
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion (%)
Shares unrestricted on sale:									
1. Ordinary A shares	7,942	84						7,942	84
2. Foreign shares listed overseas	1,411	15						1,411	15
Restricted shares:									
1. Ordinary A shares	52	1				(2)	(2)	50	1
Total	9,405	100				(2)	(2)	9,403	100

Note: According to the resolution of the general meeting of shareholders on January 6, 2022, the Company repurchased and cancelled some restricted shares of 2 million.

6.36 Capital reserve

Items	31 December 2021		Increase/Decrease		31 December 2022
	Balance	Proportion (%)	Increase	Decrease	Balance
Share premium	34,086		10	1,128	32,968
Other capital reserve	538		373		911
Total	34,624		383	1,128	33,879

Note 1: The increase of RMB 10 million in capital premium is the amount of share-based payment included in owner's equity; the capital premium decreased by RMB 1,128 million, of which the acquisition of the Second Power Plant of Anshan Iron and Steel Group Co., Ltd. (hereinafter referred to as the "Second Power Plant") under common control in the current period resulted in a decrease of RMB 1,126 million in capital premium, and the repurchase and cancellation of restricted shares in the current period resulted in a decrease of RMB 2 million.

Note 2: The increase of RMB 373 million in other capital reserves is due to the receipt of state capital appropriations, which are exclusively enjoyed by the representatives of state-owned assets contributors.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.37 Treasury shares

Items	31 December 2021	Increase	Decrease	31 December 2022
Stock incentive plan (Note 12)	100		4	96

Note: The repurchase and cancellation of restricted shares in the current period resulted in a decrease of RMB 4 million in treasury shares.

6.38 Other comprehensive income

Items	31 December 2021	The amount of this period				31 December 2022
		Amount for the period before tax	Minus: transform into profit or loss from other comprehensive income	Minus: income tax expenses	The After- tax amount attributed to the parent company	
1. Other comprehensive income will not reclassified into the gains and losses	44	145		37	108	152
Profit or loss arising from fair value changes of other investments in equity instruments	44	145		37	108	152
Total	44	145		37	108	152

6.39 Special reserve

Items	31 December 2021	Increase	Decrease	31 December 2022
Safety production expenses	107	161	175	93
Total	107	161	175	93

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.40 Surplus reserve

Items	31 December 2021	Increase	Decrease	31 December 2022
Statutory surplus reserve	4,452	5		4,457
Total	4,452	5		4,457

6.41 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
Balance as of 31 December. 2022	10,252	12,179

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.41 Undistributed profit (Continued)

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 RMB 2.21 (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 RMB 2,078 million.

Note 2: The Board of Directors proposes to distribute cash dividends of RMB 0.068 (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 RMB 64 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.

6.42 Operating income and operating costs

6.42.1 Classified by production

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

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.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.42 Operating income and operating costs (Continued)

6.42.2 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	6,059	5,505
Total	131,072	136,120

6.42.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	131,072	136,120
Total	131,072	136,120

6.43 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
Total	1,083	1,053

Note: Please refer to Note 5 "Tax" for details of various taxes and surcharges payment standards.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.44 Marketing expenses

Items	This period	Last period
Employee benefits	287	265
Warehouse storage expense	110	89
Handling charge	39	21
Packing expense	26	39
Agency fee for commissioned sales	24	30
Operating expenses	11	7
Sales and service expense	10	36
Others	93	109
Total	600	596

6.45 Administrative expenses

Items	This period	Last period
Employee benefits	561	778
Amortization of intangible asset	34	27
Depreciation	152	153
Information system maintenance expense	25	44
Repair and maintenance	23	47
Agency fee	28	28
Including: remuneration to auditors of annual report	5	5
Fee for the exploitation of patent	23	11
Greening fee	22	22
Sewage charges	27	8
Others	403	367
Total	1,298	1,485

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.46 Research and development expenses

Items	This period	Last period
Raw material consumption fee	196	198
Labor cost	208	196
Depreciation	27	23
Outsourcing expenses	103	149
Travel expenses	3	6
Others	190	68
Total	727	640

6.47 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
Total	487	491

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.48 Other income

Items	This period	Last period	Recorded into extraordinary gains and losses
The government grants related to environment protection	14	21	14
The government grants related to scientific research	63	5	63
Other government grants	8	5	8
Others	2	7	2
Total	87	38	87

6.49 Investment income

Items	This period	Last period
Long-term equity income under the equity method	235	318
Investment income of other investments in equity instruments invested in the holding period	2	13
Total	237	331

6.50 Gains/losses from fair value variation

Sources from which fair value change gains are generated	This period	Last period
Changes in fair value of derivative financial assets	108	(19)
Changes in fair value of other non-current financial assets	(10)	9
Changes in fair value of derivative financial liabilities	48	(51)
Changes in fair value of embedded derivative financial instruments	39	(4)
Total	185	(65)

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.51 Impairment losses on assets

Items	This period	Last period
Provision for written-down of inventories	337	(2)
Impairment loss on fixed assets		(304)
Total	337	(306)

Note: The positive numbers refer to gains and negative numbers refer to losses.

6.52 Credit impairment loss

Items	This period	Last period
Accounts receivable	62	(88)
Other receivables	3	(2)
Total	65	(90)

Note: The positive numbers refer to gains and negative numbers refer to losses.

6.53 Asset disposal income

Items	This period	Last period
Fixed assets disposal income		11
Intangible assets disposal income	16	41
Total	16	52

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.54 Non-operating income

Items	This period	Last period	Recorded into extraordinary gains and losses
Gains from destroy or scrap of non-current assets	46	18	46
Government grant	2	5	2
Liquidated damages	8	8	8
Payable that can not be paid	1	25	1
Others	2	3	2
Total	59	59	59

Government grant recorded into profit/loss for current period:

Items	This period	Last period	Assets/ Income related	Whether subsidies affect the profit and loss of the period
Shanghai Baoshan District Enterprise Support Fund	2	5	Income related	No
Total	2	5	-	-

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6.55 Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
The loss on destroy or scrap of non-current assets	87	102	87
External donation	17	16	17
Compensation and liquidated damages	6	3	6
Others		2	
Total	110	123	110

6.56 Income tax expenses

6.56.1 Income tax expenses

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

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.56 Income tax expenses (Continued)

6.56.2 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	(203)
Income tax expenses	(455)

6.57 The other comprehensive income

Please refer to Note 6.38.

6.58 Items on statements of cash flow

6.58.1 Cash received from other operating activities

Items	This period	Last period
Deposit income	139	151
Government grants	80	174
Others	73	81
Total	292	406

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.58 Items on statements of cash flow (Continued)

6.58.2 Cash paid for other operating activities

Items	This period	Last period
Air pollution fee	222	195
Renewable Energy development Fund	192	
Research and development expenses	178	174
Environmental monitoring fee	126	33
Selling operation fee	76	171
Insurance fee	63	80
Expenses for retirees	63	153
Party affairs activity expenses	29	14
Security and firefighting expenses	22	94
Travel expenses	20	32
Rental fee	19	22
Donation expenditure	16	16
Storage expenses	14	21
Service Charge	11	52
Information system maintenance fee	8	45
Hazardous materials disposal fee	8	29
Special inspection fee		14
Other operating expenses	316	267
Total	1,383	1,412

6.58.3 Cash received from other investment activities

Items	This period	Last period
Interest revenue	73	80
Future contract income	76	155
Total	149	235

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.58 Items on statements of cash flow (Continued)

6.58.4 Cash paid for other investment activities

Items	This period	Last period
Future contract loss	29	139
Total	29	139

6.58.5 Cash received from other financing activities

Items	This period	Last period
Equity-based incentives subscription payment		98
Loan principal	10	
Total	10	98

6.58.6 Cash paid for other financing activities

Items	This period	Last period
Payment of rental expenses	331	73
Loan agency fee	23	1
Payment of share repurchase	4	
Repayment of loan principal of Anshan Iron and Steel (Note)		70
Payment of depreciation and amortization expenses of Anshan Iron and Steel (Note)		72
Others	4	1
Total	362	217

Note: Occurred before the merger date of the Second Power Plant.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.59 Supplement of cash flow statement

6.59.1 Reconciliation of net profit to cash flows from operating activities

Items	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	186	6,998
Add: Provision for impairment on asset	(337)	306
Provision for impairment on credit	(65)	90
Depreciation of fixed assets	3,462	3,653
Depreciation of right-of-use asset	163	130
Amortization of intangible assets	214	197
Loss on disposal of fixed assets, Intangible assets and other non-current assets (“-” for gains)	(16)	(52)
Loss on scrap of fixed assets (“-” for gains)	41	85
Loss on the change of fair value (“-” for gains)	(185)	65
Financial expenses (“-” for gains)	457	459
Investment loss (“-” for gains)	(237)	(331)
Decrease in deferred tax assets (“-” for increase)	(779)	594
Increase in deferred tax liabilities (“-” for decrease)	(19)	34
Decrease in inventories (“-” for increase)	5,833	(8,383)
Decrease in operating receivables (“-” for increase)	(3,363)	(14)
Increase in operating payable (“-” for decrease)	773	9,127
Others	11	(23)
Net cash flow from operating activities	6,139	12,935
2. Change in cash and cash equivalent		
Cash at the end of the period	5,093	5,398
Less: cash at the beginning of the period	5,398	5,386
Add: cash equivalent at the end of the period		
Less: cash equivalent at the beginning of the period		
Net increase in cash and cash equivalents	(305)	12

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.59 Supplement of cash flow statement (Continued)

6.59.2 Net cash paid to acquire subsidiaries or other business units in the current period

Items	Amounts
Cash or cash equivalents paid in the current period for business combinations that occurred in the current period	1,126
Of which: Second power plant	1,126
Less: Cash and cash equivalents held by the subsidiaries or other business unit on the date of purchase	22
Of which: Second power plant	22
Add: Cash or cash equivalents paid in the current period for business combinations that occurred in previous periods	
Of which: Second power plant	
Net cash paid to acquire subsidiaries or other business units	1,104

6.59.3 Composition of cash and cash equivalent

Items	31 December 2022	31 December 2021
1. Cash at bank and on hands	5,093	5,398
Of which: Cash		
Bank deposits available	4,738	5,084
Other cash and cash equivalents available	355	314
2. Cash equivalents		
Of which: Bonds due within 3 months		
3. Closing balance of cash and cash equivalents	5,093	5,398

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.60 Restricted assets of ownership or use rights

Items	31 December 2022	Reason
Accounts receivable	399	Factoring
Total	399	

6.61 Foreign currency monetary

Items	Foreign currency closing balance	Conversion calculation	Closing balance in CNY
Notes payable	1,858	0.8933	1,660
Total	1,858		1,660

6.62 Government grants

6.62.1 The basic situation of government grants

Items	The basic situation of government grants identified at the beginning of the period		Government grants included in the profit or loss
	Amounts	Items	
The government grants related to environmental protection		Deferred income / other income	14
The government grants related to scientific research	59	Deferred income / other income	63
Others	11	Deferred income / other income	8
Others		Non-operating income	2
Total	70		87

6.62.2 Return of government grants

There is no return of government grants in the current period.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

7. Changes in consolidation scope

7.1 Business combination under common control

7.1.1 Business combination under common control in the current period

The merged party	Proportion of equity acquired in business combination (%)	Basis for constituting a business combination under common control	Merger date	Basis for Determination of Combination Date
Second power plant	100	Controlled by Anshan Iron and Steel before the merger	2022-1-1	Net Asset Transfer Agreement
The merged party	Income of the merged party from the beginning of the current period to the date of merger	Net profit of the merged party from the beginning of the current period to the date of merger	Income of the merged party during the comparative period	Net profit of the merged party during the comparative period
Second power plant	0	0	1,280	39

7.1.2 Consolidation cost

Consolidation cost	Second power plant
– Cash	1,126
– Book value of non-cash assets	
– book value of debt issued or assumed	
– par value of equity securities issued	
– Contingent consideration	

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

7. Changes in consolidation scope (Continued)

7.1 Business combination under common control (Continued)

7.1.3 The book value of the assets and liabilities of the merged party on the merger date

Items	Merger date	31 December 2021
Assets:		
Cash and cash equivalents	22	22
Accounts receivable	6	6
Inventories	90	90
Fixed assets	663	663
Intangible assets	345	345
Liabilities:		
Accounts payable	63	63
Employee benefits payable	4	4
Other payables	8	8
Long-term employee benefits payable	5	5
Net Assets	1,046	1,046
Less: Minority interests		
Net assets acquired	1,046	1,046

7.2 Changes in Consolidation Scope for Other Reasons

Three subsidiaries are invested and established in the current period: Beijing Angang Trading Co., Ltd. (hereinafter referred to as "Beijing International Trade") and Delin Industrial Products Co., Ltd. (hereinafter referred to as "Delin Industrial Products") and Xinneng Air Products (Liaoning) Co., Ltd. (hereinafter referred to as "Xinneng Air").

One subsidiary is cancelled in the current period: Ansteel (Beijing) Auto Parts Technology Co., Ltd. (hereinafter referred to as "Ansteel Parts").

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

8. Interests in other entities

8.1 Interest in the subsidiary

8.1.1 The constitution of the enterprise group

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct stake (%)	Indirect stake (%)	Acquisition	Nature of Subsidiaries
Angang Steel Distribution (Wuhan) Co., Ltd. ("Angang Wuhan")	Wuhan	Wuhan	237	Steel processing and distribution	100		Establishment	Wholly-owned
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Hefei	Hefei	101	Steel processing and distribution	100		Establishment	Wholly-owned
Shenyang Anshan Iron and Steel International Trade Co., Ltd. ("Shenyang Trade")	Shenyang	Shenyang	300	Sales of metal materials and products, building materials, etc.	100		Combination under common control	Wholly-owned
Shanghai Anshan Iron and Steel International Trade Co., Ltd. ("Shanghai Trade")	Shanghai	Shanghai	300	Wholesale and retail purchasing services	100		Combination under common control	Wholly-owned
Tianjin Anshan Iron and Steel International Trade Co., Ltd. ("Tianjin Trade")	Tianjin	Tianjin	200	Purchase and sale of metal and other materials	100		Combination under common control	Wholly-owned
Guangzhou Anshan Iron and Steel International Trade Co., Ltd. ("Guangzhou Trade")	Guangzhou	Guangzhou	300	Technology import and export of goods, wholesale and retail trade.	100		Combination under common control	Wholly-owned
Shenyang Anshan Iron and Steel Processing and Distribution Co., Ltd. ("Shenyang Steel")	Shenyang	Shenyang	187	Steel processing and distribution	100		Combination under common control	Wholly-owned
Anshan Iron and Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian")	Dalian	Dalian	266	Steel processing and distribution	100		Establishment	Wholly-owned
Ningbo Anshan Iron and Steel International Trade Co., Ltd. ("Ningbo Trade")	Ningbo	Ningbo	100	Steel trade	100		Establishment	Wholly-owned
Yantai Anshan Iron and Steel International Trade Co., Ltd. ("yantai Trade")	Yantai	Yantai	200	Steel trade	100		Establishment	Wholly-owned

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

8. Interests in other entities (Continued)

8.1 Interest in the subsidiary (Continued)

8.1.1 The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct stake (%)	Indirect stake (%)	Acquisition	Nature of Subsidiaries
Angang Steel Distribution (Zhengzhou) Co., Ltd. ("Angang Zhengzhou")	Zhengzhou	Zhengzhou	149	Steel processing and distribution	100		Establishment	Wholly-owned
Anshan Iron and Steel Processing and Distribution Guangzhou Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	120	Steel processing and distribution	75		Establishment	Wholly-owned
Anshan Iron and Steel Processing and Distribution (Tianjin) Co., Ltd. ("Angang Tianjin")	Tianjin	Tianjin	43	Steel processing and distribution	51		Combination under common control	Wholly-owned
Kobelco Angang Auto Steel Co Ltd. ("Angang Kobelco ")	Anshan	Anshan	700	Processing and sale of steel rolling	51		Establishment	Sino-Japanese joint venture
ASPD-CC	Changchun	Changchun	382	Production, processing and steel products Sell products sales and distribution Technology research and development	100		Combination not under common control	Wholly-owned
Angang Steel Technology and Development Co., Ltd. ("Technology and Development")	Anshan	Anshan	50	Metallurgy and related materials, equipment Development and development	100		Establishment	Wholly-owned
Angang Chemical Technology Co., Ltd.	Anshan	Anshan	2500	Coking gas purification and production of coal products	100		Establishment	Wholly-owned
Energy and Technology	Anshan	Anshan	50	Production of dissolved acetylene; Sales of compressed gases and liquefied gas	60		Combination under common control	Joint venture

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

8. Interests in other entities (Continued)

8.1 Interest in the subsidiary (Continued)

8.1.1 The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct stake (%)	Indirect stake (%)	Acquisition	Nature of Subsidiaries
FAW Angang	Changchun	Changchun	90	Steel processing and distribution	60		Combination not under common control	Joint venture
FAW Angang	Chaoyang	Chaoyang	8000	Processing and sale of steel rolling	100		Combination under common control	Wholly-owned
Angang (Hangzhou) Automobile Material Technology Co., Ltd. ("Hangzhou Auto Material")	Hangzhou	Hangzhou	118	Steel, steel coil processing, sales and distribution	51	49	Establishment	Wholly-owned
Delin Zhilian (Anshan) Co., Ltd. ("Delin Zhilian ")	Anshan	Anshan	60	E-commerce and technology consulting, technology development, technology services, technology transfer, value-added telecommunications services in this field	91		Establishment	Joint venture
Xinneng Air	Anshan	Anshan	100	Sales of equipment for gas and liquid separation and purification		51	Establishment	Joint venture
Beijing International Trade	Beijing	Beijing	198	Sales of metal materials and products, building materials, etc.	100		Establishment	Wholly-owned
Delin Industrial Products	Anshan	Anshan	180	Purchasing and consulting services for industrial products such as equipment and materials, E-commerce transactions for industrial products and supply chain financial services	91		Establishment	Joint venture

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

8. Interests in other entities (Continued)

8.1 Interest in the subsidiary (Continued)

8.1.1 The constitution of the enterprise group (Continued)

Note: The subsidiaries mentioned above are all registered and established in accordance with Chinese law, and the types of legal persons are limited liability companies.

8.1.2 By the end of 31 December 2022, no subsidiaries of the Company issued share capital or debt securities.

8.2 Interests in joint ventures or associates

8.2.1 The joint ventures or associates

The name of the joint venture or associated enterprise	Principal place of business	Registration place	Nature of the business	Direct shareholding ratio (%)	Accounting Treatment
ANSC-TKS	Dalian	Dalian	Galvanized and alloyed steel Board production and sales	50	Equity method
ANSC - Dachuan	Dalian	Dalian	Steel processing and selling	50	Equity method
Guangzhou Automobile Steel	Guangzhou	Guangzhou	Manufacturing Steel products	50	Equity method
Angang CIMC	Yingkou	Yingkou	Hazardous chemicals	50	Equity method
Angang Finance	Anshan	Anshan	Deposits and loans and financing	20	Equity method
Iron Oxide Powder Company	Anshan	Anshan	Iron powder processing	35.29	Equity method
Nansha Logistical	Guangzhou	Guangzhou	Freight Forwarding, steel packaging,	49.8	Equity method
AISSG	Hangzhou	Hangzhou	Trade, warehousing services	49	Equity method
GAC Baoshang	Guangzhou	Guangzhou	Steel Processing and Distribution	30	Equity method
Meizhou Motor Company	Meizhou	Meizhou	Automobile parts	25	Equity method
Zhong'an Water	Chaoyang	Chaoyang	Water production and supply	45	Equity method

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

8. Interests in other entities (Continued)

8.2 Interests in joint ventures or associates (Continued)

8.2.2 The accounting information of the important joint ventures

Items	ANSC-TKS	
	31 December 2022/the Date Occurred in This Period	31 December 2021/the Date Occurred in Last Period
Current assets	2,826	2,054
Including: Cash and cash equivalents	1,438	582
Non- Current assets	724	631
Total Assets	3,550	2,685
Current liabilities	2,182	1,178
Non- Current liabilities	4	6
Total Liabilities	2,186	1,184
Minority interests		
Subtotal of Shareholders' equity		
attributable to shareholders of parent Company	1,364	1,501
The net assets calculated by the share percentage held	682	751
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group	(57)	(57)
– others		
The book value of equity investments in joint ventures	625	694
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	6,030	5,844
Finance costs	(2)	(5)
Income tax expenses	29	79
Net profit	272	409
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	272	409
Dividends received from joint ventures this period	204	99

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

8. Interests in other entities (Continued)

8.2 Interests in joint ventures or associates (Continued)

8.2.3 The accounting information of the important association

Items	Angang Finance	
	31 December 2022/the Date Occurred in This Period	31 December 2021/the Date Occurred in Last Period
Current assets	13,723	18,884
Including: Cash and cash equivalents	13,403	18,244
Non-Current assets	22,203	18,659
Total Assets	35,926	37,543
Current liabilities	28,280	30,303
Non-Current liabilities	6	28
Total Liabilities	28,286	30,331
Minority interests		
Subtotal of Shareholders' equity		
attributable to shareholders of parent Company	7,640	7,212
The net assets calculated by the share percentage held	1,528	1,442
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group		
– others		
The book value of equity investments in joint ventures	1,528	1,442
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	1,119	975
Finance costs		
Income tax expenses	140	128
Net profit	428	410
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	428	410
Dividends received from joint ventures this period		68

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

8. Interests in other entities (Continued)

8.2 Interests in joint ventures or associates (Continued)

8.2.4 The accounting information of the unimportant joint ventures and associations

Items	31 December 2022/the Date Occurred in This Period	31 December 2021/the Date Occurred in Last Period
Associations:		
The book value of equity investments	636	567
The followings are calculated by shares		
–Net profit	(5)	22
–Other comprehensive income		
–The total of comprehensive income	(5)	22
Joint ventures:		
The book value of equity investments	380	368
The followings are calculated by shares		
–Net profit	18	10
–Other comprehensive income		
–The total of comprehensive income	18	10

9. Risk associated with financial instruments

The Group's principal financial instruments comprise equity investment, debt investments, loans, accounts receivable, accounts payable, bonds payable and cash and cash equivalents and etc. the details of the financial instruments described in Note 6. Risks associated with these financial instruments, as well as the Group's risk management policies to mitigate these risks are described as below. The group's management controlled these exposures within certain limits by management and monetary.

Sensitivity analysis techniques are adopted by the Group to analyze the rationality of risk variables, and the effects of the changes on profit or loss or shareholders' equity. The risk variables seldom changes individually, and the changes of one risk variables may have a significant effect on the amount of the other with a correlation, therefore, the following content is based on the assumption that changes of each variable are independent.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

9. Risk associated with financial instruments (Continued)

The objectives and policies of risk management

The Group's objective in risk management is to achieve balance between the risks and benefits, to reduce the risk's negative impact to the lowest level and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Group's risk management is to identify and analyze the risks faced by the Group, to establish an appropriate baseline for risk tolerance and risk management, to monitor a variety of risk timely and reliably, and to control the risk within a limited range.

9.1 Market risk

9.1.1 Exchange risk

Foreign currency risk refers to the risk of loss due to the fluctuation of exchange rate. The foreign currency risk of the Group exposed is mainly related to the U.S. dollar and the H.K. dollar. Besides the following assets or liabilities in U.S. dollar and the H.K. dollar by end of 31 December 2022, other assets and liabilities of the Group are denominated in RMB balances.

Unit: Yuan

Items	31 December 2022	31 December 2021
Bank deposits (USD)	100,253.90	100,224.18
Bank deposits (HKD)	9.09	9.09
Bond Payable (HKD)	1,859,214,999.70	1,789,476,218.26
Other non-current liabilities (HKD)	40,000.00	47,135,694.48

In terms of the major foreign currency transactions such as exporting sales of products, importing and procurement of raw materials for production and engineering equipment, the Group conducts imports and exports agency transactions through trading with Angang Group International Economic and Trade Co., Ltd. The foreign exchange risk is mainly reflected in the impact of exchange rate changes on sales and purchase costs during agency settlement.

- A. On 31 December 2022, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6.1, 29 and 34.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

9. Risk associated with financial instruments (Continued)

9.1 Market risk (Continued)

9.1.1 Exchange risk (Continued)

B. The Group's main foreign exchange rates apply as follows:

Items	Average Exchange Rate		Middle Exchange Rate on the Reporting Date	
	This Period	Last Period	This Period	Last Period
U.S. dollar	6.7208	6.4512	6.9646	6.3757
H.K. dollar	0.8583	0.8300	0.8933	0.8176

C. Sensitivity analysis

On 31 December 2022, 1% increase in the foreign exchange rate would result in an increase (decrease) of RMB in shareholders' equity and net profit as follows:

Unit: Million

Date	Item	The impact on net profit	The impact on shareholders' equity
31 December 2022	U.S. dollar		
	H.K. dollar	(12)	(12)
31 December 2021	U.S. dollar		
	H.K. dollar	(11)	(11)

By end of 31 December 2022, under the assumption that all other variables remain the same premise, if the RMB against the USD and HKD exchange rate reduced by 1% would result in the same amount of change in shareholders' equity and net profit on the table above, whereas in the opposite direction.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

9. Risk associated with financial instruments (Continued)

9.1 Market risk (Continued)

9.1.1 Exchange risk (Continued)

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to the Group's entire derivative and non-derivative financial instruments. 1% change is based on the reasonable projection for exchange rate from the Group's balance sheet date to the next balance sheet date. Last period analysis based on the same assumptions.

9.1.2 Interest rate risk

The Group's interest-bearing financial instruments on 31 December 2022. Please refer to notes 6.1, 19, 27, 28 and 29.

Sensitivity analysis :

The principles of the Group's interest rate risk management aim to reduce the impact of short-term fluctuations on the Group's profits. However, in the long term, permanent changes in interest rates will affect profits.

As of 31 December 2022, with all other variables held constant, assuming that the interest rate of bank deposits, available for sale financial assets, short-term borrowings, non-current liabilities due within one-year, short-term bonds, long-term loans and bonds payable increase 1 percentage point, would result in RMB15 million decrease (31 December, 2021: RMB10 million) of the Group's net income and shareholders' equity.

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to all of the Group's derivative and non-derivative financial instruments. 1 percentage point change is based on the reasonable expectations for the exchange rate among the Group's balance sheet date to the next balance sheet date. The analysis of last period is based on the same assumptions.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

9. Risk associated with financial instruments (Continued)

9.2 Credit risk

Credit risk refers to the risk that counter party will default on its contractual obligation resulting in financial loss to the other party. The Group's credit risk is primarily attributable to receivables. Management will continue to review the credit risk exposure.

For receivables, the Group has established a credit policy under the actual situation, the amount of credit is determined by the customer's credit assessments. The Group requires most customers to pay the full amount in cash or notes of the products before delivery. The accounts receivable associated with the clients is mature within 1–4 months since the bills issued. The debtor overdue more than one month will be required to settle all the outstanding balances before any further credit. Under normal circumstances, the Group does not prescribe collateral from customers.

The majority of the Group's customers have business transactions with the Group for many years, losses are therefore infrequently occurred. The Group analyzed the aging, maturity and other customer information in order to monitor the Group's credit risk.

As of 31 December 2022, except for the impairment provision of RMB685 million for accounts receivable transferred from overdue notes receivable, the other receivables of the Group had no significant impairment.

Due to the accounts receivables of the top five customers, which are accounted for 61% of the receivables and other receivables on the balance sheet date (at the beginning of this period: 53%), the Group may face a certain degree of credit risk concentration.

The maximum credit risk exposure faced by the Group, which is not guaranteed, is the book value of the financial assets in the balance sheet.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

9. Risk associated with financial instruments (Continued)

9.3 Liquidity risk

The Group is responsible for its own cash management to cover projected cash arrangements including the short-term investments by using the cash surpluses and loans. The Group monitor short-term and long-term liquidity requirements regularly aimed to find out whether is in compliance with the loan agreements, to ensure that the group maintains sufficient cash reserves and readily realizable securities, and to maintain sufficient funds of major committed financial institutions to meet short-term and longer-term liquidity needs.

The repayment date of the Group's long-term debts, please refer to Note 6.28 and Note 6.29.

9.4 Transfer of financial assets

Transferred financial assets which have been derecognized entirely but continue to be involved in.

On December 31, 2022, the amount of bank acceptance notes endorsed by the Group to suppliers for settlement of accounts payable was RMB6,572 million, and the amount of commercial acceptance notes was RMB0 million; The amount of bank acceptance notes discounted to financial institutions is RMB6,727 million, and the amount of commercial acceptance notes was RMB63 million; On December 31, 2022, the maturity date is 1 to 12 months. According to the relevant provisions of the Bills Law, if the drawer refuses to pay, the holder has the right to pursue the group. The Group believes that almost all of its risks and rewards has been transferred. Therefore, the Group derecognized the book value of its settled accounts payable and related.

Financial assets transferred but not derecognized entirely

On December 31, 2022, the Group transferred accounts receivable of RMB399 million to financial institutions through factoring business this year, and the transfer income was RMB399 million. At the same time, the Group promises that it will be responsible for settling the payment obligations of the buyer when the buyer fails to perform the payment obligations when due. The Group believes that the risks and rewards of accounts receivable have not been transferred, so the transfer proceeds are used as pledge loans.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

10. Disclosure of the fair value

10.1 The amount of asset and liability measured at fair value and the measurement hierarchies

The fair value measurement is classified into three hierarchies, listed as follows:

Level 1: The quoted price (unadjusted) in dynamic market for identical asset or liability.

Level 2: Inputs other than quoted price included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The unobservable inputs for asset or liability (unobservable inputs).

Items	The Fair Value on 31 December 2022			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
Continues fair value measurement:				
Derivative financial assets	37			37
Receivables financing		1,824		1,824
Other investments in equity instruments			641	641
Other non-current financial assets	33			33
Derivative financial liabilities	41			41
Other non-current liabilities(note)				

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

10. Disclosure of the fair value (Continued)

10.1 The amount of asset and liability measured at fair value and the measurement hierarchies (Continued)

Items	The Fair Value on 31 December 2021			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
Continues fair value measurement:				
Derivative financial assets	3			3
Receivables financing		1,844		1,844
Other investments in equity instruments			496	496
Other non-current financial assets	43			43
Derivative financial liabilities	116			116
Other non-current liabilities(note)			39	39

Note: Other non-current liabilities are the part of convertible bonds embedded in derivative financial instruments in 2018, and are measured by using the valuation technology of the binary tree option pricing model. The Group conducted a sensitivity analysis on the volatility of stock prices and risk-free interest rates. On December 31, 2022, with the values of other parameters unchanged, the stock price volatility increased or decreased by 1%, which had almost no effect on the value of the embedded derivatives of convertible bonds. The risk-free interest rate increased or decreased by 1%, which also had almost no effect on the value of the embedded derivative part of the convertible bond.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

10. Disclosure of the fair value (Continued)

10.2 Adjustment information between the book value of the continuous third-level fair value measurement project

	Other investments in equity instruments	Other non-current liability
Balance at 1 January 2022	496	39
Additional investment		
Changes in fair value (included in other comprehensive income)	145	
Changes in fair value (included in current profit and loss)		(39)
Balance at 31 December 2022	641	

11. Related parties and related party transactions

11.1 Information on the parent company

Group Name	Registration Place	The Nature of Business	Registered Capital	The Group's Shareholding (%)	Proportion of Voting-Right (%)
Ansteel Group	Tie Xi District Anshan Liaoning Province	Production and sale of steel and metal products, steel filament Tubes, and etc.	26,000	53.35	53.35

Note: Angang Group Co., Ltd. is the ultimate controlling party.

11.2 Information on the subsidiaries of the parent company

Please refer to Note 8.1 Subsidiaries.

11.3 Information on the joint ventures and associates of the group

Please refer to Note 8.2 Investment in joint ventures and associates.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.4 Related parties without control relationship

Name of Enterprise	Relation with the Parent Company
Guangzhou Automobile Steel	Joint venture
ANSC-TKS	Joint venture
ANSC – Dachuan	Joint venture
AISSG	Associate
Nansha Logistical	Associate
Zhong'an Water	Associate
GAC Baoshang	Associate
Meizhou Motor Company	Associate
Angang Finance	Associate, Fellow subsidiary
Shanxi Wuchan International Energy Co., Ltd.	Associate of Angang Group
Falan Packing	Fellow subsidiary
Angang Steel Casting Co., Ltd.	Fellow subsidiary
Angang Group Mining Co., Ltd.	Fellow subsidiary
Angang Steel Rope Co., Ltd.	Fellow subsidiary
Angang Group Dalian Technology Creativity Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Group Refractories Co., Ltd.	Fellow subsidiary
Angang Automobile Transportation Co., Ltd.	Fellow subsidiary
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	Fellow subsidiary
Angang Group Real Estate Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Institute of Labor Technology Co., Ltd.	Fellow subsidiary
Delin Lugang Supply Chain Service Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	Fellow subsidiary
Angang Group Information Industry Co., Ltd.	Fellow subsidiary
Angang Electric Co., Ltd.	Fellow subsidiary
Yingkou Angang Water Industry Co., Ltd.	Fellow subsidiary
Anshan Jidong Cement Co., Ltd.	Joint venture of Angang Group
Anshan Kede Roll Surface Treatment Co., Ltd.	Joint venture of Angang Group
Angang Group Engineering Technology Co., Ltd.	Joint venture of Angang Group

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.4 Related parties without control relationship (Continued)

Name of Enterprise	Relation with the Parent Company
Angang Mine Construction Co., Ltd.	Associate of Angang Group
Ansteel Mining Design and Research Institute Co., Ltd.	Associate of Angang Group
Ansteel Yasheng Special Materials Co., Ltd.	Associate of Angang Group
Angang Group International Economic and Trade Co., Ltd. (hereinafter referred to as "Angang International Trade")	Fellow subsidiary
Angang Group Capital Holding Co., Ltd. (hereinafter referred to as "Angang capital holding")	Fellow subsidiary
AngangLianzhong (Guangzhou) Stainless Steel Co., Ltd.	Fellow subsidiary
Pangang Group Xichang Steel and Vanadium Co., Ltd.	Fellow subsidiary
Pangang Group International Economic and Trade Co., Ltd.	Fellow subsidiary
Pangang Group Vanadium and Titanium Resources Co., Ltd.	Fellow subsidiary
Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	Fellow subsidiary
Panzhuhua Steel & Vanadium Co., Ltd. of Panzhuhua Iron and Steel Group	Fellow subsidiary
Chengdu Western IOT Group Co., Ltd.	Fellow subsidiary
Pangang Group Life Service Co., Ltd.	Fellow subsidiary
Pangang Group Mining Co., Ltd.	Fellow subsidiary
Pangang Metallurgical Materials Co., Ltd.	Fellow subsidiary
Angang Group Engineering Technology Development Co., Ltd.	Fellow subsidiary
Angang Group Zhongyuan Industry Development Co., Ltd.	Fellow subsidiary
Angang Resources Co., Ltd.	Fellow subsidiary
Bensteel Group Co., Ltd.	Fellow subsidiary
Benxi Beiyang Iron and Steel (Group) Co., Ltd.	Fellow subsidiary
Benxi Iron and Steel (Group) Mining Co., Ltd.	Fellow subsidiary
Bengang Steel Plates Co., Ltd.	Fellow subsidiary

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions

11.5.1 Related-party transactions within Angang Group Co., Ltd.

11.5.1.1 Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Raw materials	Note.1	24,197	30,837
Steel	Note.2	1,006	1,111
Supplementary materials	Note.3	3,023	3,419
Energy and power supplies	Note.4	157	47
Support service	Note.5	7,997	8,343
Total	–	36,380	43,757

11.5.1.2 Related-party transactions on Sales of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Product	Note.6	9,974	8,386
Scrap steel and material	Note.6	341	356
General services	Note.7	422	421
Total	–	10,737	9,163

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Angang Group Co., Ltd. (Continued)

11.5.1.2 Related-party transactions on Sales of Goods and Services (Continued)

Note. 1: The iron ore concentrate purchase price of standard grade products is Not higher than the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing form (T-1) 21st to T 20th plus the freight cost from Bayuquan port to the Company. Price adjustments for mineral grades shall be made to the price in accordance with iron content calculated based on the average value of Platts Fe 65% index for (T-1). Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 65% index shall be applied (where T is the current month); the price of low-standard products is Not higher than the monthly average value of the medium price of Platts Fe 62% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing form (T-1) 21st to T 20th plus the freight cost from Bayuquan port to the Company. Price adjustments for mineral grades shall be made to the price in accordance with iron content calculated based on the average value of Platts Fe 62% index. Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 62% index shall be applied. The pellets ore is measured at market price. The price of iron concentrate plus the processing costs for (T-1) (in particular such processing costs shall not be higher than the processing costs of the products of the same category produced by the Company). The price of Standard grade products of made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 65 and multiplied by the actual product grade. The price of Low-grade products made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 62% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 62 and multiplied by the actual product grade. Scrap, billets, alloys and non-ferrous metal are purchased at market prices;

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Angang Group Co., Ltd. (Continued)

11.5.1.2 Related-party transactions on Sales of Goods and Services (Continued)

Note. 2: The steel products are determined according to the price of the sales of Angang Steel to third parties after deducting the commission fee which is Not less than RMB15/ton;

Note. 3: The purchasing prices of ancillary materials are not higher than the average prices charged to independent customers;

Note. 4: Mainly at government prices, market price or operating costs plus 5% of gross profit margin;

Note. 5: At state prices, government prices or market prices, agency services are subject to not higher than 1.5% of the commissions (commission fee of raw fuel is RMB5/ton) or pricing based on depreciation fees plus maintenance costs, or labor, materials and management fees, or processing costs plus no more than 5% of the gross margin;

Note. 6: Steel products, molten iron, steel billets, by-products of steel production and coke are mainly measured at selling prices based on the average prices charged to independent customers for the preceding month. The basis of the price of above products offered to Angang Holding for development of new products is measured, if there is a market price, at the market price, and if not, at the cost plus a reasonable profit. The price of coal is increased by RMB5/wet ton according to the purchase cost price, and the price of imported ore is increased by RMB5/dry ton according to the purchase cost price; sintered ore are based on market prices; the price of pellet ore is increased by RMB5/wet ton according to the purchase cost price; E-commerce products are based on market prices; scrap steel and scrap materials are based on market prices. Retired and idle assets are mainly measured at market prices or assessing prices.

Note. 7: At the government prices, market prices or operating costs plus 5% of gross profit margin, agency services are subject to not higher than 1.5% of the commissions.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Angang Group Co., Ltd. (Continued)

11.5.1.3 Related-party transactions on Asset acquisition

Contents	Pricing Policy	This Period	Last Period
Net assets of the Second Power Plant	Evaluation result pricing	1,126	

11.5.1.4 Related party guarantee

The Company applied to become the designated rebar delivery factory warehouse of the Shanghai Futures Exchange (hereinafter referred to as the "SHFE"), Anshan Iron and Steel provided guarantee for the Company to apply for the qualification of delivery factory warehouse to the SHFE, and signed a letter of guarantee (hereinafter referred to as "the letter of guarantee"). Anshan Iron and Steel requires the Company to provide counter-guarantee for the above-mentioned guarantees provided by the Company. The amount of counter-guarantee shall not exceed RMB300 million. The counter-guarantee guarantee period shall be from the date when the Company signed the agreement on designated rebar futures factory warehouse of SHFE with SHFE to the date of termination of the contract (i.e. the duration of the contract) and two years after the end of the contract duration.

11.5.2 Related-party transactions with Pangang Group Vanadium and Titanium Resources Co., Ltd.

Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Raw materials	Market price	168	129
Total	—	168	129

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.3 Other related-party transactions

For this period, the amount of domestic and export sales agent service provided by Angang International Trade were 1.26 million tons respectively (1.10 million tons respectively for last period).

11.5.4 Loan, deposit and interest payment to Angang Finance

Items	Annual interest rate (%)	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Deposit		3,497	456,123	455,396	4,224	
Loan			500	500		

In this period, the Group's interest income of deposit in Angang Finance was RMB57 million (for the last period: RMB39 million) and the interest expenditure for loans(including discount)from Angang finance was RMB7 million (for the last period: RMB9 million). The highest daily deposit of the Group in Angang Finance in this period was RMB4,984 million (for the last period: restated as RMB3,528 million after business combination under the same control. If the impact of business combination under the same control is not restated, the maximum daily deposit of the Group in Angang Finance Company for the last period is RMB3,480 million).

11.5.5 Related-party transactions with Angang Capital Holding

In the current period, Angang Capital Holding and its subsidiaries (referred to as "Angang Capital Holding Group") provided commercial factoring of RMB225 million to the Group, and the capital cost paid by the Group was RMB2 million.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.6 Related-party transactions with the joint ventures and the associates:

A. Statement of purchasing products

Name of enterprise	This period	Last period
ANSC-TKS	813	729
ANSC – Dachuan		103
Guangzhou Automobile Steel	23	56
Zhong'an Water	20	22
GAC Baoshang	6	8
AISSG	5	
Total	867	918

B. Statement of selling products

Name of enterprise	This period	Last period
ANSC-TKS	4,130	4,534
Guangzhou Automobile Steel	1,564	1,972
AISSG	195	7
Meizhou Motor Company	4	
GAC Baoshang	10	17
Nansha Logistical	10	196
Total	5,913	6,726

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.7 Remuneration of the directors, supervisors and senior management

Items	This period	Last period
Directors' fee	0.48	0.48
Other remuneration	9.63	13.49
Including: Salaries, allowances and non-cash amount of interest	7.75	9.59
Performance-related bonus		
Other insurance and benefits	1.12	1.56
Pension plan contributions	0.23	1.39
Share-based payment	0.53	0.95
Total	10.11	13.97

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.7 Remuneration of the directors, supervisors and senior management (Continued)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel.

Name	This period					Total	
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	Pension plan contributions		Share-based payment
Executive directors:							
Wang Baojun		1.16		0.11	0.04	0.11	1.42
Tian Yong		0.08		0.02	0.01	0.06	0.17
Yang Xu (resigned)		0.93		0.13	0.01	0.04	1.11
Li Zhongwu (resigned)		0.12		0.02	0.01	0.09	0.24
Subtotal for executive directors		2.29		0.28	0.07	0.30	2.94
Independent non-executive director:							
Feng Changli	0.12						0.12
Wang Jianhua	0.12						0.12
Wang Wanglin	0.12						0.12
Zhu Keshi	0.12						0.12
Subtotal for Independent non-executive director	0.48						0.48
Supervisors:							
Yang Zhengwen		0.65		0.12	0.04		0.81
Subtotal for Supervisors		0.65		0.12	0.04		0.81
Senior Management:							
Xu Shishuai (resigned)		1.59		0.23	0.03	0.09	1.94
Meng Jinsong		1.75		0.26	0.04	0.09	2.14
Zhang Peng		1.32		0.2	0.04	0.07	1.63
Zhang Hongjun		0.15		0.03	0.01	(0.02)	0.17
Subtotal for Senior management		4.81		0.72	0.12	0.23	5.88
Total	0.48	7.75		1.12	0.23	0.53	10.11

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.7 Remuneration of the directors, supervisors and senior management (Continued)

Name	Last period						Total
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	Pension plan contributions	Share-based payment	
Executive directors:							
Li Zhen (resigned)		1.58		0.27	0.25	0.09	2.19
Ma Lianyong (resigned)		0.06		0.01	0.01		0.08
Li Zhongwu		1.65		0.29	0.26	0.22	2.42
Subtotal for executive directors		3.29		0.57	0.52	0.31	4.69
Independent non-executive director:							
Feng Changli	0.12						0.12
Wang Jianhua	0.12						0.12
Wang Wanglin	0.12						0.12
Zhu Keshi	0.12						0.12
Subtotal for Independent non-executive director	0.48						0.48
Supervisors:							
Yuan Peng (resigned)		0.03		0.03		0.01	0.07
Yang Zhengwen		0.68		0.13	0.11		0.92
Subtotal for Supervisors		0.71		0.16	0.11	0.01	0.99
Senior Management:							
Wang Baojun		1.04		0.04	0.03	0.01	1.12
Xu Shishuai		0.06		0.01	0.01	0.01	0.09
Meng Jinsong		1.44		0.25	0.23	0.22	2.14
Zhang Hongjun		1.92		0.33	0.31	0.20	2.76
Zhang Peng		0.03		0.01		0.17	0.21
Liu Jie (resigned)		0.05		0.01	0.01	0.02	0.09
Xiao Mingfu (resigned)		1.05		0.18	0.17		1.40
Subtotal for Senior management		5.59		0.83	0.76	0.63	7.81
Total	0.48	9.59		1.56	1.39	0.95	13.97

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.7 Remuneration of the directors, supervisors and senior management (Continued)

Note: There is no agreement for a director, supervisor and senior management to waive or agree to waive this period's remuneration.

The top five employees with the highest remuneration this period included 2 director and 3 senior managers (2 directors and 3 senior managers for the last period), and their payment have been set out in detail above.

11.5.8 Continuing related-party transactions

The related-party transactions disclosed in Note 11.5.1–11.5.5 also constitute connected transactions or continuing connected transactions defined in Chapter 14A of the Hong Kong Listing Rules.

11.6 Balances of related-party transactions

11.6.1 Accounts receivable

Items	Related party	31 December 2022	31 December 2021
Accounts receivable	Angang International Trade	509	39
Accounts receivable	Angang Steel Rope Co., Ltd.	79	82
Accounts receivable	Anshan Iron and Steel Group Refractories Co., Ltd.	20	23
Accounts receivable	ANSC-TKS	16	15
Accounts receivable	Bengang Steel Plates Co., Ltd.	16	
Accounts receivable	AISSG	15	
Accounts receivable	Benxi Beiyong Iron and Steel (Group) Co., Ltd.	15	
Accounts receivable	Benxi Iron and Steel (Group) Mining Co., Ltd.	12	
Accounts receivable	Angang Group Mining Co., Ltd.	12	16

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.1 Accounts receivable (Continued)

Items	Related party	31 December 2022	31 December 2021
Accounts receivable	Angang Group Zhongyuan Industry Development Co., Ltd.	11	2
Accounts receivable	Pangang Group Xichang Steel and Vanadium Co., Ltd.	7	6
Accounts receivable	Angang Group Engineering Technology Development Co., Ltd.	5	3
Accounts receivable	Pangang Group Mining Co., Ltd.	4	5
Accounts receivable	Anshan Iron and Steel	2	3
Accounts receivable	Panzhuhua Steel & Vanadium Co., Ltd. of Panzhuhua Iron and Steel Group	2	1
Accounts receivable	Pangang Metallurgical Materials Co., Ltd.	2	
Accounts receivable	Angang Group Information Industry Co., Ltd.	1	4
Accounts receivable	Chengdu Western IOT Group Co., Ltd.	1	2
Accounts receivable	Angang Automobile Transportation Co., Ltd.	1	1
Accounts receivable	Angang Group Engineering Technology Co., Ltd.	1	
Accounts receivable	Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	1	
Accounts receivable	Anshan Iron and Steel Institute of Labor Technology Co., Ltd.	1	

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.1 Accounts receivable (Continued)

Items	Related party	31 December 2022	31 December 2021
Accounts receivable	Ansteel Mining Design and Research Institute Co., Ltd.	1	
Accounts receivable	Delin Lugang Supply Chain Service Co., Ltd.		1
Accounts receivable	GAC Baoshang		1
Accounts receivable	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.		1
Accounts receivable	Other Related Parties		1
Total		734	206
Other receivables	Angang Group Engineering Technology Development Co., Ltd.	1	
Total		1	
Prepayment	Angang International Trade	2,879	1,717
Prepayment	Bengang Steel Plates Co., Ltd.	45	1
Prepayment	Angang Group Engineering Technology Development Co., Ltd.	31	53
Prepayment	ANSC-TKS	33	23
Prepayment	Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	7	
Prepayment	Delin Lugang Supply Chain Service Co., Ltd.	6	3

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.1 Accounts receivable (Continued)

Items	Related party	31 December 2022	31 December 2021
Prepayment	Angang Automobile Transportation Co., Ltd.	5	2
Prepayment	Guangzhou Automobile Steel	5	6
Prepayment	AngangLianzhong (Guangzhou) Stainless Steel Co., Ltd.	2	15
Prepayment	Benxi Beiyang Iron and Steel (Group) Co., Ltd.	2	1
Prepayment	Pangang Group International Economic and Trade Co., Ltd.		1
Total		3,015	1,822

Note: No provision for bad debts has been made for creditor's rights.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable

Items	Related party	31 December 2022	31 December 2021
Accounts payable	Angang International Trade	973	2,258
Accounts payable	Shanxi Wuchan International Energy Co., Ltd.	420	
Accounts payable	Delin Lugang Supply Chain Service Co., Ltd.	236	64
Accounts payable	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	206	165
Accounts payable	Angang Group Mining Co., Ltd.	141	68
Accounts payable	ANSC-TKS	110	74
Accounts payable	Angang Group Zhongyuan Industry Development Co., Ltd.	78	173
Accounts payable	Anshan Iron and Steel Group Refractories Co., Ltd.	71	45
Accounts payable	Benxi Beiyang Iron and Steel (Group) Co., Ltd.	60	19
Accounts payable	Pangang Group International Economic and Trade Co., Ltd.	60	191
Accounts payable	Angang Group Engineering Technology Development Co., Ltd.	58	67
Accounts payable	Angang Automobile Transportation Co., Ltd.	45	31
Accounts payable	Bengang Steel Plates Co., Ltd.	45	
Accounts payable	Angang Steel Casting Co., Ltd.	43	

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	31 December 2022	31 December 2021
Accounts payable	Angang Mine Construction Co., Ltd.	37	25
Accounts payable	Chengdu Western IOT Group Co., Ltd.	24	30
Accounts payable	Angang Group Information Industry Co., Ltd.	19	14
Accounts payable	Angang Resources Co., Ltd.	17	
Accounts payable	Angang Steel Rope Co., Ltd.	15	2
Accounts payable	Falan Packing	11	13
Accounts payable	Guangzhou Automobile Steel	10	
Accounts payable	Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	8	11
Accounts payable	Angang Group Real Estate Co., Ltd.	6	12
Accounts payable	Yingkou Angang Water Industry Co., Ltd.	5	
Accounts payable	Pangang Group Vanadium and Titanium Resources Co., Ltd.	4	23
Accounts payable	Anshan Iron and Steel	3	52
Accounts payable	Angang Electric Co., Ltd.	3	9
Accounts payable	Anshan Kede Roll Surface Treatment Co., Ltd.	2	6
Accounts payable	Angang Group Engineering Technology Co., Ltd.	2	7
Accounts payable	ANSC – Dachuan		28
Accounts payable	Pangang Group Life Service Co., Ltd.	2	6
Accounts payable	Zhong'an Water	2	2
Accounts payable	AISSG	1	1

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	31 December 2022	31 December 2021
Accounts payable	GAC Baoshang	1	1
Accounts payable	Anshan Iron and Steel Institute of Labor Technology Co., Ltd.	1	
Accounts payable	Other Related Parties		1
Total		2,719	3,398
Other payables	Angang Group Engineering Technology Co., Ltd.	781	237
Other payables	Angang Group Engineering Technology Development Co., Ltd.	154	69
Other payables	Angang Group Information Industry Co., Ltd.	69	77
Other payables	Angang Group Zhongyuan Industry Development Co., Ltd.	38	14
Other payables	Angang Electric Co., Ltd.	18	6
Other payables	Angang Mine Construction Co., Ltd.	17	3
Other payables	Angang Group Real Estate Co., Ltd.	7	6
Other payables	Delin Lugang Supply Chain Service Co., Ltd.	3	5
Other payables	Shanxi Wuchan International Energy Co., Ltd.	2	4
Other payables	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	3	3

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	31 December 2022	31 December 2021
Other payables	Angang International Trade	3	1
Other payables	Anshan Iron and Steel Institute of Labor Technology Co., Ltd.	2	
Other payables	Angang Group Co., Ltd.	2	
Other payables	Angang Capital Holding	2	
Other payables	Angang Automobile Transportation Co., Ltd.	1	
Other payables	Anshan Iron and Steel	1	
Other payables	AISSG		1
Other payables	Other Related Parties		1
Total		1,103	427
Contract liabilities	Delin Lugang Supply Chain Service Co., Ltd.	393	682
Contract liabilities	Guangzhou Automobile Steel	99	5
Contract liabilities	Angang Group Zhongyuan Industry Development Co., Ltd.	98	114
Contract liabilities	Angang Group Mining Co., Ltd.	46	10
Contract liabilities	ANSC-TKS	45	77
Contract liabilities	Angang Automobile Transportation Co., Ltd.	29	4
Contract liabilities	Falan Packing	18	29
Contract liabilities	Angang Group Engineering Technology Development Co., Ltd.	18	33
Contract liabilities	Angang International Trade	10	11

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	31 December 2022	31 December 2021
Contract liabilities	AISSG	9	11
Contract liabilities	Angang Electric Co., Ltd.	8	2
Contract liabilities	Pangang Group International Economic and Trade Co., Ltd.	2	2
Contract liabilities	Anshan Iron and Steel Group Refractories Co., Ltd.	1	1
Contract liabilities	Ansteel Yasheng Special Materials Co., Ltd.	1	
Contract liabilities	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	1	3
Contract liabilities	Nansha Logistical	1	1
Contract liabilities	Meizhou Motor Company	1	1
Contract liabilities	Angang Mine Construction Co., Ltd.	1	
Contract liabilities	Angang Group Dalian Technology Creativity Co., Ltd.	1	2
Contract liabilities	Anshan Jidong Cement Co., Ltd.	1	1
Contract liabilities	Anshan Iron and Steel		23
Contract liabilities	Angang Steel Casting Co., Ltd.		7
Contract liabilities	Angang Group Engineering Technology Co., Ltd.		5
Contract liabilities	Other Related Parties		1
Total		783	1,025

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.3 Other non-current assets

Items	Related party	31 December 2022	31 December 2021
Other non-current assets	Angang Group Engineering Technology Co., Ltd.	263	438
Other non-current assets	Angang International Trade	247	191
Other non-current assets	Angang Group Engineering Technology Development Co., Ltd.	38	31
Other non-current assets	Angang Group Information Industry Co., Ltd.	33	41
Other non-current assets	Angang Group Zhongyuan Industry Development Co., Ltd.	2	
Total		583	701

12. Share-based payment

12.1 The general introduction of share-based payment

The 32nd meeting of the eighth session of the board of directors of the company was held on November 26, 2020, which deliberated and approved the "Proposal on the Repurchase of Certain A Shares of the Company's Public Shares" (the "Repurchase Proposal"), "Regarding Authorization Proposal on Management Handling of Share Repurchase Related Matters", "Proposal on <Ansteel Co., Ltd. 2020 Restricted Stock Incentive Plan (Draft)> and its summary" ("2020 Incentive Plan" or "Incentive Plan") And other motions.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

12. Share-based payment (Continued)

12.1 The general introduction of share-based payment (Continued)

According to the repurchase proposal, the company will repurchase the company's A-share ordinary shares from the Shenzhen Stock Exchange through an open auction transaction as a source of restricted shares for incentive objects from December 10, 2020. On the basis of the incentive plan, the set price of the restricted stocks granted for the first time is RMB1.85 yuan per share, and the restricted stocks are subject to a sales restriction period of 24 months from the grant date of restricted stocks. During the restricted sale period, restricted stocks may not be transferred or used for guarantee or debt repayment. The 36 months after the restricted sale period is the lifting period. In each lifting period, if the conditions for lifting restricted stocks are met, the incentive object can apply for the restricted stocks held through this plan to be divided into three batches of the termination of sales restrictions, and the proportions were 33%, 33%, and 34% respectively. For those that fail to meet the unlocking conditions for a certain year, the corresponding restricted stocks that have not been unlocked shall be repurchased by the company.

As of December 24, 2020, the implementation of the stock repurchase for the 2020 incentive plan have completed. The Company has spent 166 million yuan (including transaction costs) repurchasing 52 million shares, which was included in treasury shares.

On December 31, 2020, the 2020 Third Extraordinary General Meeting of Shareholders held by the Company resolved to review and approve the relevant proposals of the incentive plan and authorize the board of directors to handle related matters.

On January 8, 2021, the Company held the eighth session of the thirty-eighth meeting of the board of directors, deliberated and approved the "Proposal on Adjusting Ansteel Co., Ltd.'s 2020 Restricted Stock Incentive Plan" and "On the first grant of restricted stock to incentive objects". According to the adjusted incentive plan, the proposed incentives for the first grant were reduced from 182 to 174, the number of first grants was adjusted from 48.60million shares to 46.80 million shares, and the reserved 5.4 million shares remained unchanged. At the same time, the board of directors believed that the conditions for the award of the incentive plan have been met, and determined that January 8, 2021 will be the first grant date, and 46.8 million restricted shares will be granted to 174 incentive objects for the first time at a price of RMB1.85 per share.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

12. Share-based payment (Continued)

12.1 The general introduction of share-based payment (Continued)

On December 10, 2021, the Company held the eighth session of the fifty-fourth meeting of the board of directors, deliberated and approved the "On the grant of reserved partial restricted stock to incentive objects". According to "the Measures for The Administration of Equity Incentives of Listed Companies", the relevant provisions of the 2020 incentive plan and the authorization of the 2020 Third Extraordinary General Meeting of Shareholders held by the Company, the board of directors believed that the conditions for the award of the incentive plan have been met, and determined that December 10, 2021 will be the reserved grant date, and 5.3662 million restricted shares will be granted to 38 incentive objects at a price of RMB2.31 per share. On the same day, upon deliberation and approval by the board of directors, part of the 8 incentive objects first granted by the 2020 incentive plan have cancelled or terminated their labor relations with the company due to job transfer, and no longer meet the incentive conditions. The Company intends to repurchase and cancel 2.23 million A-shares of restricted stock held by the above incentive objects. The repurchase price is RMB1.88 per share (the repurchase price is calculated based on the grant price plus the interest of bank fixed deposit in the same period), and the total amount of this repurchase is RMB4 million. The above-mentioned restricted shares for repurchase were transferred to the special securities account for repurchase opened by the company, and cancelled after being reviewed and approved by the general meeting of shareholders on January 6, 2022. After the cancellation in 2022, the company reduced the company's share capital and capital reserve by RMB2 million and RMB2 million respectively, and reduced treasury shares by RMB4 million.

On November 23, 2022, the Company held the ninth session of the eighth meeting of the board of directors, deliberated and approved the "Proposal on the Repurchase and Cancellation of Restricted Shares Granted to Some Incentive Objects of the 2020 Restricted Stock Incentive Plan but Not Unlimited", and agreed that the Company would repurchase and cancel 20.4 million shares of restricted shares granted to some incentive objects but not Unlimited, and the total amount of this repurchase and cancellation of restricted shares was RMB4 million. The above-mentioned restricted shares for repurchase were transferred to the special securities account for repurchase opened by the company and cancelled after being approved by the general meeting of shareholders on December 19, 2022. After the cancellation in 2023, the Company reduced its share capital and capital reserve by RMB2 million and RMB2 million respectively, and reduced its treasury shares by RMB4 million.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

12. Share-based payment (Continued)

12.2 Overview

The total amount of various equity instruments granted by the company in the current period (10,000 shares)	0
The total amount of various equity instruments exercised by the company in the current period (10,000 shares)	0
The total amount of various equity instruments expired in the current period (10,000 shares)	204
Among them, the introduction of share-based payment settled by equity:	
Determination method of fair value of equity instruments on grant date	Based on the market value of shares granted to Japanese companies
Determination basis for the number of exercisable equity instruments	Estimated and determined according to the performance conditions of each unlocking period specified in the restricted stock plan
Reasons for the significant differences between the current estimates and the previous estimates	None
Total employee services in exchange for share-based payments	73
Accumulated amount of equity-settled share-based payment included in capital reserve	32
Total expenses recognized for equity-settled share-based payments in the current period	10

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

13. Commitments and contingencies

13.1 Significant 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	3,036	2,448
Total	3,050	3,648

13.2 Contingencies

As of 31 December 2022, there are no significant contingencies that need to be disclosed.

14. 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.

15. Other significant introductions

As of 31 December 2022, there are no other significant introductions that need to be disclosed.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements

16.1 Accounts Receivable

16.1.1 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	904	26.22	751	83.08	153
Account receivable for which bad debt is prepared based on group combination	2,544	73.78	4	0.16	2,540
including: Risk-free group combination	1,518	44.03			1,518
Risk group combination on the basis of aging-matrix	1,026	29.75	4	0.39	1,022
Total	3,448	100.00	755	21.90	2,693

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.1 Accounts Receivable (Continued)

16.1.1 Classification of Accounts Receivable (Continued)

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	1,018	38.08	815	80.06	203
Account receivable for which bad debt is prepared based on group combination	1,655	61.92	2	0.12	1,653
including: Risk-free group combination	1,130	42.27			1,130
Risk group combination on the basis of aging-matrix	525	19.65	2	0.38	523
Total	2,673	100.00	817	30.56	1,856

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.1 Accounts Receivable (Continued)

16.1.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2022			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Property Finance	586	463	79.01	Notes overdue
HNA Finance Department	201	179	89.05	Notes overdue
Lifan Finance	50	43	86.00	Notes overdue
Anshan Zhongyou Tianbao Steel Pipe Co., Ltd.	67	66	98.51	The business is in trouble and it does not have the ability to pay debts
Total	904	751	-	

16.1.3 Accounts Receivable classified by aging

Aging	31 December 2022	31 December 2021
Within 1 year	2,540	1,609
1 to 2 years	5	10
2 to 3 years		956
3 to 4 years	832	6
4 to 5 years		12
Over 5 years	71	80
Total	3,448	2,673

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 year is RMB5 million, and the amount due in 3–4 years is RMB832 million. Meanwhile, the rest of accounts receivable are based on the invoice date.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.1 Accounts Receivable (Continued)

16.1.4 Bad debt provision at the end of the period

Type	31 December 2021	Increase/Decrease		31 December 2022
		Bad debt provision	Reverse Resale or verification	
Accounts receivable	817	(62)		755

16.1.5 Accounts receivable written off this period

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

16.1.6 The condition of accounts receivable of the top five debtors by the balances at the end of the period

The total amount of top five accounts receivable according to closing balance of debtors of the Company was RMB1,986 million as of 31 December 2022, which accounted for 57.60% 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.

16.1.7 Accounts receivable derecognized resulting from transfer of financial assets.

In the current period, the Company transferred accounts receivable of RMB991 million without recourse, and incurred related expenses of RMB16 million for derecognition this period.

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

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.2 Other receivables

Items	31 December 2022	31 December 2021
Dividends receivable (Note)	17	
Other receivables	47	82
Total	text-align: right;">64	text-align: right;">82

Note: The debtor of dividends receivable of the Company is FAW Angang.

16.2.1 Other receivables

16.2.1.1 Classification of other receivables

Items	31 December 2022				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	48	100.00	1	2.08	47
including: Risk-free group combination	31	64.58			31
Risk group combination on the basis of aging-matrix	17	35.42	1	5.88	16
Total	text-align: right;">48	text-align: right;">100.00	text-align: right;">1	text-align: right;">2.08	text-align: right;">47

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

16.2.1.1 Classification of other receivables (Continued)

Items	31 December 2021				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	85	100.00	3	3.53	82
including: Risk-free group combination	36	42.35			36
Risk group combination on the basis of aging-matrix	49	57.65	3	6.12	46
Total	85	100.00	3	3.53	82

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

16.2.1.2 Other receivables classified by the nature

Type	31 December 2022	31 December 2021
Petty cash	4	4
Money lent to subsidiary	30	36
The remaining factoring receivable		25
Industrial injury loan	7	13
Bid security	1	
Others	6	7
Total	48	85

16.2.1.3 Other receivables classified by aging

Aging	31 December 2022	31 December 2021
Within 1 year	42	81
1 to 2 years	4	1
2 to 3 years	1	
3 to 4 years		
4 to 5 years		
Over 5 years	1	3
Total	48	85

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

16.2.1.4 The recognition of bad debt provision

	The first stage	The second stage	The third stage	Total
	Expected credit losses within the next 12 months	Expected credit losses for the entire duration of the period (no credit impairment)	Expected credit losses for the entire duration of the period (credit impairment has occurred)	
Balance at 1 January 2022			3	3
Bad debt provision			(2)	(2)
Reverse				
Resale or verification				
Write off				
Other changes				
Balance at 31 December 2022			1	1

16.2.1.5 Bad debt provision at the end of the period

Type	31 December 2021	Increase/Decrease		31 December 2022
		Bad debt provision	Resale or verification	
Other receivables	3	(2)		1

16.2.1.6 The condition of other receivables of the top five debtors by the balances at the end of the period

The total amount of top five other receivables according to closing balance of debtors of the Company was RMB40 million at 31 December 2022, which accounted for 83.33% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB0 million.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.3 Long-term equity investment

16.3.1 Classification of long-term equity investment

Items	31 December 2022			31 December 2021		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	10,598		10,598	9,890		9,890
Investments in joint ventures and associates	3,035		3,035	3,036		3,036
Total	13,633		13,633	12,926		12,926

16.3.2 Investments in subsidiaries

The invested entity	31 December 2021	Increment	Decrement	31 December 2022	Provision for impairment	Provision for impairment at the end of period
Angang Wuhan	237			237		
Angang Hefei	102	179		281		
Angang Guangzhou	90			90		
Shenyang Trade	321			321		
Shanghai Trade	303			303		
Tianjin Trade	203			203		
Guangzhou Trade	315			315		
Angang Shenyang	181			181		
Angang Tianjin	27			27		
Angang Dalian	266			266		
Ningbo Trade	100			100		
yantai Trade	200			200		
Angang Kobelco	357			357		
ASPD-CC	450	46		496		
Technology and Development	50			50		
Angang Zhengzhou	149	80		229		
Angang Chaoyang	3,545			3,545		
Energy and Technology	33	91		124		
Chemical Technology	2,677			2,677		
FAW Angang	119			119		
Angang Parts	50		50			
Delin Zhilian	55			55		
Hangzhou Auto Material	60			60		
Beijing International Trade		198		198		
Delin Industrial Products		164		164		
Total	9,890	758	50	10,598		

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.3 Long-term equity investment (Continued)

16.3.3 Investments for the joint ventures and associates

Please refer to Note 6.10 (excluding Zhong'an Water and Angang CIMC).

16.4 Operating income and operating cost

16.4.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	113,079	111,762	121,613	111,819
Other operating	329	298	665	445
Total	113,408	112,060	122,278	112,264

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

16.4.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	107,349	116,773
Foreign exchange income from outside borders	6,059	5,505
Total	113,408	122,278

16.4.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	113,408	122,278
Total	113,408	122,278

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.5 Investment income

Items	This period	Last period
Long-term equity investment income measured at cost method	898	1,060
Long-term equity investment income measured at equity method	234	251
Investment income of other investments in equity instruments	2	13
Total	1,134	1,324

17. 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)	(6,922)	1,916

18. 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	60,781	68,027

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

19. Supplementary documents

19.1 Non-recurring gains and losses

Items	This period	Last period
Gains and losses from disposal of non-current assets	(25)	(33)
Government grant recorded into profit and loss for current period except that relevant to enterprise operation and in compliance with government policies	89	43
Net profit and loss of subsidiaries in the previous year arising from business combination under common control		39
Changes in the fair value of other non-current financial assets	(10)	9
Other non-current liabilities-part of embedded derivative financial instruments, derivative financial liabilities-changes in fair value of foreign exchange swap contracts	87	(55)
The receivables that are separately tested for impairment and reversal of provision for impairment of contract assets	64	
Other non-operating income and loss not listed above	(12)	15
Subtotal	193	18
Less: Effect on taxation	48	(5)
Effect on minority interest (after tax)		
Total	145	23

The Company's confirmation of non-recurring profit and loss items is carried out in accordance with the provisions of the Interpretive Announcement No. 1 of the Company Information Disclosure of Public Offering Securities–Non-recurring Gains and Losses (CSRC Announcement [2008] No. 43).

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

19. Supplementary documents (Continued)

19.2 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	0.02	0.001	0.001

The above data is calculated using the following formula:

(1) Weighted average return on equity

$$\text{Weighted average return on equity} = P_0 / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

P_0 corresponds to the net profit attributable to the ordinary shareholders of the company and the net profit attributable to the ordinary shareholders of the company after deducting non-recurring gains and losses; NP corresponds to the net profit attributable to the company's common shareholders; E_0 corresponds to the net assets at the beginning of the period attributable to the ordinary shareholders of the company; E_i corresponds to the newly added net assets attributable to ordinary shareholders of the company, such as new shares or debt-to-equity swaps during the Reporting Period; E_j corresponds to the net assets attributable to ordinary shareholders of the company, such as repurchase or cash dividends during the Reporting Period; M_0 corresponds to the number of months in the Reporting Period; M_i corresponds to the cumulative number of months from the next month of the new net assets to the end of the reporting period; M_j is the cumulative number of months from the second month of the net assets reduction to the end of the reporting period; E_k corresponds to the change or decrease in net assets attributable to ordinary shareholders of the company due to other transactions or events; M_k corresponds to the cumulative number of months from the next month of the change in other net assets to the end of the reporting period.

Notes to Financial Statements (Continued)

31 December 2022 (Expressed in million RMB unless otherwise indicated)

19. Supplementary documents (Continued)

19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

(2) Basic earnings per share

$$\text{Basic earnings per share} = P0 \div S, S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$$

P0 corresponds to the net profit attributable to ordinary shareholders of the company or net profit attributable to ordinary shareholders after deducting non-recurring gains and losses; S corresponds to the weighted average number of ordinary shares outstanding; S0 corresponds to the total number of shares at the beginning of the period; S1 is the increase in the number of shares due to the conversion of public reserve funds into share capital or stock dividends during the Reporting Period; Si refers to increasing the number of shares due to the issuance of new shares or debt-to-equity swaps during the Reporting Period; Sj refers to the number of shares reduced due to repurchase during the Reporting Period; Sk refers to the number of share compressing in the report period; M0 corresponds to the number of months in the reporting period; Mi corresponds to the cumulative number of months from the next month of the new net assets to the end of the reporting period; Mj is the cumulative number of months from the second month of the net assets reduction to the end of the reporting period.

(3) Diluted earnings per share

$$\text{Diluted earnings per share} = P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Weighted average number of common shares increased by warrants, share options, convertible bonds, etc.})$$

P1 refers to the net profit attributable to the ordinary shareholders of the company or the net profit attributable to the ordinary shareholders of the company after deducting non-recurring gains and losses, and considering the impact of diluted potential ordinary shares, adjusted according to the ASBE and relevant regulations. In calculating the diluted earnings per share, the company should consider the effect of all diluted potential ordinary shares on the net profit attributable to the company's common shareholders or the net profit attributable to the company's common shareholders and the weighted average number of shares after deducting non-recurring gains and losses. Diluted earnings per share are included in descending order of dilution until the diluted earnings per share reaches a minimum.

Five-Year Summary

Monetary unit: RMB million

	2022	2021	2020	2019	2018
Operating income	131,072	136,120	100,349	105,587	105,157
Net profit	186	6,998	2,208	1,760	7,952
Total assets	96,935	98,652	89,166	87,808	90,024
Total liabilities	38,138	37,415	34,388	35,260	37,559
Net assets	58,797	61,237	54,778	52,548	52,465

Other Relevant Corporate Information

INCORPORATION:

Organization code	The uniform social credit code of the Company was 912100002426694799
Changes in the main business of the Company since the Company's Listing	None during the Reporting Period.
Changes of the Controlling Shareholder of the Company	None

AUDITOR:

Name of auditor	ShineWing Certified Public Accountants (Special General Partnership)
Place of business of auditor	10/F, Block B, Fuhua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing Fan Jianping and Fu Yangyi

BUSINESS ADDRESS OF THE COMPANY IN HONG KONG:

23/F, Entertainment Building, 30 Queen's Road Central, Hong Kong

Definitions

In this annual report, the following expressions shall have the following meanings unless the context requires otherwise:

“Angang”	Angang Group Company Limited (鞍鋼集團有限公司), the actual 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 held by it as to 30% or more (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
“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)
“Anshan Iron & Steel Group Complex”	Angang Holding and the companies in which it holds 30% or above interests (excluding the Group)
“Bayuquan Iron & Steel Branch Company”	Bayuquan Iron & Steel Branch Company of Angang Steel (鞍鋼股份鮫魚圈鋼鐵分公司)
“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) and the Financial Service Agreement (2022–2024)
“Director(s)”	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 on 26 November 2021, which was approved at the 2021 second extraordinary general meeting of the Company
“Group”	Angang Steel Company Limited and its subsidiaries

Definitions (Continued)

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Karara”	Karara Mining Limited
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd. (攀鋼集團鈦資源股份有限公司)
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding the Hong Kong and Macau special administrative regions)
“Reporting Period”	year ended 31 December 2022
“Supervisor(s)”	supervisor(s) of the Company
“Supply Chain Financial Services Framework Agreement (2022–2024)”	the Supply Chain Financial Services Framework Agreement (2022–2024) entered into between the Company and Angang Steel Group Capital Holdings Co., Ltd. on 26 November 2021, which was approved at the 2021 second extraordinary general meeting of the Company
“Supply of Materials Agreement (2022–2024)”	the Supply of Materials Agreement (2022–2024) entered into between the Company and Pangang Vanadium & Titanium on 26 November 2021, which was approved at the 2021 second extraordinary general meeting of the Company
“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 on 26 November 2021, which was approved at the 2021 second extraordinary general meeting of the Company
“Xinneng Air”	Xinneng Air Products (Liaoning) Co., Ltd* (新能空氣產品(遼寧)有限公司)

Documents Available for Inspection

1. Financial statements signed by the Responsible Officer, Chief Accountant and Person-in-charge of the accounting firm and with seal affixed.
2. Original of the auditor's report sealed by accounting firms and signed and sealed by certified public accountants.
3. Originals of all documents and manuscripts of announcements disclosed by the Company during the Reporting Period.
4. Annual report of the Company disclosed on the HKEXnews website of the Hong Kong Stock Exchange.
5. The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited situated at Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province.

Angang Steel Company Limited

The Board

30 March 2023

Note: This report is prepared in both Chinese and English. The Chinese version shall prevail in case of any inconsistency between the two versions.



鞍 鋼 股 份 有 限 公 司
ANGANG STEEL COMPANY LIMITED*

