



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

2020
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	22
Report of the Supervisory Committee	31
Discussion and Analysis of Operations	34
Significant Events	69
Movement in Share Capital and Shareholders' Profile	95
Information on Directors, Supervisors, Senior Management and Employees	106
Corporate Governance	123
Annual General Meeting	159
Auditor's Report	160
Five-Year Summary	335
Other Relevant Corporate Information	336
Definitions	337
Documents Available for Inspection	340



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.

The Company is a large national enterprise for manufacture and sales of iron and steel with registered capital of RMB9.405 billion currently.

The Company is engaged in steel rolling and processing industry and has the entire process of production of iron and steel including coking, sintering, iron-making, steel-making, steel rolling, railway transportation, energy power and ancillary facilities with more sophisticated supporting services industry chains such as logistics, trading and steel processing and its main body installation reaches the advanced level of the contemporary era.

Currently, the Company has three big production bases respectively located in Anshan, Yingkou and Chaoyang and collaborates with processing and distribution or sales service agencies in cities such as Dalian, Changchun, Shanghai, Tianjin, Guangzhou, Shenyang, Wuhan, Hefei and Zhengzhou to conduct international operation by relying on the overseas sales presences under Angang Group.

The Company's products have diversified structure and include hot rolled sheets, medium and thick plates, cold rolled sheets, galvanized steel sheets, color coating plates, cold rolled silicon steel, heavy rails, heavy section, seamless steel pipes and wire rods and other product lines which have a comprehensive product portfolio with a vast variety of products and complete specifications,. These products are widely used in industries such as machinery, metallurgy, petroleum, chemical industry, coal, electric power, railway, shipbuilding, automobile, construction, home electrical appliances and aviation.

The sales for cold-rolled household steel and steel for railway vehicles of the Company rank among the best in domestic market. The series of steel products with high-tech characteristics made by the Company including steel for automobile, nuclear power, petroleum and petrochemicals, home electrical appliances, container and electrical steel have ranked among famous brand products. Research of new types of steel products for vessel plate and railway steel rail as well as technology for manufacture of steel rail has reached international advanced level. The technology for the series products of high-strength thick pipelines steel for undersea high pressure oil and gas pipeline delivery was industry-leading. Moreover, the Company established the first national key laboratory for metallic material of marine equipment and its application. The Company's' brand enjoys a high reputation and trustworthiness. Meanwhile, steel for railway as well as steel plates for containers and vessels have continued to be named "China Top Brand".

Corporate Profile (Continued)

I. CORPORATE PROFILE

Stock Exchange Listings	Shenzhen Stock Exchange		
Stock Abbreviation	Angang Steel	Stock Code	(A Share) 000898
Stock Exchange Listings	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		
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

	Joint Company Secretary	Securities Affairs Representative
Name	Chen Chun	Wang Congqing
Address	40F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	00852-3912 0863	0412-8417273 0412-6751100
Fax	00852-3912 0801	0412-6727772
E-mail	jessica.chen@swcsgroup.com	wangcongqing@ansteel.com.cn

III. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION

Company's Designated PRC Newspapers	China Securities Journal Securities Times Shanghai Securities News
Website for Publication of Annual Report Designated by CSRC	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	2020	2019	Changes over the preceding year (%)	2018
Operating income	100,903	105,587	-4.44	105,157
Operating profit	2,482	2,025	22.57	10,088
Total profit	2,403	1,972	21.86	10,008
Net profit attributable to shareholders of the Company	1,978	1,787	10.69	7,952
Net profit attributable to shareholders of the Company after extraordinary items	1,975	1,716	15.09	6,633
Net cash flow from operating activities	9,916	10,020	-1.04	8,294
Basic earnings per share (RMB/share)	0.210	0.190	10.53	0.846
Diluted earnings per share (RMB/share)	0.198	0.187	5.88	0.840
Returns on net assets on weighted average basis (%)	3.74	3.43	Increased by 0.31 percentage point	14.82

Items	At the end of 2020	At the end of 2019	Changes over the preceding year (%)	At the end of 2018
Total assets	88,046	87,808	0.27	90,024
Total liabilities	34,188	35,260	-3.04	37,559
Owner's equity attributable to shareholders of the Company	53,365	52,079	2.47	51,962
Assets-liability ratio (%)	38.83	40.16	Decreased by 1.33 percentage points	41.72
Total share capital	9,405	9,405	-	7,235

Total share capital of the Company as at 30 March 2021:

Total share capital (<i>shares</i>)	9,405,250,201
Fully diluted earnings per share calculated based on the latest share capital (<i>RMB/share</i>)	0.210

Summary of Accounting Figures and Financial Indicators (Continued)

II. MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB million

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating income	20,337	24,313	26,521	29,732
Net profit attributable to shareholders of the Company	292	208	825	653
Net profit attributable to shareholders of the Company after extraordinary items	272	200	819	684
Net cash flow from operating activities	-3,064	7,843	1,308	3,829

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 Gains and Losses	2020	2019	2018	Description
1. Gains/losses from disposal of non-current assets	-78	-54	-103	-
2. Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies and continuously entitled for standard amount or quantities	66	83	86	-
3. Net gains or losses of subsidiaries arising from business combination under common control from the beginning of the year to the date of combination	-	-	1,268	-
4. Changes in fair value of financial assets held for trading	-4	3	-5	-
5. Changes in fair value of other non-current liabilities (part of derivative financial instruments)	14	60	68	-
6. Achievement by steps of business combination under non-common control, the earnings from remeasurement of original equity at fair value	-	-	-22	-
7. Achievement by steps of business combination under non-common control, the earnings from the lower merger cost than the fair value of the investee's identifiable net assets attributable to the investor when the investment is acquired	-	-	26	-
8. Investment income from disposal of subsidiaries	-	-	2	-
9. Other non-operating revenue and expenses except those mentioned above	6	3	17	-
Subtotal	4	95	1,337	-
Less: Effect on income tax	1	24	17	-
Effect on minority investors (after tax)	-	-	1	-
Total	3	71	1,319	-

Note: For the figures of non-recurring gains and losses items, "+" 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 2020 and hereby extend my regards to all shareholders.

OPERATING RESULTS FOR 2020:

According to the PRC Accounting Standard for Business Enterprise (“**PRC ASBE**”), the Group recorded a net profit attributable to shareholders of the Company of RMB1,978 million and basic earnings per share of RMB0.210 for the year ended 31 December 2020. Net profit attributable to shareholders of the Company was RMB1,787 million and basic earnings per share was RMB0.190 for the year ended 31 December 2019.

Chairman's Statement (Continued)

PROFIT DISTRIBUTION:

Net profit attributable to shareholders of the Company amounted to RMB1,978 million for the year of 2020, provision of statutory surplus reserve amounted to RMB126 million, the Group's undistributed profit amounted to RMB6,798 million as at 31 December 2020, 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 date of this annual report, the Company has a total share capital of 9,405,250,201 shares. After having deducted the 5,650,023 treasury shares held by the Company in the special repurchase account, the total number of share of the Company entitled to the distribution is 9,399,600,178.

The Board recommended distributing cash dividend based on the proposed total amount of distributable profits of RMB790 million (which accounted for 40% of the net profit attributable to shareholders of the Company) to the Relevant Shareholders (as defined below) according to the total number of shares issued and entitled to the distribution by the Company on the Equity Record Date (as defined below). If the total number of shares issued and entitled to the distribution of the Company on the Equity Record Date is the same as the number as at the date of this annual report, a cash dividend of RMB0.840 (tax inclusive) per 10 shares will be distributed. The funds used for profit distribution were from the Company's own funds. Where there is any change in the total number of shares issued and entitled to the distribution of the Company before the Equity Record Date, the total amount of distributable profits of RMB790 million will remain unchanged, whereas the cash dividend per share will be adjusted based on the total number of shares issued and entitled to the distribution of the Company as at the Equity Record Date. This proposal shall be subject to the approval by the 2020 annual general meeting.

The annual general meeting of the Company is proposed to be held on 26 May 2021. 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 Wednesday, 2 June 2021 to Monday, 7 June 2021 (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 Monday, 7 June 2021 (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 Tuesday, 1 June 2021 (the "**Equity Record Date**"). The final dividend is expected to be distributed on or around Wednesday, 30 June 2021.

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. After the Company implemented profit distribution proposal for 2017, 2018 and 2019, the conversion price of the Convertible Bonds was adjusted from HK\$9.20 per H Share to HK\$6.61 per H Share. As of 31 December 2020, there had been no conversion of the Bonds. If the total number of shares of the Company issued changes due to the exercise of conversion rights attached to the Bonds before the Equity Record Date, the amount of cash dividend per share will be adjusted according to the foregoing plan. For instance, if all of the Bonds are converted into 279,878,971 issued shares of the Company at the current conversion price of HK\$6.61 per H Share before the Equity Record Date, the cash dividend will be adjusted to RMB0.816 per 10 shares (tax inclusive), with the total distributable profits of RMB790 million remaining unchanged. 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.* Monday, 26 April 2021 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.

Chairman's Statement (Continued)

PROFIT DISTRIBUTION: (CONTINUED)

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

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

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

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

Chairman's Statement (Continued)

BUSINESS REVIEW:

In 2020, in the face of the intricate and complicated situation both domestic and abroad and the unexpected impact of the COVID-19 pandemic, the Company made overall planning for its pandemic prevention and control as well as production and operation, comprehensively deepened reform and promoted innovation drive, and completed various production and operation tasks in a satisfactory way. The Company was awarded the “Social Responsibility Award for Listed Companies in China” for the year of 2020.

1. Achieved New Improvement in Operating Results

In 2020, the Company made efforts to overcome the impact of the pandemic and achieved stable improvement in profitability.

In 2020, the Group achieved an operating income of RMB100,903 million, representing a decrease of 4.44% over the previous year. The total profit reached RMB2,403 million, representing an increase of 21.86% over the previous year. The net profit attributable to shareholders of the Company was RMB1,978 million, representing an increase of 10.69% over the previous year. The basic earnings per share was RMB0.210, representing an increase of 10.53% over the previous year.

In 2020, the Group produced 25,870,000 tons of iron, representing an increase of 0.06% over the previous year; 26,480,000 tons of steel, representing a decrease of 2.46% over the previous year; and 24,570,000 tons of rolled steel, representing a decrease of 3.33% over the previous year. Sale of rolled steel amounted to 24,610,000 tons, representing a decrease of 5.02% as compared with the previous year. The Group achieved a sales-output ratio of 100.16%.

2. Deepened the Reform to Release New Vitality for its Development

The Company started the comprehensive reform with the breakthrough point of power delegation and authorization. The Company established a differentiated management and control system, and adopted a differentiated authorization principle to implement the policies by classification. The Company improved the differentiated distribution mechanism, and established a common benefit mechanism between the enterprises and the employees, so that the income would be skewed toward the productive units and the front-line positions under difficult conditions. The Company streamlined administration and delegated power to the lower levels, and strengthened the whole-process supervision to ensure the power to be exercised in an accurate, standardized and efficient manner. The Company adhered to its focus on “Authorization+Common Benefit”, and established a market-oriented and efficient operation mechanism to further stimulate the inner vitality and motivation of the enterprise. The Company implemented the 2020 Restricted Share Incentive Scheme to fully motivate the core and key employees.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

3. Recorded New Achievements in Cost Reduction and Efficiency Increasing

The Company played the leading role of benchmarking, took finance as the core, and focused on the key links to conduct comprehensive benchmarking, thus continuously reducing the cost of the production lines by finding the gaps, identifying the targets and making up for shortcomings. The Company optimized the procurement strategies, extended the procurement channels, and innovated the procurement methods to reasonably adjust inventory procurement, achieving remarkable results in ensuring supply and reducing procurement. The Company strengthened the innovative management on logistics intensification and reduction, promoted green and ecologic logistics, and effectively decreased the logistics costs; it enhanced the management and control on energy system, and recorded a significant year-on-year decrease in the cost of outsourcing energy. The Company reduced the financing scale, lowered the loan interest rates, and reduced the financing scale of RMB4.3 billion for the whole year, representing a year-on-year decrease of RMB316 million in the financial expenses.

4. Made New Breakthroughs in Technological Innovation

The Company strengthened the breakthroughs for key and core technologies, effectively promoted the technology research and development for development bottleneck breakthrough, and achieved milestone results in key research and development projects such as “critical manufacturing and application technology of steel for high strength corrosion resistant auto body and bogie structure of high speed trains (高強耐蝕車體和高鐵轉向架構架用鋼關鍵製造與應用技術)”. The “development and application of oxidation behavior control technology in steel hot-rolled process (鋼材熱軋過程氧化行為控制技術開發及應用)” participated by the Company was awarded the Second Prize of National Science and Technology Progress, and 15 projects, including the key technology of high efficiency and green smelting of large converter clean steel (大型轉爐潔淨鋼高效綠色冶煉關鍵技術), won the Provincial Science and Technology Progress Award. The national key laboratory has been comprehensively strengthened. In 2020, 535 patents were authorized by the state, including 52% of invention patents. The Company was identified as one of the First Batch of High-value Patent Cultivation Centers in Liaoning Province. The Company deepened the construction of “One Plant, One Office and One Room”, closely combined the scientific research with the field, to promote 66 key projects, thus solving the production difficulties in an all-round way and breaking the technical bottlenecks. The Company successfully developed 316H stainless steel for the fourth-generation nuclear fast reactor project, completed the world premiere of cryogenic steel for ships and high strain steel plates for deep-sea pipelines with thickness of 31.8mm, and successfully applied the steel for the high-speed train bogies in the 350 km/h high-speed trains.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

5. Achieved New Results in Market Development

The Company established a strategic marketing layout, and promoted the integration of production, marketing and research, so as to create an outstanding service brand. The Company strengthened communication with the key downstream customers and continued to deepen strategic cooperation, with the proportion of direct supply reaching over 70%. The Company enhanced customer service and established a good communication channel and demand feedback platform. The sales volume of the hit products reached 38.6%, the number of bids won for key projects increased year-on-year, and the market share of key products continued to increase. The Company strengthened its brand building, which continuously improved its brand influence. In 2020, the Company won several awards, including the Hisense Group Strategic Mutual Trust Award, the Best Procurement Partner Award for Dongfeng Nissan Passenger Vehicles and the FAW Jiefang Supply Guarantee Award. The Group actively responded to the “Belt and Road” Initiative and successfully supplied materials for overseas projects such as the Dapilon-Santou Railway in Guinea and the Bangladesh's Padma Bridge.

6. Made New Progress in Smart Manufacturing

The Company accelerated the pace of smart manufacturing. The Company launched the overall management and informationization improvement project, implemented the upgrade of ERP system, the transformation of the intelligent production line of showed initial results, and 46 projects, including the intelligent centralized control project on the hot rolling process of the 2150 Production Line, were put into operation. The Company's self-developed “5G Industrial Network + Smart Steelmaking” has achieved industrial application in the steelmaking plant and won the National APP Outstanding Solution Award. The Steel whole Process Quality Big Data Solution was successfully selected as a pilot demonstration project on the Industrial Internet Platform by the Ministry of Industry and Information Technology, and Bayuquan Iron & Steel Branch Company achieved online and remote digital control of the whole process energy medium.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

7. Took New Steps for Green and Low-carbon Development

The Company has achieved remarkable results in its environmental governance work. In 2020, the Company released and implemented 40 environmental protection transformation projects with projects investment of RMB1.42 billion. The Company implemented the ecological environmental protection plan, and specially completed the project of the dust control and the roofing and closing of the injection coal in Lingshan Yard and other ultra-low emission transformation projects. The Company promoted the comprehensive utilization of solid waste and turned sludge generated in the hot rolling process into wealth. The Company strengthened the treatment of pollutant emissions, with a further year-on-year decrease in total pollutant emissions and drainage per ton of steel, COD and sulfur dioxide falling 61.2%, 40% and 3.6% respectively. According to the "Master Planning and Design Program for the Forest-style Green Ecological Factory", the Company organized and completed some of the garden landscape and shelterbelt projects in the factory area, making its main factory area a new bright spot in the green city development of Anshan City and marking a solid step towards the goal of "integrating into the city, surpassing the urban area, and making symbiosis development".

DEVELOPMENT PLAN FOR THE NEW YEAR:

1. Macro-economy and Industry Development Trends

The year of 2021 is the first year of China's "14th Five-Year" Plan, and also the first year of establishing a new Angang with high quality development. Both opportunities and challenges coexist in the year.

Internationally, the control of global COVID-19 pandemic still faces great challenges. Geopolitical risks still exist and there are many uncertainties in the international environment. Domestically, China's economy has entered a new stage of development, and is speeding up the establishment of a new development pattern, which takes domestic macro circulation as the mainstay, with domestic and international dual circulation reinforcing each other. In view of the supply side, the ultra-low emission transformation will further promote the green development of the industry, and the tightening capacity replacement standards will be conducive to regulating the domestic steel production capacity. In view of the demand side, the real estate investment remains resilient, the infrastructure investment continues to pick up, and the manufacturing industry accelerates the upgrading, driving demand to maintain a good situation. Nevertheless, the prices of iron ore, coke and other raw fuel continue to rise and the environmental protection costs keep growing, reducing the profit margin of steel enterprises. In general, China will continue to implement positive fiscal policy and prudent monetary policy in 2021, which will play a strong supporting role in the national economic recovery and development. Meanwhile, the in-depth promotion of Northeast Revitalization Strategy will create favorable conditions for the Company's reform and development.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR: (CONTINUED)

2. Development Strategy and operation plan for 2021

In 2021, guided by the new development ideas, the Company will deepen reform and innovation, focus on efficiency, cost, technology, service, intelligence and ecology, strive to improve its competitiveness, innovation, control power, influence and risk-resistance capacity, and work hard to achieve high-efficiency, high-benefit and high-quality sustainable development.

- (1) To promote strategic planning and implementation. The Company will accelerate the layout for its development strategy and planning for the "14th Five-Year Plan", expand its main iron and steel business, and promote the construction of steel bases, so as to form a multi-base development pattern featuring complementary advantages, efficient synergy and industry leadership. It will develop new driving forces and new advantages, and build a steel ecosystem for coordinated industrial development. The Company will make efforts to complete the task of informatization, digitalization and intelligentization construction, comprehensively advance the development of industrial digitalization, and build model production lines and bases for smart manufacturing.
- (2) To advance the three-year action plan for corporate reform. While adhering to the direction of the market-oriented reform, and with close focus on vitality stimulation and efficiency improvement, the Company will create and implement a new model of market-oriented operation. It will improve the differentiated management and control model, establish a comprehensive and efficient management system, optimize the performance evaluation system, and fully deepen the "Authorization + Common Benefit" mechanism. The Company will resolutely complete the tough task of the three system reforms, and fully stimulate endogenous divers for reform and development through breaking through the difficulties of the constraint mechanism .

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR: (CONTINUED)

2. Development Strategy and operation plan for 2021 (Continued)

- (3) To build itself into a strong enterprise through the application of technologies. The Company will further promote its 2025 Leading Technology Program and Outstanding Technology Program, to achieve innovation-driven organic growth. It will accelerate its steps for major scientific and technology research projects, increase its investment into research and development, strive to solve key technological problems, advance the development of fundamental technologies, forward-looking technologies and leading technologies, and increase the market competitiveness of its competitive products. It will deepen the construction of innovative platforms, focus on major research and development need during the “14th Five-Year Plan” period of our country, and formulate and implement laboratory five year plan, to create favorable conditions for breaking through key technologies in the fields such as metallic material of marine equipment. The Company will deepen its external cooperation in scientific research, and improve its collaborative innovation capabilities. It will cultivate innovative talents in science and technology, explore the mechanism to share the benefit from the industrialization of scientific research achievements.
- (4) To promote the implementation of cost reform. The Company will take the conduct of benchmarking against world-class management to improve its activities as an opportunity, establish system concept, give play to overall planning and cooperation, allocate resources in high efficiency, and create new advantages in cost competition. It will improve its total factor productivity, continue to deepen cost reduction and efficiency improvement, enhance procurement efficiency and reduce procurement cost.
- (5) To promote the construction of its customer service capability. The Company will adhere to the customer-centered and market-oriented approach, to create the most competitive branded service system, so as to meet the demand of domestic industrial and consumption upgrading, and strive to be the most influential enterprise in the market. It will improve its strategic marketing planning featuring “focusing on both domestic and international markets”; optimize its marketing mechanism; increase sales volume in direct retailing, sales to key areas and projects; integrate into international circulation, and increase export proportion as and when appropriate; give full play to the important role of e-commerce platforms to serve customers under new economy, and make innovation in marketing service models; establish a marketing system under which quick response and efficient collaboration can be realized externally and internally, respectively.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR: (CONTINUED)

2. Development Strategy and operation plan for 2021 (Continued)

- (6) To promote green and low carbon development. The Company will spare no effort to promote the implementation of the ultra-low emission transformation projects and the environmental protection transformation projects, promote pollution control, and focus on management and control at the source, so as to continue to build a forest-style green and low-carbon ecological factory. Moreover, it will actively follow the implementation summary of “carbon peak” for 2030 and “carbon neutralization” for 2060, and strive to take the lead in achieving “carbon peak” and “carbon neutralization” in the iron and steel industry of Liaoning Province. It will boost the development of green energy industry, focus on the development of hydrogen energy, industrial gas, water resources and other businesses, and step on the road towards its economic development of new energy; and it will develop the clean power generation industry, and improve the utilization efficiency of surplus energy based on the target of “zero coal” power generation.
- (7) To promote humanistic and harmonious sharing. The Company will continue to perform its social responsibility, and explore and expand the urban heating market, so as to become a provider of high-quality urban heating service. In addition, it will consolidate and expand the poverty alleviation results and conduct the following alleviation in a satisfactory way, and plans to invest RMB15.7 million in poverty alleviation in 2021. While adhering to the people-oriented principle, the Company will continue to promote the special service action of “practicing the concept of sharing, and showing care for front-line employees” to achieve sharing of development achievements with employees. It will strive to create value for shareholders, employees, customers and society while achieving high-quality development.

3. Plans for funding requirements

In 2021, the proposed investments for fixed assets and external investments of the Group will amount to RMB4,376 million.

In 2021, 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 2021

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements for the year ended 31 December 2020.

I. PRINCIPAL BUSINESSES

The Company is mainly engaged in steel rolling and processing industry. The Company's products have diversified structure and include hot rolled sheets, medium and thick plates, cold rolled sheets, galvanized steel sheets, color coating plates, cold rolled silicon steel, heavy rails, heavy section, seamless steel pipes and wire rods and other product lines which has a comprehensive product portfolio with a vast variety of products and complete specifications. These products are widely used in industries such as machinery, metallurgy, petroleum, chemical industry, coal, electric power, railway, shipbuilding, automobile, construction, home electrical appliances and aviation.

Composition of the principal businesses in 2020

1. Composition of operating income

Unit: RMB million

	2020		2019		Year-on-year increase/decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total operating income	100,903	100	105,587	100	-4.44
By industry					
Steel rolling and processing industry	100,403	99.50	105,096	99.53	-4.47
Others	500	0.50	491	0.47	1.83
By product					
Steel products	92,639	91.81	98,030	92.84	-5.50
Others	8,264	8.19	7,557	7.16	9.36
By geographical location					
China	98,003	97.13	98,511	93.30	-0.52
Export sales	2,900	2.87	7,076	6.70	-59.02

Report of the Directors (Continued)

I. PRINCIPAL BUSINESSES (CONTINUED)

Composition of the principal businesses in 2020 (Continued)

2. Industries, products and geographical locations 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	100,403	91,116	9.25	-4.47	-5.45	0.95
By product						
Hot-rolled sheets products	30,471	25,976	14.75	-4.34	-6.98	2.42
Cold-rolled sheets products	32,630	30,097	7.76	-5.21	-6.52	1.29
Medium and thick plates	16,947	15,463	8.76	-1.46	-3.43	1.87
By geographical location						
China	97,503	88,298	9.44	-0.53	-1.56	0.95
Export sales	2,900	2,818	2.83	-59.02	-57.78	-2.84

Report of the Directors (Continued)

I. PRINCIPAL BUSINESSES (CONTINUED)

Composition of the principal businesses in 2020 (Continued)

3. Composition of operating costs

Unit: RMB million

Industry classification	Item	2020		2019		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	73,007	80.12	75,285	78.12	2.00
	Others	18,109	19.88	21,086	21.88	-2.00
Total		91,116	100.00	96,371	100.00	-

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

During the year, the Company invested in the establishment of Angang Parts, holding 100% of the shares, and the registered capital was RMB50 million.

During the year, the Company jointly established Delin Zhilian with Angang Holding, holding 91% of the shares, and the registered capital was RMB60 million.

In December 2020, the Company entered into an equity transfer agreement with ASPD-CC, a subsidiary of the Company, in relation to the acquisition of 51% equity interest in ASPD-HZ held by ASPD-CC with a transaction consideration of RMB60 million. Upon the equity transfer, the Company directly holds 51% equity interest and indirectly holds 49% equity interest in ASPD-HZ.

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 RMB1,978 million for the year of 2020, provision of statutory surplus reserve amounted to RMB126 million, the Group's undistributed profit amounted to RMB6,798 million as at 31 December 2020, 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 date of this annual report, the Company has a total share capital of 9,405,250,201 shares. After having deducted the 5,650,023 treasury shares held by the Company in the repurchase account, the total number of share of the Company entitled to the distribution is 9,399,600,178.

The Board recommended distributing cash dividend based on the proposed total amount of distributable profits of RMB790 million (which accounted for 40% of the net profit attributable to shareholders of the Company) to the Relevant Shareholders according to the total number of shares issued and entitled to the distribution by the Company on the Equity Record Date. If the total number of shares issued and entitled to the distribution of the Company on the Equity Record Date is the same as the number as at the date of this annual report, a cash dividend of RMB0.840 (tax inclusive) per 10 shares will be distributed. The funds used for profit distribution were from the Company's own funds. Where there is any change in the total number of shares issued and entitled to the distribution of the Company before the Equity Record Date, the total amount of distributable profits of RMB790 million will remain unchanged, whereas the cash dividend per share will be adjusted based on the total number of shares issued and entitled to the distribution of the Company as at the Equity Record Date. This proposal shall be subject to the approval by the 2020 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.

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 industry	8,000	5,971	4,622	8,810	944	743

Report of the Directors (Continued)

V. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEES (CONTINUED)

2. Acquisition and disposal of subsidiaries during the Reporting Period

Name of subsidiaries	Method of acquisition and disposal of subsidiaries during the Reporting Period	Impact on the overall production and operation and results
Delin Zhilian	Investment in the establishment	No material impact
Angang Parts	Investment in the establishment	No material impact

VI. MAJOR CUSTOMERS AND SUPPLIERS

Sales to major customers of the Company

Total sales amount of the top five customers (<i>RMB million</i>)	31,962
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	31.83
Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year (%)	31.83

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	8,562	8.53
2	Customer B	8,477	8.44
3	Customer C	8,294	8.26
4	Customer D	3,556	3.54
5	Customer E	3,073	3.06
Total		31,962	31.83

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>)	40,690
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	53.55
Proportion of procurement from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%)	49.27

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	17,395	22.89
2	Supplier B	10,006	13.17
3	Supplier C	6,290	8.28
4	Supplier D	3,746	4.93
5	Supplier E	3,253	4.28
Total		40,690	53.55

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

In 2020, 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 section of “Information on Directors, Supervisors, Senior Management and Employees” in this annual report.

Each of the Directors of the Eighth Session of the Board and Supervisors of the Eighth Session of the Supervisory Committee entered into a service contract with the Company. The term of the Directors of the Eighth Session of the Board and the Supervisors of the Eighth Session of the Supervisory Committee shall be three years from 28 May 2019 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 2022. 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

During the Reporting Period, 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 or the employee stock ownership scheme. As at 31 December 2020, the abovementioned share repurchase was not granted. 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. For the movement in share capital related to the incentive scheme, please refer to the section of “Movement in Share Capital and Shareholders’ Profile” in this annual report. Save for the aforementioned matter, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities.

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.

Report of the Directors (Continued)

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 2020.

XI. DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates (as defined in the Hong Kong 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 in.

XII. DISCLOSURE UNDER CHAPTER 13 OF THE HONG KONG LISTING RULES

The Directors confirmed that there was no matter occurring in 2020 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong 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.

XIII. SUFFICIENT 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 date of this annual report, the Company had been maintaining sufficient public float as required by the Hong Kong Listing Rules during the year.

XIV. FIXED ASSETS

Changes in the fixed assets during the year are set out in note 6.12 to financial statements on pages 248 to 249 of this annual report.

XV. OPERATING RESULTS

The results of the Company for the year ended 31 December 2020 and its financial position as at that date are set out in the financial statements included in this annual report.

Report of the Directors (Continued)

XVI. SHARE CAPITAL

During the Reporting Period, changes in share capital during the year are set out in note 6.33 to the financial statements on page 268 of this annual report.

XVII. RESERVES

Changes in the reserves during the year are set out in note 6.37 to the financial statements on page 270 of this annual report.

XVIII. DONATIONS

During the Reporting Period, the total amount of donations made by the Group was RMB14.8002 million. For details of the donations and subsidies, please refer to the section of Significant Events/Social Responsibility in this annual report.

XIX. EMPLOYEE RETIREMENT SCHEME

Details of the employee retirement scheme of the Company are set out in note 6.23 to the financial statements on pages 259 to 260 of this annual report.

XX. CONTINUING CONNECTED TRANSACTIONS

Details of Continuing Connected Transactions of the Company for the year are set out on pages 80 to 85 and pages 304 to 312 of this annual report.

XXI. FIVE YEARS SUMMARY

A summary of the results and balance sheet of the Company for five years are set out on page 335 of this annual report.

XXII. 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 2020.

By order of the Board
Wang Yidong
Chairman

30 March 2021

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

In 2020, Members of the Supervisory Committee attended four general meetings and three Board meetings of the Company as non-voting participants and convened nine Supervisory Committee meetings. The Supervisory Committee has given independent opinions and recommendations on the basis of their sufficient knowledge of the Company's major production and operation decisions as well as implementation process.

No.	Meetings	Date of the meeting	Matters considered
1	The 4th meeting of the 8th Session of the Supervisory Committee	20 January 2020	1. The Proposal in relation to Nominating Mr. Wang Baojun and Mr. Li Wenbing as the Candidates for Shareholders' Representative Supervisors of the Eighth Session of the Supervisory Committee of the Company was approved.
2	The 5th meeting of the 8th Session of the Supervisory Committee	16 March 2020	1. The Proposal in relation to Electing Chairman of the Supervisory Committee was approved.
3	The 6th meeting of the 8th Session of the Supervisory Committee	27 March 2020	1. The Report of the Supervisory Committee for 2019 was approved. 2. The Proposal in relation to the Remuneration of the Supervisors for 2019 was approved. 3. 2019 Annual Report and its summary were approved. 4. The 2019 Self-assessment Report on Internal Control was approved.
4	The 7th meeting of the 8th Session of the Supervisory Committee	27 March 2020	1. 2020 First Quarterly Report of the Company and its text were approved.

Report of the Supervisory Committee (Continued)

I. SUPERVISORY COMMITTEE MEETINGS (CONTINUED)

No.	Meetings	Date of the meeting	Matters considered
5	The 8th meeting of the 8th Session of the Supervisory Committee	28 August 2020	1. 2020 Half-year Report and its summary were approved.
6	The 9th meeting of the 8th Session of the Supervisory Committee	23 October 2020	1. 2020 Third Quarterly Report and its text were approved.
7	The 10th meeting of the 8th Session of the Supervisory Committee	9 November 2020	1. The Proposal in relation to Nominating Mr. Mu Tiejian as the Candidate of the Shareholders' Representative Supervisor of the Eighth Session of the Supervisory Committee of the Company was approved.
8	The 11th meeting of the 8th Session of the Supervisory Committee	26 November 2020	<ol style="list-style-type: none">1. The Proposal in relation to the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited (Draft) and its Summary was approved.2. The Proposal in relation to Performance Appraisal Measures for the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited was approved.3. The Proposal in relation to Management Measures for Equity Incentive of Angang Steel Company Limited was approved.4. The Proposal in relation to the Verification of List of Participants in the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited was approved.
9	The 12th meeting of the 8th Session of the Supervisory Committee	30 November 2020	1. The Proposal in relation to Electing the Chairman of the Supervisory Committee was approved.

Report of the Supervisory Committee (Continued)

II. SUPERVISION OVER CORPORATE GOVERNANCE AND OPERATION

In 2020, 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 monitoring issues during the Reporting Period.

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

- (1) The Supervisory Committee was, based on its examination, of the opinion that the procedures by which the Board prepared and considered the 2020 annual report complied with laws, administrative regulations and the requirements of CSRC and the contents of the annual report were true, accurate and complete 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.
- (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 disposals 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

Mu Tiejian

Chairman of the Supervisory Committee

30 March 2021

Discussion and Analysis of Operations

I. ANALYSIS OF PRINCIPAL BUSINESSES

1. Overview

Unit: RMB million

Item	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	100,903	105,587	-4.44	-
Operating costs	91,605	96,782	-5.35	-
Marketing expenses	3,204	3,064	4.57	-
Administrative expenses	1,329	1,331	-0.15	-
Financial expenses	777	1,093	-28.91	-
R&D expenditure	417	443	-5.87	-
Total profit	2,403	1,972	21.86	-
Net profit attributable to shareholders of the Company	1,978	1,787	10.69	-
Net increase in cash and cash equivalents	658	2,517	-73.86	The net increase in cash and cash equivalents decreased by RMB1,859 million as compared to the same period of the previous year, which was mainly due to (i) decrease of RMB104 million in net cash inflow from operating activities over the same period of the previous year; (ii) increase of RMB286 million in net cash outflow from investing activities as compared to the same period of the previous year; and (iii) increase of RMB1,469 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)

2. Income and cost

(1) Composition of operating income

Unit: RMB million

	2020		2019		Year-on-year increase/ Decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total Operating Income	100,903	100	105,587	100	-4.44
By industry					
Steel rolling and processing industry	100,403	99.50	105,096	99.53	-4.47
Others	500	0.50	491	0.47	1.83
By product					
Steel products	92,639	91.81	98,030	92.84	-5.50
Others	8,264	8.19	7,557	7.16	9.36
By geographical location					
China	98,003	97.13	98,511	93.30	-0.52
Export sales	2,900	2.87	7,076	6.70	-59.02

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

2. Income and cost (Continued)

- (2) Industries, products and geographical locations 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	100,403	91,116	9.25	-4.47	-5.45	0.95
By products						
Hot-rolled sheets products	30,471	25,976	14.75	-4.34	-6.98	2.42
Cold-rolled sheets products	32,630	30,097	7.76	-5.21	-6.52	1.29
Medium and thick plates	16,947	15,463	8.76	-1.46	-3.43	1.87
By geographical locations						
China	97,503	88,298	9.44	-0.53	-1.56	0.95
Export Sales	2,900	2,818	2.83	-59.02	-57.78	-2.84

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)

2. Income and cost (Continued)

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

Industry Classification	Item	2020	2019	Year-on-year increase/decrease (%)
Steel rolling and processing industry	Sales volume (0'000 tons)	2,461.41	2,591.61	-5.02
	Production volume (0'000 tons)	2,457.46	2,542.03	-3.33
	Stock volume (0'000 tons)	76.58	82.47	-7.14

- (4) Performance of material sales 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)

2. Income and cost (Continued)

(5) Composition of operating costs

Unit: RMB million

Industry classification	Item	2020	As a	2019	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	73,007	80.12	75,285	78.12	2.00
	Others	18,109	19.88	21,086	21.88	-2.00
Total		91,116	100.00	96,371	100.00	-

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

During the year, the Company invested in the establishment of Angang Parts, holding 100% of the shares, and the registered capital was RMB50 million.

During the year, the Company jointly established Delin Zhilian with Angang Holding, holding 91% of the shares, and the registered capital was RMB60 million.

In December 2020, the Company entered into an equity transfer agreement with ASPD-CC, a subsidiary of the Company, in relation to the acquisition of 51% equity interest in ASPD-HZ held by ASPD-CC with a transaction consideration of RMB60 million. Upon the equity transfer, the Company directly holds 51% equity interest and indirectly holds 49% equity interest in ASPD-HZ.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

2. Income and cost (Continued)

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

Applicable Not applicable

- (8) Major customers and suppliers

Sales to major customers of the Company

Total sales amount of the top five customers (<i>RMB million</i>)	31,962
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	31.83
Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year (%)	31.83

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	8,562	8.53
2	Customer B	8,477	8.44
3	Customer C	8,294	8.26
4	Customer D	3,556	3.54
5	Customer E	3,073	3.06
Total		31,962	31.83

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)

2. 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>)	40,690
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	53.55
Proportion of procurement from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%)	49.27

Top five suppliers of the Company

No.	Customer name	Sales amount (<i>RMB million</i>)	Proportion of sales amount over total sales amount for the year (%)
1	Supplier A	17,395	22.89
2	Supplier B	10,006	13.17
3	Supplier C	6,290	8.28
4	Supplier D	3,746	4.93
5	Supplier E	3,253	4.28
Total		40,690	53.55

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

In 2020, saved as disclosed in this annual report, none of the Directors or Supervisors and their associates nor any shareholders (who hold 5% or more of the Company's shares as known to the Board) had an interest in the Company's top five suppliers or customers.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

3. Expenses

Unit: RMB million

Financial indicators	2020	2019	Increase/ decrease in the Reporting Period as compared with the corresponding period of the previous year (%)	Explanations on material changes
Marketing expenses	3,204	3,064	4.57	–
Administrative expenses	1,329	1,331	-0.15	–
Financial expenses	777	1,093	-28.91	–
R&D expenditure	417	443	-5.87	–
Income tax expenses	407	212	91.98	The income tax expenses increased by RMB195 million as compared to the same period of the previous year, which was mainly due to (i) the increase in total profit for the year, as a result of the increase in the current income tax expenses by RMB271 million as compared to the same period of the previous year; (ii) the decrease of RMB76 million in deferred income tax adjustment as compared to the same period of the previous year.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

4. R&D expenditure

In 2020, the Company completed the layout of major research and development projects in the “14th Five-Year” period by focusing on key core technologies, key common technologies, “hit products”, leading edge technologies and disruptive technologies, with a total of research and development investment amounting to RMB1.575 billion. It adhered to the high integration of the research and development of key core technologies with the Company’s strategy, implemented the science and technology excellence projects according to the idea of “reserve a generation, research and develop a generation and apply a generation (儲備一代、研發一代、應用一代)”, organized the “critical technology and demonstration application of steel for marine engineering equipment in extreme environment (極端環境海洋工程裝備用鋼關鍵技術及示範應用)” which was selected as major special science and technology project of Liaoning Province, and newly established two national projects, including the “weld structure optimizing and toughening mechanism of steel for ships and ocean engineering under the action of welding flux (焊劑作用下船舶及海工用鋼焊縫組織優化與強韌化機理)”. In addition, the Company was responsible for the subject of “critical manufacturing and application technology of steel for high strength corrosion resistant auto body and bogie structure of high speed trains (高強耐蝕車體和高鐵轉向架構架用鋼關鍵製造與應用技術)” of the National Key R&D Programme which passed the mid-term inspection. The steel for bogie structure of high speed trains has been applied in high speed trains of CRRC Changchun at the speed of 350km per hour. Based on the key points, difficulties and key links in the Company’s production and operation, the Company played the role of technology center in supporting the production line. The first batch of 66 key projects of “One Plant, One Institute and One Room” were promoted, which achieved good results and improved the Company’s ability to break the technical bottlenecks.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

4. R&D expenditure (Continued)

Item	2020	2019	Year-on-year increase/ decrease (%)
Number of R&D staff (<i>person</i>)	1,735	1,630	6.44
Percentage of the number of R&D staff in the Company (%)	5.66	5.56	Increased by 0.1 percentage point
Amount of R&D expenditure (<i>RMB million</i>)	1,575	1,558	1.09
Percentage of R&D expenditure in operating income (%)	1.56	1.48	Increased by 0.08 percentage point
Amount of capitalization of R&D expenditure (<i>RMB million</i>)	–	–	–
Percentage of capitalization of R&D expenditure in the R&D expenditure (%)	–	–	–

Reasons for 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)

5. Cash flow

Unit: RMB million

Item	2020	2019	Year-on-year increase/ decrease (%)
Sub-total of cash inflow from operating activities	103,860	96,798	7.30
Sub-total of cash outflow from operating activities	93,944	86,778	8.26
Net cash flow from operating activities	9,916	10,020	-1.04
Sub-total of cash inflow from investing activities	300	280	7.14
Sub-total of cash outflow from investing activities	3,852	3,546	8.63
Net cash flow from investing activities	-3,552	-3,266	-8.76
Sub-total of cash inflow from financing activities	12,611	17,448	-27.72
Sub-total of cash outflow from financing activities	18,317	21,685	-15.53
Net cash flow from financing activities	-5,706	-4,237	-34.67
Net increase of cash and cash equivalents	658	2,517	-73.86

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

5. Cash flow (Continued)

- Explanations of the main factors for significant year-on-year changes of the relevant figures:
 - (1) Net cash outflow from financing activities increased by RMB1,469 million as compared to the same period of the previous year, which was mainly due to the fact that (i) the cash received from borrowings decreased by RMB4,810 million as compared to the same period of the previous year; (ii) the cash payment for the repayment of debts decreased by RMB1,705 million as compared to the same period of the previous year; and (iii) the cash payment for dividend and profit distribution or interest payment decreased by RMB1,126 million as compared to the same period of the previous year.
 - (2) The net increase in cash and cash equivalents decreased by RMB1,859 million as compared to the same period of the previous year, which was mainly due to (i) the decrease of RMB104 million in net cash inflow from operating activities as compared to the same period of the previous year; (ii) the increase of RMB286 million in net cash outflow from investing activities as compared to the same period of the previous year; (iii) the increase of RMB1,469 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)

5. Cash flow (Continued)

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

Unit: RMB million

Items	This Year
Reconciliation of net profit to cash flows from operating activities:	
Net profit	1,996
Add: Provision for impairment on assets	39
Credit impairment loss	324
Depreciation of fixed assets	3,555
Amortization of intangible assets	133
Depreciation of right to use assets	186
Loss on disposal of fixed assets, intangible assets and other non-current assets ("-" for gains)	-8
Loss on retirement of fixed assets("-" for gains)	86
Loss on the change of fair value("-" for gains)	18
Financial expenses("-" for gains)	641
Investment loss("-" for gains)	-212
Decrease in deferred tax assets("-" for increase)	-355
Increase in deferred tax liabilities("-" for decrease)	12
Decrease in inventories("-" for increase)	-996
Decrease in operating receivables("-" for increase)	1,219
Increase in operating payables("-" for decrease)	3,269
Others	9
Net cash flow from operating activities	9,916

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

6. Liquidity and financial resources

As at 31 December 2020, the Group had long-term loans (exclusive of loans due within one year) of RMB3,478 million with interest rates ranging from 2.82 – 4.9% per annum. The terms of such loans range from 3 to 7 years. The loans are mainly used for replenishing the working capital. The Group's long-term loans due within one year amounted to RMB409 million.

In 2020, 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 2020, 20 financial institutions which had strategically 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 2020, cash and bank balances of the Group denominated in foreign currencies was RMB1 million (31 December 2019: RMB1 million).

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

Unit: RMB million

	31 December 2020	31 December 2019
RMB	5,328	4,670
US dollars	1	1
HK dollars	–	–
Others	–	–
Total	5,329	4,671

As at 31 December 2020, the Group had a total capital commitment of RMB4,293 million, which was primarily attributable to the construction and renovation contracts of RMB4,279 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)

7. Pension scheme

In accordance with the requirements of national insurance policies of the PRC, the Group provides all employees with basic pension (which are contributed as to 16% by the employer and as to 8% by the individual employee), pursuant to which the employee is entitled to receive pension payments on a monthly basis after retirement. For each month, the Group makes contribution to the basic pension scheme at 16% of the gross salary recognized as cost (expenses) of the previous month. In 2020, the total contribution to the basic pension scheme amounted to RMB545.86 million (including the employer's contribution of RMB333.51 million and the employees' contribution of RMB212.35 million).

In addition, the Group maintains corporate annuity scheme for all of its employees, the contribution to which is made by the Group at 4% of the gross salary recognized as cost (expenses) of the previous year. The Group also made compensation to the employees for their years of service prior to the establishment of the corporate annuity scheme. In 2020, the contribution to the corporate annuity scheme amounted to RMB212.78 million (including the employer's contribution of RMB125.87 million and the employees' contribution of RMB86.91 million) and the total compensation to the employees for their years of service prior to the establishment of the corporate annuity scheme amounted to RMB54.05 million.

8. Foreign exchange risk

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

The Group issued HK\$1.85 billion of H-share convertible bonds, 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 BUSINESSES

Unit: RMB million

Items	Amount	As a Percentage Of total profit (%)	Reasons for the changes	Sustainable or not
Investment income	212	8.82	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	-18	-0.75	Mainly included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Impairment losses on asset	-39	-1.62	Mainly included provision for impairment of inventory.	No
Credit impairment loss	-324	-13.48	Mainly included credit impairment loss on account receivables.	No
Other gains	65	2.70	Mainly included gains on government grants.	No
Non-operating income	33	1.37	Mainly included gains on destruction or scrap of non-current assets.	Yes
Non-operating expenses	112	4.66	Mainly included losses on destroy or scrap of non-current assets.	Yes

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in composition of assets

Unit: RMB million

Items	End of 2020		End of 2019		Increase/ decrease (percentage point)	Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	5,329	6.05	4,671	5.32	0.73	–
Notes receivables	63	0.07	2,635	3.00	-2.93	–
Account receivables	2,593	2.95	2,569	2.93	0.02	–
Inventories	10,618	12.06	9,793	11.15	0.91	–
Long-term equity investments	2,965	3.37	2,894	3.30	0.07	–
Fixed assets	50,372	57.21	50,966	58.04	-0.83	–
Construction in progress	1,814	2.06	1,549	1.76	0.30	–
Short-term loans	8,505	9.66	12,195	13.89	-4.23	–
Long-term loans	3,478	3.95	3,392	3.86	0.09	–

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY (CONTINUED)

2. Assets and liabilities measured at fair value

Unit: RMB million

Items	Opening balance	Gains or losses arising from changes in fair value for the period	Changes in 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)	38	-4						34
2. Derivative financial assets								
3. Other credit investment								
4. Other equity instrument investment	465		-109				-69	476
Sub-total of financial assets	503	-4	-109				-69	510
Investment properties								
Productive biological assets								
Others								
Total	503	-4	-109				-69	510
Financial liabilities								43

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)

3. Gearing ratio

As at 31 December 2020 and 31 December 2019, the Group's ratio of equity to liability was 1.58 times and 1.49 times, respectively. The ratio is calculated on the basis of total shareholders' equity divided by total liabilities.

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

During the year, the Group pledged notes receivable with carrying amount of RMB104 million to bank to obtain notes payable of RMB101 million, of which RMB94 million was for a pledge with a term from January 2021 to May 2021 and RMB10 million was for a pledge with a term from January 2021 to June 2021.

5. Contingent liabilities

As at 31 December 2020, the Group had no contingent liabilities.

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY

1. Overall information

External Investments

Investments during the Reporting Period <i>(RMB million)</i>	Investments in the corresponding period of the previous year (RMB million) <i>(RMB million)</i>	Change <i>(%)</i>
1,073	198	441.92

2. Significant equity investments made during the Reporting Period

Applicable Not applicable

3. 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)

4. Financial asset investments

(1) Securities investments

Unit: RMB million

Stock type	Stock code	Abbreviation	Initial Investment	Accounting measurements	Profit or loss on fair value		Changes in fair value reported in equity	Purchase		Profit or loss		Book value at the end of the period	Accounting item	Source of funds
					Book value at the beginning of the period	change for the current period		amount for the current period	Disposal amount for the current period	during the Reporting Period				
Shares	600961	Zhuye Group(株冶集團)	81	Measured at fair value	38	-4				-4	34	Available for sale financial assets	Self-owned funds	

(2) Derivatives investments

Unit: RMB million

Name of the derivatives investment operator	Relationship with the Group	Related party transaction or not	Type of derivatives investment	Initial investment			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	Actual profit or loss during the Reporting Period
				amount of derivatives	Date of commencement	Date of termination							
Angang Steel	None	No	Futures hedging	1	29 April 2015		164	1,101	1,689		150	0.28%	-27
Angang Steel	None	No	Exchange rate swapping		29 October 2020	18 May 2021							-30
Total				1			164	1,101	1,689		150	0.28%	-57

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

4. 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 derivatives investment by the Board	<p>On 27 March 2020, the resolution in relation to the Company's 2020 Annual Hedging Business Amount was approved at the 21st meeting of the Eighth Session of the Board.</p> <p>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.</p>
Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting	None

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

Risk analysis on positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation 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 estimation 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 a sufficient liquidity, there is no liquidity risk.
- (3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk is 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 valuation 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)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

❖ Foreign exchange hedging:

The hedging process is to sign a swap contract with the bank and purchase foreign exchange at the agreed price at maturity. The purpose of the transaction is to prevent the exchange rate risk arising from the resale of convertible bonds by investors in May 2021. The transaction is simple and convenient, and does not involve significant risk. Due to the unclear resale intention of investors in the future, there may be a risk that the resale amount does not match the hedging amount of the Company.

Control measures:

- (1) In order to standardize the foreign exchange derivatives trading behavior and strengthen the supervision and management of foreign exchange derivatives trading business, on the basis of relevant laws, regulations and policies, the Company has issued the "Foreign Exchange Fund Management Measures", which specified the principles, conditions, implementation of trading, fund management, position management, as well as the corresponding approval process and authority of the Company's foreign exchange derivatives trading in detail;

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

(2) The Company strengthens the management of bank accounts and funds, strictly follows the approval procedures of fund transfer and use, allocates full-time personnel, clarifies post responsibilities, and strictly engages in the above businesses within the scope of authorization. It arranges delivery funds properly to ensure delivery on schedule; under special circumstances, if it is necessary to deliver in advance, extend or adopt other methods acceptable to the counterparties through swap transaction, relevant procedures shall be handled in accordance with the provisions of foreign exchange derivatives trading;

(3) For the risk of mismatch between the future repurchase amount and the Company's hedging amount, as some bonds may be held to maturity, the Company may, after communication and consultation with professional financial institutions, close positions or extend the term to control the risk in the future.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

4. 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:

Deformed bar, hot-rolled coil, nickel and zinc quoted on the Shanghai Futures Exchange; iron ore and coking coal quoted on the Dalian Commodity Exchange. On 2 January 2020, the settlement prices of main connected contracts for deformed bar, hot-rolled coil, nickel, zinc, iron ore and coking coal were RMB3,563/ton, RMB3,587/ton, RMB111,060/ton, RMB17,930/ton, RMB655.5/ton and RMB1,173/ton, respectively; on 31 December 2020, the settlement prices of main connected contracts for deformed bar, hot-rolled coil, nickel, zinc, iron ore and coking coal were RMB4,306/ton, RMB4,488/ton, RMB124,330/ton, RMB20,835/ton, RMB986.5/ton and RMB1,638/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, nickel, zinc, iron ore and coking coal were +RMB743/ton, +RMB901/ton, +RMB13,270/ton, +RMB2,905/ton, +RMB331/ton and +RMB465/ton, respectively.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

❖ Foreign exchange hedging:

When the contracts are signed, the settlement price on 18 May 2021 will be calculated at the exchange rate of Hong Kong dollar to RMB of 0.866. On 31 December 2020, the median exchange rate of Hong Kong dollar to RMB was 0.84164. The Company took HK\$1 billion (converted to RMB866 million at the maturity settlement price of 0.866) as the principal and paid interest to the bank at an annualized interest rate of 3.58% in accordance with the actual duration 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)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

Specific opinions of independent Directors on the derivatives investment and risk control of the Company

❖Futures hedging:

- (1) The Company utilized self-owned capital for the development of futures hedging business under its assurance of its normal production and operation, and performed related approval procedures in compliance with relevant requirements of the relevant laws, regulations and the articles of association of the Company, which was beneficial to the reduction of operating risks of the Company, without prejudice to the Company and shareholders as a whole.
- (2) The Company established the Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and clarified internal control procedures such as the business operation procedures, approval process and risks prevention and control, thereby providing assurance for the Company's control of hedging related risks.
- (3) The Company confirmed that the maximum amount and the types of products for trading under the annual hedging guarantees were reasonable and in line with the actual situation of production and operation of the Company, and thus, favorable to the Company's reasonable control over trading risks.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

❖ Foreign Exchange hedging:

- (1) The Company developed foreign exchange hedging business to prevent foreign exchange risk, and performed related approval procedures in compliance with relevant requirements of the relevant national laws, regulations and the Articles of Association, which was beneficial to the reduction of operating risks of the Company, without any prejudice to the interests of the Company and its shareholders.
- (2) The Company formulated the Administrative Measures on Foreign Exchange Funds of Angang Steel Company Limited, which clearly stipulated the trading principles, trading process, internal control and risk prevention measures of foreign exchange derivatives, thereby providing assurance for the Company's control of trading risks of foreign exchange derivatives.
- (3) The types and quantity of foreign exchange hedging trading identified by the Company were in line with the operation needs of the Company, and thus favorable to the Company's reasonable control over risks.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

5. Use of proceeds

Applicable Not applicable

V. DISPOSAL OF SIGNIFICANT ASSETS AND EQUITY INTERESTS

1. Disposal of significant assets

Applicable Not applicable

2. Disposal of significant equity interests

Applicable Not applicable

VI. 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 Production and Steel	enterprise	Steel rolling and processing industry	8,000	5,971	4,622	8,810	944	743

2. Acquisition and disposal of subsidiaries during the Reporting Period

Name of companies	Method of acquisition and disposal of subsidiaries during the Reporting Period	Impact on the overall production and operation and results
Delin Zhilian	Investment in the establishment	No material impact
Angang Parts	Investment in the establishment	No material impact

VII. STRUCTURE ENTITY CONTROLLED BY THE COMPANY

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS

1. Product brand advantages

The Company's steel products are comprehensive in types and specifications and have certain differentiation advantages and its brand has high popularity and credibility. The products are sold to various regions in China and dozens of countries in the world, which are widely used in various downstream industries. It has a leading position in producing steel for shipbuilding and marine engineering, automotive steel plates, home appliance plates, container plates and heavy rails. Its railway steel, container steel and shipbuilding plates won the title of "China Famous Brand Products". Its 16 products including hot rolling pickling steel strip, cold rolling hot dip aluminized and galvanized plates and structural steel for bridges are awarded as "Gold Cup" high quality products, and 7 products such as the wire rods for steel cords are acknowledged as "Famous Brand in Liaoning". In terms of major certifications, the Company has obtained certification for more than 60 products, including certification and extended certification by classification societies from 9 countries for its ship plates products, JIS (Japan) certification for its medium-to-thick plates, hot-rolled and cold-rolled products, HPQ (Germany) certification for its bridge steel products, CRCC certification for its hot rolled corrosion-resistance products for the first time, certification by China Standardization Committee on Boilers and Pressure Vessels for its pressure vessel plates products, as well as certifications for its automobile steel products granted by vehicle enterprises and key users. Its products are applied to the Hong Kong-Zhuhai-Macao Bridge, "Blue Whale I" drilling platform, "Hualong One" nuclear power project and other national key projects.

2. Secured resources supply advantages

The areas of Anshan and its surrounding areas have abundant reserves of iron ore, providing strong secured supply of resources for the production and operation of the Company. Mining companies of Angang Group have iron ore resources of 8,800 million tons and production stripping capacity of 280 million tons per year and mineral processing capacity of 65 million tons per year, which ranked the first in China and are in leading positions in the world. In addition, Angang Group also owns Karara iron ore base with annual output of 8 million tons overseas, and has relative strong international trading capacity of iron ore.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

3. Technological innovation advantage

The Company has mastered a number of core, leading, basic and cutting-edge key technologies. The progress regarding intellectual property rights marked by patent applications, number of licenses and number of know-hows are in the “first echelon” in the metallurgical industry; it takes an important role in the research and development of national projects, and formulation and revision of national standards and industry standards. Many achievements in intellectual property rights have been made in the fields of pre-ironmaking and iron and steel smelting systems, iron and steel products, environmental resources, etc. Since the launch of “13th Five-Year Plan”, the Company has undertaken 54 national scientific research projects, researched and developed 67 leading technologies, added 2,148 new patents, launched 20 products and won 3 national first and second prizes for progress in science and technology.

The Company’s comprehensive research and development strength in products leads in the iron and steel industry. The TWIP1180HR hot coil and other new products produced by the full process technology were launched; the QP1400 cold rolled high-strength automobile steel plates made its world debut; extremely wide and thick steel plates and 90mm crack-resistant steel for ships were launched as the first in China; the longitudinal variable thickness weatherproof LP steels are exclusively used in batch in bridge engineering. The Group successfully developed the 4,000mm ultra-wide nuclear grade duplex stainless steel plates S32101, filling in the gap of our country regarding special steels and reaching the world leading level. Its railway vehicle weather resistant steels can be provided in all kinds of specifications, and the power car bogies lead the development of the industry. The successful development of wide width martensitic stainless steels 4Cr13 for corrosion-resistant dies fills the blank of large martensitic stainless steel plates in China.

4. Technical and equipment management advantages

Low-cost blast furnace ironmaking technology, rapid selection technology of coking coal and converter ultra-pure steel production technology are among the best of the PRC. The technical equipment of 1,780mm, 2,150mm and 1,580mm hot rolling production line, cold rolling production 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 rolling wide strip production technology, self-developed and applied cold rolling mill shape control system core technology and wide and thick plate production technology have all reached the internationally advanced level.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

4. Technical and equipment management advantages (Continued)

Bayuquan production base has a compact layout and leads the world in equipment and craft. It boasts large equipment, constant processing, indicator modelling, automatic operation, IT application in management and information digitization. The 1,580mm hot rolling plate production line uses multiple internationally advanced hot rolling technology, and is equipped with a fixed width press, a hot coil box and 7 continuous rolling mills; the 5,500mm thick plate production line is currently one of the largest wide and thick plate mills in the world.

Aiming at “ultra-thin, low cost and high quality”, Chaoyang Iron and Steel constantly improves the market-oriented system and mechanism, continuously promotes the cost reform and preliminarily forms the low-cost competitive advantage.

5. Corporate culture advantages

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

IX. POTENTIAL RISKS

In 2021, the outbreak of COVID-19 pandemic in the world and the international environment remains uncertain with various ineligious risks arising from the impact of the pandemic. At the same time, China’s economy has entered a new stage of development, and the construction of the new development pattern with the domestic circulation as the mainstay and the domestic and international dual-circulation reinforcing each other is being accelerated. In the face of major historic opportunities and complicated external environment, the Company firmly establishes the bottom-line mindset, improves the ability of risk prediction, and strictly guards against various risk challenges. In order to effectively prevent the occurrence of major risk events, the Company carried out the 2021 annual risk assessment, and studied and formulated risk response measures.

Discussion and Analysis of Operations (Continued)

IX. POTENTIAL RISKS (CONTINUED)

(1) Risk posed by COVID-19 pandemic prevention and control

① Risk description

The COVID-19 pandemic has brought a strong impact on the world economy. With a series of strong pandemic prevention and control measures taken by the Chinese government, the domestic pandemic prevention and control has been effectively brought under control, and the economic and social development has gradually recovered. However, as the overseas pandemic continuously prevails, and the outbreak of domestic pandemic is still repeated, the Company still needs to strictly prevent and control the COVID-19 pandemic within the Company, otherwise it will affect the normal production and operation and cause economic losses and adverse effects to the Company.

② Risk management solution

The Company will continue to implement strict prevention and control, strictly put the normalized pandemic prevention and control measures into effect, conduct normalized pandemic prevention and control management mechanism, carry out normalized health knowledge education, and strengthen the supervision and inspection of pandemic prevention and control.

(2) Marketing risk

① Risk description

Under the background of repeated global pandemic and rising trade protectionism, there are still major uncertainties in the world economic trend. Steel enterprises will face more and more international trade disputes, which will bring many adverse effects on steel exports. In terms of geographical region, the Company is located in the northeast region with low economic activity, serious oversupply, relatively low product prices, and long distance from East China, South China and other major steel consumption regions, resulting in high sales and logistics costs. The steel industry is affected by the pandemic and production growth, and the social inventory of steel is running at a high level. The proportion of competitive products is not high, the proportion of emerging industries is low, and the ability to cope with the cyclical volatility risk of the industry is weak.

Discussion and Analysis of Operations (Continued)

IX. POTENTIAL RISKS (CONTINUED)

(2) Marketing risk (Continued)

② Risk management solution

The Company will build the most competitive marketing service system, and continue to accelerate the transformation of subordinate regional sales branches of the Company to marketing service coordination centers. The Company will build itself into the corporate brand spokesman and market leader, and give full play to the five functions of publicizing the brand, creating the value, serving the customers, innovating the models and leading the market. The Company will develop strategic industries and hit products. Based on the full coverage of product portfolios and with strategic products as the core, the Company will continue to optimize the product structure and improve the competitiveness and market share of strategic products and unique leading products. It will focus on three major fields of energy, transportation, high-end construction and six key industries of pipeline, storage tank, power station, bridge, railway and building, establish an engineering sales service system with synergistic development of production, marketing, research and transportation, and form an engineering three-dimensional sales network, so as to improve the bid winning rate of the Company's hit products. Following the "Belt and Road" strategy, the Company will gradually cultivate new markets. While avoiding trade frictions, it will closely follow the reshaping of the global industrial chain after the end of the pandemic, optimize the portfolios and structure of export products, and take the road of high-quality, high value-added and high-tech products export.

(3) Safety production risk

① Risk description

The new version of the Safety Production Law is about to be promulgated and the Regulations on Safety Administration of Dangerous Chemicals will be implemented soon, which shows the government's intensified efforts in the supervision and management of enterprises' safety production and occupational health, as well as the imposition of relevant penalties. Where measures of the safety production are not in place, and responsibilities are not fulfilled, various potential accidents and safety risks would occur in an intertwined and superposed way during the process of production and maintenance, which may cause production safety accidents and further results in economic losses to and adverse impacts on the enterprises.

Discussion and Analysis of Operations (Continued)

IX. POTENTIAL RISKS (CONTINUED)

(3) Safety production risk (Continued)

② Risk management solution

The Company will thoroughly implement General Secretary Xi Jinping's important statement on safe production, firmly establish the concept of safety development, and strengthen the bottom line thinking and red line awareness; it will adhere to problem orientation, goal orientation and result orientation, deepen source governance, system governance and comprehensive governance, make efforts to change the concept and pay close attention to the root cause, so as to improve the safety production management system and enhance the governance ability. In addition, it will comprehensively improve the intrinsic safety level of equipment, facilities and environment, insist on the red line of safety production, effectively prevent all kinds of accidents, and ensure the life safety of employees, so as to provide strong guarantee for the Company's high-quality development.

(4) Environmental risk

① Risk description

The state's supervision and law enforcement efforts on environmental pollution have been continuously strengthened, and the pollutant discharge standards have been continuously enhanced. Moreover, the public's awareness of environmental protection continues to increase, and the requirements for environmental protection of enterprises continue to improve. Therefore, steel enterprises are encountering huge environmental pressure.

② Risk management solution

Guided by Xi Jinping's thought of ecological civilization and centered on improving the quality of ecological environment, the Company will conscientiously implement the decisions and plans of the Central Party Committee and the State Council, adhere to the idea of "ecology first, green development" to fully promote pollution treatment, pay attention to source control, consolidate the foundation of environmental protection, and continuously improve the environmental protection management system. In addition, it will implement 85 low-carbon actions and environmental protection transformation projects to continuously improve the Company's environmental protection performance level, and build a green, low-carbon and eco-friendly forest-type plant with the harmonious development of enterprises and society.

Significant Events

I. PROFIT DISTRIBUTION IN ORDINARY SHARES AND TRANSFER OF RESERVE TO SHARE CAPITAL OF THE COMPANY

1. Formulation, implementation and adjustment of profit distribution policy for ordinary shares, especially cash dividend policy, during the Reporting Period:

Applicable Not applicable

The Articles of Association of the Company clarified the basic principle of profit distribution policy, the specific conditions and ratios of cash dividend and the review procedures of profit distribution plan, and made specific requirement for the procedures of adjustments and changes of the profit distribution policy.

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 the 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	N/A

Significant Events (Continued)

I. PROFIT DISTRIBUTION IN ORDINARY SHARES AND TRANSFER OF RESERVE TO SHARE CAPITAL OF THE COMPANY (CONTINUED)

2. Proposals or plans of profit distribution of the Company for the last three years (including the Reporting Period):

(1) The profit distribution proposal of the Company for 2020

Net profit attributable to shareholders of the Company amounted to RMB1,978 million for the year of 2020, provision of statutory surplus reserve amounted to RMB126 million, the Group's undistributed profit amounted to RMB6,798 million as at 31 December 2020, in accordance with the PRC ASBE, 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 date of disclosure, the Company has a total share capital of 9,405,250,201 shares. After deducting the 5,650,023 treasury shares held by the Company in the special account for repurchase, currently, the total number of shares of the Company which were entitled to the distribution was 9,399,600,178.

The Board recommended distributing RMB790 million of total profits to all shareholders of the Company by way of cash dividend of RMB0.84 (tax inclusive) per 10 shares on the basis of the total share capital of 9,399,600,178 shares which were entitled to the distribution, which accounted for 40% of the net profit attributable to shareholders of the Company. The funds used for profit distribution were from the Company's own funds. In the case of any change in the total number of shares which are entitled to profit distribution of the Company prior to the implementation of the profit distribution proposal, the total amount of distributable profits will remain unchanged, while the cash dividend per share will be adjusted based on the total shares which are entitled to the profit distribution of the Company as at the relevant record date of the dividend distribution. For further details, please refer to the "Chairman's Statement" in this annual report.

The profit distribution proposal 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. This proposal shall be subject to consideration and approval at the 2020 annual general meeting.

(2) The profit distribution proposal of the Company for 2019

The Company distributed cash dividend of RMB0.57 per 10 shares (tax inclusive) for the year of 2019 amounting to RMB536 million of distributable profits to all shareholders of the Company, on the basis of the total share capital of 9,405,250,201 shares.

Significant Events (Continued)

I. PROFIT DISTRIBUTION IN ORDINARY SHARES AND TRANSFER OF RESERVE TO SHARE CAPITAL OF THE COMPANY (CONTINUED)

2. Proposals or plans of profit distribution of the Company for the last three years (including the Reporting Period): (Continued)

(3) The profit distribution proposal of the Company for 2018

The Company distributed cash dividend of RMB2.2 per 10 shares (tax inclusive) for the year of 2018 amounting to RMB1,592 million of distributable profits to shareholders of the Company, on the basis of the total share capital of 7,234,807,847 shares. At the same time, the Company issued shares to all shareholders by way of capitalisation of capital reserve, on the basis of three (3) capitalisation shares for every ten (10) existing shares.

3. Distribution of cash dividends of the Company for the last three years

Unit: RMB million

Year	Amounts of cash dividends (tax inclusive)	Net profit attributable to ordinary shareholders of the Company in the consolidated statements for the year	The ratio of the amount of cash dividends as a percentage of the net profit attributable to ordinary shareholders of the Company in the consolidated statements	The amount of cash dividends distributed in other forms (such as share repurchase)	The ratio of the amount of cash dividends distributed in other forms as a percentage of the net profit attributable to ordinary shareholders of the Company in the consolidated statement	Total cash dividends (including other forms)	The ratio of the total cash dividends as a percentage of the net profit attributable to ordinary shareholders of the Company in the consolidated statements
2020	790	1,978	40%	-	-	790	40%
2019	536	1,787	30%	-	-	536	30%
2018	1,592	7,952	20%	-	-	1,592	20%

Significant Events (Continued)

II. PROPOSALS OF PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL DURING THE REPORTING PERIOD

Numbers of bonus share per 10 shares (<i>share(s)</i>)	–
Dividend distribution per 10 shares (<i>RMB</i>) (<i>tax inclusive</i>)	0.84
Conversion per 10 shares (<i>share(s)</i>)	–
Share base of the distribution proposal (<i>shares</i>)	Base on the total shares entitled to the profit distribution of the Company as at the record date of the dividend distribution when the distribution proposal is implemented
Amount of cash dividend (<i>RMB million</i>) (<i>tax inclusive</i>)	790
Amount of cash dividend distributed in other forms (such as share repurchase)	–
Total cash dividend (<i>RMB million</i>) (<i>tax inclusive</i>)	790
Distributable profits (<i>RMB million</i>)	6,798
Percentage of total cash dividend to total profits distribution (%)	100

Cash dividend for this year

The Board recommended distributing RMB790 million of total profits to all shareholders of the Company by way of cash dividend of RMB0.84 (tax inclusive) per 10 shares on the basis of the total share capital of 9,399,600,178 shares which were entitled to the distribution, which accounted for 40% of the net profit attributable to shareholders of the Company. The funds used for profit distribution were from the Company's own funds. In the case of any change in the total number of shares which are entitled to profit distribution of the Company prior to the implementation of the profit distribution proposal, the total amount of distributable profits will remain unchanged, while the cash dividend per share will be adjusted based on the total shares which are entitled to the profit distribution of the Company as at the relevant record date of the dividend distribution. For further details, please refer to the "Chairman's Statement" in this annual report.

Significant Events (Continued)

II. PROPOSALS OF PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL DURING THE REPORTING PERIOD (CONTINUED)

Particulars of profit distribution and capitalization of capital reserves plan

The Board recommended distributing RMB790 million of total profits to all shareholders of the Company by way of cash dividend of RMB0.84 (tax inclusive) per 10 shares on the basis of the total share capital of 9,399,600,178 shares which were entitled to the distribution, which accounted for 40% of the net profit attributable to shareholders of the Company. The funds used for profit distribution were from the Company's own funds. In the case of any change in the total number of shares which are entitled to profit distribution of the Company prior to the implementation of the profit distribution proposal, the total amount of distributable profits will remain unchanged, while the cash dividend per share will be adjusted based on the total shares which are entitled to the profit distribution of the Company as at the relevant record date of the dividend distribution. For further details, please refer to the "Chairman's Statement" in this annual report.

III. PERFORMANCE OF UNDERTAKING

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

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Industry competition commitments	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》): (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.	20 May 2007	Indefinite	There was no breach of such undertaking

Significant Events (Continued)

III. PERFORMANCE OF UNDERTAKING (CONTINUED)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>(3) Angang Holding undertakes that the Company is entitled to the pre-emptive rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the iron and steel business of the Company.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>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.</p>			

Significant Events (Continued)

III. PERFORMANCE OF UNDERTAKING (CONTINUED)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>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.</p> <p>(7) Other effective measures to avoid and eliminate horizontal competition.</p> <p>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.</p> <p>All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible for engaging in business not prohibited by the state.</p> <p>Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:</p> <p>(1) Angang Holding ceases to be the controlling shareholder of the Company.</p> <p>(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).</p> <p>(3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.</p>			

Significant Events (Continued)

III. PERFORMANCE OF UNDERTAKING (CONTINUED)

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

Considering that Angang Holding does not have any iron and steel production projects in production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter.

Whether the commitments are fulfilled on time Yes

IV. MISAPPROPRIATION OF NON-OPERATING FUNDS OF THE COMPANY BY CONTROLLING SHAREHOLDERS AND CONNECTED PERSONS

Applicable Not applicable

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR

There was no change in accounting policies and accounting estimates of the Group during this year.

VI. REASON FOR RETROSPECTIVE RESTATEMENT TO CORRECT MAJOR ACCOUNTING ERRORS DURING THE REPORTING PERIOD

Applicable Not applicable

Significant Events (Continued)

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

During the year, the Company invested in the establishment of Angang Parts, holding 100% of the shares, and the registered capital was RMB50 million.

During the year, the Company jointly established Delin Zhilian with Angang Holding, holding 91% of the shares, and the registered capital was RMB60 million.

In December 2020, the Company entered into an equity transfer agreement with ASPD-CC, a subsidiary of the Company, in relation to the acquisition of 51% equity interest in ASPD-HZ held by ASPD-CC with a transaction consideration of RMB60 million. Upon the equity transfer, the Company directly holds 51% equity interest and indirectly holds 49% equity interest in ASPD-HZ.

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

1. Accounting firm currently engaged by the Company

Name of the PRC accounting firm	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration of the PRC accounting firm	RMB5 million
Continued term of auditing service of the PRC accounting firm	three 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	three years

2. Whether appointed another accounting firm during the period

Yes No

3. 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 2020 and the remuneration was RMB0.70 million.

Significant Events (Continued)

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM (CONTINUED)

4. Whether accounting firms has changed in the last three years

Due to Ruihua Certified Public Accountants (Special General Partnership) has provided the Company with continuous annual audit services for 5 years, and according to the relevant requirements of the SASAC, the Company had changed the accounting firm for 2018. The Company appointed ShineWing Certified Public Accountants (Special General Partnership) as the Company's auditor.

IX. LITIGATION AND ARBITRATION

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

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	118,745	-	Some of the successful cases have entered the enforcement process, while other cases are still under trial.	-	-
Non-material response to proceedings	12,079	-	Most of the cases were concluded in favour to the Company, while other cases are still under trial.	-	-

Note: The non-material proceedings were mainly the actions brought by the Company against certain financial companies and related liable entities on overdue bank acceptance bills.

X. PENALTY AND RECTIFICATIONS

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

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

Applicable Not applicable

Significant Events (Continued)

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

On 26 November 2020, the Resolution on the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited* (Draft) and Its Summary (《鞍鋼股份有限公司2020年限制性股票激勵計劃(草案)及其摘要的議案》) and other relevant resolutions were considered and approved at the thirty-second meeting of the eighth session of the Board and the eleventh meeting of the eighth session of the Supervisory Committee the Company.

On 31 December 2020, the Resolution on the 2020 Restricted A Share Incentive Scheme of Angang Steel Company Limited* (Draft) and Its Summary (《鞍鋼股份有限公司2020年A Share限制性股票激勵計劃(草案)及其摘要的議案》) and other relevant resolutions were considered and approved at the 2020 third extraordinary general meeting of the Company.

On 8 January 2021, the Resolution on the Adjustment in Relevant Matters of the 2020 Restricted A Share Incentive Scheme of Angang Steel Company Limited* (《關於調整鞍鋼股份有限公司2020年限制性股票激勵計劃相關事項的議案》) and 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》) were considered and approved at the thirty-eighth meeting of the eighth session of the Board and the thirteenth meeting of the eighth session of the Supervisory Committee the Company. The first grant date of the 2020 Restricted Share Incentive Scheme was 8 January 2021.

On 27 January 2021, the Company completed the registration for the first grant of the 2020 Restricted Share Incentive Scheme and the listing date of the granted restricted shares was 27 January 2021.

Significant Events (Continued)

XIII. MAJOR RELATED PARTY TRANSACTIONS

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

1. Related party transactions related to daily operations

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angang Holding	Controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	7,331	14.54	27,336	No	In cash	-
Angang Group Mining Gongchangling Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	3,126	6.19			In cash	-
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	2,385	4.72			In cash	-
Angang Group International Economic and Trade Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	2,107	4.18			In cash	-
Shanxi Wuchan International Energy Co., Ltd. (山西物產國際能源有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	1,808	3.59			In cash	-
Angang Group Anqian Mining Company Limited	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	1,365	2.75			In cash	-
Angang Group Guantaoshan Mining Co. Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	1,318	2.61			In cash	-
Angang Scrap Steel Resources (Anshan) Co., Ltd. (鞍鋼廢鋼資源(鞍山)有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	555	1.10			In cash	-
Angang Cast Steel Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	348	0.69			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	684	1.36			In cash	-
Sub-total	-	-	Purchase main materials	-	-	21,047	41.74			-	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase steel products	Market principle	-	396	100.00	400	No	In cash	-
Sub-total	-	-	Purchase steel products	-	-	396	100.00			-	-
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	-	871	10.47	3,569	No	In cash	-
Angang Refractory Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase Auxiliary materials	Market principle	-	627	7.54			In cash	-
Angang Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	315	3.79			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	1,167	14.02			In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	2,980	35.82			-	-
Angang Holding	Controlling shareholder	Purchase goods/Receive services	Procurement of energy and power	Market principle	-	1,529	37.47	1,950	No	In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Procurement of energy and power	Market principle	-	66	1.61			In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	1,595	39.08			-	-

Significant Events (Continued)

XIII. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

1. Related party transactions related to daily operations (Continued)

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Delin Lugang (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	1,710	15.01	7,650	No	In cash	-
Angang Holding	Controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	655	7.51			In cash	-
Angang Construction Group Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	670	5.88			In cash	-
Angang Cold Rolled Steel Plate (Pulian) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	542	4.76			In cash	-
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	466	4.09			In cash	-
Angang Metal Structure Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	376	3.30			In cash	-
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	369	3.24			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	1,946	17.09			In cash	-
Sub-total	-	-	Receive supporting services	-	-	6,934	60.88			-	-
Delin Lugang (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	2,503	2.66	5,398	No	In cash	-
Angang Green Resources Technology Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	707	0.75			In cash	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/Provision of services	Sales of products	Market principle	-	902	0.96			In cash	-
Sub-total	-	-	Sales of products	-	-	4,112	4.37			-	-
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	-	302	83.66	361	No	In cash	-
Sub-total	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	302	83.66			-	-
Angang Holding	Controlling shareholder	Sales of products/Provision of services	Provide comprehensive services	Market principle	-	719	12.76	2,028	No	In cash	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/Provision of services	Provide comprehensive services	Market principle	-	368	6.52			In cash	-
Sub-total	-	-	Provide comprehensive services	-	-	1,087	19.28			In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interest	Market principle	-	33	35.11	50	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	3,496		3,500	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	2	0.22	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	5	100.00	120	No	In cash	-

Significant Events (Continued)

XIII. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

1. Related party 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 implementing during the reporting period	The estimated data of Continuing Connected Transactions of the Company for the previous year was based on the content and estimated caps of transactions set out in the Continuing Connected Transaction Agreements and the Supplemental Agreement of the Continuing Connected Transaction Agreements of the Company. The total amount of Continuing Connected Transactions of the Company in 2020 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements and the Supplemental Agreement of the Continuing Connected Transaction Agreements. The difference between actual amounts of certain connected transactions and estimated amounts was relatively larger, due to the impact of changes in prices of commodities and trading volumes during actual operation. As the originally estimated data represented the estimated caps of transactions, the existence of difference was reasonable which did not prejudice the interests of non-controlling shareholders and the Company.
Reason for the difference between transaction price and market reference price	–
Relevant explanation on connected transactions	As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary support services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.

Significant Events (Continued)

XIII. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

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

Applicable Not applicable

There was no connected transaction in relation to asset or equity acquisition and disposal during the Reporting Period.

3. Related party transactions in relation to joint external investments

Unit: RMB million

Joint parties	Connected relationship	Investee	Principal business of the investee	Registered capital of the investee	Total assets of the investee	Net assets of the investee	Net profit of the investee
Angang Holding	Controlling shareholder	Delin Zhilian	E-commerce; online sales of steel and iron and supply chain finance, etc.	60	99	76	16
				Progress of significant projects under construction of the investee (if applicable)	-		

4. Related party credit and debt transaction

There were no related party credit and debt transaction for non-operating purpose during the Reporting Period.

Significant Events (Continued)

XIII. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

5. Other major connected transactions

On 11 December 2020, the Resolution on Cooperation in Conducting Technology Development Projects between Angang Group Beijing Research Institute Co., Ltd. (“**Angang Beijing Research Institute**”) and the Company was approved at the thirty-fifth meeting of the eighth session of the Board. Angang Beijing Research Institute is the holding subsidiary of Angang, which is the actual controller of the Company. In order to improve the basic, cutting-edge and leading technology research and development level, and enhance the leading force of scientific and technological innovation of the Company, the Company cooperated with Angang Beijing Research Institute to conduct six technology development projects. The total technology development fee is RMB77.78 million.

6. Opinion of Independent Non-executive Directors

For the above Continuing Connected Transactions, the independent non-executive Directors of the Company expressed their opinions as follows:

(1) the Continuing Connected Transactions of the Company in 2020 were carried out in the ordinary and usual course of business of the Company; (2) the Continuing Connected Transactions of the Company in 2020 were conducted (A) in accordance with the normal commercial terms (with reference to transactions of a similar nature made by similar entities in the PRC); (B) on terms no less favorable than the terms available to or offered by the third parties (if no comparable case is available); and (C) on terms which are fair and reasonable to shareholders of the Company (if no reference is available); (3) the Continuing Connected Transactions of the Company in 2020 were conducted in accordance with the terms set out in the Continuing Connected Transaction Agreements and the Supplemental Agreement of the Continuing Connected Transaction Agreements, which are fair and reasonable and in the interest of the Company and shareholders as a whole; (4) the total amount of Continuing Connected Transactions of the Company in 2020 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements and the Supplemental Agreement of 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.

Significant Events (Continued)

XIII. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

7. Opinions of auditors

The auditors of the Company have reviewed the non-exempt continuing relate party transactions conducted during the year 2020 and issued a letter to the Board. In respect of the continuing connected transactions disclosed by the Company, the auditors are of the opinion that nothing has come to their attention that causes them to believe that:

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

XIV. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Trust, contractual or lease arrangement

- (1) Trust arrangement

On 18 December 2018, the Company approved the Supply of Materials and Services Agreement (2019–2021) between the Company and Angang at the third extraordinary general meeting of the Company in 2018. The Company entered into the Entrusted Management Services of Asset and Business Agreement with Angang Holding on January 2019 as the specific agreement for execution under the approved Supply of Materials and Services Agreement (2019–2021). Pursuant to the Entrusted Management Services of Asset and Business Agreement, Angang Holding entrusts the Company to daily operate and manage the assets, businesses, additional future assets and businesses of the unlisted units under its control.

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

Significant Events (Continued)

XIV. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (CONTINUED)

1. Trust, contractual or lease arrangement (Continued)

(2) Contractual arrangement

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

(3) Lease arrangement

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the Land Lease Agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, with a total amount of RMB89 million in 2020.

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

2. Material guarantee

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

3. Entrusted cash assets management

(1) Entrusted wealth management

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

(2) Entrusted loans

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

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES

1. Assumption of social responsibilities

The Company proactively assumed its social responsibilities. For details, please refer to the “2020 Social Responsibility and Environmental, Social and Governance Report of Angang Steel Company Limited”.

2. Performance of social responsibility in respect of targeted poverty alleviation

(1) Targeted poverty alleviation plans

The Company effectively fulfilled the social responsibility as an enterprise, gave play to the advantages of corporate resources, helped lift the poverty alleviation points out of poverty, and reduced the poverty population there to “zero”. The Company implemented the targeted poverty alleviation that combined various types of assistance such as poverty alleviation through industrial development, poverty alleviation through implementation of projects on people’s livelihood, poverty alleviation through development of education, poverty alleviation through consumption, poverty alleviation through e-commerce and talent support, and established a long-term mechanism for steady poverty alleviation.

(2) Summary of annual targeted poverty alleviation

In 2020, during the special period of pandemic prevention and control, the leaders and poverty alleviation cadres of Angang Steel, especially the aid cadres on the front line of the frontier, by virtue of staying true to the founding mission, keeping their mission firmly in mind, strengthening their confidence and working tenaciously, completed the poverty alleviation tasks in the poverty alleviation points paired with us.

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(2) Summary of annual targeted poverty alleviation (Continued)

In 2020, the Company donated a total of RMB14.8002 million for poverty alleviation, of which: RMB14.5002 million for Taxkorgan County and RMB300,000 for Shangtao Village, Chaoyang City. It helped Taxkorgan County to introduce poverty alleviation funds amounting to RMB370,000, 527 grass-root cadres were trained, 129 technicians were trained; the Company purchased agricultural products from poverty-stricken areas amounting to RMB5.77 million, and helped to sell agricultural products for poverty-stricken areas amounting to RMB226,000, 1 enterprise was introduced, obtaining actual investment with an amount of RMB498,000; the Company conducted supervision and inspection 2 times. There were 8 capital input projects to help Taxkorgan County, 7 of which have been completed and 1 is being implemented. By giving full play to its advantages, the Company implemented targeted poverty alleviation work, helping lift the poverty alleviation points out of poverty, and reduced poverty-stricken population there to “zero”.

(3) Results of targeted poverty alleviation

Indicator	Unit	Number/ progress
I. Overview	-	-
Including: 1. Capital	RMB'0,000	1,480.02
2. Supplies converted into cash	RMB'0,000	-
3. Number of archived impoverished population casting off poverty	Person	16,605
II. Sub-entry	-	-
1. Poverty alleviation through industrial development	-	-
Including: 1.1 Type of industrial development projects for poverty alleviation	-	Poverty alleviation through the development of agriculture and forestry

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(3) Results of targeted poverty alleviation (Continued)

Indicator	Unit	Number/ progress
1.2 Number of industrial development projects for poverty alleviation	Project	6
1.3 Capital invested in industrial development projects for poverty alleviation	RMB'0,000	1,046.33
1.4 Number of archived impoverished population casting off poverty	Person	16,605
2. Poverty alleviation through allopatric employment	–	–
Including: 2.1 Capital invested in occupational skill trainings	RMB'0,000	–
2.2 People attending occupational skill trainings	Person/time	153
2.3 Employment of archived impoverished population	Person	24
3. Poverty alleviation through resettlement	–	–
Including: Employment of relocated households	Person	–
4. Poverty alleviation through education	–	–
Including: 4.1 Capital contributed for aiding impoverished students	RMB'0,000	2
4.2 Number of students receiving financial aid	Person	50
4.3 Capital contributed for improving educational resources in poverty-stricken areas	RMB'0,000	147.69

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(2) Results of targeted poverty alleviation (Continued)

Indicator	Unit	Number/ progress
5. Poverty alleviation from the perspective of hygiene	–	–
Including: 5.1 Capital invested in medical and health resources in poverty-stricken areas	RMB'0,000	282
6. Poverty alleviation from the perspective of ecological protection	–	–
Including: 6.1 Type of project	–	–
6.2 Capital contributed	RMB'0,000	–
7. Bottom-lined guarantee	–	–
Including: 7.1 Capital for “stay behind” children, elderly and women	RMB'0,000	–
7.2 Number of “stay behind” children, elderly and women getting help	Person	–
7.3 Capital for the disabled in difficulties	RMB'0,000	–
7.4 Number of the disabled in difficulties getting help	Person	–
8. Social poverty alleviation	–	–
Including: 8.1 Capital contributed for collaborative poverty alleviation in eastern and western regions	RMB'0,000	–
8.2 Capital for targeted poverty alleviation work	RMB'0,000	2
8.3 Capital donated to poverty alleviation-related charity funds	RMB'0,000	–

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(2) Results of targeted poverty alleviation (Continued)

Indicator	Unit	Number/ progress
9. Others	–	–
Including: 9.1 Number of projects	Project	–
9.2 Capital contributed	RMB'0,000	–
9.3 Number of archived impoverished population casting off poverty	Person	–
		award for organization and innovation in poverty alleviation in Xinjiang Uygur Autonomous Region
III. Awards (nature and class)	–	Region

(4) Follow-up targeted poverty alleviation plans

Guided by General Secretary Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Company will thoroughly study and implement the spirit of the 19th CPC National Congress, and do a good job in assistance during the transition period in the next five years, and continue to do a good job in targeted poverty alleviation that combines various types of assistance such as poverty alleviation through industrial development, poverty alleviation through implementation of projects on people's livelihood, poverty alleviation through education and poverty alleviation through consumption, leverage our advantage in corporate resources, mobilize various forces, make an all-out effort, carry out targeted poverty alleviation throughout the process of poverty alleviation, conscientiously fulfill the political responsibility and mission of central enterprises, help poverty alleviation points consolidate the results of poverty alleviation and establish a long-term mechanism for steady poverty alleviation.

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of social responsibility in respect of targeted poverty alleviation (Continued)

(4) Follow-up targeted poverty alleviation plans (Continued)

The Company plans to invest RMB15.70 million for poverty alleviation in 2021. Through the utilization of those funds, the Company will mainly focus on the poverty alleviation in Taxkorgan County, Xinjiang and Liaoning Province, through industrial development, the development of education, the development of projects on people's livelihood.

3. Matters regarding environmental protection

(1) Pollutant discharge

Name of company or subsidiary	Name of major pollutants and characteristic pollutants		Number of discharge outlets	Distribution of discharge outlets	Pollutant discharge standards		Total discharge (tonnes)	Approved total discharge (tonnes)	Excessive discharge
	Discharge method				Discharge concentration (mg/m ³)	executed (mg/m ³)			
Angang Steel Company Limited (including Anshan area of Angang Steel,	COD	Discharged after being treated	3	Main drain	<50mg/L	50mg/L	75.89	Not approved by the government department	None
	Ammonia nitrogen	to acceptable standards	3	Main drain	<5mg/L	5mg/L	4.44		
Bayuquan Iron & Steel Branch Company and Chaoyang Iron and Steel)	Particulates		540	Coking	<30mg/m ³	30mg/m ³	12,101.7		None
				Ironmaking	<50mg/m ³	50mg/m ³			
				Steelmaking	<20mg/m ³	20mg/m ³			
	Sulfur dioxide		201	Coking	<50mg/m ³	50mg/m ³	9,252.4		None
				Sintering	<200mg/m ³	200mg/m ³			
				Steel rolling	<150mg/m ³	150mg/m ³			
Nitrogen oxide		170	Coking	<500mg/m ³	500mg/m ³	25,191.4		None	
			Sintering	<300mg/m ³	300mg/m ³				
			Steel rolling	<200mg/m ³	200mg/m ³				

During the Reporting Period, the Company did not have major environmental and other social security problems.

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

3. Matters regarding environmental protection (Continued)

(2) Construction and operation of pollution prevention facilities

In 2020, the Company invested RMB1.42 billion in the commencement and implementation of 40 environmental protection and renovation projects. The existing environmental protection facilities of Angang Steel operated stably, the exhaust gas emission met the discharge standards. The wastewater discharge of Chaoyang Iron and Steel and Bayuquan Iron & Steel Branch Company met the standard, and the Anshan plant has achieved zero discharge of wastewater in non-rainy periods.

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

In 2020, the implementation rate of the Company's construction project environmental impact assessment system and environmental protection "three simultaneous" system reached 100%. Throughout the year, the Company also obtained the environmental assessment approval files for a total of 8 construction projects, and completed the change of the pollution discharge permit and the addition of the radiation safety permit.

(4) Emergency plans for environmental pollution accidents

In 2020, in accordance with relevant environmental protection laws and regulations and the requirements of the environmental impact assessment approval for construction projects, the Company entrusted a third-party organization to prepare the Contingency Plan for Environmental Events for relevant projects. After the review by the experts, it passed the record of environmental protection department of the government, which further improved Angang Steel's emergency response capabilities for environmental emergencies.

(5) Environmental protection self-monitoring plan

The Company formulated a Plan on Environment Monitoring in strict accordance with the requirements of the code for pollutant discharge permits, and carried out the implementation.

Significant Events (Continued)

XV. SOCIAL RESPONSIBILITIES (CONTINUED)

3. Matters regarding environmental protection (Continued)

(6) Other environmental information that should be disclosed

In 2020, the Ecology and Environment Bureau of Anshan City carried out monitoring of flood control, drainage water and water pollutants of Angang Steel. The drainage pollutants outside the Xidagou exceeded the limit under the comprehensive sewage discharge standard of Liaoning Province. On 19 June and 8 July 2020, it issued Environmental Protection Administrative Penalty Decisions (《環境保護行政處罰決定書》) three times, and the Company was fined a total of RMB400,000.

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

1. On 5 January 2021, the Resolution on Provision for Credit Impairment Losses of the Company was considered and approved at the 37th meeting of the eighth session of the Board of the Company. In order to truly, accurately and objectively reflect the Company's financial situation and operating results, in accordance with the relevant provisions of the Accounting Standards for Business Enterprises and based on the status of the relevant individual finance companies, the Company made an aggregate of RMB318 million of provision for credit impairment losses of overdue notes of individual finance companies for the 2020 accounting year.
2. On 8 January 2021, the Resolution on the Adjustment in Relevant Matters of the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited and the Resolution on the First Grant of the Restricted Shares to Incentive Participants were considered and approved at the 38th meeting of the eighth session of the Board and the 13th meeting of the eighth session of the Supervisory Committee of the Company. The date of the First Grant under the 2020 Restricted Share Incentive Scheme was 8 January 2021.
3. On 27 January 2021, the Company completed the registration of the First Grant under the 2020 Restricted A Share Incentive Scheme. The listing date of the Restricted A Shares under the First Grant was 27 January 2021.
4. On 7 February 2021, the Company was informed that Li Wenbing (李文冰), a supervisor, had surrendered himself for being potentially involved in serious breach of discipline and law and was under the disciplinary review by the CPC Commission for Discipline Inspection of Angang and the supervision investigation by the supervision committee of Anshan City (鞍山市監察委員會). Currently, the review and investigation are still ongoing.

Movement in Share Capital and Shareholders' Profile

I. MOVEMENT IN SHARE CAPITAL

1. Movement in share capital

Unit: Share

	Before the change		Issue of new shares	Increase/decrease during the period (+/-)				After the change	
	Number	Percentage (%)		Bonus shares	Repurchase of shares	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium	7,458	0.00	-	-	+52,450,023	+1	+52,450,024	52,457,482	0.56
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	7,458	0.00	-	-	+52,450,023	+1	+52,450,024	52,457,482	0.56
Including: shares held by domestic legal persons	-	-	-	-	+52,450,023	-	+52,450,023	52,450,023	0.56
shares held by domestic natural persons	7,458	0.00	-	-	-	+1	+1	7,459	0.00
4. Foreign shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	9,405,242,743	100.00	-	-	-52,450,023	-1	-52,450,024	9,352,792,719	99.44
1. Renminbi ordinary shares	7,993,702,743	84.99	-	-	-52,450,023	-1	-52,450,024	7,941,252,719	84.43
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	-	-	0	0	0	9,405,250,201	100.00

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

1. Movement in share capital (Continued)

(1) Reasons for movement in share capital:

- ① Pursuant to the Resolution on Proposal to Repurchase A Shares Held by the Public which was considered and approved at the 32nd meeting of the eighth session of the Board of the Company on 26 November 2020, the Company repurchased a total of 52,450,023 A shares held by the public from 10 to 24 December 2020 for the implementation of share incentive or employee share ownership scheme, resulting in an increase of 52,450,023 shares in the shares subject to trading moratorium held by domestic legal persons.
- ② At the beginning of the year, China Securities Depository and Clearing Co., Ltd., Shenzhen Branch reviewed and determined the number of shares subject to trading moratorium held by Directors, Supervisors and senior management. Upon rounding up, the number of shares subject to trading moratorium held by Directors, Supervisors and senior management increased by one.

(2) Approval of movement in share capital:

Applicable Not applicable

(3) Transfer of movement in share capital: The transfer of relevant shares has been completed.

(4) Progress on the implementation of the share repurchase: From 10 December 2020 to 24 December 2020, the Company completed the repurchase, and the actual number of the A shares of the Company which had been repurchased from Shenzhen Stock Exchange was 52,450,023, representing 0.56% of the total share capital of the Company. The maximum price for the share repurchase was RMB3.27 per share, and the minimum price for the share repurchase was RMB3.05 per share. The total funds utilized for such repurchase amounted to RMB165,655,091 (excluding transaction fees).

(5) Progress on the implementation reduction in the holding of repurchased shares through the 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:

Applicable Not applicable

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

2. Changes in shares subject to trading moratorium

Unit: Share

Name of Shareholder of the period	Shares subject to trading moratorium at the beginning of the period	Increase in shares subject to trading moratorium during the period	Decrease in shares subject to trading moratorium during the period	Shares subject to trading moratorium at the end of the period	Reasons for the trading moratorium	Date of release of the trading moratorium
Wang Yidong	7,458	1	-	7,459	At the beginning of the year, China Securities Depository and Clearing Co., Ltd., Shenzhen Branch reviewed and determined the number of shares subject to trading moratorium held by Directors, Supervisors and senior management. Upon rounding up, the number of shares subject to trading moratorium held by Directors, Supervisors and senior management increased by one.	-
Angang Steel	0	52,450,023	-	52,450,023	The Company repurchased A shares held by the public for the implementation of share incentive or employee share ownership scheme.	-
Total	7,458	52,450,024	-	52,457,482	-	--

Movement in Share Capital and Shareholders' Profile (Continued)

II. ISSUANCE AND LISTING OF SECURITIES

1. Issuance of securities during the Reporting Period

Applicable Not applicable

2. Explanation for the changes in total shares of the Company and shareholding structure and movement in the assets and liability structure of the Company

Applicable Not applicable

3. Existing internal staff shares condition

Applicable Not applicable

4. H Shares convertible bonds

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 in the Hong Kong Stock Exchange on 28 May 2018 and will fall due on 25 May 2023. After the Company implemented profit distribution proposal for 2017, 2018 and 2019, the conversion price of the convertible bonds was adjusted from HK \$9.20 per H Share to HK\$6.61 per H Share. Based on the conversion price, the number of new H Shares that the Company may issue due to the convertible bonds is 279,878,971. As of 31 December 2020, 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 fulfill its bond redemption obligations as agreed. Under the terms of the bond issuance, the Company or bondholder can conditionally redeem the bond during the period from 25 May 2021 to the due date.

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER

1. 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	94,054 of which 493 were holders of H Shares	The total number of ordinary shareholders as at the end of February 2021	93,341
---	---	---	---------------

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 shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Number of shares pledged or frozen	
							Status of shares	Amount
Anshan Iron & Steel Group Co. Ltd.	State owned legal person	53.33%	5,016,111,529	-	-	5,016,111,529	-	-
HKSCC (Nominees) Limited	Overseas legal person	14.85%	1,396,599,712	-1,594,094	-	1,396,599,712	-	-
China National Petroleum Corporation	State owned legal person	8.98%	845,000,000	-	-	845,000,000	-	-
Power Construction Corporation of China	State owned legal person	4.98%	468,000,000	-	-	468,000,000	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal person	2.07%	194,371,271	98,538,599	-	194,371,271	-	-
Central Huijin Asset Management Ltd.	State owned legal person	1.00%	94,348,670	-	-	94,348,670	-	-

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

1. Number of shareholders and details of shareholding of the Company (Continued)

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Details of shareholders with more than 5% of shares or top ten shareholders					
			Number of shares held as at the end of the Reporting Period	Increase/ decrease during the Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Number of shares pledged or frozen	Status of shares
Special securities account designated for share repurchase of Angang Steel Company Limited	Domestic general legal person	0.56%	52,450,023	52,450,023	52,450,023	-	-	-
#Ma Liang	Domestic natural person	0.31%	28,806,300	28,806,300	-	28,806,300	-	-
#Liao Qiang	Domestic natural person	0.23%	21,690,979	7,897,618	-	21,690,979	-	-
Industrial and Commercial Bank of China Limited – Hua'an Media & Internet Mixed Securities Investment Fund (中國工商銀行股份有限公司—華安媒體互聯網混合型證券投資基金)	Others	0.14%	13,177,700	13,177,700	-	13,177,700	-	-

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 to any concerted action 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)

1. 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 at the end of the year	Type of share	
		Type of share	Amount
Anshan Iron & Steel Group Co. Ltd.	5,016,111,529	Renminbi ordinary shares	5,016,111,529
HKSCC (Nominees) Limited	1,396,599,712	Overseas listed foreign shares	1,396,599,712
China National Petroleum Corporation	845,000,000	Renminbi ordinary shares	845,000,000
Power Construction Corporation of China	468,000,000	Renminbi ordinary shares	468,000,000
Hong Kong Securities Clearing Company Limited	194,371,271	Renminbi ordinary shares	194,371,271
Central Huijin Asset Management Ltd.	94,348,670	Renminbi ordinary shares	94,348,670
#Ma Liang	28,806,300	Renminbi ordinary shares	28,806,300
#Liao Qiang	21,690,979	Renminbi ordinary shares	21,690,979
Industrial and Commercial Bank of China Limited- Hua'an Media & Internet Mixed Securities Investment Fund (中國工商銀行股份有限公司-華安媒體互聯網混合型證券投資基金)	13,177,700	Renminbi ordinary shares	13,177,700
Agricultural Bank Of China Limited - Zhongzheng 500 Trading Open Type Index Security Investment Fund (中國農業銀行股份有限公司-中證500交易型開放式指數證券投資基金)	11,056,348	Renminbi ordinary shares	11,056,348

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 to any concerted action 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 ordinary shareholders to participate in financing business (if any)

None

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)

2. 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.

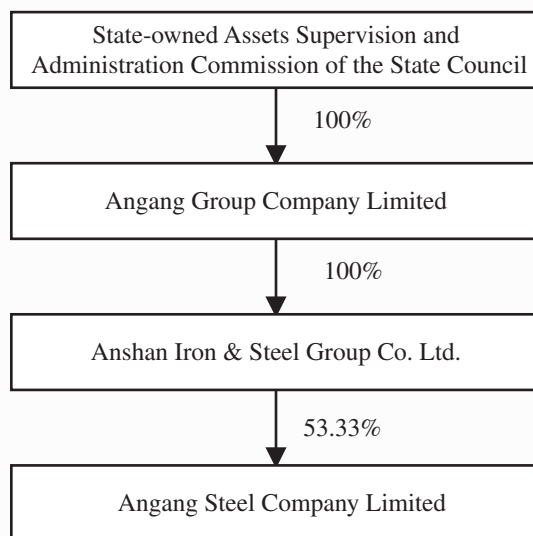
Details of shareholding of other domestic and overseas listed foreign shares by the controlling shareholder during the Reporting Period

Angang Holding directly and indirectly held a total of 51% shares in Anshan Falan (Stock code: 836861) and held 10.815% shares in Pangang Vanadium Titanium (Stock code: 000629).

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

3. Details of de facto controller of the Company



Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

3. Details of de facto controller of the Company (Continued)

Name of de facto controller	Person-in-charge	Date of incorporation	Organization code	Registered Capital	Principal scope of operation
Angang Group Company Limited	Tan Chengxu	28 July 2010	91210000558190456G	RMB50 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 presswork. (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 58.68% shares in Pangang Vanadium Titanium (Stock code: 000629).

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

3. Details of de facto controller of the Company (Continued)

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

4. 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 2020, 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 shareholders	Number and class of shares held	Percentage of total share capital	Percentage of total H Shares in issue	Percentage of total domestic shares in issue	Capacity
Anshan Iron & Steel Group Co. Ltd.	5,016,111,529 A shares	53.33%	–	62.75%	Beneficial owner
HKSCC Nominees Limited	1,396,599,712 H Shares	14.85%	98.94%	–	Nominee
China National Petroleum Corporation	845,000,000 A Shares	8.98%	–	10.57%	Beneficial owner

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

Applicable Not applicable

Information on Directors, Supervisors, Senior Management and Employees

I. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Status of Position	Gender	Age	Date of Commencement of Term	Date of Termination of Term	No. of Shares Held at the Beginning of the Reporting Period (shares)	No. of Shares Increased in the Reporting Period (shares)	No. of Shares Reduced in the Reporting Period (shares)	No. of Shares Held at the End of the Reporting Period (shares)
Wang Yidong	Chairman	In office	Male	52	2017.11.23	-	9,945	-	-	9,945
	Executive Director	In office			2013.07.08	-				
Li Zhen	General Manager	In office	Male	50	2020.03.27	-	0	-	-	0
	Executive Director	In office			2018.03.05	-				
Li Zhongwu	Executive Director	In office	Male	58	2020.03.16	-	0	-	-	0
	Deputy General Manager	In office			2019.12.30	-				
Feng Changli	Independent Non-executive Director	In office	Male	57	2018.06.05	-	0	-	-	0
Wang Jianhua	Independent Non-executive Director	In office	Male	47	2019.05.28	-	0	-	-	0
Wang wanglin	Independent Non-executive Director	In office	Male	46	2020.03.16	-	0	-	-	0
Zhu Keshi	Independent Non-executive Director	In office	Male	54	2020.11.30	-	0	-	-	0
Mu Tiejian	Chairman of Supervisory Committee	In office	Male	59	2020.11.30	-	0	-	-	0
Li Wenbing	Supervisor	In office	Male	52	2020.03.16	-	0	-	-	0
Yang Zhengwen	Supervisor	In office	Male	54	2021.02.02	-	0	-	-	0
Meng Jingsong	Deputy General Manager	In office	Male	51	2016.03.30	-	0	-	-	0
Xiao Mingfu	Deputy General Manager	In office	Male	53	2020.03.27	-	0	-	-	0
Wang Baojun	Deputy General Manager, Chief Accountant	In office	Male	54	2021.03.16	-	0	-	-	0
	Chairman of Supervisory Committee	Resigned			2020.03.16	2020.11.30				
Zhang Hongjun	Deputy General Manager	In office	Male	47	2021.03.16	-	0	-	-	0
Chen Chun	Joint Company Secretary (i.e. Company Secretary)	In office	Female	33	2017.10.20	-	0	-	-	0
Ma Lianyong	Deputy General Manager, Chief Accountant, Joint Company Secretary (i.e. Company Secretary)	Resigned	Male	58	2018.01.10	2021.03.16	0	-	-	0
	Executive Director	Resigned			2018.03.05	2021.03.16				
Wu Dajun	Independent Non-executive Director	Resigned	Male	64	2016.06.08	2020.11.30	0	-	-	0
Ma Weiguo	Independent Non-executive Director	Resigned	Male	51	2016.06.08	2020.02.24	0	-	-	0
Lu Yongli	Chairman of Supervisory Committee	Resigned	Male	51	2019.05.28	2020.03.16	0	-	-	0
Liu Xiaohui	Supervisor	Resigned	Female	52	2016.06.08	2020.03.16	0	-	-	0
Yuan Peng	Supervisor	Resigned	Male	53	2016.06.08	2021.02.02	0	-	-	0
Liu Jie	Deputy General Manager	Resigned	Male	54	2020.03.27	2021.03.16	0	-	-	0
Xu Shishuai	Deputy General Manager	Resigned	Male	47	2016.03.30	2020.03.24	0	-	-	0

Note: All the shares held by the persons above were A Shares of the Company and were held by them in their capacity as individual beneficial owners.

Information on Directors, Supervisors, Senior Management and Employees (Continued)

I. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company Held by Directors, Supervisors and Senior Management

Save as disclosed above, as at 31 December 2020, 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 SFO) which were recorded in the register required to be kept under Section 352 of the SFO, 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 Listing Rules.

II. EMPLOYMENT INFORMATION

1. Major work experiences of the incumbent Directors, Supervisors and senior management members of the Company

Members of the Board of Directors

Executive Directors:

Mr. Wang Yidong, the Chairman, an Executive Director of the Company and a senior engineer. 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 (冷軋廠) of the Company, deputy general manager of Baiyuquan Steel Branch Company (鮫魚圈鋼鐵分公司) 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 Baiyuquan Steel Branch Company (鮫魚圈鋼鐵分公司) of the Company, the Deputy General Manager and General Manager of the Company.

Mr. Li Zhen, an Executive Director, General Manager of the Company. He is a professor-level senior engineer. Mr. Li Zhen obtained a bachelor's degree of engineering, majoring in ferrous metallurgy and a master's degree and a doctoral degree in metallurgy engineering in Northeastern University* (東北大學). Mr. Li Zhen joined Angang Group in 1991 and has held various positions including the plant manager of the Second Steel Making Plant and of the Main Steel Making Plant under the Company, general manager and director of Pangang Group Chengdu Steel Vanadium Co., Ltd.* (攀鋼集團成都鋼鈮有限公司) and Pangang Group Chengdu Steel & Iron Co., Ltd. (攀鋼集團成都鋼鐵有限公司), director and deputy chairman of Pangang Group Chengdu Investment Management Company Limited (攀鋼集團成都投資管理有限公司) and deputy chairman and chairman of Angang Guangzhou Lianzhong Stainless Steel Co., Ltd. (鞍鋼聯眾(廣州)不銹鋼有限公司) and Angang Guangzhou Hanyang Iron & Steel Company Limited (鞍鋼瀚陽(廣州)鋼鐵有限公司).

Information on Directors, Supervisors, Senior Management and Employees (Continued)

II. EMPLOYMENT INFORMATION (CONTINUED)

1. Major work experiences of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Board of Directors (Continued)

Executive Directors: (Continued)

Mr. Li Zhongwu, an Executive Director, Deputy General Manager and senior engineer of the Company. Mr. Li Zhongwu obtained a bachelor's degree in iron and steel metallurgy from Anshan Institute of Iron & Steel (鞍山鋼鐵學院). Mr. Li Zhongwu joined Angang Group in 1986, and had successively held various positions including the deputy general manager of Angang Holding, general manager of Angang Group Automobile Steel Marketing (Service) Center* (鞍鋼集團汽車鋼營銷(服務)中心), director of Angang Holding, external director of Angang Group Mining Co., Ltd.* (鞍鋼集團礦業有限公司), and director and deputy general manager of Pangang Group Company Limited* (攀鋼集團有限公司), director of Pangang Group Vanadium & Titanium Resources Co., Ltd.* (攀鋼集團鈮鈦資源股份有限公司).

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 (大連理工大學管理與經濟學部). Mr. Feng obtained a bachelor's degree in electronics from Dalian College of Technology (大連工學院); 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.

Information on Directors, Supervisors, Senior Management and Employees (Continued)

II. EMPLOYMENT INFORMATION (CONTINUED)

1. Major work experiences 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 Jianhua, an independent Non-Executive Director of the Company, and is the chief steel analyst of Shanghai Ganglian E-commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司). 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.* (寶鋼集團有限公司); 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 Fujian Sangang Minguang Co., Ltd.* (福建三鋼閩光股份有限公司), an A shares listed company.

Mr. Wang Wanglin, an independent Non-Executive Director of the Company, and is currently a deputy director and lawyer of Beijing Zhicheng Lawyer (北京市致誠律師事務所), a practice tutor of postgraduates of law of Beijing Technology and Business University (北京工商大學) and a supervisor of the supervisor committee of Chinese Young Volunteers Association (中國青年志願者協會). 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 (司法部法律援助司), the director of Community Correction Authority of Department of Justice (司法部社區矯正管理局), the deputy director of Tibet Bureau of Prisons (西藏監獄管理局), the head of Tibet Police Hospital for Criminal Justice (西藏司法警官醫院), etc..

Information on Directors, Supervisors, Senior Management and Employees (Continued)

II. EMPLOYMENT INFORMATION (CONTINUED)

1. Major work experiences 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. Zhu Keshi, an independent Non-Executive Director of the Company, is 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.* (北京航天在線科技有限公司). 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 Shenyang Lanying Industrial Automation Equipment Co., Ltd.* (瀋陽藍英工業自動化裝備股份有限公司) (an A shares listed company), Hangzhou Boiler Group Co., Ltd (杭州鍋爐集團有限公司) (an A shares listed company) and Hengxin Xili Industry Co., Ltd.*(恒信靈利實業股份有限公司) (a company listed on the National Equities Exchange and Quotations).

Information on Directors, Supervisors, Senior Management and Employees (Continued)

II. EMPLOYMENT INFORMATION (CONTINUED)

1. Major work experiences of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Supervisory Committee

Shareholders' representative Supervisor:

Mr. Mu Tiejian, the chairman of the Supervisory Committee of the Company. Mr. Mu graduated from the Industrial Economics Department of the Graduate School of the Chinese Academy of Social Sciences, majoring in industrial economics. Mr. Mu has previously served as the deputy secretary of the Party Committee of Angang Slag Development Corporation (鞍鋼礦渣開發公司), the secretary of Angang Communist Youth League Committee, the head of the Propaganda Department of Angang Party Committee, the deputy secretary of the Party Committee and the secretary of the Discipline Inspection Committee of Angang Mining Corporation (鞍鋼礦業公司), the secretary of the Party Committee and the secretary of the Discipline Inspection Committee of Angang Equipment Overhaul Association Centre (鞍鋼設備檢修協力中心), the secretary of the Party Committee of Marketing Center of the Company, and the head of the Supervision Department of Anshan Iron & Steel, and the secretary of the Discipline Inspection Committee of the Company.

Mr. Li Wenbing, Supervisor of the Company, and a senior economist. Mr. Li Wenbing obtained a bachelor's degree in law from Northeastern University (東北工學院); a master's degree in law from Dalian Maritime University (大連海事大學). Mr. Li Wenbing had previously held various positions including the head of the litigation office of the Legal Department of Angang Holding and general counsel of Angang Steel; the deputy head of the litigation division of the Legal Department (presiding) of Angang Holding, the deputy department head of the Legal Department of Angang Holding; the deputy department head of the Legal Department of the Company and the deputy director of the Legal Compliance Department of Angang.

Information on Directors, Supervisors, Senior Management and Employees (Continued)

II. EMPLOYMENT INFORMATION (CONTINUED)

1. Major work experiences of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Supervisory Committee (Continued)

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 (鞍山鋼鐵學院冶金系) and a master's degree in engineering from School of Business Administration, Northeastern University (東北大學). 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.

Other Senior Management Members

Mr. Meng Jingsong, a professor-level senior engineer, is a deputy general manager of the Company. 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. Xiao Mingfu is the deputy general manager and the general manager of marketing center of the Company, and a senior engineer. Mr. Xiao obtained a bachelor's degree in casting and a master's degree in metallurgy engineering from Chongqing University; a master's degree of EMBA from the School of Economic and Management of University of Electronic Science and Technology of China. Mr. Xiao held various positions including the plant manager of the Extracting Vanadium and Steel Making Plant of Pangang Group Panzhihua Steel Vanadium Co., LTD, the deputy general manager of Pangang Group Xichang Steel and Vanadium Company Limited* (攀鋼集團西昌鋼鈞有限公司), an executive director (legal representative) and general manager of Pangang Group Xichang Steel and Vanadium Company Limited*.

Information on Directors, Supervisors, Senior Management and Employees (Continued)

II. EMPLOYMENT INFORMATION (CONTINUED)

1. Major work experiences of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Supervisory Committee (Continued)

Other Senior Management Members (Continued)

Mr. Wang Baojun, a deputy general manager and the Chief Accountant of the Company. He is a senior accountant. Mr. Wang graduated from East China University of Metallurgy (華東冶金學院), 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 (電子科技大學). 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.* (攀鋼集團鋼鐵鈦股份有限公司), the head of Audit Department of Angang Group Corporation and also a supervisor of Angang Group Integrated Industrial Company Limited* (鞍鋼集團綜合實業有限公司) and Engineering Technological Development Company Limited* (工程技術發展有限公司), an external director of Pangang Group Company Limited* and Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司), 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. Zhang Hongjun, a deputy general manager of the Company and also the general manager and a deputy secretary of the Party committee of Bayuquan Iron & Steel Branch Company, and a senior engineer. Mr. Zhang obtained a bachelor's degree of 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 Anshan Iron & Steel in 1996, and has served as the deputy director of a branch of the hot rolling plant of the Company, the deputy head of the department of planning and development of Anshan Iron & Steel, the deputy head of the equipment support department of the Company, the general manager of Bayuquan Iron & Steel Branch Company* of the Company, the assistant to the general manager of the Company and other positions of the Company.

Information on Directors, Supervisors, Senior Management and Employees (Continued)

II. EMPLOYMENT INFORMATION (CONTINUED)

1. Major work experiences of the incumbent Directors, Supervisors and senior management members of the Company (Continued)

Members of the Supervisory Committee (Continued)

Other Senior Management Members (Continued)

Ms. Chen Chun, joint secretary to the Board (i.e. company secretary) of the Company, is currently a secretary senior supervisor of SW Corporate Service Group Limited and is responsible for providing support and advisory on listed companies' company secretarial and compliance matters. Ms. Chen obtained a bachelor's degree in economics from Shanghai Finance University. Ms. Chen is an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Chen was the business development director of the Shanghai Branch of United Overseas Bank (China) Limited, the account manager of the Suzhou Branch of the Bank of East Asia (China) Limited and the executive secretary of the Jiangsu Branch of the Singapore Chamber of Commerce in China. Ms. Chen is currently the company secretary and joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Information on Directors, Supervisors, Senior Management and Employees (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	End date of the 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 and Chairman	2017.12	-	-
Li Zhen	Angang Holding	Deputy Secretary of the Party committee and Director	2020.03	-	No
Mu Tiejian	Angang Holding	Secretary of Committee for Discipline Inspection	2020.03	-	Yes
Yang Zhengwen	Angang Holding	Deputy Chairman of the Labor Union	2020.12	-	No
Wang Baojun	Angang	General manager of audit department, director of Audit Center	2016.12	2021.02	Yes
Li Wenbing	Angang	Deputy general manager of legal compliance department	2019.07	-	Yes
Xiao Mingfu	Angang Holding	Director	2020.03	-	No
Yang Zhengwen	Angang Holding	Deputy Chairman of the Labor Union	2020.12	-	No
Details of the position held at the shareholder			-		

Information on Directors, Supervisors, Senior Management and Employees (Continued)

II. EMPLOYMENT INFORMATION (CONTINUED)

3. Positions at other organizations

Name of the personnel who held position	Name of such other organization	Position held at such other organization	Commencement date of term	End date of the term	Receipt of remuneration and allowance at such other organization
Feng Changli	Dalian University of Technology	Professor	2016.12	-	Yes
Wang Jianhua	Shanghai Ganglian E-commerce Holdings Co., Ltd. (上海鋼聯電子商務股份有限公司)	Chief analyst of steel	2015.01	-	Yes
	Fujian Sangang Minguang Co., Ltd.* (福建三鋼閩光股份有限公司)	Independent director	2017.01	-	Yes
Wang Wanglin	Beijing Zhicheng Lawyer (北京市致誠律師事務所)	Deputy director and lawyer	2018.11	-	Yes
Zhu Keshi	the Research Institute of Coordination Strategy of Fiscal and Financial Policy under Beijing National Accounting Institute	The head	2015.11	-	Yes
	Shenyang Lanying Industrial Automation Equipment Co., Ltd.* (瀋陽藍英工業自動化裝備股份有限公司)	Independent director	2016.03	-	Yes
	Hangzhou Boiler Group Co., Ltd (杭州鍋爐集團有限公司)	Independent director	2019.11	-	Yes
	Hengxin Xili Industry Co., Ltd.* (恒信鑫利實業股份有限公司)	Independent director	2017.09	-	Yes

Information on Directors, Supervisors, Senior Management and Employees (Continued)

II. EMPLOYMENT INFORMATION (CONTINUED)

3. Positions at other organizations (Continued)

Name of the personnel who held position	Name of such other organization	Position held at such other organization	Commencement date of term	End date of the term	Receipt of remuneration and allowance at such other organization
Chen Chun	SWCS Corporate Services Group (Hong Kong) Limited	Company secretarial senior officer	2017.01	-	Yes
Li Zhongwu	Anshan Falan Packing Material Co. Ltd	Chairman of the board of directors	2020.04	-	No
	Anshan Steel Metallurgy Lucai Technology Co., Ltd. (鞍山鋼鐵冶金爐材科技有限公司)	Chairman of the board of directors	2020.12	-	No
Zhang Hongjun	Angang Group Engineering Technology Co., Ltd.	director	2021.02	-	No
Meng Jingsong	Angang Group Beijing Research Institute Co., Ltd. * (鞍鋼集團北京研究院有限公司)	director	2019.08	-	No
Xiao Mingfu	Delin Land Ports (Anshan) Co., Ltd.	Chairman of the board of directors	2020.09	-	No
Details of the position held at other organizations			-		

Pewnlty imposed on incumbent Directors, Supervisors and senior management or those resigned during the Reporting Period by securities regulatory authorities for the last three years

Applicable Not applicable

Information on Directors, Supervisors, Senior Management and Employees (Continued)

III. REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Decision-making procedures, rationale for determination and actual payment of remuneration for Directors, Supervisors and senior management

The remuneration of each of the Directors, Supervisors and senior management was proposed by the Remuneration and Appraisal Committee under the Board and the Supervisory Committee respectively. Such remuneration has been approved upon discussion by the Board and the Supervisory Committee, and proposed for approval by the shareholders at the general meeting. Such remuneration was determined according to the business performance of the Company and the remuneration offered by comparable enterprises in the PRC.

2. Remuneration of the Directors, Supervisors and senior management of the Company during the Reporting Period

Name	Position	Gender	Age	Status of Position	Total Remuneration before Tax Received from the Company (RMB'000)	Whether the remuneration was received from a corporate shareholder
Wang Yidong	Executive Director and Chairman	Male	52	Incumbent	-	Yes
Li Zhen	Executive Director and General Manager	Male	50	Incumbent	70.15	No
Li Zhongwu	Executive Director and Deputy General Manager	Male	58	Incumbent	84.01	No
Feng Changli	Independent Non-executive Director	Male	57	Incumbent	12	No
Wang Jianhua	Independent Non-executive Director	Male	47	Incumbent	12	No
Wang Wanglin	Independent Non-executive Director	Male	46	Incumbent	10	No
Zhu Keshi	Independent Non-executive Director	Male	54	Incumbent	2	No
Mu Tiejian	Chairman of Supervisory Committee	Male	59	Incumbent	-	Yes
Li Wenbing	Supervisor	Male	52	Incumbent	-	Yes
Meng Jingsong	Deputy General Manager	Male	51	Incumbent	60.59	No
Xiao Mingfu	Deputy General Manager	Male	53	Incumbent	18.55	No

Information on Directors, Supervisors, Senior Management and Employees (Continued)

III. REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

2. Remuneration of the Directors, Supervisors and senior management of the Company during the Reporting Period (Continued)

Name	Position	Gender	Age	Status of Position	Total Remuneration before Tax Received from the Company (RMB'000)	Whether the remuneration was received from a corporate shareholder
Chen Chun	Joint Secretary to the Board of the Company (i.e. a Joint Company Secretary)	Female	33	Incumbent	-	No
Ma Lianyong	Executive Director, Deputy General Manager, Chief Accountant, Joint Secretary to the Board of the Company (i.e. a Joint Company Secretary)	Male	58	Resigned	71.16	No
Wu Dajun	Independent Non-executive Director	Male	64	Resigned	11	No
Ma Weiguo	Independent Non-executive Director	Male	51	Resigned	2	No
Wang Baojun	Chairman of Supervisory Committee	Male	54	Resigned	-	Yes
Lu Yongli	Chairman of Supervisory Committee	Male	51	Resigned	-	No
Liu Xiaohui	Supervisor	Female	52	Resigned	30.08	Yes
Liu Jie	Deputy General Manager	Male	54	Resigned	60.31	No
Xu Shishuai	Deputy General Manager	Male	47	Resigned	10.57	No
Yuan Peng	Supervisor	Male	53	Resigned	48.76	No
Total	-	-	-	-	503.18	-

Note: The above remuneration excludes the insurance, welfare fund, education surcharges and other costs of salary recorded by the Company, among which the remuneration of executive directors, supervisors and senior managers is the total amount of performance salary received in 2020 and risk annual salary paid in 2019.

Information on Directors, Supervisors, Senior Management and Employees (Continued)

IV. CHANGES IN THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Category	Date	Reason
Ma Weiguo	Independent Non-executive Director	Resigned	2020.02.24	Personal reasons
Lu Yongli	Chairman of Supervisory Committee, Supervisor	Resigned	2020.03.16	Change of job
Liu Xiaohui	Supervisor	Resigned	2020.03.16	Change of job
Li Zhongwu	Executive Director	Elected	2020.03.16	–
Wang Wanglin	Independent Non-executive Director	Elected	2020.03.16	–
Wang Baojun	Supervisor, Chairman of Supervisory Committee	Elected	2020.03.16	–
Li Wenbing	Supervisor	Elected	2020.03.16	–
Xu Shishuai	Deputy General Manager	Resigned	2020.03.24	Change of job
Li Zhen	General Manager	Appointed	2020.03.27	–
Liu Jie	Deputy General Manager	Appointed	2020.03.27	–
Xiao Mingfu	Deputy General Manager	Appointed	2020.03.27	–
Wu Dajun	Independent Non-executive Director	Resigned	2020.11.30	Personal reasons
Wang Baojun	Supervisor, Chairman of Supervisory Committee	Resigned	2020.11.30	Change of job
Zhu Keshi	Independent Non-executive Director	Elected	2020.11.30	–
Mu Tiejian	Supervisor, Chairman of Supervisory Committee	Elected	2020.11.30	–
Yuan Peng	Supervisor	Resigned	2021.02.02	Change of job
Yang Zhengwen	Supervisor	Elected	2021.02.02	–
Ma Lianyong	Deputy General Manager, Chief Accountant, Joint Secretary to the Board of the Company (i.e. a company secretary), Executive Director	Resigned	2021.03.16	Change of job
Liu Jie	Deputy General Manager	Resigned	2021.03.16	Change of job
Wang Baojun	Deputy General Manager, Chief Accountant	Appointed	2021.03.16	–
Zhang Hongjun	Deputy General Manager	Appointed	2021.03.16	–

Information on Directors, Supervisors, Senior Management and Employees (Continued)

V. EMPLOYEES OF THE COMPANY

1. Number and constitution of employees

Number of current employees in the Company <i>(person)</i>	27,454
Number of current employees in major subsidiaries <i>(person)</i>	4,058
Total number of current employees <i>(person)</i>	31,512
Total number of employees receiving remuneration during the period <i>(person)</i>	31,512
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 <i>(person)</i>
Production	22,600
Sales	332
Technical	2,899
Finance	233
Administration	2,265
Others	3,183
Total	31,512

Education level

Category of education level	Number of people <i>(person)</i>
Bachelor's degree and above	9,057
Post-secondary	9,165
Technical secondary school	11,971
Others	1,319
Total	31,512

Information on Directors, Supervisors, Senior Management and Employees (Continued)

V. EMPLOYEES OF THE COMPANY (CONTINUED)

2. Training programs

In 2020, the Company's employee education and training work aimed to implement the strategy of prioritizing the development of talents. The talent training ability has been significantly improved, and the overall quality of employees has been further improved, laying a solid foundation for the high-quality development of the Company.

In 2020, the total training attendance of employees of the Company reached 19,131. Among which, the attendance of the Party's spirit of 19th National Congress training for the leaders at the deputy factory level or above was 2,019; the attendance of the improvement training for the senior management regarding political theory and management innovation and scientific decision-making ability was 1,633; the attendance of the trainings in managerial expertise and total quality management for management officers and professional technicians was 3,016; the attendance of the trainings (micro-classes) in improving innovation abilities for high-tech talents was 2,025; the attendance of the rotating trainings for the secretaries of the Party branches was 299 and the attendance of the special trainings for shift monitors and team leaders was 1,316.46 managerial officers and professional technicians were dispatched for advanced study in universities, and the attendance of spring seedling reserve cadre training classes was 80, the attendance of intellectual property trainings was 400, the attendance of streamlined management trainings was 482, and the attendance of training for employees holding the work permits for special operation trainings was 7,815.

3. Salary policy

The Company has adopted position-and-performance based and risk-linked salary annual remuneration packages for senior management; position-and-performance based remuneration and research and development incentive award packages for research personnel; position-and-performance based remuneration and sales/profit-linked remuneration packages for sales personnel; and position-and-performance based remuneration packages for other personnel.

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 Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, the Corporate Governance Code and the Guidelines for the Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system.

The corporate governance of the Company had nothing significantly inconsistent with the regulatory documents on corporate government of listed companies issued by the CSRC.

II. THE INDEPENDENCE OF THE COMPANY FROM ITS CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATIONS, FINANCE 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

Applicable Not applicable

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

Session of Meeting	Type of Meeting	Proportion of investors involvement	Date of convening
2020 first extraordinary general meeting	Extraordinary general meeting	58.27%	16 March 2020
2019 annual general meeting	Annual general meeting	56.81%	28 May 2020
2020 second extraordinary general meeting	Extraordinary general meeting	72.21%	30 November 2020
2020 third extraordinary general meeting	Extraordinary general meeting	72.75%	31 December 2020

Corporate Governance (Continued)

V. DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS DURING THE REPORTING PERIOD

1. Attendance of independent non-executive Directors at Board meeting and general meeting

Attendance of independent non-executive Directors at Board meeting

Name of independent non-executive Director	Required attendance at the Board meetings during the Reporting Period	Attendance			Absence	Non-attendance in person for two consecutive times	Attendance of the general meeting
		Attendance in person	Attendance through communication	Attendance by proxy			
Feng Changli	21	1	20	0	0	No	3
Wang Jianhua	21	1	20	0	0	No	1
Wang Wanglin	17	1	16	0	0	No	1
Zhu Keshi	4	0	4	0	0	No	0
Wu Dajun	17	0	16	1	0	No	1
Ma Weiguo	2	0	2	0	0	No	0

2. Disagreement of independent non-executive Directors on relevant issues of the Company

During the Reporting Period, no disagreement was proposed by independent non-executive Directors of the Company on relevant issues of the Company.

VI. CORPORATE GOVERNANCE REPORT

1. Corporate governance practice

With shares listed in both Hong Kong and Shenzhen stock exchanges, 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 sound corporate governance practice and procedures with strict implementation, so as to ensure the interests of shareholders and maximize the investment return for the shareholders in the long run.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

1. Corporate governance practice (Continued)

The Company has adopted the code provisions set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has periodically reviewed its corporate governance practices. Save as set out below, the Company has properly complied with the code provisions set out in the Corporate Governance Code during the Reporting Period.

- (1) According to provision A.1.8 set out in Appendix 14 to the Hong Kong Listing Rules, "an issuer should arrange appropriate insurance cover in respect of legal action against its directors".

In 2020, the Company did not make any insurance arrangement in respect of the Directors.

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, and other regulations, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system, and endeavored to reduce the legal risks for Directors. Therefore, no insurance arrangement was made in respect of the Directors.

- (2) According to provision E.1.2 set out in Appendix 14 to the Hong Kong Listing Rules, "the chairman of the board should attend the annual general meeting. ..."

In 2020, the Chairman of the Company did not attend the annual general meeting of the Company in person due to other official duties, and entrusted Mr. Li Zhen, a director of the Company, to attend and preside over the annual general meeting.

2. Securities transactions of the directors

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

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

2. Securities transactions of the directors (Continued)

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.

3. Independent non-executive director

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

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 Listing Rules in respect of their independence. The Company is of the opinion that all of the independent non-executive Directors are independent.

4. The Board and its special committees

(1) Composition of the Board

The Board of the Company comprises eight members including four 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.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(1) Composition of the Board (Continued)

The Board of the Company held 21 Board meetings and considered and approved 69 proposals in 2020.

Members of the Board of the Company and their attendance at the meetings in 2020 are as follows:

Name	Position in the Board	Attendance at the Board meetings (attendance by proxy)/ attendance rate	Attendance at the general meetings/ attendance rate
Wang Yidong	Chairman	21(1)/100%	3/75%
Li Zhen	Executive Director	21(0)/100%	2/50%
Li Zhongwu	Executive Director	17(0)/100%	3/75%
Ma Lianyong	Executive Director	21(0)/100%	4/100%
Feng Changli	Independent Non-Executive Director	21(0)/100%	3/75%
Wang Jianhua	Independent Non-Executive Director	21(0)/100%	1/25%
Wang Wanglin	Independent Non-Executive Director	17(0)/100%	1/25%
Zhu Keshi	Independent Non-Executive Director	4(0)/100%	-
Wu Dajun	Former Independent Non-Executive Director	17(1)/100%	1/25%
Ma Weiguo	Former Independent Non-Executive Director	2(0)/100%	-

(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;

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(2) Duties and Operation of the Board (Continued)

- 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;
- 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;

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(2) Duties and Operation of the Board (Continued)

- 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. The statement of the external auditor of the Company about their reporting responsibilities on the Group's consolidated financial statements is set out in the "Auditor's Report" on pages 163 to 164 of this annual report. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

(3) Remuneration and Appraisal Committee

In 2020, the Remuneration and Appraisal Committee of the Company held two meetings which mainly assessed the performance of the Directors and senior management of the Company during 2019 and reviewed their remunerations for 2019 and the 2020 Restricted Share Incentive Scheme and other related matters, and submitted the same to the Board for consideration.

In 2020, 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	–
Wu Dajun	Former member	100%
Ma Weiguo	Former member	–

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(3) Remuneration and Appraisal Committee (Continued)

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;
- (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; and
- (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(4) Nomination Committee

In 2020, the Nomination Committee of the Company held three meetings to nominate the candidates of Directors, candidates of independent non-executive Directors, general manager, deputy general manager, and other personnel 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.

In 2020, 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%
Li Zhongwu	member	100%
Feng Changli	member	100%
Wang Wanglin	member	100%
Zhu Keshi	member	–
Wu Dajun	Former convener	100%
Ma Lianyong	Former member	100%
Ma Weiguo	Former member	100%

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

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(4) Nomination Committee (Continued)

- (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.

(5) Audit Committee

In 2020, the Audit Committee of the Company held a total of five 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, risk of foreign exchange hedging business and nominated auditor of the Company for 2020, etc.

In 2020, 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	–
Feng Changli	member	100%
Wang Jianhua	member	100%
Wang Wanglin	member	100%
Wu Dajun	Former convener	100%
Ma Weiguo	Former convener	–

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 2020.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(5) Audit Committee (Continued)

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;
- (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;

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(5) Audit Committee (Continued)

- (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting.
- (e) Regarding (d) above:
- (i) members of the committee should liaise with the Board and senior management and 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;

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(5) Audit Committee (Continued)

- (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;
- (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)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

4. The Board and its special committees (Continued)

(6) Training for Directors

In 2020, 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
Li Zhen	Executive director	A, B
Ma Lianyong	Executive director	A, B
Li Zhongwu	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	B
Wu Dajun	Independent Non-Executive Director	A, B
Ma Weiguo	Independent Non-Executive Director	B

Note: 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,

5 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;

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

5 Chairman and general manager (Continued)

- 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; and
- viii. other powers as conferred under the Articles of Association of the Company or granted by the Board.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

6. Joint company secretaries

During the Reporting Period, Mr. Ma Lianyong and Ms. Chen Chun, the joint secretaries, were in compliance with Rule 3.29 of the Hong Kong Listing Rules. Mr. Ma Lianyong and Ms. Chen Chun were respectively appointed by the Board on 10 January 2018 and 20 October 2017. Their biographies are set out in the section of “Information on Directors, Supervisors, Senior Management and Employees” in this annual report. Ms. Chen Chun is nominated as the joint company secretary of the Company by SW Corporate Service Group Limited (“**SW Group**”). SW Group has provided certain corporate secretarial services to the Company pursuant to the engagement letter entered into between the Company and SW Group. Mr. Ma Lianyong was the major contact person between Ms. Chen and the Company in relation to corporate secretarial matters. Mr. Ma resigned as a deputy general manager, chief accountant, joint secretary to the Board and joint company secretary of the Company on 16 March 2021. Currently, Mr. Wang Baojun is the major contact person between Ms. Chen and the Company.

7. 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.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

7. Rights of shareholders (Continued)

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

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).

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.

8. Investment 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 way of poll combining on-site voting and online voting to ensure that the shareholders can exercise their rights.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

(1) Communication with Shareholders (Continued)

The contact with investors was deepened through holding online results conferences, participating in strategic meetings organized by securities firms and receiving investor visits by the Company. In 2020, the Company organized nine activities in connection with investor relations, conducted communications with 55 investors from 41 institutions, interacted with investors on issues such as the industry prospects, production and operation conditions, and passed on the Company's value information. In addition, the Company also communicated with the investors by responding to enquires from the investors on the online interactive platform and answering telephone enquiries from the investors through a hotline, thereby ensuring an unimpeded communication channel between the Company and the investors. The Company strictly complied with the Guidelines for Fair Information Disclosure of Listed Companies and other relevant requirements, and the issues communicated were based on the announced information of the Company.

(2) Significant Changes in the "Articles of Association"

On 16 March 2020, the Resolution on the Amendments to the Articles of the Association was approved at the first extraordinary general meeting of the Company in 2020. Pursuant to the requirements of the Guidance for the Articles of Association of Listed Companies (《上市公司章程指引》) promulgated by the CSRC, taking into account the actual situation of the Company, the Articles of Association were amended as follows:

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association

<u>Original Articles</u>	<u>Amendments</u>
<p>Article 30 In the following circumstances, the Company may repurchase its own outstanding shares subject to a resolution passed in accordance with the provisions of the Articles and with the approval of the relevant competent authorities of the State:</p>	<p>Article 30 In the following circumstances, the Company may repurchase its own outstanding shares subject to a resolution passed in accordance with the provisions of the Articles and with the approval of the relevant competent authorities of the State:</p>
<p>(1) To reduce the registered capital of the Company;</p>	<p>(1) To reduce the registered capital of the Company;</p>
<p>(2) To merge with another company which holds the shares of the Company;</p>	<p>(2) To merge with another company which holds the shares of the Company;</p>
<p>(3) To reward the employees of the Company by shares;</p>	<p>(3) <u>Allocation of shares to employee share option scheme or share award scheme;</u></p>
<p>(4) If requested by any shareholder to purchase his/her/its shares as he/she/it objects to any proposal in relation to the resolution of merger or split-up of the Company which has been passed at the general meetings.</p>	<p>(4) If requested by any shareholder to purchase his/her/its shares as he/she/it objects to any proposal in relation to the resolution of merger or split-up of the Company which has been passed at the general meetings;</p>
<p>The Company shall not engage in any sale and purchase of its own shares except for the above-mentioned circumstances.</p>	<p>(5) <u>Allocation of shares for conversion of corporate bonds issued by the Company;</u></p> <p>(6) <u>Necessary to maintain the value of the Company and safeguard the shareholders' rights and interest;</u></p> <p>(7) <u>Other circumstances permitted by laws and administrative regulations.</u></p>
	<p>The Company shall not engage in any sale and purchase of its own shares except for the above-mentioned circumstances.</p>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association (Continued)

Original Articles	Amendments
Article 31 The Company may, with the approval of the relevant regulatory authorities of the State for share repurchase, carry out the same by one of the following methods:	Article 31 The Company may, with the approval of the relevant regulatory authorities of the State for share repurchase, carry out the same by one of the following methods:
(1) An offer to repurchase made to all shareholders in equal proportions;	(1) An offer to repurchase made to all shareholders in equal proportions;
(2) Repurchase through open transactions on a securities exchange;	(2) Repurchase through open transactions on a securities exchange;
(3) Repurchase through off-market agreements outside a securities exchange.	(3) Repurchase through off-market agreements outside a securities exchange;
	(4) <u>Other means approved by the competent securities regulatory authority of the State Council and approved or exempted by the Hong Kong Securities and Futures Commission.</u>
	<u>Where the Company intends to acquire its shares pursuant to items (3), (5) and (6) under paragraph 1 of Article 30 herein, it shall be conducted through public centralized trading.</u>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association (Continued)

Original Articles	Amendments
<p>Article 33 Any purchase of its own shares by the Company under any of the circumstances as mentioned in paragraphs (1) to (3) of Article 30 shall be subject to the shareholders' resolution passed at the general meetings. Following the purchase of its own shares pursuant to the provisions of Article 30, the Company shall, under the circumstance mentioned in paragraph (1), write off such shares within 10 days after the purchase; if under the circumstance as mentioned in paragraphs (2) and (4), transfer or write off such shares within 6 months and apply to the authority for company registration with which it was originally registered for change of registration for registered capital.</p> <p>The shares purchased by the Company in accordance with paragraph (3) of Article 30 shall not exceed 5% of the total issued shares of the Company. The payments for such purchase of shares shall be made out of the after-tax profits of the Company. The shares so purchased shall be transferred to the employees within 1 year.</p> <p>The amount of the Company's registered capital shall be reduced by the par value of the shares cancelled.</p> <p>Article 52 Registration for changes in the register of shareholders for the transfer of shares shall not be proceeded within 30 days before the date of a shareholders' meeting or 5 days before the record date set for the purpose of distribution of dividends.</p>	<p>Article 33 Any purchase of its own shares by the Company under any of the circumstances as mentioned in paragraphs (1) to (2) of Article 30 shall be subject to the shareholders' resolution passed at the general meetings. If the Company intends to acquire its own shares due to circumstances specified in paragraphs (3), (5) and (6) of Article 30 herein, <u>a resolution shall be adopted in a board meeting with more than two thirds of directors attending.</u></p> <p>In the event that the Company has acquired its own shares under paragraph (1) of Article 30, the acquired shares shall be cancelled within ten days of such acquisition; if the Company has acquired its own shares under paragraphs (2) and (4) of Article 30 above, the acquired shares shall be transferred or cancelled within six months from the said acquisition; if the Company has acquired its own shares under paragraphs (3), (5) and (6) of Article 30 above, <u>the total number of shares of the Company held by the Company shall not exceed 10% of the total number of issued shares of the Company and such shares shall be transferred or cancelled within three years.</u></p> <p><u>The total amount of the Company's registered capital shall be reduced by the par value of the shares cancelled and registered with the original company registration authority on such changes of registered capital.</u></p> <p>Article 52 Where PRC laws and regulations and the Stock Exchange Listing Rules stipulate on the period of closure of the register of shareholders prior to a shareholders' general meeting or the record date set by the Company for the purpose of distribution of dividends, such provision shall prevail.</p>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association (Continued)

<u>Original Articles</u>	<u>Amendments</u>
<p>Article 73 The Company shall provide a venue for the general meeting to be held on site. The Company shall also provide the shareholders with other convenient means, including online facilities. Any shareholder attends the meeting through such other facilities shall be deemed to have attended the general meeting.</p>	<p>Article 73 <u>The Company shall hold shareholders' general meeting at its domicile or such other place as specified in the notice of the shareholders' general meeting.</u> The Company shall provide a venue for the general meeting to be held on site. The Company shall also provide the shareholders with other convenient means, including online facilities, to attend the general meetings. Any shareholder attending the meeting through such other facilities shall be deemed to have attended the general meeting.</p>
<p>Article 82 Where the Company convenes a shareholders' general meeting, written notice to notify all shareholders whose names appear in the share register of the matters to be reviewed at and the date and venue of the meeting must be given not less than 45 days before the meeting, provided that until such time as the Company has only one shareholder, a shareholders' general meeting may be convened with such shorter period of notice as the board of directors may in its discretion determine; and the period for service of written reply referred to in this Article and Article 84 shall not apply. Any shareholder intending to attend the shareholders' general meeting should serve to the Company a written reply stating his intention to attend the meeting 20 days before the date of the meeting.</p>	<p>Article 82 Where the Company convenes an annual shareholders' general meeting, <u>written notice to notify all shareholders whose names appear in the share register must be given not less than 20 business days before the meeting; when the Company convenes an extraordinary general meeting, a written notice to notify all registered shareholders must be given no later than 10 business days or 15 days (whichever is longer)</u> before the meeting. Such notice shall contain the matters to be considered at the meeting as well as the date and venue of the meeting. In the event that the Company has only one shareholder, a shareholders' general meeting may be convened with such shorter period of notice as the board of directors may in its discretion determine.</p>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association (Continued)

Original Articles	Amendments
<p>Article 84 Base on the written replies received by the Company 20 days before a shareholders' general meeting, the Company shall calculate the number of shares with voting rights represented by shareholders who have indicated their intention to attend the meeting. Where the number of shares with voting rights represented by those shareholders reaches over half of the Company's total number of such shares, the Company may convene the shareholders' general meeting. Otherwise, the Company shall, within 5 days, inform the shareholders again of the motions to be considered, the date and the venue of the meeting by way of public announcement. After making the announcement, the shareholders' general meeting may be convened.</p>	<p>Article 84 An extraordinary general meeting shall not decide on matters which are not specified in the notice.</p>
<p>An extraordinary general meeting shall not decide on matters which are not specified in the notice.</p>	
<p>Article 86 Notice of a shareholders' general meeting shall be served on each shareholder, whether or not entitled to vote thereat, by personal delivery or prepaid mail to the shareholder at his address shown in the register of shareholders. For holders of domestic invested shares, notices of shareholders' general meetings may be given by public announcement.</p>	<p>Article 86 Notice of a shareholders' general meeting shall be served on each shareholder, whether or not entitled to vote thereat, by personal delivery or prepaid mail to the shareholder at his address shown in the register of shareholders. For holders of domestic invested shares, notices of shareholders' general meetings may be given by public announcement.</p>
<p>The public announcement referred to in the preceding paragraph shall be published in one or more newspapers with national circulation approved by the securities regulatory authorities under the State Council on any day from forty-five to fifty days prior to the meeting. Once the announcement has been published, all holders of domestic invested shares shall be deemed to have received the notice of the relevant meeting. The Chinese and English versions of the public announcement shall also be published, as far as practicable, on the same day respectively in a major Chinese and a major English newspaper in Hong Kong.</p>	<p>The public announcement referred to in the preceding paragraph shall be published in one or more newspapers with national circulation approved by the securities regulatory authorities under the State Council <u>according to the term specified under Article 82 hereof</u>. Once the announcement has been published, all holders of domestic invested shares shall be deemed to have received the notice of the relevant meeting.</p>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association (Continued)

<u>Original Articles</u>	<u>Amendments</u>
<p>Article 139 Where the Company convenes a class meeting of shareholders, it shall forty-five (45) days before that meeting, issue written notices to notify all respective shareholders of that class whose names appear in the share register of the items to be considered and the date and venue of the meeting. Shareholders intending to attend the class meeting shall serve written replies to confirm their attendance to the Company twenty (20) days before the meeting.</p> <p>Where the number of voting shares represented by those shareholders intending to attend the meeting amounts to more than half of the total number of voting shares at the meeting, the Company may convene the class meeting. Otherwise, the Company shall, within five days, inform the shareholders again of the items to be considered and the date and venue of the meeting by way of a public announcement. After making such announcement, the class meeting may be convened by the Company.</p>	<p>Article 139 Where the Company convenes a class meeting of shareholders, it shall issue written notices in accordance with the time limit for notice specified under Article 82 <u>hereof</u> to notify all respective shareholders of that class whose names appear in the share register of the items to be considered and the date and venue of the meeting.</p>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association (Continued)

Original Articles	Amendments
<p>Article 147 Directors are elected or changed by the shareholders' general meeting. Directors shall serve a term of 3 years.</p> <p>Upon the expiration of his term and if re-elected, a director may serve consecutive terms. The directors shall be elected at a meeting of shareholders from candidates nominated by the board of directors or shareholders representing 5% or more of the issued shares of the Company.</p> <p>Directors may not hold shares in the Company.</p> <p>Nomination of candidates for directors shall be delivered in writing to the Company not earlier than the date the notice convening the meeting is issued and not later than 7 days prior to the date the meeting is to be held. Candidates shall serve notices to the Company expressing their intention to participate in election 7 days prior to the date the meeting is held.</p> <p>The chairman of the board is elected and removed by a majority of all the directors. The chairman of the board shall serve a term of 3 years, and may serve consecutive terms if re-elected. Directors may not hold shares in the Company.</p> <p>The board of directors shall be entitled to temporarily increase the number of or add new directors. But such directors shall only serve a term until the next shareholders' general meeting and be entitled to be re-elected and serve consecutive terms upon the approval of the general meeting.</p>	<p>Article 147 Directors are elected or changed by the shareholders' general meeting. Directors shall serve a term of 3 years, <u>and can be removed before the expiration of his term by a general meeting.</u></p> <p>Upon the expiration of his term and if re-elected, a director may serve consecutive terms. The directors shall be elected at a meeting of shareholders from candidates nominated by the board of directors or shareholders representing 5% or more of the issued shares of the Company.</p> <p>Directors may not hold shares in the Company.</p> <p>Nomination of candidates for directors shall be delivered in writing to the Company not earlier than the date the notice convening the meeting is issued and not later than 7 days prior to the date the meeting is to be held. Candidates shall serve notices to the Company expressing their intention to participate in election 7 days prior to the date the meeting is held.</p> <p>The chairman of the board is elected and removed by a majority of all the directors. The chairman of the board shall serve a term of 3 years, and may serve consecutive terms if re-elected. Directors may not hold shares in the Company.</p> <p>The board of directors shall be entitled to temporarily increase the number of or add new directors. But such directors shall only serve a term until the next shareholders' general meeting and be entitled to be re-elected and serve consecutive terms upon the approval of the general meeting.</p>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association (Continued)

Original Articles	Amendments
<p>Subject to the stipulations of relevant laws and regulations, the shareholders' general meeting may remove any director by ordinary resolution prior to the expiration of such directors' term, but without prejudice to any claim for damages which may be raised under any contract.</p>	<p>Subject to the stipulations of relevant laws and regulations, the shareholders' general meeting may remove any director by ordinary resolution prior to the expiration of such directors' term, but without prejudice to any claim for damages which may be raised under any contract.</p>
<p>The term of office of a director shall commence on the date when he takes up the position until the expiry of the current term of the board of directors of which he is a member. If new directors fail to be elected in a timely manner upon expiry of the term of directors, the original directors shall continue to perform the duty of directors in accordance with laws, administrative regulations, department rules and the Articles before the newly elected directors take up the position.</p>	<p>The term of office of a director shall commence on the date when he takes up the position until the expiry of the current term of the board of directors of which he is a member. If new directors fail to be elected in a timely manner upon expiry of the term of directors, the original directors shall continue to perform the duty of directors in accordance with laws, administrative regulations, department rules and the Articles before the newly elected directors take up the position.</p>
<p>The general manager or other senior officers may concurrently serve as directors. However, the number of directors who serve concurrently as the general manager or other senior officers and the number of directors who are the staff representatives shall not in aggregate exceed 50% of the total number of the directors of the Company.</p>	<p>The general manager or other senior officers may concurrently serve as directors. However, the number of directors who serve concurrently as the general manager or other senior officers and the number of directors who are the staff representatives shall not in aggregate exceed 50% of the total number of the directors of the Company.</p>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association
(Continued)

<u>Original Articles</u>	<u>Amendments</u>
Article 172 The board of directors shall formulate the rules of procedure for the board's meetings to ensure that the board of directors shall implement the resolutions of shareholders' general meetings, improve work efficiency and make decisions in a scientific manner.	Article 172 The board of directors shall formulate the rules of procedure for the board's meetings to ensure that the board of directors shall implement the resolutions of shareholders' general meetings, improve work efficiency and make decisions in a scientific manner. <u>The board of directors shall set up the Audit Committee, Nomination Committee and Remuneration Committee, and may set up other committees such as Strategic Committee in due course. All members of committees shall be directors, among which, the convenor and the majority of the Audit Committee, Nomination Committee and Remuneration Committee shall be independent directors. At least one independent director of the Audit Committee shall be an accounting professional or hold appropriate financial management expertise.</u>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

8. Investment relations (Continued)

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

Comparison Table of the Amendments to the Articles of Association (Continued)

<u>Original Articles</u>	<u>Amendments</u>
<p>Article 179 Meetings of the board of directors shall be held only if half or more of the directors or their proxies are in attendance.</p> <p>Unless otherwise required by the Articles, the board may pass resolutions only upon a majority vote; in the case of an equality of votes, the chairman of the board shall have a second vote.</p> <p>Any director who has connected relationship with the enterprises involved in the resolutions of the meetings of the board of directors shall not vote for such resolutions and shall not vote as a proxy of other directors. The meeting of the board of directors shall be held only with more than half of all non-connected directors attending. The resolutions made by the meeting of the board of directors shall be passed by more than half of all the non-connected directors. When the number of non-connected directors attending the board of directors are less than three, the matters shall be submitted to the shareholders' general meeting for approval.</p> <p>Article 188 Any personnel who takes up the position other than a director in the controlling shareholder or actual controller of the Company shall not serve as the senior officer of the Company.</p>	<p>Article 179 <u>Unless otherwise required by the Company Law and the Articles</u>, meetings of the board of directors shall be held only if half or more of the directors or their proxies are in attendance.</p> <p>Unless otherwise required by the Articles, the board may pass resolutions only upon a majority vote; in the case of an equality of votes, the chairman of the board shall have a second vote.</p> <p>Any director who has connected relationship with the enterprises involved in the resolutions of the meetings of the board of directors shall not vote for such resolutions and shall not vote as a proxy of other directors. The meeting of the board of directors shall be held only with more than half of all non-connected directors attending. The resolutions made by the meeting of the board of directors shall be passed by more than half of all the non-connected directors. When the number of non-connected directors attending the board of directors are less than three, the matters shall be submitted to the shareholders' general meeting for approval.</p> <p>Article 188 Any personnel who takes up the <u>administrative position other than a director or a supervisor</u> in the controlling shareholder of the Company shall not serve as the senior officer of the Company.</p>

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

9. Corporate governance responsibilities

The Board is responsible for performing the functions as set out in code provision D.3.1 of the Corporate Governance Code under the Hong Kong Listing Rules 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 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 of relevant legal and regulatory requirements;
- (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 and made disclosures in the Corporate Governance Report.

10. Risk management and internal control

The Board has reviewed the risk management and internal control systems of the Company and its subsidiaries. The Company has an internal audit department and internal audit function. In 2020, the Company reviewed the 2019 internal control system and the 2020 annual risk management each for once. The Board believes that the risk management and internal control system settings of the Company and its subsidiaries are sufficient and effective.

11. Auditor and remuneration of auditor

For the year ended 31 December 2020, 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.

There was no disagreement between the Board and the Audit Committee on the selection, appointment or removal of the auditors.

Corporate Governance (Continued)

VI. CORPORATE GOVERNANCE REPORT (CONTINUED)

12. Board diversity policy

According to the regulations of the Hong Kong Stock Exchange, the Company has formulated the “Board Diversity Policy”. The company is committed to the principle of equal opportunity in all aspects of business, and no one will be discriminated against due to race, gender, disability, religion or ideological belief, age, sexual orientation, family position 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 of directors. The appointment of members of the board of directors will continue to be based on the principle of employing only the best, considering the candidates who can serve as members of the board of directors according to objective criteria, and taking due account of the benefits of diversity of members of the board of directors.

VII. APPRAISAL AND INCENTIVE MECHANISM FOR THE SENIOR MANAGEMENT

The Company has set up position-based and risk-based annual salary distribution schemes for the senior management. The position-based salary scheme is linked to the Company’s overall operating results while the risk-based annual salary system is linked to the performance of and operational indicators assumed by individuals.

VIII. INTERNAL CONTROL

1. Specific information on whether significant defects of internal control were found during the Reporting Period

Yes No

Corporate Governance (Continued)

VIII. INTERNAL CONTROL (Continued)

2. Evaluation report on internal control

The proportion of the total unit asset under the scope of evaluation to the total assets of the consolidated financial statements of the Company 99.74%

The proportion of the unit operating income under the scope of evaluation to the operating income of the consolidated financial statements of the Company 99.67%

Defect identification standards

Type	Financial report	Non-financial report
Qualitative identification standard	<ol style="list-style-type: none"> 1. Significant defect: <ol style="list-style-type: none"> (1) The directors, supervisors and senior management are found to have fraudulent behavior. (2) Amendment to the published financial report of the Company. (3) there was a material misstatement in the financial statements, and the internal control failed to find the misstatement during the operation. (4) The supervision of internal control by the enterprise audit committee and the internal audit institution was invalid. 	<ol style="list-style-type: none"> 1. Defect identification standards for internal control of daily operations: <ol style="list-style-type: none"> (1) General defect: 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. (2) Major defect: 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. (3) Significant defect: 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.

Corporate Governance (Continued)

VIII. INTERNAL CONTROL (CONTINUED)

2. Evaluation report on internal control (Continued)

Defect identification standards (Continued)

Type	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. Defect identification standards for internal control of the Company's reputation as follows:</p> <p>(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.</p> <p>(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.</p>

Corporate Governance (Continued)

VIII. INTERNAL CONTROL (CONTINUED)

2. Evaluation report on internal control (Continued)

Defect identification standards (Continued)

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

Corporate Governance (Continued)

VIII. INTERNAL CONTROL (CONTINUED)

2. Evaluation report on internal control (Continued)

Defect identification standards (Continued)

Type	Financial report	Non-financial report
		<p>4. Defect identification standards for internal control of the Company's environmental protection:</p> <p>(1) General defect: middle-level impact on the environment, the occurrence of general environmental incident (National level IV).</p> <p>(2) Major defect: relatively large damage on the environment, the occurrence of larger environmental accident (National level III).</p> <p>(3) Significant defect: serious damage on the environment, the occurrence of environmental protection incident at the level of significant environmental accident (National level II) or above.</p>
Quantitative identification standard	<p>1. Significant defect: significant effect on financial indicators and liquidity (0.8 time \leq turnover of current assets $<$ 1 time); effect on total profit \geq RMB50 million; effect on total assets \geq RMB8 billion.</p> <p>2. Major defect: larger effect on financial indicators and liquidity (0.5 time \leq turnover of current assets $<$ 0.8 time); RMB1 million \leq effect on total profit $<$ RMB50 million; RMB4.8 billion \leq effect on total assets $<$ RMB8 billion.</p> <p>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.</p>	

Corporate Governance (Continued)

VIII. INTERNAL CONTROL (CONTINUED)

2. Evaluation report on internal control (Continued)

Defect identification standards (Continued)

Type	Financial report	Non-financial report
Number of significant defects of financial report	0	0
Number of significant defects of non-financial report	0	0
Number of major defects of financial report	0	0
Number of major defects of non-financial report	0	0

IX. 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 2020.

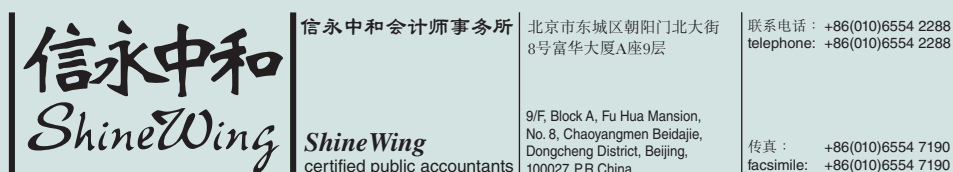
Type of opinion on the auditor's report on internal control	Standard unqualified opinion
Whether there is material defect of the non-financial report	No

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.

Annual General Meeting

The 2020 annual general meeting of the Company will be held on Wednesday, 26 May 2021, 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/2021BJAA150081

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, 2020, 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, 2020, 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 section 6 and 40 of the notes to financial statements, the operating revenue in 2020 amounted to 100,903 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.

Auditor's Report (Continued)

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

- (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.
- (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 LLP

Chinese Certified Public Accountant: Fan Jianping

Chinese Certified Public Accountant: Fu Yangyi

Beijing, China

March 30, 2021

Consolidated Balance Sheet

As at 31 December 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2020	31 December 2019
Current assets:			
Cash and cash equivalents	6.1	5,329	4,671
Notes receivable	6.2	63	2,635
Accounts receivable	6.3	2,593	2,569
Receivables financing	6.4	1,009	
Prepayments	6.5	3,117	3,405
Other receivables	6.6	56	100
Including: interests receivable	6.6		
Dividends receivable	6.6		
Inventories	6.7	10,618	9,793
Other current assets	6.8	231	319
Total current assets		23,016	23,492
Non-current assets:			
Long-term equity investments	6.9	2,965	2,894
Other investments in equity instruments	6.10	476	465
Other non-current financial assets	6.11	34	38
Fixed assets	6.12	50,372	50,966
Construction in progress	6.13	1,814	1,549
Right-of-use assets	6.14	822	162
Intangible assets	6.15	5,988	6,163
Deferred income tax assets	6.16	1,369	1,028
Other non-current assets	6.17	1,190	1,051
Total non-current assets		65,030	64,316
Total assets		88,046	87,808
Current liabilities:			
Short-term loans	6.18	8,505	12,195
Derivative financial liabilities	6.19	43	
Notes payable	6.20	2,620	3,143
Accounts payable	6.21	7,939	5,424
Contract liabilities	6.22	5,611	4,896
Employee benefits payable	6.23	228	153
Tax payable	6.24	387	(3)
Other payables	6.25	1,960	2,530
Including: interests payable	6.25	15	9
Dividends payable	6.25		8
Non-current liabilities due within 1 year	6.26	409	1,003
Total current liabilities		27,702	29,341

Consolidated Balance Sheet (Continued)

As at 31 December 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2020	31 December 2019
Non-current liabilities:			
Long-term loans	6.27	3,478	3,392
Bonds payable	6.28	1,476	1,513
Lease liability	6.29	665	160
Long-term employee benefits payable	6.30	125	98
Deferred income	6.31	595	584
Deferred income tax liabilities	6.16	112	93
Other non-current liabilities	6.32	35	79
Total non-current liabilities		6,486	5,919
Total liabilities		34,188	35,260
Shareholders' equity:			
Share capital	6.33	9,405	9,405
Capital reserve	6.34	33,485	33,485
Less: Treasury shares	6.35	166	
Other comprehensive income	6.36	(80)	(139)
Special reserve	6.37	74	54
Surplus reserve	6.38	3,849	3,723
Undistributed profit	6.39	6,798	5,551
Subtotal of Shareholders' equity attributable to shareholders of parent company		53,365	52,079
Minority interests		493	469
Total shareholders' equity		53,858	52,548
Total liabilities and shareholders' equity		88,046	87,808

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 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Operating income		100,903	105,587
Including: operating income	6.40	100,903	105,587
Operating costs		98,325	103,675
Less: operating costs	6.40	91,605	96,782
Tax and surcharges	6.41	993	962
Marketing expenses	6.42	3,204	3,064
Administrative expenses	6.43	1,329	1,331
Research and development expenses	6.44	417	443
Financial expenses	6.45	777	1,093
Including: interests expenses	6.45	899	1,083
Interests revenue	6.45	66	42
Add: Other income	6.46	65	82
Investment income (“-” for losses)	6.47	212	166
Including: income from investment in jointly ventures and associates	6.47	191	182
Gains/losses from fair value variation (“-” for losses)	6.48	(18)	65
Impairment losses on assets (“-” for losses)	6.49	(39)	137
Credit impairment loss (“-” for losses)	6.50	(324)	(340)
Asset disposal income (“-” for losses)	6.51	8	3
Operating profit (“-” for losses)		2,482	2,025
Add: Non-operating income	6.52	33	15
Less: Non-operating expenses	6.53	112	68
Profit before income tax (“-” for losses)		2,403	1,972
Less: Income tax expenses	6.54	407	212
Net profit for the period (“-” for losses)		1,996	1,760
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		1,996	1,760
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		1,978	1,787
ii. Minority interest income		18	(27)

Consolidated Income Statement (Continued)

For the twelve months Ended 31 December 2020 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	6.55	(10)	(83)
Net after-tax net of other comprehensive income attributable to the parent company owner	6.55	(10)	(83)
I. The other comprehensive income which can not be reclassified into profit or loss	6.55	(9)	(86)
i. Changes in fair value of other investments in equity instrument investment	6.55	(9)	(86)
II. The other comprehensive income which can be classified into profit or loss	6.55	(1)	3
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	6.55	(1)	3
ii. The profit or loss from the change at fair value of available-for-sale financial assets			
Net after-tax net of other comprehensive income attributable to minority shareholders			
Total comprehensive income		1,986	1,677
The other comprehensive income attributed to the owners of the company		1,968	1,704
The other comprehensive income attributed to the minority		18	(27)
Earning per share:			
Basic earning per share (RMB/share)	19.2	0.210	0.190
Diluted earning per share (RMB/share)	19.2	0.198	0.187

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 2020 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		103,671	96,309
Refund of taxes and fares		27	162
Other cash received from operating activities	6.56	162	327
Sub-total of cash inflows		103,860	96,798
Cash paid for goods and services		82,277	75,894
Cash paid to and for the employees		4,411	4,448
Cash paid for all types of taxes		2,732	3,068
Other cash paid for operating activities	6.56	4,524	3,368
Sub-total of cash outflows		93,944	86,778
Net cash flow from operating activities	6.57	9,916	10,020
Cash flows from investing activities:			
Cash received from return of investments			
Cash received from investment income		165	209
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		22	3
Other cash received from investment activities	6.56	113	68
Sub-total of cash inflows		300	280
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		3,778	3,415
Cash paid for acquisition of investments		14	80
Other cash paid for investment activities	6.56	60	51
Sub-total of cash outflows		3,852	3,546
Net cash flow from investing activities		(3,552)	(3,266)

Consolidated Cash Flow Statement (Continued)

For the twelve months Ended 31 December 2020 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		5	
Including: Received of subsidiary from minority shareholders			
Cash received from borrowings		12,605	17,415
Other cash received from financing activities	6.56	1	33
Sub-total of cash inflows		12,611	17,448
<hr/>			
Cash paid for settling of debts		16,803	18,508
Cash paid for distribution of dividends or profit and repayment of interests		1,262	2,388
Including: dividends or profit paid to minority shareholders		9	
Other cash paid for financing activities	6.56	252	789
Sub-total of cash outflows		18,317	21,685
Net cash inflow from financing activities		(5,706)	(4,237)
<hr/>			
Effect of changes in foreign exchange rate on cash and cash equivalents			
<hr/>			
Net increase in cash and cash equivalents	6.57	658	2,517
<hr/>			
Add: Cash and cash equivalents at beginning of this period	6.57	4,671	2,154
<hr/>			
Cash and cash equivalents at the end of this period	6.57	5,329	4,671
<hr/>			

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 2020 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. 2019	9,405	33,485		(139)	54	3,723		5,551	469	52,548
Add: Changes of accounting policy										
Business combination under the common control										
Others										
Balance as of 1 Jan. 2020	9,405	33,485		(139)	54	3,723		5,551	469	52,548
Increase/decrease in 2020										
("-" represents loss)			166	59	20	126		1,247	24	1,310
(1) Total amount comprehensive income				(10)				1,978	18	1,986
(2) Capital introduced or withdrawn by owners			166						5	(161)
i. Capital introduced by owners									5	5
ii. Capital introduced by other investments in equity instruments holders										
iii. Others			166							(166)
(3) Profit distribution						126		(662)	(1)	(537)
i. Transfer to surplus reserve						126		(126)		
ii. Distribution to shareholders								(536)	(1)	(537)
iii. Others										
(4) Transfer within shareholder's equity				69				(69)		
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				69				(69)		
v. Others										
(5) Special reserve					20				2	22
i. Extracts of this period					189				4	193
ii. Usage of this period					(169)				(2)	(171)
Balance as of 31 Dec. 2020	9,405	33,485	166	(80)	74	3,849		6,798	493	53,858

Consolidated Statement of Changes in equity (Continued)

For the Twelve Months Ended 31 December 2020 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. 2018	7,235	35,655		(241)	49	3,628		5,636	503	52,465
Add: Changes of accounting policy										
Business combination under the common control										
Others										
Balance as of 1 Jan. 2019	7,235	35,655		(241)	49	3,628		5,636	503	52,465
Increase/decrease in 2019										
("-" represents loss)	2,170	(2,170)		102	5	95		(85)	(34)	83
(1) Total amount comprehensive income				(83)				1,787	(27)	1,677
(2) Capital introduced or withdrawn by owners										
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others										
(3) Profit distribution						95		(1,687)	(8)	(1,600)
i. Transfer to surplus reserve						95		(95)		
ii. Distribution to shareholders								(1,592)	(8)	(1,600)
iii. Others										
(4) Transfer within shareholder's equity	2,170	(2,170)		185				(185)		
i. Transfer from capital reserve to share capital	2,170	(2,170)								
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings										185
v. Others										(185)
(5) Special reserve					5				1	6
i. Extracts of this period					120				2	122
ii. Usage of this period					(115)				(1)	(116)
Balance as of 31 Dec. 2019	9,405	33,485		(139)	54	3,723		5,551	469	52,548

Legal representative:

Wang Yidong

Chief Accountant:

Wang Baojun

Person-in-charge of accounting department:

You Yu

Parent company balance sheet

As at 31 December 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2020	31 December 2019
Current assets:			
Cash and cash equivalents		1,586	3,237
Derivative financial assets			
Notes receivable		46	2,200
Accounts receivable	16.1	2,567	2,760
Receivables financing		716	
Prepayments		2,927	3,239
Other receivables	16.2	102	203
Including: interests receivable			
Dividends receivable			12
Inventories		8,263	7,308
Other current assets		304	
Total current assets		16,511	18,947
Non-current assets:			
Long-term equity investments	16.3	12,612	11,483
Other investments in equity instruments		476	465
Other non-current financial assets		34	38
Fixed assets		43,292	43,784
Construction in progress		1,529	1,319
Right-of-use assets		808	159
Intangible assets		5,561	5,725
Deferred income tax assets		1,277	887
Other non-current assets		1,124	1,022
Total non-current assets		66,713	64,882
Total assets		83,224	83,829
Current liabilities:			
Short-term loans		8,505	12,895
Derivative financial liabilities		43	
Notes payable		2,519	2,894
Accounts payable		7,240	4,700
Contract liabilities		4,995	3,660
Employee benefits payable		176	138
Tax payable		180	(69)
Other payables		1,732	2,356
Including: interests payable		12	4
Dividends payable			
Non-current liabilities due within 1 year		300	900
Total current liabilities		25,690	27,474

Parent company balance sheet (Continued)

As at 31 December 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	31 December 2020	31 December 2019
Non-current liabilities:			
Long-term loans		3,350	3,200
Bonds payable		1,476	1,513
Lease liability		652	157
Long-term employee benefits payable		122	95
Deferred income		463	446
Deferred income tax liabilities		112	93
Other non-current liabilities		35	79
Total non-current liabilities		6,210	5,583
Total liabilities		31,900	33,057
Shareholders' equity:			
Share capital		9,405	9,405
Capital reserve		26,527	26,527
Less: Treasury shares		166	
Other comprehensive income		(80)	(139)
Special reserve		25	22
Surplus reserve		3,839	3,713
Undistributed profit		11,774	11,244
Subtotal of Shareholders' equity attributable to shareholders of parent company		51,324	50,772
Minority interests			
Total shareholders' equity		51,324	50,772
Total liabilities and shareholders' equity		83,224	83,829

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 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Operating income		91,764	98,643
Including: operating income	16.4	91,764	98,643
Operating costs		90,719	98,101
Less: operating costs	16.4	84,880	92,012
Tax and surcharges		846	824
Marketing expenses		2,667	2,580
Administrative expenses		1,135	1,166
Research and development expenses		408	435
Financial expenses		783	1,084
Including: interests expenses		892	1,061
Interests revenue		52	28
Add: Other income		57	67
Investment income (“-” for losses)	16.5	659	488
Including: income from investment in jointly ventures and associates	16.5	190	181
Gains/losses from fair value variation (“-” for losses)		(18)	65
Impairment losses on assets (“-” for losses)		(25)	139
Credit impairment loss (“-” for losses)		(322)	(340)
Asset disposal income (“-” for losses)		10	7
Operating profit (“-” for losses)		1,406	968
Add: Non-operating income		30	8
Less: Non-operating expenses		106	49
Profit before income tax (“-” for losses)		1,330	927
Less: Income tax expenses		69	(24)
Net profit for the period (“-” for losses)		1,261	951
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		1,261	951
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		1,261	951
ii. Minority interest income			

Parent Company Income Statement (Continued)

For the twelve months Ended 31 December 2020 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		(10)	(83)
Net after-tax net of other comprehensive income attributable to the parent company owner		(10)	(83)
I. The other comprehensive income which can not be reclassified into profit or loss		(9)	(86)
i. Changes in fair value of other investments in equity instrument investment		(9)	(86)
II. The other comprehensive income which can be classified into profit or loss		(1)	3
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method		(1)	3
ii. The profit or loss from the change at fair value of available-for-sale financial assets			
Net after-tax net of other comprehensive income attributable to minority shareholders			
Total comprehensive income		1,251	868
The other comprehensive income attributed to the owners of the company		1,251	868
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 2020 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		95,712	92,622
Refund of taxes and fares			149
Other cash received from operating activities		180	325
Sub-total of cash inflows		95,892	93,096
Cash paid for goods and services		76,682	75,767
Cash paid to and for the employees		3,772	3,849
Cash paid for all types of taxes		2,139	2,395
Other cash paid for operating activities		4,419	3,448
Sub-total of cash outflows		87,012	85,459
Net cash flow from operating activities		8,880	7,637
Cash flows from investing activities:			
Cash received from return of investments			518
Cash received from investment income		625	
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		66	704
Net cash received from disposal of subsidiaries and other business units		96	55
Sub-total of cash inflows		787	1,277
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		3,588	3,208
Cash paid for acquisition of investments		1,073	198
Other cash paid for investment activities		60	51
Sub-total of cash outflows		4,721	3,457
Net cash flow from investing activities		(3,934)	(2,180)
Cash flows from financing activities:			
Cash received from borrowings		12,605	17,995
Other cash received from financing activities		58	519
Sub-total of cash inflows		12,663	18,514

Parent Company Cash Flow Statement (Continued)

For the twelve months Ended 31 December 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash paid for settling of debts		17,445	18,215
Cash paid for distribution of dividends or profit and repayment of interests		1,266	2,389
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities		549	1,255
Sub-total of cash outflows		19,260	21,859
Net cash inflow from financing activities		(6,597)	(3,345)
Effect of changes in foreign exchange rate on cash and cash equivalents			
Net increase in cash and cash equivalents		(1,651)	2,112
Add: Cash and cash equivalents at beginning of this period		3,237	1,125
Cash and cash equivalents at the end of this period		1,586	3,237

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 2020 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. 2019	9,405	26,527		(139)	22	3,713		11,244		50,772
Add: Changes of accounting policy										
Business combination under the common control										
Others										
Balance as of 1 Jan.2020	9,405	26,527		(139)	22	3,713		11,244		50,772
Increase/decrease in 2020										
("-" represents loss)			166	59	3	126		530		552
(1) Total amount comprehensive income				(10)				1,261		1,251
(2) Capital introduced or withdrawn by owners			166							(166)
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others			166							(166)
(3) Profit distribution						126		(662)		(536)
i. Transfer to surplus reserve						126		(126)		
ii. Distribution to shareholders								(536)		(536)
iii. Others										
(4) Transfer within shareholder's equity				69				(69)		
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				69				(69)		
v. Others										
(5) Special reserve					3					3
i. Extracts of this period					140					140
ii. Usage of this period					(137)					(137)
Balance as of 31 Dec. 2020	9,405	26,527	166	(80)	25	3,839		11,774		51,324

Parent company statement of changes in equity (Continued)

For the twelve months Ended 31 December 2020 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Share capital	Capital reserve	Preceding period cumulative Equity attributable to parent company				General risk reserve	Undistributed profit	Minority interests	Total of shareholders' equity
			Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve				
Balance as of 31 Dec. 2018	7,235	28,697		(241)	19	3,618		12,165	51,493	
Add: Changes of accounting policy										
Business combination under the common control										
Others										
Balance as of 1 Jan. 2019	7,235	28,697		(241)	19	3,618		12,165	51,493	
Increase/decrease in 2019										
("-" represents loss)	2,170	(2,170)		102	3	95		(921)	(721)	
(1) Total amount comprehensive income				(83)				951	868	
(2) Capital introduced or withdrawn by owners										
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others										
(3) Profit distribution						95		(1,687)	(1,592)	
i. Transfer to surplus reserve						95		(95)		
ii. Distribution to shareholders								(1,592)	(1,592)	
iii. Others										
(4) Transfer within shareholder's equity	2,170	(2,170)		185				(185)		
i. Transfer from capital reserve to share capital	2,170	(2,170)								
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings									185	
v. Others									(185)	
(5) Special reserve					3				3	
i. Extracts of this period					79				79	
ii. Usage of this period					(76)				(76)	
Balance as of 31 Dec. 2019	9,405	26,527		(139)	22	3,713		11,244	50,772	

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

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

Notes to Financial Statements

31 December 2020 (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 30 March, 2021.

For detail information about subsidiaries that have been included in the scope of consolidation by the end of the year, please refer to Note 8 Interests In Other Entities. Two new subsidiaries were added to the scope of consolidation this year. For details, please refer to Note 7 Changes In Consolidation Scope.

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, 2020, 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 2020 (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 Enterprise. These financial statements present truly, accurately and completely the financial position of the Group as of 31 December 2020, the financial performance and cash flow of the Group for the twelve months ended 31 December 2020. 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 2020 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (Continued)

4.4 Accounting treatment of business combinations (Continued)

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 2020 (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 2020 (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 2020 (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 2020 (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 2020 (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 Accounting Standards for Business Enterprises 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.

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.

Notes to Financial Statements (Continued)

31 December 2020 (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 financial assets at amortized cost if both of the following conditions are met:①the financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows;②the 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.

The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:①the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling;②the 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.

Notes to Financial Statements (Continued)

31 December 2020 (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 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.

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 2020 (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: ①for 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. ②for 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:①the contractual rights to the cash flow from the financial asset expire,②the Group transfers substantially all the risks and rewards of the ownership of the financial asset;③the 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 2020 (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: ①Debt investment; ②Lease receivables; ③Contract assets; ④accounts receivable; ⑤Financial 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 2020 (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: ①Accounts 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. ②Finance lease receivables. ③Operating lease receivables

In addition to the above items, the Group measured the other items in the following situations for their impairment provision: ①For 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. ②For 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. ③For 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 2020 (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 2020 (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 2020 (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 the common control, it is measured at fair value through profit or loss.

Notes to Financial Statements (Continued)

31 December 2020 (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 2020 (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 (Continued)

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 2020 (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:①If 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.②If 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 2020 (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 canceled.

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 2020 (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 2020 (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 2020 (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, and 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 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 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 2020 (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 2020 (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 2020 (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 2020 (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 2020 (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 2020 (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 2020 (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 2020 (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 2020 (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: ①the Group has a practical obligation as a result of the past event; ②probable economic benefit will flow out to settle the obligation and; ③the 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 2020 (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 2020 (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 2020 (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 2020 (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 2020 (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:①Receivable amount shall be confirmed by the documents issued by relevant government departments, or be reasonably calculated according to relevant document without significant uncertainty;②The 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. ③It 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 in subsequent periods while relevant expenses occur or loss incurs.

Government grants related to the daily activities of the Group are included in other income in accordance with the nature of the economic business; government grants not related to daily activities are included in the non-operating income and expenditure.

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 2020 (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 relate 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 2020 (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 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, 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 2020 (Expressed in million RMB unless otherwise indicated)

4. Significant accounting policies and estimates (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:①the lessee may profit from using the asset alone or in conjunction with other resources that are readily available;②there 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 2020 (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 2020 (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:①the lease change expands the scope of the lease by increasing the right to use one or more leased assets;②the 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 2020 (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:①if 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;②for 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 2020 (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 2020 (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 2020 (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 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 2020 (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 2020 (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 2020 (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 2020 (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. 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.

6. Notes to consolidated financial statements

Unless otherwise specified, the current year refers to the year 2020, last year refers to the year 2019.

6.1 Cash and cash equivalents

Items	31 December 2020	31 December 2019
Cash		
Bank deposits	5,176	4,504
Other cash balance	153	167
Total	5,329	4,671

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.2 Notes receivable

6.2.1 Classification of notes receivable

Items	31 December 2020			31 December 2019		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank acceptance notes	63		63	2,635		2,635
Commercial acceptance notes						
Total	63		63	2,635		2,635

6.2.2 Notes receivable transferred to accounts receivable due to insolvency of the issuer as of 31 December 2020.

Items	Amount transferred to accounts receivable at the end of the year
Bank acceptance notes	947
Commercial acceptance notes	
Total	947

6.2.3 The aging of the notes receivable at the end of the year

The above aging of the Group's notes receivable at the end of the year is within 1 year.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.3 Accounts receivable

6.3.1 Classification of accounts receivable

Items	31 December 2020				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,031	30.89	739	71.68	292
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,307	69.11	6	0.26	2,301
Risk group combination on the basis of aging-matrix	455	13.63			455
	1,852	55.48	6	0.32	1,846
Total	3,338	100.00	745	22.32	2,593

Items	31 December 2019				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,039	34.74	419	40.33	620
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	1,952	65.26	3	0.15	1,949
Risk group combination on the basis of aging-matrix	700	23.40			700
	1,252	41.86	3	0.24	1,249
Total	2,991	100.00	422	14.11	2,569

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.3 Accounts receivable (Continued)

6.3.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2020			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Tianjin Resources Group Finance Co., Ltd. (Department of finance)	605	472	78.02	Notes overdue
HNA Group Finance Co., Ltd. (HNA Finance Division)	264	150	56.82	Notes overdue
Chongqing Lifan Finance Co., Ltd. (Lifan Finance)	78	34	43.59	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	The company has gone into liquidation
Shenyang Brilliance Dongxing Auto Parts Co., Ltd.	2	2	100.00	The company has filed for bankruptcy
Total	1,031	739	-	-

6.3.3 Accounts receivable classified by aging

Aging	31 December 2020	31 December 2019
Within 1 year	2,234	2,844
1 to 2 years	968	15
2 to 3 years	14	14
3 to 4 years	14	17
4 to 5 years	16	32
Over 5 years	92	69
Total	3,338	2,991

Note: In the above analysis, the aging of accounts receivable (RMB947 million in total) transferred from overdue notes receivable is calculated on the transfer date. The aging is 1 to 2 years. Meanwhile, the rest of accounts receivable is based on the invoice date.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.3 Accounts receivable (Continued)

6.3.4 Bad debt provision

Type	31 December 2019	Increase/Decrease			31 December 2020
		Bad debt provision	Reverse	Resale or verification	
Accounts receivable	422	323			745

6.3.5 Accounts receivable written off this period

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

6.3.6 The condition of accounts receivable of the top five debtors by the balances as of 31 December 2020

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB1,665 million as of 31 December 2020, which accounted for 49.88% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB623 million as of 31 December 2020.

6.3.7 Accounts receivable derecognized resulting from transfer of financial assets

The amount of transferred accounts receivables have reached RMB444 million, and expenses resulting from derecognition have achieved RMB3 million in 2020. Please refer to Note 9 and 4 for details.

6.4 Receivables financing

6.4.1 Classification of receivables financing

Items	31 December 2020			31 December 2019		
	Book Value	Bad Debt Provision	Net Book Value	Book Value	Bad Debt Provision	Net Book Value
Bank acceptance notes	991		991			
Commercial acceptance notes	18		18			
Total	1,009		1,009			

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.4 Receivables financing (Continued)

6.4.2 Receivables financing of the Company pledged as of 31 December 2020

Items	Pledged Notes by End of 31 December 2020
Bank acceptance notes	104
Total	104

The Group has pledged notes receivable with a book value of RMB104 million to the bank and obtained RMB101 million in notes payable this year, of which the pledge period of RMB94 million is from January 2021 to May 2021, and the pledge period of RMB10 million is from January 2021 to June 2021.

6.4.3 Receivables financing that have been endorsed or discounted and have not expired at the end of 31 December 2020

Items	Amount of Termination Confirmation	Amount of Non-termination Confirmation
Bank acceptance notes	9,850	
Total	9,850	

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.5 Prepayments

6.5.1 Prepayments classified by aging

Items	31 December 2020		31 December 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,022	96.96	3,332	97.85
1 to 2 years	91	2.92	68	2.00
2 to 3 years	2	0.06	5	0.15
Over 3 years	2	0.06		
Total	3,117	100.00	3,405	100.00

6.5.2 The condition of prepayment of the top five debtors by the balances at the end of year

The prepayment balance of the top five debtors is RMB2,570 million in total, accounting for 82.45% of the prepayment balance on 31 December 2020.

6.6 Other receivables

Items	31 December 2020	31 December 2019
Dividends receivable		
Other receivables	56	100
Total	56	100

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.6 Other receivables (Continued)

6.6.1 The condition of other receivables

6.6.1.1 Classification of other receivables

Items	31 December 2020				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	13.43	9	100.00	
Other receivables for which bad debt is prepared based on group combination	58	86.57	2	3.45	56
Including: Risk-free group combination	1	1.49			1
Risk group combination on the basis of aging-matrix	57	85.08	2	3.51	55
Total	67	100.00	11	16.42	56

Items	31 December 2019				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	8.18	9	100.00	
Other receivables for which bad debt is prepared based on group combination	101	91.82	1	0.99	100
Including: Risk-free group combination	1	0.91			1
Risk group combination on the basis of aging-matrix	100	90.91	1	1.00	99
Total	110	100.00	10	9.09	100

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.6 Other receivables (Continued)

6.6.1 The condition of other receivables (Continued)

6.6.1.2 Other receivables classified by the nature

Type	31 December 2020	31 December 2019
The remaining factoring receivable	44	92
The service fee of land acquisition	9	9
Petty cash	6	5
Others	8	4
Total	67	110

6.6.1.3 Other receivables classified by aging

Aging	31 December 2020	31 December 2019
Within 1 year	52	97
1 to 2 years	1	
2 to 3 years	1	1
3 to 4 years	1	3
4 to 5 years	3	
Over 5 years	9	9
Total	67	110

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.6 Other receivables (Continued)

6.6.1 The condition of other receivables (Continued)

6.6.1.4 The accrual condition of bad debt provision

	The first stage	The second stage	The third stage	
			Expected credit	
		Expected credit	losses for the	
		losses for the entire	entire duration of	
	Expected credit	duration of the	the period (credit	
	losses within the	period (no credit	impairment has	
Bad debt provision	next 12 months	impairment)	occurred)	Total
Balance at 1 January 2020		1	9	10
Bad debt provision		1		1
Reverse				
Resale or verification				
Write off				
Other changes				
Balance at 31 December 2020		2	9	11

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.6 Other receivables (Continued)

6.6.1 The condition of other receivables (Continued)

6.6.1.5 Bad debt provision at the end of the period

Type	31 December 2019	Increase/Decrease		31 December 2020
		Bad debt provision	Reverse Resale or verification	
Other receivables	10	1		11

6.6.1.6 Other receivables subject to separate assessment for bad debts provision

Debtors	Book Value	31 December 2020		
		Bad Debt Provision	Percentage (%)	Reason
Land acquisition service station of Chaoyang City	9	9	100.00	Less likely to recover
Total	9	9	-	-

6.6.1.7 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 RMB57 million at 31 December 2020, which accounted for 85.07% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB9 million.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.7 Inventory

6.7.1 Classification of Inventory

Items	31 December 2020		
	Inventory falling		
	Book Value	Price Reserves	Carrying Value
Raw materials	2,778	58	2,720
Work in progress	3,387	344	3,043
Finished goods	2,978	91	2,887
Revolving materials	641	1	640
Spare parts	1,152	53	1,099
Materials in transit	224		224
Work in progress– outsourced	5		5
Total	11,165	547	10,618

Items	31 December 2019		
	Inventory falling		
	Book Value	Price Reserves	Carrying Value
Raw materials	2,338	46	2,292
Work in progress	2,974	334	2,640
Finished goods	2,900	88	2,812
Goods shipped in transit			
Revolving materials	751	8	743
Spare parts	1,170	43	1,127
Materials in transit	154		154
Work in progress– outsourced	25		25
Total	10,312	519	9,793

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.7 Inventory (Continued)

6.7.2 Changes in Inventory falling price reserves

Items	31 December 2019	Increase	Decrease	31 December 2020
		Inventory falling price reserves	Written Back	
Raw materials	46	56	44	58
Work in progress	334	112	102	344
Finished goods	88	45	42	91
Revolving materials	8		7	1
Spare parts	43	12	2	53
Total	519	225	197	547

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 year. 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.

6.8 Other current assets

Items	31 December 2020	31 December 2019
The amount of input tax to be deducted and certified	75	103
Input tax retained	156	216
Total	231	319

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.9 Long-term equity investments

Details of long-term equity investments

The invested entity	31 December 2019	Increase/Decrease		Investment income under the equity method	Other comprehensive income
		Increase	Decrease		
Jointly venture					
TKAS Auto Steel Company Limited ("ANSC-TKS")	586			100	
The iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC – Dachuan")	228			(12)	
Guangzhou automobile Steel	330			5	
Sub-total	1,144			93	
Associated venture					
Angang Group Finance Co., Ltd. ("Angang Finance")	1,397			96	(1)
Anshan Anshan Iron Oxide Powder Co., Ltd. ("iron oxide powder company")	3			2	
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	68			3	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	110			1	
Guangzhou Bao Steel Processing Co. ("Guangzhou steel")	101				
Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company")	36	14		(5)	
ChaoyangZhong'an Water Co., Ltd. ("Zhong'an Water")	35			1	
Sub-total	1,750	14		98	(1)
Total	2,894	14		191	(1)

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.9 Long-term equity investments (Continued)

The Invested Entity	Increase/Decrease				Closing Value	Closing Value of the Provision for Impairment
	Other Equity Changes	Declaration of Cash Dividends or Profits	Provision for impairment Loss	Others		
Jointly venture						
ANSC-TKS		74		10	622	
ANSC – Dachuan					216	
Guangzhou automobile Steel				1	336	
Sub-total		74		11	1,174	
Associated venture						
Angang Finance		64			1428	
iron oxide powder company		2			3	
Nansha Logistical					71	
AISSG					111	
Guangzhou steel		4			97	
Meizhou Motor Company					45	
Zhong'an Water					36	
Sub-total		70			1,791	
Total		144		11	2,965	

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.10 Other investments in equity instruments

6.10.1 Details of other investments in equity instruments

The Invested Entity	Book Balance	
	31 December 2020	31 December 2019
WISDRI Engineering & Research Incorporation Limited Company ("WISDRI")	399	373
Heilongjiang Longmay Mining Group Co.,Ltd.(hereinafter referred to as "Longmay Group")	36	31
Anshan Falan Packing Material Co. Ltd. (hereinafter referred to as "Anshan Falan")	24	24
Dalian Shipbuilding Industry Group Steel Co., Ltd (hereinafter referred to as "Dalian Steel")		14
Changsha Bao steel steel processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel")	8	12
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd (hereinafter referred to as "China Shipbuilding")	4	5
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")	2	2
Jindian(Hangzhou) Technology Co., Ltd. ("Jindian")		1
Total	476	465

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.10 Other investments in equity instruments (Continued)

6.10.2 Analysis of other investments in equity instruments

Items	31 December 2020
Stock investment including: Hongkong Mainland China Non-stock investment	476
Total	476

6.10.3 Non-tradable investments in equity instruments current period

Items	Recognized dividend income current year	Accumulated gain	Accumulated loss	other comprehensive income transfer to retained earnings	Designation Reason (measured at fair value and the changes of their value are recorded in other comprehensive income)	Reason (other comprehensive income transfer to retained earnings)
WISDRI*	19	264				
Longmay Group			(209)			
Anshan Falan	2	3				
Dalian Shipyard			(151)			
Changsha steel			(9)			
China Shipbuilding			(6)			
Guoqi Lightweight						
Shanghai Ouye						
Jindian			(1)			
Dalian Steel				69		write-off investment
Total	21	267	(376)	69		

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.10 Other investments in equity instruments (Continued)

6.10.3 Non-tradable investments in equity instruments current period (Continued)

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 included in other comprehensive income.

6.11 Other non-current financial assets

	Book Value	
	31 December 2020	31 December 2019
The Invested Entity		
Zhuzhou Smelter Group Co., Ltd.(hereinafter referred to as "ZhuYe Group")	34	38
Total	34	38

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 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.12 Fixed assets

6.12.1 Analysis of fixed assets

Items	Houses and Buildings	Machinery	Others	Total
Original Cost				
1. 31 December 2019	32,811	82,159	6,108	121,078
2. Increase in the period	702	2,131	249	3,082
(1) Purchase	11	2	5	18
(2) Transform from project under construction	661	2,183	238	3,082
(3) Increase from combination				
(4) Others	30	(54)	6	(18)
3. Decrease in the period	54	442	68	564
(1) Disposal or scrap	54	442	68	564
(2) Others				
4. 31 December 2020	33,459	83,848	6,289	123,596
Accumulated depreciation				
1. 31 December 2019	12,193	49,681	5,040	66,914
2. Increase in the period	756	2,605	199	3,560
(1) Depreciation	747	2,610	198	3,555
(2) Increase from combination				
(3) Others	9	(5)	1	5
3. Decrease in the period	29	340	64	433
(1) Disposal or scrap	29	340	64	433
(2) Others				
4. 31 December 2020	12,920	51,946	5,175	70,041
Provision for impairment				
1. 31 December 2019	528	2,525	145	3,198
2. Increase in the period				
(1) Provision for current period				
(2) Others				
3. Decrease in the period		14	1	15
(1) Disposal or scrap		14	1	15
(2) Others				
4. 31 December 2020	528	2,511	144	3,183
Book Value				
1. 31 December 2020	20,011	29,391	970	50,372
2. 31 December 2019	20,090	29,953	923	50,966

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.12 Fixed assets (Continued)

6.12.2 Temporarily idle fixed assets

Item	Original Cost	Accumulated depreciation	Provision for impairment	Book Value	Notes
Machinery	3	2		1	
Total	3	2		1	

6.12.3 Fixed assets leased out by operating lease

Type	31 December 2020	31 December 2019
Houses and buildings	19	20
Machinery	6	6
Total	25	26

6.13 Construction in progress

Items	31 December 2020	31 December 2019
Construction in progress	1,772	1,543
Construction materials	42	6
Total	1,814	1,549

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.13 Construction in progress (Continued)

6.13.1 Construction in progress

6.13.1.1 Details of constructions in progress

Items	31 December 2020			31 December 2019		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
Anshan Iron and Steel Co., Ltd. Bayuquan 1# sintering machine added activated carbon flue gas desulfurization and denitrification device transformation project	183		183	183		183
Energy centralized control platform Project of energy management and control center	131		131			
17 share reform 7-Anshan Iron and Steel Co., Ltd. Hot Rolling Plant 1700 Line Upgrade Project	100		100	31		31
17 shares reform 104-Anshan Iron and Steel Co., Ltd. Steelmaking General Plant No. 1 Branch 1# billet casting machine major modification project	67		67	20		20
Anshan Iron and Steel Co., Ltd. Bayuquan Branch Converter Primary Dust Removal and Third Dust Removal Reform Project	54		54	52		52
18 shares reform 158-Anshan Iron and Steel chemical technology waste Liquid Sulfuric Acid Project	54		54			
117 share reform 79-Chemical business unit newly built 40,000 tons/year needle coke project	51		51	39		39
18 share reform 015-Anshan Iron and Steel Group Co., Ltd. Steel Smart Logistics Phase I Project (smelting transportation)	50		50	42		42
18 shares reform 029A-Anshan Iron and Steel Co., Ltd. Ironmaking General Plant West District Additional Coal Blending Silo Project (Ansteel Co., Ltd. property rights)	8		8	85		85
18 share reform 012-mesocarbon microsphere pilot line project of the Chemical Industry Department	4		4	15		15
Others	1,076	6	1,070	1,082	6	1,076
Total	1,778	6	1,772	1,549	6	1,543

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.13 Construction in progress (Continued)

6.13.1 Construction in progress (Continued)

6.13.1.2 Changes in major constructions in progress

Items	Items Budget	31 December 2019	Increase of the period	Transferred into fixed assets	Other decrease	31 December 2020
Anshan Iron and Steel Co., Ltd. Bayuquan 1# sintering machine added activated carbon flue gas desulfurization and denitrification device transformation project	252	183				183
Energy centralized control platform Project of energy management and control center	300		131			131
17 share reform 7-Anshan Iron and Steel Co., Ltd. Hot Rolling Plant 1700 Line Upgrade Project	350	31	69			100
17 shares reform 104-Anshan Iron and Steel Co., Ltd. Steelmaking General Plant No. 1 Branch 1# billet casting machine major modification project	135	20	47			67
Anshan Iron and Steel Co., Ltd. Bayuquan Branch Converter Primary Dust Removal and Third Dust Removal Reform Project	75	52	2			54
18 shares reform 158-Anshan Iron and Steel chemical technology waste Liquid Sulfuric Acid Project	90		54			54
117 share reform 79-Chemical business unit newly built 40,000 tons/year needle coke project	458	39	12			51
18 share reform 015-Anshan Iron and Steel Group Co., Ltd. Steel Smart Logistics Phase I Project (smelting transportation)	53	42	8			50
18 shares reform 029A-Anshan Iron and Steel Co., Ltd. Ironmaking General Plant West District Additional Coal Blending Silo Project (Ansteel Co., Ltd. property rights)	112	85	8	85		8
18 share reform 012-mesocarbon microsphere pilot line project of the Chemical Industry Department	21	15	3	14		4
Others	13,744	1,076	3,012	2,983	35	1,070
Total		1,543	3,346	3,082	35	1,772

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.13 Construction in progress (Continued)

6.13.1 Construction in progress (Continued)

6.13.1.2 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
Anshan Iron and Steel Co., Ltd. Bayuquan 1# sintering machine added activated carbon flue gas desulfurization and denitrification device transformation project				72	72	Self-financing
Energy centralized control platform Project of energy management and control center				44	44	Self-financing
17 share reform 7-Anshan Iron and Steel Co., Ltd. Hot Rolling Plant 1700 Line Upgrade Project				29	29	Self-financing
17 shares reform 104-Anshan Iron and Steel Co., Ltd. Steelmaking General Plant No. 1 Branch 1# billet casting machine major modification project				50	50	Self-financing
Anshan Iron and Steel Co., Ltd. Bayuquan Branch Converter Primary Dust Removal and Third Dust Removal Reform Project				72	72	Self-financing
18 shares reform 158-Anshan Iron and Steel chemical technology waste Liquid Sulfuric Acid Project				60	60	Self-financing
117 share reform 79-Chemical business unit newly built 40,000 tons/year needle coke project				89	89	Self-financing
18 share reform 015-Anshan Iron and Steel Group Co., Ltd. Steel Smart Logistics Phase I Project (smelting transportation)	3	2		94	89	Self-financing
18 shares reform 029A-Anshan Iron and Steel Co., Ltd. Ironmaking General Plant West District Additional Coal Blending Silo Project (Ansteel Co., Ltd. property rights)				83	83	Self-financing
18 share reform 012-mesocarbon microsphere pilot line project of the chemical Industry department				87	87	Self-financing
Others	151	7		8	8	Self-financing
Total	154	9	-	-	-	-

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.13 Construction in progress (Continued)

6.13.1 Construction in progress (Continued)

6.13.1.3 Provision of Impairment

Items	31 December 2019	Increase in Current Period Provision	Decrease in Current Period Reversal	31 December 2020
Chaoyang Iron and Steel Hot Rolling Pickling Board Production Line Project	6			6
Total	6			6

6.13.2 Construction materials

Item	31 December 2020	31 December 2019
Special equipment	42	6
Total	42	6

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.14 Right-of-use assets

Items	Land Use Right	Machinery	Total
Original Cost			
1. Balance at 31 December 2019	239	3	242
2. Increase in the period	15	778	793
① Lease	15	778	793
② Increase from business combination			
③ Others			
3. Decrease in the period			
① Disposal			
② Decrease from business combination			
4. Balance at 31 December 2020	254	781	1,035
Accumulated depreciation			
1. Balance at 31 December 2019	80		80
2. Increase in current period	87	46	133
① Depreciation for current period	87	46	133
② Increase from business combination			
3. Decrease in current period			
① Disposal			
② Decrease from business combination			
4. Balance at 31 December 2020	167	46	213
Provision for impairment			
1. Balance at 31 December 2019			
2. Increase			
Provision for current period			
3. Decrease			
Disposal			
4. Balance at 31 December 2020			
Book Value			
1. 31 December 2020	87	735	822
2. 31 December 2019	159	3	162

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.15 Intangible assets

Items	Land Use Right	Non-Patented Technology	Software	Trademark Right	Total
Original Cost					
1. 31 December 2019	8,319	42	101	5	8,467
2. Increase		5	17	(5)	17
① Purchase			17		17
② Internal R&D					
③ Enterprise merger					
④ Others		5		(5)	
3. Decrease:	8		1		9
① Disposition	8		1		9
② Enterprise merger					
4. 31 December 2020	8,311	47	117		8,475
Accumulative amortization					
1. 31 December 2019	2,189	42	68	5	2,304
2. Increase	168	5	18	(5)	186
① Counting and Drawing	168		18		186
② Enterprise merger					
③ Others		5		(5)	
3. Decrease	2		1		3
① Disposition	2		1		3
② Enterprise merger					
4. 31 December 2020	2,355	47	85		2,487
Provision for impairment					
1. 31 December 2019					
2. Increase					
① Counting and Drawing					
3. Decrease					
① Disposition					
4. 31 December 2020					
Book value					
1. 31 December 2020	5,956		32		5,988
2. 31 December 2019	6,130		33		6,163

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.16 Deferred income tax assets and deferred income tax liabilities

6.16.1 Recognized deferred income tax assets

Items	31 December 2020		31 December 2019	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment	331	1,324	244	976
Deductible loss	692	2,768	417	1,668
Unrealized profit within the group	19	76	45	180
Dismissal welfare	47	188	43	173
Accumulated depreciation of fixed assets	34	136	33	132
Salaries payable	22	88	8	33
Employee training expenses	8	32	9	36
Deferred income	116	464	112	448
Changes in the fair value of other equity instrument investments	94	376	108	430
Changes for fair value of financial assets (liabilities) held for trade	1	4		
Others	5	20	9	36
Total	1,369	5,476	1,028	4,112

6.16.2 Recognized deferred income tax liabilities

Items	31 December 2020		31 December 2019	
	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	43	172	32	128
Changes in the fair value of other equity instrument investments	67	267	60	241
Unrealized profit within the group	2	8		
Changes in the fair value of trading financial assets			1	1
Total	112	447	93	370

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.16 Deferred income tax assets and deferred income tax liabilities (Continued)

6.16.3 Unrecognized deferred income tax assets

Items	31 December 2020	31 December 2019
Deductible temporary difference-provision for impairment	2,362	2,504
Deductible loss	50	52
Total	2,412	2,556

6.16.4 Deductible loss of the unrecognized deferred income tax assets will expire in the following years

Items	31 December 2020	31 December 2019
2024	50	52
Total	50	52

6.17 Other non-current assets

Item	31 December 2020	31 December 2019
Prepayment for Construction Projects	1,190	1,051
Total	1,190	1,051

6.18 Short-term loans

Items	31 December 2020	31 December 2019
Pledged loans		
Guaranteed loans		
Credit loans	8,505	12,195
Total	8,505	12,195

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.19 Derivative financial liabilities

Items	31 December 2020	31 December 2019
Future contracts	13	
Foreign exchange swap contracts	30	
Total	43	

6.20 Notes payable

Items	31 December 2020	31 December 2019
Bank acceptance notes	2,444	3,143
Commercial acceptance notes	176	
Total	2,620	3,143

Note: There are no notes payable that have expired but have not been paid on 31 December 2020. The above aging of the Group's notes payable at the end of the year is within 1 year.

6.21 Accounts payable

6.21.1 Aging of accounts payable

Items	31 December 2020		31 December 2019	
	Balance	Percentage(%)	Balance	Percentage(%)
Within 1 year	7,858	98.98	5,332	98.30
1 to 2 years	10	0.13	8	0.15
2 to 3 years			2	0.04
Over 3 years	71	0.89	82	1.51
Total	7,939	100.00	5,424	100.00

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

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.21 Accounts payable (Continued)

6.21.2 Significant account payable aging over 1 year

Creditors	Balance	Aging
Tangyuan County Tianyu Coal Coke Energy Co., Ltd.	65	2 to 3 years, 4 to 5 years, Over 5 years
Total	65	

6.22 Contract liabilities

Items	31 December 2020	31 December 2019
Products selling	5,594	4,881
Others	17	15
Total	5,611	4,896

6.23 Employee benefits payable

6.23.1 Analysis of employee benefits payable

Items	31 December 2019	Increase	Decrease	31 December 2020
Short-term remuneration	78	3,897	3,810	165
After-service benefits defined contribution plans		498	498	
Termination benefits	75	225	237	63
Total	153	4,620	4,545	228

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.23 Employee benefits payable (Continued)

6.23.2 Short-term compensation

Items	31 December 2019	Increase	Decrease	31 December 2020
1. Salaries, bonus and allowance	33	2,895	2,805	123
2. Staff welfare		292	292	
3. Social insurance	2	277	278	1
Including: Medical insurance	2	237	238	1
Staff and workers				
injury insurance		37	37	
Maternity insurance		1	1	
Others		2	2	
4. Housing fund		294	294	
5. Labor union fee and staff training fee	43	72	74	41
6. Short paid absences				
7. The short-term profit sharing plan				
8. Others		67	67	
Total	78	3,897	3,810	165

6.23.3 Defined Contribution Plans

Items	31 December 2019	Increase	Decrease	31 December 2020
1. Basic pension insurance		309	309	
2. Unemployment insurance		10	10	
3. Occupational pension		179	179	
Total		498	498	

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.24 Taxes payable

Items	31 December 2020	31 December 2019
VAT	100	143
Environmental protection tax	32	18
Resource tax	1	1
Corporate income tax	158	(286)
City maintenance and construction tax	14	29
Property tax	14	17
Land use tax	37	37
Individual income tax	12	9
Educational surcharges	10	21
Others	9	8
Total	387	(3)

6.25 Other payables

Items	31 December 2020	31 December 2019
Interests payable	15	9
Dividends payable		8
Other payables	1,945	2,513
Total	1,960	2,530

6.25.1 Interests payable

Items	31 December 2020	31 December 2019
Staging interest maturity of long-term borrowings	3	5
Interest for short-term loans	12	4
Total	15	9

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.25 Other payables (Continued)

6.25.2 Dividends payable

Items	31 December 2020	31 December 2019
FAW Jiefang Automotive Co., Ltd.		8
Total		8

6.25.3 Other payables

6.25.3.1 Classification of other payables by nature

Items	31 December 2020	31 December 2019
Construction payable	511	1,112
Quality assurance	603	682
Performance assurance	230	200
Deposit for steel shelves	12	27
Freight charges	33	25
The special funds paid by Anshan Iron and Steel Group Company	457	344
Others	99	123
Total	1,945	2,513

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.25 Other payables (Continued)

6.25.3 Other payables (Continued)

6.25.3.2 Significant balances of other payables aging over 1 year

Creditors	Balance	Reason	Whether paid after 31 December 2020
Angang Group Engineering Technology Co., LTD	54	Retention Money	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	44	Retention Money	No
Sinosteel Anshan research institute of thermo-energy Co., Ltd	18	Retention Money	No
Anshan Iron and Steel Group Automation Company	14	Retention Money	No
Angang Construction Group Co., Ltd.	12	Retention Money	No
Angang Group Information Industry Co., Ltd.	12	Retention Money	No
Angang Metal Structure Co., Ltd.	11	Retention Money	No
Anshan Metallurgical Group Power Engineering Co., Ltd.	11	Retention Money	No
Total	176	–	–

6.26 Non-current liabilities due within 1 year

Items	31 December 2020	31 December 2019
Long-term loans due within 1 year (Note. 6.27)	409	1,003
Total	409	1,003

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.27 Long-term loans

6.27.1 Classification of long-term loans

Items	31 December 2020	31 December 2019
Guaranteed loans	154	257
Credit loans	3,733	4,138
Subtotal	3,887	4,395
Less: long-term loans due within 1 year (Note.6.26)	409	1,003
Total	3,478	3,392

6.27.2 Classification of long-term loans by the maturity date

Items	31 December 2020	31 December 2019
Within 1 year	409	1,003
1 year to 2 year (include 2 year)	1,601	1,203
2 year to 3 year (include 3 year)	1,877	2,151
3 year to 5 year (include 5 year)		38
Total	3,887	4,395

6.28 Bonds payable

6.28.1 Bonds payable

Items	31 December 2020	31 December 2019
Convertible bond	1,476	1,513
Total	1,476	1,513

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.28 Bonds payable (Continued)

6.28.2 Increase or decrease in bonds payable

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	31 December 2019
Convertible bond	1,512	May 25, 2018	5 years	1,299	1,513
Total	1,512	-	-	1,299	1,513

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 refer to decrease)	Exchange conversion (the positive refer to increase, the negative refer to decrease)	Repayment this period	31 December 2020
Convertible bond			57	(94)		1,476
Total			57	(94)		1,476

Note 1: The company issued a five-year zero-rate convertible bond on May 25, 2018 with a total principal amount of HK\$1.85 billion. The bond conversion period is from July 5, 2018 to May 15, 2023. The price of the H Shares to be issued will be initially at HK\$9.54 per share (H Share). The shareholders of the company have approved the cash dividend and the capital reserve to increase the share capital in the 2018 Annual General Meeting of Shareholders, therefore the conversion price has been adjusted to HK\$6.61 per share since June 9, 2020. On the issue date, the convertible bonds embedded in the 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: The maturity dates of the above-mentioned bonds payable are between 2 and 3 years (include 3 years).

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.29 Lease liability

Items	31 December 2020	31 December 2019
lease payments	699	168
Less: Unrecognized financing expenses	34	8
Total	665	160

6.30 Long-term employee benefits payable

Items	31 December 2020	31 December 2019
Termination benefits	125	98
Total	125	98

6.31 Deferred income

Items	31 December 2019	Increase	Decrease	31 December 2020	Cause of formation
Government grants	584	76	65	595	
Total	584	76	65	595	

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.31 Deferred income (Continued)

Among them, the projects involved the government grants are as follows:

Items	31 December 2019	New grants	Belong to Non-business income	Belong to Other income	Other decrease	31 December 2020	Associated with the asset/income
The government grants related to environmental protection	137			39		98	Asset
The government grant related to scientific research	294	40		14		320	Assets/Income related
Others	153	36	1	11		177	Assets/Income related
Total	584	76	1	64		595	

6.32 Other non-current liabilities

Items	31 December 2020	31 December 2019
Embedded derivative financial instruments	35	79
Total	35	79

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.33 Share capital

Items	31 December 2019		Increase/Decrease				31 December 2020		
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion
Shares unrestricted on sale:									
1. Ordinary A shares	7,994	85				(52)	(52)	7,942	84
2. Foreign shares listed overseas	1,411	15						1,411	15
Restricted shares:									
1. Ordinary A shares						52	52	52	1
Total	9,405	100						9,405	100

Note: The company repurchased 52 million A shares of public shares in December 2020 for the implementation of the equity incentive plan, resulting in an increase of 52 million restricted shares held by legal person.

6.34 Capital reserve

Items	31 December 2019	Increase	Decrease	31 December 2020
Share premium	33,110			33,110
Other capital reserve	375			375
Total	33,485			33,485

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.35 Treasury shares

Items	31 December 2019	Increase	Decrease	31 December 2020
Stock incentive plan (Note 12)		166		166

6.36 Other comprehensive income

Items	31 December 2019	Amount for the period before tax	The amount of this period			31 December 2020
			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						
Profit or loss arising from fair value changes of other investments in equity instruments	(141)	11	(69)	20	60	(81)
	(141)	11	(69)	20	60	(81)
2. Other comprehensive income will reclassified into the gains and losses						
The share which enjoyed by the invested unit reclassified into profit or loss in other comprehensive income under the equity method	2	(1)			(1)	1
	2	(1)			(1)	1
Total	(139)	10	(69)	20	59	(80)

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.37 Special reserve

Items	31 December 2019	Increase	Decrease	31 December 2020
Safety production expenses	54	189	169	74
Total	54	189	169	74

6.38 Surplus reserve

Items	31 December 2019	Increase	Decrease	31 December 2020
Statutory surplus reserve	3,723	126		3,849
Total	3,723	126		3,849

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.39 Undistributed profit

Items	This period	Last period
Balance as of 31 Dec. 2019	5,551	5,636
Changes in accounting policies		
Business combination under the common control		
Balance as of 1 Jan. 2020	5,551	5,636
Increase in 2020	1,978	1,787
Including: Net profit transferred this year	1,978	1,787
Other adjustment factors		
Decrease in 2020	731	1,872
Including: Extraction of surplus reserve this year	126	95
Extraction of general risk provisions in this year		
Distribution of cash dividend this year (Note 1)	536	1,592
Conversed capital		
Other decreases (Note 2)	69	185
Balance as of 31 Dec. 2020	6,798	5,551

Note 1: According to the resolution of the 2019 Annual General Meeting of Shareholders held on May 28, 2020, the Company distributed cash dividends to all shareholders at RMB0.57 every 10 shares. According to the issued shares of 9,405,250,201 shares, it's totaling RMB536 million. All of them have been released as of 31 December 2020.

Note 2: Other decrease RMB69 million of undistributed profit for the period was the Company's write-off of other investments in equity instrument of Dalian Steel. Changes in fair value that have been included in other comprehensive income in previous years are transferred to undistributed profits for the period at the time of write-off.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.39 Undistributed profit (Continued)

Note 3: The board of directors recommended that, based on the total number of shares currently entitled to the distribution of 9,399,600,178 shares, a cash dividend of RMB0.84 (tax included) should be distributed to all shareholders of the company for every 10 shares. The estimated total profit distribution is approximately RMB790 million. If the total number of shares that the company is eligible to distribute changes before the implementation of the distribution plan, the cash dividend per share will be adjusted by the total number of shares entitled to the distribution right when cash dividend can be distributed, based on the principle that the total cash distribution profit remains unchanged. This plan still needs to be submitted to the 2020 Annual General Meeting of Shareholders for deliberation. The cash dividends proposed after the balance sheet date are not recognized as liabilities on the balance sheet date.

6.40 Operating income and operating costs

6.39.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	100,403	91,116	105,096	96,371
Other operating	500	489	491	411
Total	100,903	91,605	105,587	96,782

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

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.40 Operating income and operating costs (Continued)

6.39.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	98,003	98,511
Foreign exchange income from outside borders	2,900	7,076
Total	100,903	105,587

6.39.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	100,903	105,587
Total	100,903	105,587

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.41 Tax and surcharges

Items	This period	Last period
City maintenance and construction tax	133	120
Educational surcharge and local educational surcharge	95	86
Land use tax	427	429
Property tax	155	157
Stamp tax	84	87
Resources tax	3	3
Environmental protection tax	95	79
Others	1	1
Total	993	962

Note: Please refer to Note 5. Tax for details of various taxes and additional payment standards.

6.42 Marketing expenses

Items	This period	Last period
Delivery expense	2,663	2,448
Employee benefits	191	183
Warehouse storage expense	72	57
Sales and service expense	62	118
Packing expense	52	70
Agency fee for commissioned sales	23	34
Insurance expense	7	8
Others	134	146
Total	3,204	3,064

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.43 Administrative expenses

Items	This period	Last period
Employee benefits	838	802
Amortization of intangible asset	184	178
Depreciation	137	125
Computer maintenance expense	42	50
Repair and maintenance	32	28
Agency fees	16	30
Including: Auditor's fee for annual report	5	5
Others	80	118
Total	1,329	1,331

6.44 Research and development expenses

Items	This period	Last period
Raw material consumption fee	92	129
Labor cost	161	153
Depreciation	16	33
Outsourcing expenses	120	90
Travel expenses	5	7
Others	23	31
Total	417	443

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.45 Financial expenses

Items	This period	Last period
Interest expense	908	1,112
Including: interests expense from the long-term loans and long-term bonds	18	237
Interests expense from the short-term loans and letters of credit		651
Other interest expenditures	10	224
Less: Interest income	66	42
Less: Capitalized interest expense	9	29
Exchange gain or loss	(95)	31
Less: Capitalized exchange gain or loss		
Others	39	21
Total	777	1,093

6.46 Other income

Items	This period	Last period	Recorded into extraordinary gains and losses
The government grants related to environment protection	39	41	39
The government grants related to scientific research	14	23	14
Others	12	18	12
Total	65	82	65

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.47 Investment income

Items	This period	Last period
Long-term equity income under the equity method	191	182
Investment income of other investments in equity instruments invested in the holding period	21	9
Others		(25)
Total	212	166

6.48 Gains/losses from fair value variation

Sources	This period	Last period
Changes in fair value of derivative financial assets	(27)	(1)
Changes in fair value of other non-current financial assets	(4)	3
Changes in fair value of derivative financial liabilities	(30)	3
Changes in fair value of embedded derivative financial instruments	43	60
Total	(18)	65

6.49 Impairment losses on assets

Items	This period	Last period
Provision for written-down of inventories	(39)	137
Total	(39)	137

Note: The positive numbers refer to gains and negative numbers refer to losses.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.50 Credit impairment loss

Items	This period	Last period
Accounts receivable	(323)	(344)
Other accounts receivable	(1)	4
Total	(324)	(340)

Note: The positive numbers refer to gains and negative numbers refer to losses.

6.51 Asset disposal income

Items	This period	Last period
Fixed assets disposal income	5	3
Intangible assets disposal income	3	
Total	8	3

6.52 Non-operating income

Items	This period	Last period	Recorded into extraordinary gains and losses
Gains from destroy or scrap of non-current assets	10	7	10
Government grant	1	1	1
Liquidated damages	7	4	7
Payable that can not be paid			
Others	15	3	15
Total	33	15	33

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.52 Non-operating income (Continued)

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	1	1	Income related	No
Total	1	1	–	–

6.53 Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
The loss on destroy or scrap of non-current assets	96	64	96
External donation	15	2	15
Others	1	2	1
Total	112	68	112

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.54 Income tax expenses

6.54.1 Income tax expenses

Items	This period	Last period
Income tax during this period	748	477
Changes on deferred income tax expenses	(341)	(265)
Total	407	212

6.54.2 The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	2,403
Income tax expenses calculated at statutory/applicable tax rates	601
Effect of different tax rates applied by subsidiary companies	(6)
Effect of adjustments for income tax for prior period	2
Effect of income not subject to tax	(154)
Effect of costs, expenses and loss not deductible for tax purpose	13
Effect of deductible loss of deferred income tax assets not recognized in prior periods	(39)
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets	1
Changes in the balance of deferred income tax assets/liabilities at the beginning of the year resulting from tax rate adjustments	
Others	(11)
Income tax expenses	407

6.55 The other comprehensive income

Please refer to Note 6.36.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.56 Items on statements of cash flow

6.56.1 Cash received from other operating activities

Items	This period	Last period
Deposit income	56	248
Government grants	76	36
Others	30	43
Total	162	327

6.56.2 Cash paid for other operating activities

Items	This period	Last period
Freight fee	2,048	1,411
Commission for processing products	778	581
Testing fee for energy saving	575	262
Research and development expenses	104	138
Selling operation fee	98	129
Security and firefighting expenses	88	97
Pipeline transportation fee	50	62
Computer maintenance fee	54	61
Storage expenses	43	45
Agency fee	14	31
Afforestation fee	9	27
Insurance fee	28	23
Sewage fee	16	
Other operating expenses	619	501
Total	4,524	3,368

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.56 Items on statements of cash flow (Continued)

6.56.3 Cash received from other investment activities

Items	This period	Last period
Interest revenue	66	41
Future contract income	46	26
Construction risk guarantee	1	1
Total	113	68

6.56.4 Cash paid for other investment activities

Items	This period	Last period
Future contract loss	60	51
Total	60	51

6.56.5 Cash received from other financing activities

Items	This period	Last period
Received "Guangzhou Auto Steel" Repayment		33
Equity-based incentives subscription payment	1	
Total	1	33

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.56 Items on statements of cash flow (Continued)

6.56.6 Cash paid for other financing activities

Items	This period	Last period
Repayment of entrusted loans		696
Payment of rental expenses	84	90
Loan agency fee	2	3
Payment of share repurchase	166	
Total	252	789

6.57 Supplement of cash flow statement

6.57.1 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	1,996	1,760
Add: Provision for impairment on asset	39	(137)
Provision for impairment on credit	324	340
Depreciation of fixed assets	3,555	3,519
Depreciation of right-of-use asset	133	80
Amortization of intangible assets	186	179
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains)	(8)	(3)
Loss on scrap of fixed assets ("-" for gains)	86	57
Loss on the change of fair value ("-" for gains)	18	(65)
Financial expenses ("-" for gains)	641	1,043
Investment loss ("-" for gains)	(212)	(166)
Decrease in deferred tax assets ("-" for increase)	(355)	(274)

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.57 Supplement of cash flow statement

6.57.1 Reconciliation of net profit to cash flows from operating activities (Continued)

Items	This period	Last period
Increase in deferred tax liabilities ("-" for decrease)	12	10
Decrease in inventories ("-" for increase)	(996)	3,357
Decrease in operating receivables ("-" for increase)	1,219	1,418
Increase in operating payable("-" for decrease)	3,269	(1,104)
Others	9	6
Net cash flow from operating activities	9,916	10,020
2. Change in cash and cash equivalent		
Cash at the end of the period	5,329	4,671
Less: cash at the beginning of the period	4,671	2,154
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	658	2,517

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.57 Supplement of cash flow statement (Continued)

6.57.2 Composition of cash and cash equivalent

Items	31 December 2020	31 December 2019
1. Cash at bank and on hands	5,329	4,671
Of which: Cash		
Bank deposits available	5,176	4,504
Other deposits available	153	167
2. Cash equivalents		
Of which: Bonds due within 3 months		
3. Closing balance of cash and cash equivalents	5,329	4,671

6.58 Restricted assets of ownership or use rights

Items	31 December 2020	31 December 2019
Receivables financing	104	Pledge
Total	104	–

6.59 Foreign currency monetary

Items	Foreign currency closing balance	Conversion calculation	Closing balance in CNY
Notes payable	1,754	0.8416	1,476
Other non-current liabilities (2018 convertible bonds – embedded derivative financial instruments)	42	0.8416	35
Total	1,796	–	1,511

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

6. Notes to consolidated financial statements (Continued)

6.60 Government grants

6.60.1 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	39
The government grants related to scientific research	40	Deferred income, other income	14
Others	35	Deferred income, other income	11
Others	1	Non-operating income	1
Total	76		65

6.60.2 Return of government grants

The Group has not received any government grants refund this period.

7. Changes in consolidation scope

The company has invested in the establishment of Ansteel (Beijing) Auto Parts Technology Co., Ltd. ("Ansteel Parts") and owned 100% shareholding ratio this year. The registered capital is RMB50 million.

The company has established a joint venture with Anshan Iron & Steel to establish Delin Zhilian (Anshan) Co., Ltd. ("Delin Zhilian ") and owned 91% of the shares this year. The registered capital amounts to RMB60 million.

Notes to Financial Statements (Continued)

31 December 2020 (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) Hefei Co., Ltd. ("Angang Hefei")	Heifei	Heifei	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	100	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	100	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	157	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	6	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 2020 (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 2020 (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 (Note 2)	Hangzhou	Hangzhou	118	Steel, steel coil processing, sales and distribution	51	49	Establishment	Wholly-owned
Ansteel Parts	Beijing	Beijing	50	Technology development, consulting, service, production of auto parts	100		Establishment	Wholly-owned
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

Note 1: The subsidiaries mentioned above are all registered and established in accordance with Chinese law, and the types of legal persons are limited liability companies.

Note 2: The Company signed a contract transferring shares with its subsidiary (ASPD-CC) in December 2020 and acquired 51% of the shares of the Angang Hangzhou held by ASPD-CC. Transaction value amounted to RMB60.18 million. After the accomplishment of shares transfer, the Company directly held 51% and indirectly held 49% of the shares of Angang Hangzhou.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

8. Interests in other entities (Continued)

8.1 Interest in the subsidiary (Continued)

8.1.2 By the end of 31 December 2020, 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

Name	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 Finance	Anshan	Anshan	Deposits and loans and financing	20	Equity method
Iron Oxide Powder	Anshan	Anshan	Iron powder processing	30	Equity method
Nansha Logistical	Guangzhou	Guangzhou	Freight Forwarding, steel packaging, 49.8		Equity method
AISSG	Hangzhou	Hangzhou	Trade, warehousing services	49	Equity method
Guang Qi Bao Shang and Distribution	Guangzhou 30	Guangzhou	Steel Processing		Equity method
Meizhou Automobile	Meizhou	Meizhou	Automobile parts	25	Equity method
Chaoyang Zhongan Water Co., Ltd	Chaoyang	Chaoyang	Water production and supply	45	Equity method

Notes to Financial Statements (Continued)

31 December 2020 (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 2020/the Date Occurred in This Period	31 December 2019/the Date Occurred in Last Period
Current assets	1,921	1,708
Including: Cash and cash equivalents	544	373
Non- Current assets	568	560
Total Assets	2,489	2,268
Current liabilities	1,197	1,025
Non-Current liabilities		2
Total Liabilities	1,197	1,027
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent Parent Company	1,292	1,241
The net assets calculated by the share percentage held	646	620
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group	(24)	(34)
– others		
The book value of equity investments in joint ventures	622	586
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	4,575	4,666
Finance costs	4	14
Income tax expenses	30	51
Net profit	200	149
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	200	149
Dividends received from joint ventures this year	74	114

Notes to Financial Statements (Continued)

31 December 2020 (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 2020/the Date Occurred in This Period	31 December 2019/the Date Occurred in Last Period
Current assets	8,895	7,325
Including: Cash and cash equivalents	8,289	6,222
Non- Current assets	18,934	17,539
Total Assets	27,829	24,864
Current liabilities	20,663	17,849
Non- Current liabilities	8	11
Total Liabilities	20,671	17,860
Minority interests	20	21
Subtotal of Shareholders' equity attributable to shareholders of parent Parent Company	7,138	6,983
The net assets calculated by the share percentage held	1,428	1,397
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group		
– others		
The book value of equity investments in joint ventures	1,428	1,397
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	914	882
Finance costs		
Income tax expenses	160	115
Net profit	491	433
Net profit from discontinued operations		
Other comprehensive income	(7)	13
The total of comprehensive income	484	446
Dividends received from joint ventures this year	64	67

Notes to Financial Statements (Continued)

31 December 2020 (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 2020/the Date Occurred in This Period	31 December 2019/the Date Occurred in Last Period
Associations :		
The book value of equity investments	553	558
The followings are calculated by shares		
– Net profit	(7)	28
– Other comprehensive income		
– The total of comprehensive income	(7)	28
Joint ventures :		
The book value of equity investments	362	353
The followings are calculated by shares		
– Net profit	2	12
– Other comprehensive income		
– The total of comprehensive income	2	12

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 2020 (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 2020, other assets and liabilities of the Group are denominated in RMB balances.

Unit: Yuan

Items	31 December 2020	31 December 2019
Bank deposits (USD)	100,761.29	100,719.75
Bank deposits (HKD)		170.29
Bond Payable (HKD)	1,753,971,405.06	1,688,705,152.39
Other non-current liabilities (HKD)	42,187,306.84	88,016,170.04

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 Trade. 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 2020, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6.1, 28 and 32.

Notes to Financial Statements (Continued)

31 December 2020 (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	6.8976	6.8967	6.5249	6.9762
H.K. dollar	0.8893	0.8802	0.8416	0.8958

C. Sensitivity analysis

On 31 December 2019, 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 2020	U.S. dollar		
	H.K. dollar	(11)	(11)
31 December 2019	U.S. dollar		
	H.K. dollar	(12)	(12)

By end of 31 December 2020, 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 2020 (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 2020. Please refer to notes 6.1, 18, 26, 27 and 28.

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 2020, 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 RMB65 million decrease (last period: RMB102 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 2020 (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 2020, except for the impairment provision of RMB656 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 49% of the receivables and other receivables on the balance sheet date (at the beginning of this period: 60%), 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.

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.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

9. Risk associated with financial instruments (Continued)

9.3 Liquidity risk (Continued)

The repayment date of the Group's long-term debts, please refer to Note 6.27.

9.4 Transfer of financial assets

Transferred financial assets which have been derecognized entirely but continue to be involved in.

On December 31, 2020, the amount of bank acceptance notes endorsed by the Group to suppliers for settlement of accounts payable was RMB4,546 million, and the amount of commercial acceptance notes was RMB0 million; The amount of bank acceptance notes discounted to financial institutions is RMB5,304 million, and the amount of commercial acceptance notes was RMB0 million; On December 31, 2020, 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.

On December 20, 2020, the Group and the bank reached an open-type non-recourse factoring agreement, transferred RMB444 million accounts receivable to banks, the proceeds of the transfer was RMB400 million. After the accounts receivable were transferred, with regard to the unrecoverable portion that could happen without commercial disputes, the bank should bear its default and bad debt risk. The Group believed that all the risks and rewards of the ownership of the financial asset had been transferred, therefore derecognized accounts receivable of RMB444 million. The Group did not recognized gains or losses on the transfer date, the difference between proceeds of the transfer and accounts receivable was recorded into other receivables.

Notes to Financial Statements (Continued)

31 December 2020 (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 2020			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				
Receivables financing		1,009		1,009
Other investments in equity instruments			476	476
Other non-current financial assets	34			34
Derivative financial liabilities				
Other non-current liabilities(note)			36	36

Notes to Financial Statements (Continued)

31 December 2020 (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 2019			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				
Other investments in equity instruments			465	465
Other non-current financial assets	38			38
Derivative financial liabilities				
Other non-current liabilities(note)			79	79

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, 2020, with the values of other parameters unchanged, the stock price volatility increased or decreased by 1%, which had almost no impact 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 2020 (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

Items	Other investments in equity instruments	Other non-current liability
Balance at 1 January 2020	465	79
Changes in fair value (included in other comprehensive income)	11	
Changes in fair value (included in current profit and loss)		(44)
Balance at 31 December 2020	476	35

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	53.33	53.33

Note: Angang Group Corporation 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 2020 (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 Automotive Steel	Joint venture
ANSC-TKS	Joint venture
ANSC – Dachuan	Joint venture
Anshan Jingu	Associate
Nansha Logistical	Associate
Zhong An Water	Associate
GAC Baoshang	Associate
Angang Finance	Associate, Fellow subsidiary
Shanxi Wuchan International Energy Co., Ltd.	Associate of Angang Group
Falan Packing	Fellow subsidiary
Angang Cast Steel Co., Ltd	Fellow subsidiary
Angang Mining	Fellow subsidiary
Angang Steel Rope Co., LT	Fellow subsidiary
Anshan Yingkou Harbor co., LT	Fellow subsidiary
Angang Refractory Co., Ltd	Fellow subsidiary
Angang Auto Transport Co., Ltd	Fellow subsidiary
Angang Cold Rolled Steel Plate Co., Ltd. Putian	Fellow subsidiary
Angang House Property Construction	Fellow subsidiary
Anshan Iron and Steel Group Construction Supervision Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Group Corporation Labor Health Research Institute	Fellow subsidiary
Delin Lugang (Anshan) 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
Anshan Jidong Cement Co., Ltd.	Joint venture of Angang Group
Anshan Iron and Steel Baker Gillini Water Treatment Co., Ltd.	Joint venture of Angang Group

Notes to Financial Statements (Continued)

31 December 2020 (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
Anshan Kede Roll Surface Treatment Co., Ltd.	Joint venture of Angang Group
Angang Yasheng Special Materials Co., Ltd.	Joint venture of Angang Group
Angang Mine Construction Co., Ltd.	Joint venture of Angang Group
Angang Group International Economic and Trade Co., Ltd. (“Angang Trade”)	Fellow subsidiary
Angang Group Beijing Research Institute Co., Ltd.	Fellow subsidiary
Angang Lianzhong (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
Pangang Group Engineering Technology 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
Angang Group Engineering Technology Development Co., Ltd.	Fellow subsidiary
Angang Group Zhongyuan Industry Development Co., Ltd.	Fellow subsidiary

Notes to Financial Statements (Continued)

31 December 2020 (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	20,891	19,277
Steel	Note.2	398	167
Supplementary materials	Note.3	2,980	3,283
Energy and power supplies	Note.4	1,595	1,646
Support service	Note.5	6,934	6,409
Total	–	32,798	30,782

11.5.1.2 Related-party transactions on Sales of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Product	Note.6	4,112	2,502
Scrap steel and material	Note.6	302	240
General services	Note.7	1,087	1,019
Total	–	5,501	3,761

Notes to Financial Statements (Continued)

31 December 2020 (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)

Notes. 1: The iron ore concentrate purchase price is not higher than 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 for the preceding month (T-1) 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 the preceding month (T-1). Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 65% index for the preceding month (T-1) shall be applied. The pellets ore is measured at market price. The price of iron concentrate plus the processing costs for the preceding month (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 Premium products of Mineral ore from Karara Mining Limited ((iron grade \geq 67.2%) is not higher than the market price. The sales volume of premium products of Mineral ore made by Karara Mining Limited to independent third parties in Mainland China shall not be less than 30% of the total sales volume of premium products of Karara Mining Limited for a given period. The price of Standard grade products of (67.2% $>$ iron grade \geq 65%) 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 (65% $>$ iron grade \geq 59%) 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 2020 (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 of RMB20–35/ton;

Note.3: The purchasing prices of ancillary materials are not higher than the average prices charged to independent customers;

Note.4: Mainly at state prices, or operating costs plus 5% of gross profit margin;

Note.5: At state-fixed prices, or market prices, or not higher than 1.5% of the commissions (commission fee of raw fuel is RMB5/ton) or depreciation fees and 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 and coke are mainly measured at selling prices based on the average prices charged to independent customers for the preceding month or market prices. The basis of the price of steel 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. Retired and idle assets are mainly measured at market prices or assessing prices.

Note.7: At the state prices, or operating costs plus 5% of gross profit margin, not higher than 1.5% of the commissions, or market prices.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.2 Related-party transactions with Pangang steel Vanadium and Titanium Co., Ltd

Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Raw materials	Market price	156	308
Total	–	156	308

11.5.3 Other related-party transactions

For this period, the amount of domestic and export sales agent service provided by Angang Trade were 0.77 million tons respectively (1.80 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		3,463	295,647	295,699	3,411	

In this period, the Group's interest income of deposit in Angang Finance was RMB33 million (for the last period: RMB33 million) and the interest expenditure for loans(including discount)from Angang finance was RMB2 million (for the last period: RMB61 million). The highest daily deposit of the Group in Angang Finance in this period was RMB3,496 million (for the last period: RMB3,480 million).

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.5 Related-party transactions with the joint ventures and the associates:

A. Statement of purchasing products

Name of enterprise	This period	Last period
ANSC-TKS	521	166
Guangzhou Automobile Steel	154	
Zhong An Water	24	
Nansha Logistics	15	
Angang Jingu	2	
Total	716	166

B. Statement of selling products

Name of enterprise	This period	Last period
ANSC-TKS	3,103	3,339
Guangzhou Automobile Steel	717	469
Angang Jingu		15
Angang Yasheng	2	
GAC Baoshang	1	
Nansha Logistics	993	
Total	4,816	3,823

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.6 Remuneration of the directors, supervisors and senior management

Items	This period	Last period
Directors' fee	0.49	0.44
Other remuneration	6.02	6.89
Including: Salaries, allowances and non-cash amount of interest	4.53	5.28
Performance-related bonus		
Other insurance and benefits	0.88	0.83
Pension plan contributions	0.61	0.87
Total	6.51	7.42

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.6 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	
Executive directors:						
Li Zhen		0.70		0.12	0.09	0.91
Ma Lianyong		0.71		0.12	0.09	0.92
Li Zhongwu		0.84		0.14	0.11	1.09
Subtotal for executive directors		2.25		0.38	0.29	2.92
Independent non-executive directors :						
Feng Changli	0.12					0.12
Wang Jianhua	0.12					0.12
Wang Wanglin	0.10					0.10
Zhu Keshi	0.02					0.02
Wu Dajun(resigned)	0.11					0.11
Ma Weiguo(resigned)	0.02					0.02
Subtotal for Independent non-executive directors	0.49					0.49
Supervisors:						
Yuan Peng		0.49		0.09	0.06	0.64
Liu Xiaohui		0.30		0.06	0.05	0.41
Subtotal for Supervisors		0.79		0.15	0.11	1.05
Senior Management:						
Liu Jie		0.60		0.11	0.08	0.79
Meng Jinsong		0.60		0.11	0.08	0.79
Xiao Mingfu		0.19		0.04	0.03	0.26
Xu Shishuai(resigned)		0.10		0.09	0.02	0.21
Subtotal for Senior management		1.49		0.35	0.21	2.05
Total	0.49	4.53		0.88	0.61	6.51

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.6 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	
Executive directors:						
Li Zhen		1.16		0.18	0.19	1.53
Ma Lianyong		0.9		0.14	0.15	1.19
Xie Junyong(resigned)		0.9		0.14	0.15	1.19
Subtotal for executive directors		2.96		0.46	0.49	3.91
Independent non-executive directors :						
Wu Dajun	0.12					0.12
Ma Weiguo	0.12					0.12
Feng Changli	0.12					0.12
Wang Jianhua	0.08					0.08
Subtotal for Independent non-executive directors	0.44					0.44
Supervisors:						
Yuan Peng		0.53		0.09	0.09	0.71
Subtotal for Supervisors		0.53		0.09	0.09	0.71
Senior Management:						
Xu Shishuai		0.89		0.14	0.14	1.17
Meng Jinsong		0.9		0.14	0.15	1.19
Subtotal for Senior management		1.79		0.28	0.29	2.36
Total	0.44	5.28		0.83	0.87	7.42

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.6 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 year's remuneration.

The top five employees with the highest remuneration this year included 3 directors and 2 senior managers (3 directors and 2 senior managers for the last period), and their payment have been set out in detail above.

11.5.7 Continuing related-party transactions

The related-party transactions disclosed in Note 11.5.1–11.5.4 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 2020	31 December 2019
Accounts receivable	Angang International Trade	295	556
Accounts receivable	Angang Steel Rope Co., Ltd.	74	69
Accounts receivable	Guangzhou Automobile Steel	37	
Accounts receivable	Anshan Iron and Steel	20	8
Accounts receivable	ANSC-TKS	12	12
Accounts receivable	Angang Steel Casting Co., Ltd.	6	32
Accounts receivable	Angang Group Engineering Technology Development Co., Ltd.	2	15
Accounts receivable	Angang Group Information Industry Co., Ltd.	2	5

Notes to Financial Statements (Continued)

31 December 2020 (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 2020	31 December 2019
Accounts receivable	Pangang Group Xichang Steel and Vanadium Co., Ltd.	2	1
Accounts receivable	Angang Group Mining Co., Ltd.	1	1
Accounts receivable	Panzhuhua Steel & Vanadium Co., Ltd. of Panzhuhua Iron and Steel Group	1	
Accounts receivable	GAC Baoshang	1	
Accounts receivable	Other Related Parties	1	1
Total		453	700
Other receivables	Other Related Parties	1	1
Total		1	1
Prepayment	Angang International Trade	2,120	2,299
Prepayment	Guangzhou Automobile Steel	26	22
Prepayment	Angang Group Engineering Technology Development Co., Ltd.	20	14
Prepayment	Delin Lugang (Anshan) Co., Ltd.	14	40
Prepayment	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd.	8	18
Prepayment	Angang Automobile Transportation Co., Ltd.	3	5

Notes to Financial Statements (Continued)

31 December 2020 (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 2020	31 December 2019
Prepayment	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.		1
Prepayment	ANSC-TKS		1
Prepayment	Angang Group Beijing Research Institute Co., Ltd.		39
Prepayment	Pangang Group International Economic and Trade Co., Ltd.		9
Prepayment	Other Related Parties	1	1
Total		2,192	2,449

Note: No provision for bad debts has been made for creditor's rights.

11.6.2 Accounts payable

Items	Related party	31 December 2020	31 December 2019
Accounts payable	Angang International Trade	2,014	327
Accounts payable	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	123	376
Accounts payable	ANSC-TKS	121	107
Accounts payable	Angang Group Zhongyuan Industry Development Co., Ltd.	95	66
Accounts payable	Angang Group Engineering Technology Development Co., Ltd.	92	104

Notes to Financial Statements (Continued)

31 December 2020 (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 2020	31 December 2019
Accounts payable	Anshan Steel Ship	62	38
Accounts payable	Pangang Group	47	39
	International Economic and Trade Co., Ltd.		
Accounts payable	China Ordnance Materials Group Co., Ltd.	39	
Accounts payable	Delin Lugang (Anshan) Co., Ltd.	25	163
Accounts payable	Angang Group Information Industry Co., Ltd.	19	36
Accounts payable	Anshan Iron and Steel	17	16
Accounts payable	Angang Mine Construction Co., Ltd.	16	
Accounts payable	Angang Group Mining Co., Ltd.	15	20
Accounts payable	Angang Steel Casting Co., Ltd.	13	2
Accounts payable	Falan Packing	12	11
Accounts payable	Pangang Group Vanadium and Titanium Resources Co., Ltd.	10	6
Accounts payable	Angang Electric Co., Ltd.	7	
Accounts payable	Angang Group Real Estate Company	6	3
Accounts payable	Chengdu Western IOT Group Co., Ltd.	5	
Accounts payable	Anshan Iron and Steel Baker Gillini Water Treatment Co., Ltd.	4	5
Accounts payable	Angang Group Co., Ltd.	3	1
Accounts payable	Angang Automobile Transportation Co., Ltd.	3	6
Accounts payable	Chaoyang Zhongan Water Co., Ltd.	3	

Notes to Financial Statements (Continued)

31 December 2020 (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 2020	31 December 2019
Accounts payable	Angang Steel Rope Co., Ltd.	2	10
Accounts payable	Anshan Kede Roll Surface Treatment Co., Ltd.	2	
Accounts payable	Anshan Iron and Steel Group Refractories Co., Ltd.	1	2
Accounts payable	Angang Jingu	1	
Accounts payable	Angang Cold Rolled Steel Plate (Putian) Co., Ltd.		38
Accounts payable	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd.		1
Accounts payable	Nansha Logistics		4
Accounts payable	Other Related Parties	1	
Total		2,758	1,381
Other payable	Angang Group Engineering Technology Development Co., Ltd.	204	306
Other payable	Angang Group Information Industry Co., Ltd.	53	109
Other payable	Angang Group Zhongyuan Industry Development Co., Ltd.	32	46
Other payable	Delin Lugang (Anshan) Co., Ltd.	20	9
Other payable	Angang Electric Co., Ltd.	7	
Other payable	Angang International Trade	5	7
Other payable	Angang Group Mining Co., Ltd.	5	9

Notes to Financial Statements (Continued)

31 December 2020 (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 2020	31 December 2019
Other payable	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	3	3
Other payable	Anshan Iron and Steel Baker Gillini Water Treatment Co., Ltd.	3	13
Other payable	Shanxi Wuchan International Energy Co., Ltd.	3	
Other payable	Angang Group Real Estate Company	2	2
Other payable	Pangang Group Engineering Technology Co., Ltd.	2	3
Other payable	Anshan Iron and Steel Group Construction Supervision Co., Ltd.	1	1
Other payable	Anshan Iron and Steel Group Refractories Co., Ltd.	1	1
Other payable	Anshan Iron and Steel	1	1
Other payable	Angang Jingu	1	
Other payable	Angang Automobile Transportation Co., Ltd.	1	
Other payable	Labor Hygiene Research Institute of Anshan Iron and Steel Group Co., Ltd.		1
Other payable	Other Related Parties	1	
Total		345	513

Notes to Financial Statements (Continued)

31 December 2020 (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 2020	31 December 2019
Contract liabilities	Delin Lugang (Anshan) Co., Ltd.	357	168
Contract liabilities	Angang Group Zhongyuan Industry Development Co., Ltd.	69	38
Contract liabilities	Nansha Logistics	68	83
Contract liabilities	Angang Group Engineering Technology Development Co., Ltd.	42	18
Contract liabilities	China Ordnance Materials Group Co., Ltd.	21	
Contract liabilities	Angang International Trade	13	7
Contract liabilities	Falan Packing	6	5
Contract liabilities	Pangang Group International Economic and Trade Co., Ltd.	6	4
Contract liabilities	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	6	3
Contract liabilities	Angang Group Mining Co., Ltd.	5	3
Contract liabilities	Anshan Iron and Steel	1	
Contract liabilities	GAC Spring	1	
Contract liabilities	ANSC-TKS		62
Contract liabilities	Guangzhou Automobile Steel		4
Contract liabilities	Anshan Jidong Cement Co., Ltd.		1
Contract liabilities	Other Related Parties	2	1
Total		597	397

Notes to Financial Statements (Continued)

31 December 2020 (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 2020	31 December 2019
Other non-current assets	Angang Group Engineering Technology Development Co., Ltd.	517	240
Other non-current assets	Angang International Trade	226	270
Other non-current assets	Angang Group Information Industry Co., Ltd.	102	40
Total		845	550

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.

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 1.85 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.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

12. Share-based payment (Continued)

12.1 The general introduction of share-based payment (Continued)

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 48.60 million 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.

12.2 The introduction of share-based payment settled by equity

The first grant date of restricted stocks is January 8, 2021. As of December 31, 2020, the share-based payment transaction has no impact on the financial position and operating results in the current year, and there is no need to disclose the total amount of equity instruments granted, exercised and lapsed in the current period.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

13. Commitments and contingencies

13.1 Significant commitments

Items	31 December 2020	31 December 2019
Investment contracts entered but not yet performed or performed partially	14	83
Construction and renovation contracts entered but not yet performed or performed partially	4,279	2,370
Total	4,293	2,453

13.2 Contingencies

As of 31 December 2020, there are no contingencies that need to be disclosed.

14. Subsequent events

As of December 31, 2020, the Group has no major future events that should be explained.

15. Other significant introductions

15.1 Impairment of debt receivables

The company received bank acceptance drafts issued by the Finance Department of Property, Lifan Finance and HNA Finance during the process of selling goods. The Department of Property and Finance, Lifan Finance and their respective group reorganization plans have been successively approved by the court this year. At the same time, on January 29, 2021, HNA Group Co., Ltd. stated that relevant creditors have applied to the court for bankruptcy and reorganization of HNA Group. As of December 31, 2020, the total amount of overdue and unpaid debts due from the three financial companies of the company have been 947 million yuan, and the impairment has amounted to 656 million yuan. For more details, please refer to Note 6.2.2 and Note 6.3.2.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

15. Other significant introductions (Continued)

15.1 Impairment of debt receivables (Continued)

According to the reorganization plan, the company's debts on overdue bills of the Assets and Finance Division and Lifan Finance Division will be reduced by 90% of the balance after deducting the pledge of stock rights and the prepayment of frozen bills held by prior holders. In accordance with the relevant overdue bill deadline and forward-looking adjustments, The creditor's rights on overdue bills of the HNA Finance Division shall be 60% devaluation based on the balance after deducting the advance payment from the previous party. At the same time, as of the date of this report, the reorganization plan of HNA Finance and its group has not yet landed, and the results of bankruptcy and reorganization also remain uncertain. The company will constantly pay attention to the follow-up progress of the bankruptcy and reorganization of HNA Finance.

16. Notes to parent company financial statements

16.1 Accounts Receivable

16.1.1 Classification of Accounts Receivable

Items	31 December 2020				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,014	30.80	722	71.20	292
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,280	69.20	5	0.22	2,275
Risk group combination on the basis of aging-matrix	1,652	50.14			1,652
	628	19.06	5	0.80	623
Total	3,294	100.00	727	22.07	2,567

Notes to Financial Statements (Continued)

31 December 2020 (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 2019				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,024	32.34	404	39.45	620
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,142	67.66	2	0.09	2,140
Risk group combination on the basis of aging-matrix	1,698	53.63			1,698
	444	14.03	2	0.45	442
Total	3,166	100.00	406	12.82	2,760

16.1.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2020			
	Book Value	Bad Debt Provision	Percentage (%)	reason
Department of Property and Finance	605	472	78.02	Notes overdue
HNA Finance Department	264	150	56.82	Notes overdue
Lifan Finance	78	34	43.59	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	1,014	722	-	-

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.1 Accounts Receivable (Continued)

16.1.3 Accounts Receivable classified by aging

Aging	31 December 2020	31 December 2019
Within 1 year	2,212	3,036
1 to 2 years	963	15
2 to 3 years	13	14
3 to 4 years	14	16
4 to 5 years	15	17
Over 5 years	77	68
Total	3,294	3,166

Note: In the above analysis, the aging of accounts receivable (RMB947 million in total) transferred from overdue notes receivable is calculated on the transfer date. The aging is 1 to 2 years. Meanwhile, the rest of accounts receivable is based on the invoice date.

16.1.4 Bad debt provision at the end of the period

Type	31 December 2019	Increase/Decrease			31 December 2020
		Bad debt provision	Reverse	Resale or verification	
Accounts receivable	406	321			727

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 Group was RMB2,018 million as of 31 December 2020, which accounted for 61.24% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB622 million as of 31 December 2020.

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.1 Accounts Receivable (Continued)

16.1.7 Accounts receivable derecognized resulting from transfer of financial assets.

Please refer to Note 6, 3, (7) for details.

16.2 Other receivables

Items	31 December 2020	31 December 2019
Dividends receivable		12
Other receivables	102	191
Total	102	203

16.2.1 Dividends receivable

Items	31 December 2020	31 December 2019
FAW Angang		12
Total		12

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.2 Other receivables (Continued)

16.2.2 Other receivables

16.2.2.1 Classification of other receivables

Items	31 December 2020				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	103	100	1	0.97	102
including: Risk-free group combination	50	48.54			50
Risk group combination on the basis of aging-matrix	53	51.46	1	1.89	52
Total	103	100	1	0.97	102

Items	31 December 2019				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables for which bad debt is prepared based on group combination	192	100.00	1	0.52	191
including: Risk-free group combination	93	48.44			93
Risk group combination on the basis of aging-matrix	99	51.56	1	1.01	98
Total	192	100.00	1	0.52	191

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.2 Other receivables (Continued)

16.2.2 Other receivables (Continued)

16.2.2.2 Other receivables classified by the nature

Type	31 December 2020	31 December 2019
Petty cash	5	4
Money lent to subsidiary	51	56
Lease fees charged to subsidiaries		37
The remaining factoring receivable	44	92
Others	3	3
Total	103	192

16.2.2.3 Other receivables classified by aging

Aging	31 December 2020	31 December 2019
Within 1 year	48	178
1 to 2 years	41	10
2 to 3 years	10	1
3 to 4 years	1	3
4 to 5 years	3	
Over 5 years		
Total	103	192

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.2 Other receivables (Continued)

16.2.2 Other receivables (Continued)

16.2.2.4 The recognition of bad debt provision

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 2020		1		1
Bad debt provision Reverse				
Resale or verification				
Write off				
Other changes				
Balance at 31 December 2020		1		1

16.2.2.5 Bad debt provision at the end of the period

Type	31 December 2019	Increase/Decrease		31 December 2020
		Bad debt provision	Resale or verification	
Other receivables	1			1

16.2.2.6 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 Group was RMB97 million at 31 December 2020, which accounted for 94.17% 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 2020 (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 other receivables

The invested entity	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	9,683		9,683	8,624		8,624
Investments in joint ventures and associates	2,929		2,929	2,859		2,859
Total	12,612		12,612	11,483		11,483

16.3.2 Investments in subsidiaries

The invested entity	31 December 2019	Increment	Decrement	31 December 2020	Provision for impairment	Provision for impairment at the end of year
Angang Wuhan	237			237		
Angang Hefei	102			102		
Angang Guangzhou	90			90		
Shenyang Trade	121	200		321		
Shanghai Trade	103	200		303		
Tianjin Trade	103	100		203		
Guangzhou Trade	115	200		315		
Angang Shenyang	151			151		
Angang Tianjin	27			27		
Angang Dalian	266			266		
Ningbo Trade	6	94		100		
yantai Trade	100	100		200		
Angang Kobelco	357			357		
ASPD-CC	450			450		
Technology and Development	50			50		
Angang Zhengzhou	149			149		
Angang Chaoyang	3,545			3,545		
Energy and Technology	33			33		
Chemical Technology	2,500			2,500		
FAW Angang	119			119		
Angang Parts		50		50		
Delin Zhilian		55		55		
Angang Hangzhou		60		60		
Total	8,624	1,059		9,683		

Notes to Financial Statements (Continued)

31 December 2020 (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 6.9 (excluding Zhong'an Water).

16.4 Operating income and operating cost

16.4.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	91,459	84,603	98,251	91,752
Other operating	305	277	392	260
Total	91,764	84,880	98,643	92,012

Note: The Group 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	88,864	91,567
Foreign exchange income from outside borders	2,900	7,076
Total	91,764	98,643

16.4.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	91,764	98,643
Total	91,764	98,643

Notes to Financial Statements (Continued)

31 December 2020 (Expressed in million RMB unless otherwise indicated)

16. Notes to parent company financial statements (Continued)

16.5 Investment income

<u>Items</u>	<u>This period</u>	<u>Last period</u>
Long-term equity investment income measured at cost method	448	323
Long-term equity investment income measured at equity method	190	181
Investment income of other investments in equity instruments	21	9
Others		(25)
Total	659	488

17. Net current assets

<u>Items</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current assets	23,016	23,492
Less : Current liabilities	27,702	29,341
Net current assets/(liabilities)	(4,686)	(5,849)

18. Total assets less current liabilities

<u>Items</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	88,046	87,808
Less: Current liabilities	27,702	29,341
Total assets less current liabilities	60,344	58,467

Notes to Financial Statements (Continued)

31 December 2020 (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	(78)	(54)
Government grant recorded into profit and loss for current period except that relevant to enterprise operation and in compliance with government policies	66	83
Changes in the fair value of trading financial assets (Liabilities)	(4)	3
Other non-current liabilities-part of embedded derivative financial instruments, derivative financial liabilities-changes in fair value of foreign exchange swap contracts	14	60
Other non-operating income and loss not listed above	6	3
Subtotal	4	95
Less: Effect on taxation	1	24
Effect on minority interest (after tax)		
Total	3	71

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 2020 (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	3.74	0.210	0.198
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	3.74	0.210	0.198

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 2020 (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

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

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

Unit: RMB million

	2020	2019	2018	2017	2016
Operating income	100,903	105,587	105,157	91,683	62,599
Net profit	1,996	1,760	7,952	6,645	1,708
Total assets	88,046	87,808	90,024	94,886	93,127
Total liabilities	34,188	35,260	37,559	42,174	49,068
Net assets	53,858	52,548	52,465	52,712	44,059

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 indicates otherwise:

“Angang”	Angang Group Company Limited* (鞍鋼集團有限公司), the ultimate controlling shareholder of the Company
“Angang Beijing Research Institute”	Angang Group Beijing Research Institute Co., Ltd. * (鞍鋼集團北京研究院有限公司)
“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)
“Angang Parts”	Angang (Beijing) Automotive Parts Technology Co., Ltd.(鞍鋼(北京)汽車部件科技有限公司)
“Anshan Iron & Steel Group Complex”	Angang Holding and the companies in which it holds 30% or above interests (not including the Group)
“A Share(s)”	the domestic share(s) of the Company with a par value of RMB1.00 each, listed on the Shenzhen Stock Exchange and traded in RMB
“ASPD-CC”	Angang Steel Processing and Distribution (Changchun) Co., Ltd.* (鞍鋼鋼材加工配送(長春)有限公司)
“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)
“Board”	board of the Directors
“Chairman”	chairman of the Board
“Chaoyang Iron and Steel”	Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司)

Definitions (Continued)

“Chemical Technology”	Angang Chemical Technology Co., Ltd.* (鞍鋼化學科技有限公司)
“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 (2019-2021), the Supply of Materials Agreement (2019-2021) and the Financial Service Agreement (2019-2021)
“Delin Zhilian”	Delin Zhilian (Anshan) Co., Ltd.* (德鄰智聯(鞍山)有限公司)
“Director”	director of the Company
“Energy Technology”	Angang Energy Technology Co., Ltd.* (鞍鋼能源科技有限公司)
“Financial Service Agreement (2019-2021)”	the Financial Service Agreement (2019-2021) entered into between the Company and Angang Financial Company, which was approved at the third extraordinary general meeting of the Company in 2018
“Group”	Angang Steel Company Limited* and its subsidiaries
“H Share(s)”	the overseas listed foreign share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“H Shareholders(s)”	holders(s) of the H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Karara”	Karara Mining Limited (卡拉拉礦業有限公司*)
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團鈮鈦資源股份有限公司)

Definitions (Continued)

“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries
“PRC”	the People’s Republic of China (for the purpose of this annual report, excluding Hong Kong and Macau Special Administrative Region)
“Reporting Period”	the year ended 31 December 2020
“Supervisor”	supervisor of the Company
“Supervisory Committee”	supervisory committee of the Company
“Supplemental Agreement of the Continuing Connected Transaction Agreements”	the Supplemental Supply of Materials and Services Agreement (2020) entered into between the Company and Angang, which was approved at the second extraordinary general meeting of the Company in 2020
“Supply of Materials Agreement (2019–2021)”	the Supply of Materials Agreement (2019–2021) entered into between the Company and Pangang Vanadium & Titanium, which was approved at the third extraordinary general meeting of the Company in 2018
“Supply of Materials and Services Agreement (2019–2021)”	the Supply of Materials and Services Agreement (2019–2021) entered into between the Company and Angang, which was approved at the third extraordinary general meeting of the Company in 2018

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 on Cninfo website during the Reporting Period.
4. Annual report of the Company disclosed on the website of 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 2021

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*