



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



2021
ANNUAL REPORT

* For identification purposes only

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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. Qin Lianyu, the person in charge of the accounting institution, guarantee the truthfulness, accuracy and completeness of the financial report in this report.

CORPORATE PROFILE

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

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

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

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

Corporate Profile (Continued)

CORPORATE PROFILE (CONTINUED)

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

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

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

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

Corporate Profile (Continued)

CORPORATE PROFILE (CONTINUED)

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

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

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 | | |
| Historical change of registered address of the Company | On May 1997 First Registered Address: No. 396 Zhonghua Road, Tiedong District, Anshan City, Liaoning Province, the PRC On September 2006 Change of registered address: Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC | | |
| Business Address | Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC | | |
| Postal Code of Business Address | 114021 | | |
| Website of the Company | http://www.ansteel.com.cn | | |
| E-mail | ansteel@ansteel.com.cn | | |

Corporate Profile (Continued)

II. CONTACT PERSONS AND CONTACT METHODS

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

III. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION

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

Summary of Accounting Figures and Financial Indicators

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB million

| Items | 2021 | 2020 | | Changes over the preceding year (%) | 2019 | |
|--|----------------|-------------------|------------------|-------------------------------------|-------------------|------------------|
| | | before adjustment | after adjustment | | before adjustment | after adjustment |
| Operating income | 136,674 | 100,903 | 100,903 | 35.45 | 105,587 | 105,587 |
| Operating profit | 8,985 | 2,482 | 2,482 | 262.01 | 2,025 | 2,025 |
| Total profit | 8,920 | 2,403 | 2,403 | 271.20 | 1,972 | 1,972 |
| Net profit attributable to shareholders of the Company | 6,925 | 1,978 | 1,978 | 250.10 | 1,787 | 1,787 |
| Net profit attributable to shareholders of the Company after extraordinary items | 6,941 | 1,975 | 1,975 | 251.44 | 1,716 | 1,716 |
| Net cash flow from operating activities | 12,846 | 9,916 | 9,916 | 29.55 | 10,020 | 10,020 |
| Basic earnings per share (RMB/share) | 0.736 | 0.210 | 0.210 | 250.48 | 0.190 | 0.190 |
| Diluted earnings per share (RMB/share) | 0.720 | 0.198 | 0.198 | 263.64 | 0.187 | 0.187 |
| Weighted average return on net assets (%) | 12.26 | 3.74 | 3.74 | Increased by 8.52 percentage points | 3.43 | 3.43 |

| Items | At the end of 2021 | At the end of 2020 | | Changes over the preceding year (%) | At the end of 2019 | |
|--|--------------------|--------------------|------------------|-------------------------------------|--------------------|------------------|
| | | before adjustment | after adjustment | | before adjustment | after adjustment |
| Total assets | 97,526 | 88,046 | 88,046 | 10.77 | 87,808 | 87,808 |
| Total liabilities | 37,334 | 34,188 | 34,188 | 9.20 | 35,260 | 35,260 |
| Owner's equity attributable to shareholders of the Company | 59,666 | 53,365 | 53,365 | 11.81 | 52,079 | 52,079 |
| Gearing ratio (%) | 38.28 | 38.83 | 38.83 | Decreased by 0.55 percentage point | 40.16 | 40.16 |
| Total share capital | 9,405 | 9,405 | 9,405 | – | 9,405 | 9,405 |

Summary of Accounting Figures and Financial Indicators (Continued)

Reason for retrospective adjustment or restatement: Changes in accounting policies

In accordance with the Q&A on the Implementation of Accounting Standards for Business Enterprises issued by the Ministry of Finance in November 2021, it provides clear provisions on the accounting treatment for transportation activities incurred for the performance of customer contracts before the control of goods or services is transferred to customers. Before the Group transfers the control of goods or services to the customer according to the regulations, the transportation activities incurred in order to perform the customer contract do not constitute a single performance obligation. The relevant transportation costs are regarded as the contract performance costs, which are carried forward and included into the operating costs when the revenue generated from the goods or services is recognized. The changes in this accounting policy has no impact on the Group's operating income, net profit and net assets.

Total share capital of the Company as at 30 March 2022:

| | |
|--|---------------|
| Total share capital of the Company (<i>shares</i>) | 9,403,020,451 |
| Fully diluted earnings per share calculated based on the latest share capital (<i>RMB/share</i>) | 0.736 |

II. MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB million

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--|------------------|-------------------|------------------|-------------------|
| Operating income | 31,878 | 40,673 | 35,986 | 28,137 |
| Net profit attributable to shareholders of the Company | 1,520 | 3,663 | 2,306 | -564 |
| Net profit attributable to shareholders of the Company after extraordinary items | 1,530 | 3,730 | 2,305 | -624 |
| Net cash flow from operating activities | 1,908 | 6,731 | 1,483 | 2,724 |

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

Yes No

Summary of Accounting Figures and Financial Indicators (Continued)

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

Unit: RMB million

| Items of Non-Recurring Gain and Losses | 2021 | 2020 | 2019 | Description |
|--|-------------|------|------|-------------|
| 1. Gains/losses from disposal of non-current assets | -33 | -78 | -54 | - |
| 2. Government grants included in profit or loss for the current period (except those closely related to the normal operation of the Company and granted continuously at a fixed amount or quantity in accordance with the national policy) | 43 | 66 | 83 | - |
| 3. Changes in fair value of financial assets held for trading | 9 | -4 | 3 | - |
| 4. Changes in fair value of other non-current liabilities (part of derivative financial instruments) | -55 | 14 | 60 | - |
| 5. Other non-operating revenue and expenses except those mentioned above | 15 | 6 | 3 | - |
| Subtotal | -21 | 4 | 95 | - |
| Less: Effect on income tax | -5 | 1 | 24 | - |
| Effect on minority interest (after tax) | - | - | - | - |
| Total | -16 | 3 | 71 | - |

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 2021 and hereby extend my regards to all shareholders.



OPERATING RESULTS FOR 2021:

According to the PRC Accounting Standard for Business Enterprise (“PRC ASBE”), the Group recorded a net profit attributable to shareholders of the Company of RMB6,925 million and basic earnings per share of RMB0.736 for the year ended 31 December 2021. Net profit attributable to shareholders of the Company was RMB1,978 million and basic earnings per share was RMB0.210 for the year ended 31 December 2020.

Chairman's Statement (Continued)

PROFIT DISTRIBUTION:

Net profit attributable to shareholders of the Company and its holding subsidiary (hereinafter referred to as the Group) amounted to RMB6,925 million for the year of 2021, provision of statutory surplus reserve amounted to RMB603 million, the Group's undistributed profit amounted to RMB12,179 million as at 31 December 2021, in accordance with the PRC Accounting Standard for Business Enterprise, as audited and confirmed by ShineWing Certified Public Accountants (Special General Partnership)(信永中和會計師事務所(特殊普通合夥)). As at the disclosure date, the Company has a total share capital of 9,403,020,451 shares. After having deducted the 408,623 treasury shares held by the Company in the special repurchase account, the total number of share of the Company entitled to the distribution is 9,402,611,828.

The Board recommended distributing cash dividend of RMB2.21 (tax inclusive) per 10 shares to all shareholders of the Company, based on the total number of 9,402,611,828 shares which were entitled to the distribution. The total profit to be distributed amounted to approximately RMB2,078 million, representing approximately 30% of the net profit attributable to the shareholders of the Company. The funds used for profit distribution were from the Company's own funds. Where there is any change in the total number of shares entitled to the distribution of the Company before the implementation of the distribution plan, the Company shall adjust the total amount of cash dividends on the basis of the total number of shares entitled to the distribution on the Equity Record Date according to the principle of the unchanged amount of cash dividends per share. The profit distribution plan shall comply with the profit distribution policy described in the Articles of Association. The cash dividend level of the Company is not significantly different from the average level of listed companies in the industry. The plan shall be subject to the approval by the 2021 annual general meeting.

The annual general meeting of the Company is proposed to be held on 26 May 2022. 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 Thursday, 2 June 2022 to Tuesday, 7 June 2022 (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 Tuesday, 7 June 2022 (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 Wednesday, 1 June 2022 (the "Equity Record Date"). The final dividend is expected to be distributed on or around Thursday, 23 June 2022.

Chairman's Statement (Continued)

PROFIT DISTRIBUTION: (CONTINUED)

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds on the Hong Kong Stock Exchange. The convertible bonds were listed and dealt on the Hong Kong Stock Exchange on 28 May 2018 (Stock Code: 5105) (the "Bonds"), and will fall due on 25 May 2023. Subject to the terms and conditions of the Bonds, the holders of such Bonds shall not exercise their conversion rights 30 days prior to the annual general meeting, five days prior to the Dividend Record Date or during the period when the share transfer registration is closed. The conversion date shall be the first Hong Kong Stock Exchange working day after the holder has exercised the conversion right. Since the Company requires five working days to complete the registration of the new shares, if the holders of the Bonds exercise the conversion right after the annual general meeting but before the Equity Record Date, the Company cannot guarantee the converted shares will be registered in time by the Equity Record Date. Therefore, it is suggested that the holders of the Bonds exercise their conversion right no later than the 30 days prior to the annual general meeting, i.e. Monday, 25 April 2022 according to the terms and conditions of the Bonds so as to enjoy the benefits of the profit distribution.

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

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

Chairman's Statement (Continued)

PROFIT DISTRIBUTION: (CONTINUED)

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

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

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

Chairman's Statement (Continued)

BUSINESS REVIEW:

1. Industry situation of the Company during the Reporting Period

The year 2021 is the first year of China's "14th Five-Year Plan" and the first year of the "peak carbon dioxide emission and carbon neutrality" plan. With the repeated occurrence of the epidemic at home and abroad, and the continuous recovery of the global economy, under the influence of multiple domestic and overseas factors, the steel market fluctuated widely, the average price rose remarkably, and the profits of the steel industry turned for the better. Steel enterprises actively planned for long-term development, stepped up mergers and reorganizations and low-carbon layout, but the steel industry was still in an unfavorable situation featuring the poor raw material security and high costs.

In 2021, with the recovery of overseas economic activities, the global crude steel production totaled 1.95 billion tons, representing a year-on-year increase of 3.7% and hitting a record high. At present, the global steel production capacity is about 2.36 billion tons. In some developing countries, there are still new production capacities put into operation one after another. The overcapacity problem will exist for a long time, and the risk of imbalance between supply and demand will continue to grow. China's "dual control" policy on production capacity and output in the steel industry has played a positive role in consolidating the achievements of supply-side structural reforms, maintaining the market order, balancing steel supply and demand, stabilizing steel prices, restraining the rapid rise in imported iron ore prices, and enhancing the operating efficiency of enterprises. The annual crude steel output was 1.03 billion tons, representing a year-on-year decrease of 3.0%. The 14th Five-Year Plan for Industrial Green Development and the Guidance on Promoting the High-quality Development of the Iron and Steel Industry will speed up the adjustment of the industrial structure in the iron and steel industry. Reduction, green and low carbon will be the development directions of China's iron and steel industry in the future.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

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

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

As a modern super-large iron and steel complex in China, the Company is the core enterprise of Angang Steel Group, which is known as “the cradle of new China’s iron and steel industry”. The Company is mainly engaged in the steel manufacturing industry, while focusing on the development of steel processing and distribution, chemical industry, green energy, e-commerce, clean power generation and other industries in respect of the main steel business. The Company has the three major production bases in Anshan, Yingkou and Chaoyang, as well as processing and distribution or sales service agencies in Dalian, Shenyang, Changchun, Tianjin, Shanghai, Wuhan, Hefei, Zhengzhou, Guangzhou and other cities. It relies on Angang Steel Group’s overseas sales agencies to carry out international operations.

The foundation for the Company’s main iron and steel business has been vigorously consolidated. The management model of “coordination among bases and concentration within bases” is adopted to develop a multi-base development pattern with complementary advantages and efficient coordination. The production capacity of iron, steel and rolled steel has reached more than 26 million tons. The Company has a diverse product structure, with a relatively complete product series such as hot-rolled sheet, medium and heavy sheet, cold-rolled sheet, galvanized sheet, color-coated sheet, cold-rolled silicon steel, heavy rail, profiles, seamless steel pipe, and wire rods, which are widely applied in such industries as machinery, metallurgy, petroleum, chemical, coal, electric power, railway, ship, automobile, construction, home appliances, and aviation.

The Company’s strategic industries have been solidly carried out. The Company has given full play to the resources and platform advantages of the steel industry chain, stepped up the development of strategic emerging industries such as chemical technology and energy technology, in order to establish characteristic industrial clusters with professional advantages and development vitality, and cultivate new profit growth points. The projects such as co-production of coke oven gas to produce hydrogen have been effectively carried out.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

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

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

The Company's product structure has been remarkably optimized. The Company carried out the product development leadership plan, focusing on a series of "hit" steel products such as automobiles, shipbuilding and marine engineering, railways, home appliances, containers, energy, bridges, high-end metal products and steel for tooling and molding, and stepped up the product structure optimization. The Company made breakthroughs in the fields of ultra-high strength steel, high corrosion resistant steel, high-grade thin sheet, ultra-wide and ultra-thick sheet and oriented silicon steel, steel for marine equipment and other major works, and steel for new energy vehicles.

The Company's technological innovation capability has been steadily enhanced. Focusing on the construction of independent innovation R&D platform, cost reduction and quality improvement platform, strategic cooperation platform, and joint technology R&D platform, the Company strived to make breakthroughs in the key core technology, and continuously enhanced its scientific and technological innovation capability. The Company completed 26 national science and technology R&D tasks under the "13th Five-Year Plan", undertook the 4 "1025" projects in the first batch, and passed the acceptance inspection of the major national science and technology projects and industrial strong foundation projects under the "13th Five-Year Plan". The Company developed the implementation plans for original technology sources, comprehensively promoted 21 leading science and technology projects and 5 scientific and technological excellence projects, achieved the world's first 3 product launches and the 3 international technological innovations, and ranked third in the patent innovation index of Chinese steel enterprises. The four product series including "steel for high-strength pipeline under low-temperature and high-pressure service conditions" were selected into the Recommended Catalogue of Scientific and Technological Innovation Achievements of Central Enterprises (2020 Edition), and it has played a good role as "the pillars of a great power" and "steel backbone".

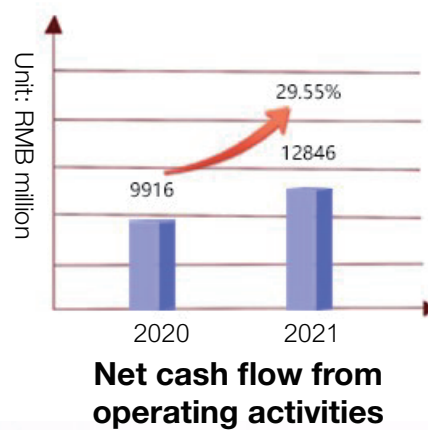
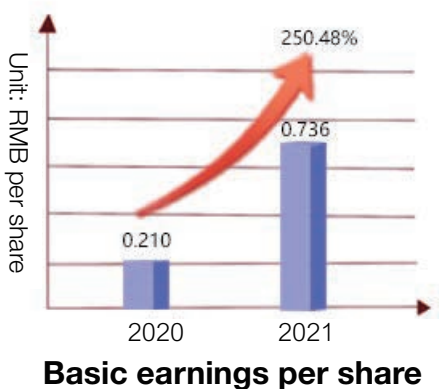
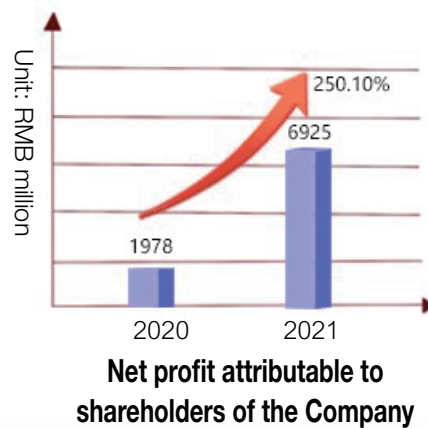
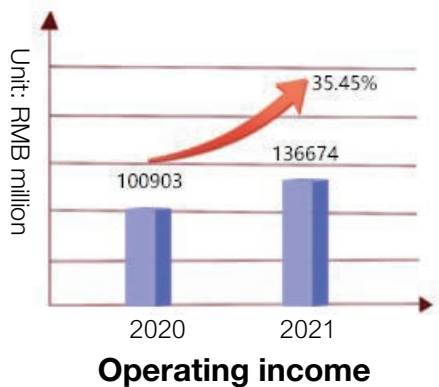
In 2021, faced with the complex and changeable economic environment and industry situation, and the impact of extreme weather, the Company firmly grasped market opportunities, actively responded to market changes and national industrial policy adjustments, effectively organized production and operation activities, optimized procurement and marketing strategies, and vigorously adjusted the variety structure, and strengthened lean management, thus achieving a rapid increase in business performance and a high starting point in the "14th Five-Year Plan".

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

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

(2) Highlights of the Company



Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

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

(2) Highlights of the Company (Continued)

- ◆ **Achieved a remarkable increase in operating efficiency.** In 2021, the Group achieved an operating income of RMB136,674 million, representing an increase of 35.45% over the previous year. The total profit reached RMB8,920 million, representing an increase of 271.20% over the previous year. The net profit attributable to shareholders of the Company was RMB6,925 million, representing an increase of 250.10% over the previous year. The basic earnings per share was RMB0.736, representing an increase of 250.48% over the previous year. The net cash flow from operating activities was RMB12,846 million, representing an increase of 29.55% over the previous year.

In 2021, the Group produced 25,350,000 tons of iron, representing a decrease of 2.01% over the previous year; 26,470,000 tons of steel, representing a decrease of 0.04% over the previous year; and 24,800,000 tons of rolled steel, representing an increase of 0.94% over the previous year. Sale of rolled steel amounted to 24,400,000 tons, representing a decrease of 0.85% as compared with the previous year. The Group achieved a sales output ratio of 98.39%.

- ◆ **Deepened the reform to release internal driving forces.** Efforts were made to optimize human resources and set up talent empowerment centers at different levels. The total labor productivity climbed 65.9% and the physical labor productivity grew 13% over the previous year. The Company established and improved a hierarchical and classified management system, and conducted the dynamic evaluation management with “vertical grading and horizontal classification” for affiliated enterprises, so as to guide enterprises to be self-driven, pursue excellence and enhance their value creation capability. The Company also promoted the reform experience of Chaoyang Steel, carried out the simulated market operation of Anshan Base, and established a new model of market management with coordination among bases and centralization within bases. In addition, the Company stepped up the promotion of lean management and established the characteristic lean management system and lean enterprise culture.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

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

(2) Highlights of the Company (Continued)

- ◆ **Made breakthroughs in science and technology to spur innovation impetus.** With the technology Leadership Program, the Science and Technology Excellence Program, and the launch and leadership Program as the carrier, the Company strived to be the “source” of original technologies by developing a series of first-release products and leading technologies, and constantly enhancing its capacity for scientific and technological innovation. Major breakthroughs were made in oriented silicon steel production technology, and a steady increase was seen in the comprehensive yield ratio. The project “development and application of oxidation behavior control technology in steel hot-rolled process” was awarded the Second Prize of National Science and Technology Progress, and 16 projects, including the key technological innovation and engineering application of the high-strength and easy welding steel for marine equipment in extreme cold environment, won the Provincial Science and Technology Progress Award. The project of “5G+ Intelligent Steelmaking System” won the Excellence Award of the third YI Star Innovation and Creativity Competition held by SASAC.

- ◆ **Achieved new progress in digital construction.** The Company focused on the “four Modernizations” in the two major directions of intelligent operation and smart factory, to raise the intelligent operation level of the whole value chain. The intelligent operation integrated control system of Angang Steel has been put into full operation. The layout of 11 intelligent production lines has been completed, and 34 projects such as steelmaking centralized control center have been put into operation successfully. Bayuquan Iron & Steel Branch Company achieved initial success in the construction of an intelligent and transparent factory.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED) (Continued)

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

(2) Highlights of the Company (Continued)

- ◆ **Achieved remarkable results in the cost reform.** The Company strengthened the effort of reducing costs, and optimized the energy system management. As a result, its outsourcing energy cost, comprehensive energy consumption per ton of steel, fresh water consumption per ton of steel, and the recovery indicator of surplus heat and energy all reached the historically better levels. Compared with the previous year, the original variety and comprehensive yield ratios of steel represented an increase of 0.05 percentage points and 0.07 percentage points respectively. In order to overcome the adverse effects of resources shortage and higher prices, the Company positively explored raw fuel procurement channels, and reduced procurement costs by differentiation by 19.52% over the previous year. The Company also strengthened capital control so that the financial expenses declined 36.94% over the previous year, and financing costs continued to fall.
- ◆ **Opened up a new situation in marketing.** Centering on the strategic layout of “going global based on the domestic market” and the “three points and four dimensions” price evaluation system, the Company made great efforts in developing the regional market, and the proportion of direct supply represented an increase of 2.7 percentage points over the previous year. The Company optimized the variety structure, the proportion of hit products represented an increase of 3 percentage points on a year-on-year basis. The Company was selected as “2021 Sinopec Procurement Framework Agreement for Long-distance Pipeline” and signed strategic agreements with PipeChina. Its brand influence has been on the increase. It strived to create an invisible champion, and achieved the full specification coverage in the wear-resistant steel.
- ◆ **Made solid progress in green and low-carbon development.** The Company formulated a low-carbon action plan and stepped up efforts to improve environmental protection and achieve ultra-low emissions. The 74 ultra low emission transformation projects were vigorously carried out, including the raw material shed closure of Bayuquan Iron & Steel Branch Company. The project investment was RMB2.12 billion. Further efforts were made to control pollution, and SO₂, NO_x and COD represented a decrease of 7%, 1.1% and 2.8%, respectively, over the previous year. In 2021, no major environmental pollution accidents occurred to the Company, and the implementation rate of “three simultaneousness” environmental protection of construction projects, the compliance disposal rate of hazardous wastes, and the compliance utilization rate of radioactive sources all reached 100%.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR:

1. 2022 development strategy and business guidelines

In 2022, the Company will stand on the new development stage, embrace the new development concept, build a new development pattern, anchor the “iron & steel flagship” goal, comprehensively improve the “five capabilities”, strive to become a comprehensive leading benchmark enterprise, and promote the enterprise to achieve high-quality development.

- (1) The Company will pursue new development through characteristic industrial clusters under the guidance of strategic planning. The Company will improve efficiency as the goal, achieve the coordination among bases and the concentration within bases, secure the whole landscape of development, and do a better job in the iron and steel industry. By following the principle of “relying on the main business, developing the industry, and cultivating the core enterprise”, the Company will integrate internal resources, boost the development of relevant industries, and build characteristic industrial clusters with prominent professional advantages and development vitality.
- (2) With lean management as the focus, the Company will further enhance governance capacity. Through the improvement of lean management capability, the Company will achieve the iterative upgrade to lean enterprise. The Company will improve the governance system, and deepen the classified and differentiated management & control systems and market-oriented incentive mechanisms. The Company will improve the overall budget management system and the quota management, and strengthen the rigid implementation of budgets. In addition, the Company will deepen cost reform, tap the potential for cost reduction, promote the systematic cost reduction, management cost reduction, coordinated cost reduction, technology-based cost reduction, and build energy-saving enterprises.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR: (CONTINUED)

1. 2022 development strategy and business guidelines (Continued)

- (3) With customer service as the center, the Company will further improve the brand value. The Company will focus on customer experience, enhance customer perceived value, establish multi-dimensional service and future-oriented marketing system, and improve customer satisfaction in an all-round way. The Company will center on the needs of core value clients and strategic industries, and achieve simultaneous growth in the market share and profitability of hit products. In addition, the Company will consolidate the position as a core supplier, and enhance brand influence and product competitiveness.
- (4) With reform and innovation as the driver, the Company will make new strides in development. The Company will deepen market-oriented reform, improve the mechanism of "authorization plus shared benefits", and comprehensively promote the successful internal reform experience of the Company to unleash the vitality of the Company. The Company will accomplish the three key tasks of system reform and stimulate the work and entrepreneurial enthusiasm of employees. The Company will make further efforts to achieve breakthroughs in key and core technologies, step up the R&D efforts in science and technology and develop the system for scientific and technological innovation, give full play to the main technological innovators, and boost the leapfrog development of enterprises through reform and innovation.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR: (CONTINUED)

1. 2022 development strategy and business guidelines (Continued)

- (5) With smart and green manufacturing as the lead, the Company will make new strides in green development. The Company will implement the concept of green development, and speed up the pace of green manufacturing and the construction of digital Angang. The Company will boost the construction of intelligent factory and establish a batch of intelligent manufacturing pilot demonstration bases and production lines such as Bayuquan intelligent transparent factory. The Company will act according to the declaration of carbon peak and carbon neutrality of Anshan Steel Group, take various measures for energy conservation and carbon reduction, and achieve green and low-carbon development.
- (6) With risk prevention and control as the bottom line, the Company will achieve new guarantees for safety compliance. The Company will give top priority to security, stability and compliance with the law. The Company will establish the concept of safe development, strengthen safety and fire prevention management, prevent and defuse market and business risks, operate it under law, adhere to the bottom line of capital safety, and constantly prevent and control the epidemic. The Company shall improve the risk prevention and control system in the whole process and chain, enhance the prevention and control capability, and boost the sustained and sound development of the enterprise.

2. Plans for funding requirements

In 2022, the proposed investments for fixed assets and external investments of the Group will amount to RMB4,755 million.

In 2022, 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 2022

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements for the year ended 31 December 2021.

I. PRINCIPAL BUSINESSES

(1) Composition of the principal businesses

Unit: RMB million

| | 2021 | | 2020 | | Year-on -year increase/ decrease (%) |
|---------------------------------------|----------------|--|---------|--|--|
| | Amount | As a percentage of the operating income (%) | Amount | As a percentage of the operating income (%) | |
| Total operating income | 136,674 | 100 | 100,903 | 100 | 35.45 |
| By industry | | | | | |
| Steel rolling and processing industry | 136,023 | 99.52 | 100,403 | 99.50 | 35.48 |
| Others | 651 | 0.48 | 500 | 0.50 | 30.20 |
| By product | | | | | |
| Steel products | 126,845 | 92.81 | 92,639 | 91.81 | 36.92 |
| Others | 9,829 | 7.19 | 8,264 | 8.19 | 18.94 |
| By geographical location | | | | | |
| China | 131,169 | 95.97 | 98,003 | 97.13 | 33.84 |
| Export sales | 5,505 | 4.03 | 2,900 | 2.87 | 89.83 |
| By sales model | | | | | |
| Direct selling | 75,201 | 55.02 | 60,604 | 60.06 | 24.09 |
| Distributorship | 61,473 | 44.98 | 40,299 | 39.94 | 52.54 |

Report of the Directors (Continued)

I. PRINCIPAL BUSINESSES (CONTINUED)

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

Unit: RMB million

| | Operating income | Operating cost | Gross profit margin (%) | Increase/ decrease in operating income as compared with the corresponding period of the previous year (%) | Increase/ decrease in operating cost as compared with the corresponding period of the previous year (%) | Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year (percentage point) |
|---------------------------------------|------------------|----------------|----------------------------|--|---|---|
| By industry | | | | | | |
| Steel rolling and processing industry | 136,023 | 122,993 | 9.58 | 35.48 | 31.09 | 3.03 |
| By product | | | | | | |
| Hot-rolled sheets products | 41,920 | 35,609 | 15.05 | 37.57 | 32.70 | 3.11 |
| Cold-rolled sheets products | 48,637 | 42,920 | 11.75 | 49.06 | 37.87 | 7.16 |
| Medium and thick plates | 23,288 | 21,789 | 6.44 | 37.42 | 37.16 | 0.18 |
| By geographical location | | | | | | |
| China | 130,518 | 118,202 | 9.44 | 33.86 | 30.02 | 2.68 |
| Export sales | 5,505 | 4,791 | 12.97 | 89.83 | 64.58 | 13.35 |
| By sales model | | | | | | |
| Direct selling | 74,599 | 66,453 | 10.92 | 23.72 | 18.33 | 4.05 |
| Distributorship | 61,424 | 56,540 | 7.95 | 53.16 | 50.10 | 1.87 |

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

Applicable Not applicable

Report of the Directors (Continued)

I. PRINCIPAL BUSINESSES (CONTINUED)

(3) Composition of operating costs

Unit: RMB million

| Industry classification | Item | 2021 | | 2020 | | 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 | 103,591 | 84.23 | 75,176 | 80.12 | 4.11 |
| | Others | 19,401 | 15.77 | 18,648 | 19.88 | -4.11 |
| Total | | 122,993 | 100.00 | 93,824 | 100.00 | - |

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

Applicable Not applicable

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 RMB6,925 million for the year of 2021, provision of statutory surplus reserve amounted to RMB603 million, the Group's undistributed profit amounted to RMB12,179 million as at 31 December 2021, in accordance with the PRC Accounting Standard for Business Enterprise, as audited and confirmed by ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)). As at the disclosure date, the Company has a total share capital of 9,403,020,451 shares. After having deducted the 408,623 treasury shares held by the Company in the repurchase account, the total number of share of the Company entitled to the distribution is 9,402,611,828.

The Board recommended distributing cash dividend of RMB2.21 (tax inclusive) per 10 shares to all shareholders of the Company, based on the total number of 9,402,611,828 shares which were entitled to the distribution. The total profit to be distributed amounted to approximately RMB2,078 million, representing approximately 30% of the net profit attributable to the shareholders of the Company. The funds used for profit distribution were from the Company's own funds. Where there is any change in the total number of shares entitled to the distribution of the Company before the implementation of the distribution plan, the Company shall adjust the total amount of cash dividends on the basis of the total number of shares entitled to the distribution on the Equity Record Date according to the principle of the unchanged amount of cash dividends per share. The plan shall be subject to the approval by the 2021 annual general meeting.

The profit distribution plan conforms to the profit distribution policy stipulated in the Articles of Association of the Company. The Articles of Association stipulate that the profit distribution plan shall remain consistent and stable, whilst giving equal consideration to the Company's long-term interests, all shareholders' overall interests and satisfaction of the Company's needs of sustainable development. The Company shall distribute dividends in cash, shares or a combination of both. If the Company has sufficient resources, it may distribute interim profit. Except under special circumstance, if the Company makes profit and its accumulated undistributed profit is a positive figure in a year, the Company shall distribute dividends in cash, and the profit distributed in cash each year shall not be less than 10% of the distributable profit realized by the parent company in that year. The special circumstance means that the aggregate value of external investments, assets acquisitions or equipment purchases made by the Company in a particular year reaches or exceeds 10% of the Company's audited net assets for the most recent period. When the Company's operating condition is good and distributing dividends in shares is beneficial to the overall interests of all shareholders of the Company, a proposal for distribution in shares can be made if the above conditions for cash dividend distribution can be satisfied. There is no significant difference between the Company's cash distribution level and the average level of listed companies in the industry.

Report of the Directors (Continued)

V. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

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

Unit: RMB million

| Name of companies | Type of companies | Principal activities | Registered capital | Total assets | Net assets | Operating income | Operating profit | Net profit |
|--------------------------|--------------------------|---------------------------------------|---------------------------|---------------------|-------------------|-------------------------|-------------------------|-------------------|
| Chaoyang Iron and Steel | Production enterprise | Steel rolling and processing industry | 8,000 | 7,107 | 5,075 | 12,288 | 1,548 | 1,196 |

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

Applicable Not applicable

Report of the Directors (Continued)

VI. MAJOR CUSTOMERS AND SUPPLIERS

Sales to major customers of the Company

| | |
|---|--------|
| Total sales amount of the top five customers (<i>RMB million</i>) | 45,569 |
| Proportion of total sales amount of the top five customers over total sales amount for the year (%) | 33.50 |
| Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year (%) | 33.50 |

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 | 12,683 | 9.32 |
| 2 | Customer B | 12,185 | 8.96 |
| 3 | Customer C | 11,944 | 8.78 |
| 4 | Customer D | 4,798 | 3.53 |
| 5 | Customer E | 3,959 | 2.91 |
| | Total | 45,569 | 33.50 |

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>) | 56,644 |
| Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%) | 53.14 |
| Proportion of procurement from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%) | 49.14 |

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 | 25,470 | 23.89 |
| 2 | Supplier B | 12,095 | 11.35 |
| 3 | Supplier C | 10,844 | 10.17 |
| 4 | Supplier D | 4,263 | 4.00 |
| 5 | Supplier E | 3,972 | 3.73 |
| | Total | 56,644 | 53.14 |

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

In 2021, save as disclosed in this annual report, none of the Directors, Supervisors and their associates nor any shareholders (who to the knowledge of the Directors hold 5% or more of the shares of the Company) had any interest in any of the top five suppliers or top five customers of the Company.

Report of the Directors (Continued)

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

Each of the Directors of the 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

The Company completed the repurchase of 52,450,023 A Shares held by the public through centralized bidding transactions during the period from 10 to 24 December 2020 pursuant to the Resolution on the Repurchase of Part of A Shares of the Company held by the Public approved at the thirty-second meeting of the eighth session of the Board of the Company for the purpose of implementing the share-based incentives for the employee stock ownership scheme. On 8 January 2021, the Resolution on the First Grant of the Restricted Shares to Incentive Participants (《關於向激勵對象首次授予限制性股票的議案》) was approved at the thirty-eighth meeting of the eighth session of the Board of the Company. On 27 January 2021, the Company completed the registration of the first grant under the 2020 Restricted Share Incentive Scheme, and granted 46,800,000 restricted shares to 174 incentive participants. On 28 January 2022, the Company completed the registration of the grant of reserved restricted shares under the 2020 Restricted Share Incentive Scheme, and granted 5,241,400 restricted shares to 37 incentive participants. On 25 February 2022, the Company completed the redemption and cancellation of 2,229,750 restricted shares held by 8 incentive participants which had been granted but not yet released from restriction on sales. For the movement in share capital related to the incentive scheme, please refer to “Corporate Governance” in this annual report.

Report of the Directors (Continued)

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

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds (hereinafter referred to as the convertible bonds) on the Hong Kong Stock Exchange. The convertible bonds were listed for transaction on the Hong Kong Stock Exchange on 28 May 2018 and will fall due on 25 May 2023. Based on relevant terms on the issuance of the convertible bonds and the bond holders' requirements, the Company redeemed the convertible bonds in the principal amount of HK\$32,000,000 on 25 May 2021 for HK\$32,726,720 in cash. As of the date of this annual report, the principal amount of the Company's outstanding convertible bonds is HK\$1,818,000,000.

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

IX. PRE-EMPTIVE RIGHTS

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

X. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of the Directors and Supervisors had any material interest in any contract to which the Company, the holding companies or subsidiaries of the holding companies was a party in 2021.

XI. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

XII. INDEMNITY PROVISIONS

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

Report of the Directors (Continued)

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

The Directors confirmed that there was no matter occurring in 2021 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Stock Exchange Listing Rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor did the Company sign loan agreements imposing specific performance obligations on the controlling shareholders.

XIV. SUFFICIENCY OF PUBLIC FLOAT

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

XV. FIXED ASSETS

Changes in the fixed assets during the year are set out in note 6.13 to the financial statements on pages 284 to 285 of this annual report.

XVI. OPERATING RESULTS

The results of the Company for the year ended 31 December 2021 and its financial position as at that date are set out in the financial statements included in this annual report.

XVII. SHARE CAPITAL

Changes in the share capital during the Reporting Period are set out in note 6.35 to the financial statements on page 304 of this annual report.

XVIII. RESERVES

Changes in the reserves are set out in note 6.39 to the financial statements on page 307 of this annual report.

Report of the Directors (Continued)

XIX. DONATIONS

During the Reporting Period, the total amount of donations made by the Group was RMB15.596 million. For details of the donations and subsidies, please refer to the section of Environment and Social Responsibility in this annual report.

XX. EMPLOYEE RETIREMENT SCHEME

Details of the employee retirement scheme of the Company are set out in note 6.24 to the financial statements on pages 296 to 297 of this annual report.

XXI. CONTINUING CONNECTED TRANSACTIONS

Details of Continuing Connected Transactions of the Company for the year are set out on pages 165 to 176 and pages 338 to 357 of this annual report.

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

The Board attaches importance to the compliance of the Group's policies and practices with the requirements of national laws and regulations. As at 31 December 2021, to the best of the Board's knowledge, the Company has strictly complied with relevant laws and regulations of China and Hong Kong, such as the Company Law of the PRC, the Securities Law of the PRC and the Listing Rules of the Hong Kong Stock Exchange.

XXIII. FIVE YEARS SUMMARY

A summary of the results and balance sheet of the Company for five years are set out on page 376 of this annual report.

XXIV. AUDITOR

ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)) was appointed as the Company's auditor in 2021.

By order of the Board
Wang Yidong
Chairman

30 March 2022

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 2021, Members of the Supervisory Committee attended three general meetings and two 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.

Whether the Supervisory Committee found any risk with the Company in supervision activities during the Reporting Period

Yes No

| Meetings | Date of the meeting | Participating supervisors | Matters considered | Resolution |
|--|---------------------|---|---|--------------|
| The 13th meeting of the 8th session of the Supervisory Committee | 8 January 2021 | Mu Tiejian, Li Wenbing, Yuan Peng | 1. The proposal in relation to adjusting the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited. 2. The proposal in relation to the first grant of restricted shares to incentive participants. | All approved |
| The 14th meeting of the 8th session of the Supervisory Committee | 30 March 2021 | Mu Tiejian, Li Wenbing, Yang Zhengwen | 1. The report on the work of the Supervisory Committee for the year 2020. 2. The proposal for Supervisors' remuneration for 2020. 3. The 2020 annual report and its summary. 4. The 2020 internal control assessment report. | All approved |
| The 15th meeting of the 8th session of the Supervisory Committee | 12 April 2021 | Mu Tiejian, Li Wenbing, Yang Zhengwen | 1. The proposal in relation to nominating Mr. Shen Changchun as candidate for shareholder representative supervisor in the 8th session of the Supervisory Committee | Approved |

Report of the Supervisory Committee (Continued)

I. SUPERVISORY COMMITTEE MEETINGS (CONTINUED)

| Meetings | Date of the meeting | Participating supervisors | Matters considered | Resolution |
|--|---------------------|---|--|--------------|
| The 16th meeting of the 8th session of the Supervisory Committee | 29 April 2021 | Mu Tiejian, Li Wenbing, Yang Zhengwen | 1. The full text and body of the report for the first quarter of 2021. | Approved |
| The 17h meeting of the 8th session of the Supervisory Committee | 27 August 2021 | Mu Tiejian, Shen Changchun, Yang Zhengwen | 1. The 2021 semi-annual report and its summary. | Approved |
| The 18th meeting of the 8th session of the Supervisory Committee | 29 October 2021 | Mu Tiejian, Shen Changchun, Yang Zhengwen | 1. The report for the third quarter of 2021. 2. The proposal in relation to nominating Mr. Liu Ming as candidate for shareholder representative supervisor in the 8th session of the Supervisory Committee. | All approved |
| The 19th meeting of the 8th session of the Supervisory Committee | 26 November 2021 | Shen Changchun, Liu Ming, Yang Zhengwen | 1. The proposal in relation to electing chairman of the 8th session of the Supervisory Committee. | Approved |
| The 20th meeting of the 8th session of the Supervisory Committee | 10 December 2021 | Shen Changchun, Liu Ming, Yang Zhengwen | 1. The proposal in relation to the redemption and cancellation of restricted shares which have been granted to incentive participants but not released from restriction on sales under the 2020 Restricted Share Incentive Scheme 2. The proposal in relation to granting reserved restricted shares to incentive participants. | All approved |
| The 21th meeting of the 8th session of the Supervisory Committee | 30 December 2021 | Shen Changchun, Liu Ming, Yang Zhengwen | 1. The proposal in relation to the provision for asset impairment loss. | Approved |

The Supervisory Committee raised no objection to the monitoring issues during the Reporting Period.

Report of the Supervisory Committee (Continued)

II. SUPERVISION OVER CORPORATE GOVERNANCE AND OPERATION

In 2021, 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 2021 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
Shen Changchun
Chairman of the Supervisory Committee

30 March 2022

Discussion and Analysis of Operations

I. ANALYSIS OF PRINCIPAL BUSINESSES

(I) Overview

Unit: RMB million

| Item | Reporting period | Corresponding period of the previous year | Increase/decrease during the Reporting Period with the corresponding period of the previous year (%) | Explanation and reasons for significant change |
|-------------------------|------------------|---|--|---|
| Operating income | 136,674 | 100,903 | 35.45 | The operating income in 2021 increased by RMB35,771 million as compared to the same period of the previous year, which was mainly due to the rise of product prices. |
| Operating costs | 123,434 | 94,313 | 30.88 | The operating costs in 2021 increased by RMB29,121 million as compared to the same period of the previous year, which was mainly due to the price increase of raw materials and fuel. |
| Marketing expenses | 596 | 496 | 20.16 | - |
| Administrative expenses | 1,459 | 1,329 | 9.78 | - |
| Financial expenses | 490 | 777 | -36.94 | The financial expenses in 2021 decreased by RMB287 million as compared to the same period of the previous year, which was mainly due to the decrease in interest on bank loans. |
| R&D expenditure | 640 | 417 | 53.48 | The R&D expenditure in 2021 increased by RMB223 million as compared to the same period of the previous year, which was mainly due to the increase in new product trial research fee. |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Overview (Continued)

Unit: RMB million

| Item | Reporting period | Corresponding period of the previous year | Increase/decrease during the Reporting Period with the corresponding period of the previous year (%) | Explanation and reasons for significant change |
|--|------------------|---|--|---|
| Total profit | 8,920 | 2,403 | 271.20 | In 2021, the steel industry as a whole developed well. The Company grasped market opportunities, actively adapted to market changes and national industrial policy adjustments, properly dealt with the impact of uncertainties such as recurring outbreaks of Covid-19, extreme weather, production and power restrictions, and overcame the influence of unfavorable factors such as high prices of raw materials and fuel, effectively organized production and operation activities, optimized procurement and marketing strategies, vigorously adjusted the product mix, and strengthened fine management. We promoted continuous improvement in various technical and economic indicators through benchmarking and potential tapping, achieved significant cost reduction in processes, and stabilized and improved production and operation, registering a significant increase in total profit and net profit attributable to shareholders of the Company over the previous year. |
| Net profit attributable to shareholders of the Company | 6,925 | 1,978 | 250.10 | |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Overview (Continued)

Unit: RMB million

| Item | Reporting period | Corresponding period of the previous year | Increase/decrease during the Reporting Period with the corresponding period of the previous year (%) | Explanation and reasons for significant change |
|---|------------------|---|--|---|
| Net increase in cash and cash equivalents | 47 | 658 | -92.86 | The net increase in cash and cash equivalents decreased by RMB611 million as compared to the same period of the previous year, which was mainly due to: (i) the increase of RMB2,930 million in net cash inflow from operating activities as compared to the same period of the previous year; (ii) the increase of RMB619 million in net cash outflow from investing activities as compared to the same period of the previous year; (iii) the increase of RMB2,922 million in net cash outflow from financing activities as compared to the same period of the previous year. |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost

1. Composition of operating income

Unit: RMB million

| | 2021 | | 2020 | | Year-on-year increase/ decrease (%) |
|--|----------------|--|---------|--|--|
| | Amount | As a percentage of the operating income (%) | Amount | As a percentage of the operating income (%) | |
| Total Operating Income | 136,674 | 100 | 100,903 | 100 | 35.45 |
| By industry | | | | | |
| Steel rolling and processing industry | 136,023 | 99.52 | 100,403 | 99.50 | 35.48 |
| Others | 651 | 0.48 | 500 | 0.50 | 30.20 |
| By product | | | | | |
| Steel products | 126,845 | 92.81 | 92,639 | 91.81 | 36.92 |
| Others | 9,829 | 7.19 | 8,264 | 8.19 | 18.94 |
| By geographical location | | | | | |
| China | 131,169 | 95.97 | 98,003 | 97.13 | 33.84 |
| Export sales | 5,505 | 4.03 | 2,900 | 2.87 | 89.83 |
| By sales model | | | | | |
| Direct selling | 75,201 | 55.02 | 60,604 | 60.06 | 24.09 |
| Distributorship | 61,473 | 44.98 | 40,299 | 39.94 | 52.54 |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

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

Unit: RMB million

| | Operating income | Operating cost | Gross profit margin (%) | Increase/ decrease in operating income as compared with the corresponding period of the previous year (%) | Increase/ decrease in operating cost as compared with the corresponding period of the previous year (%) | Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year (percentage point) |
|---------------------------------------|------------------|----------------|----------------------------|--|---|---|
| By industry | | | | | | |
| Steel rolling and processing industry | 136,023 | 122,993 | 9.58 | 35.48 | 31.09 | 3.03 |
| By products | | | | | | |
| Hot-rolled sheets products | 41,920 | 35,609 | 15.05 | 37.57 | 32.70 | 3.11 |
| Cold-rolled sheets products | 48,637 | 42,920 | 11.75 | 49.06 | 37.87 | 7.16 |
| Medium and thick plates | 23,288 | 21,789 | 6.44 | 37.42 | 37.16 | 0.18 |
| By geographical locations | | | | | | |
| China | 130,518 | 118,202 | 9.44 | 33.86 | 30.02 | 2.68 |
| Export sales | 5,505 | 4,791 | 12.97 | 89.83 | 64.58 | 13.35 |
| By sales model | | | | | | |
| Direct selling | 74,599 | 66,453 | 10.92 | 23.72 | 18.33 | 4.05 |
| Distributorship | 61,424 | 56,540 | 7.95 | 53.16 | 50.10 | 1.87 |

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

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

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

Yes No

| Industry classification | Item | 2021 | 2020 | Year-on-year increase/decrease (%) |
|---------------------------------------|--------------------------------|----------|----------|------------------------------------|
| Steel rolling and processing industry | Sales volume (0'000 tons) | 2,439.50 | 2,461.41 | -0.89 |
| | Production volume (0'000 tons) | 2,480.19 | 2,457.46 | 0.93 |
| | Stock volume (0'000 tons) | 132.61 | 76.58 | 73.17 |

Explanation of reasons for year-on-year increase/decrease by over 30% in relevant data

Applicable Not applicable

In 2021, in order to increase customer viscosity, the Company increased the proportion of direct supply and the scale of spot sales, which led to a higher percentage of finished products in stock.

4. Performance of material sales contracts and purchase contracts entered into by the Company as of the end of the Reporting Period

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

5. Composition of operating cost

Unit: RMB million

| Industry classification | Item | 2021 | As a | 2020 | 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 | 103,591 | 84.23 | 75,176 | 80.12 | 4.11 |
| | Others | 19,401 | 15.77 | 18,648 | 19.88 | -4.11 |
| Total | | 122,993 | 100.00 | 93,824 | 100.00 | - |

6. Whether the scope of consolidation had changed during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

8. Major customers and suppliers

Sales to major customers of the Company

| | |
|---|--------|
| Total sales amount of the top five customers (<i>RMB million</i>) | 45,569 |
| Proportion of total sales amount of the top five customers over total sales amount for the year (%) | 33.50 |
| Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year (%) | 33.50 |

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 | 12,683 | 9.32 |
| 2 | Customer B | 12,185 | 8.96 |
| 3 | Customer C | 11,944 | 8.78 |
| 4 | Customer D | 4,798 | 3.53 |
| 5 | Customer E | 3,959 | 2.91 |
| | Total | 45,569 | 33.50 |

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

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

8. Major customers and suppliers (Continued)

Major suppliers of the Company

| | |
|---|--------|
| Total purchase amount from the top five suppliers (<i>RMB million</i>) | 56,644 |
| Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%) | 53.14 |
| Proportion of procurement from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%) | 49.14 |

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 | 25,470 | 23.89 |
| 2 | Supplier B | 12,095 | 11.35 |
| 3 | Supplier C | 10,844 | 10.17 |
| 4 | Supplier D | 4,263 | 4.00 |
| 5 | Supplier E | 3,972 | 3.73 |
| | Total | 56,644 | 53.14 |

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

In 2021, save as disclosed in this annual report, none of the Directors, Supervisors and their associates nor any shareholders (who to the knowledge of the Directors hold 5% or more of the shares of the Company) had any interest in any of the top five suppliers or top five customers of the Company.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) Expenses

Unit: RMB million

| Financial indicators | 2021 | 2020 | Year-on-year increase/decrease (%) | Explanations on material changes |
|-------------------------|-------|-------|------------------------------------|--|
| Marketing expenses | 596 | 496 | 20.16 | – |
| Administrative expenses | 1,459 | 1,329 | 9.78 | – |
| Financial expenses | 490 | 777 | -36.94 | The financial expenses in 2021 decreased by RMB287 million as compared to the same period of the previous year, which was mainly due to the decrease in interest on bank loans. |
| R&D expenditure | 640 | 417 | 53.48 | The R&D expenditure in 2021 increased by RMB223 million as compared to the same period of the previous year, which was mainly due to the increase in new product trial research fee. |
| Income tax expenses | 1,961 | 407 | 381.82 | The income tax expenses increased by RMB1,554 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, resulting in the increase of RMB622 million in the current income tax expenses as compared to the same period of the previous year; (ii) the increase of RMB932 million in the current reversal of deferred income tax assets recognized for losses not covered in precious years as compared to the same period of the previous year. |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure

| Main R&D Projects | Project Purpose | Progress | Intended Goal | Expected impact on the future development of the Company |
|--|--|---|---|---|
| BF Twin Data Cockpit and Production Operation Evaluation Platform | To create a new iron-making production control mode based on intelligent smelting operations, break through the bottlenecks of conventional technologies, improve the operating efficiency of enterprise production, improve the utilization efficiency of resources and energy, and reduce smelting costs | The basic data acquisition integration and system analysis have been completed, and the BF Twin Data Cockpit has been built | To create a BF Twin Data Cockpit, establish a blast furnace mutual evaluation system and realize intelligent operation | Guarantee the long-term stability of the blast furnace and increase the output |
| Development and Application of Ansteel Bayuquan Coal Blending Model Based on Data Mining | As imported coal is obviously affected by the international situation, in order to prevent occurrence of coke quality being affected by the large change of coal species due to irresistible factors, it is necessary to carry out full index characterization of coking coal, and develop a coal blending model with rapid response by using AI means, so as to improve the ability of the company to deal with emergencies | A complete coking coal index characterization system and coke quality index characterization system have been established | The coal blending model is adopted to reduce the response time of coal blending scheme, improve the efficiency of coal blending, and form a set of production control standards | It can solve the problem of low efficiency and quality of coal blending, reduce production costs and improve the competitiveness of the Company |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

| Main R&D Projects | Project Purpose | Progress | Intended Goal | Expected impact on the future development of the Company |
|--|---|---|---|---|
| Research on Key Production Technology of Polar Cryogenic Shipbuilding and Marine Engineering Steel for Extreme Environment | R&D of high performance steel with high-strength, high low-temperature toughness and good weldability | A complete set of smelting, continuous casting and rolling technologies for polar cryogenic shipbuilding and Marine Engineering steel for extreme environment has been formed, and the steel plate has good low-temperature toughness and low-temperature welding performance | To systematically establish a low-temperature steel R&D, production, evaluation, and standard system, and achieve breakthroughs in localization and engineering demonstration applications of extra-thick, high-grade polar cryogenic shipbuilding and Marine Engineering steel for extreme environment | The quality of steel billet for polar cryogenic shipbuilding in extreme environment of the Company is guaranteed, and the technical breakthroughs achieved fill the domestic gap in this field and realize the industrialized and stable production and engineering application, providing strong material support for the manufacturing of polar ships and Marine Engineering equipment in China |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

| Main R&D Projects | Project Purpose | Progress | Intended Goal | Expected impact on the future development of the Company |
|---|--|---|--|---|
| National Demonstration Platform for Production and Application of New Materials (advanced Marine Engineering and high-tech ship hull materials) | To carry out the construction of a demonstration platform for production and application according to the major needs of national economic development | Three typical materials have been developed, all of which have been mass-produced and popularized in application | To carry out the construction of a demonstration platform for the production and application of extra-thick strain-arrest steel, mainly including the construction of material production demonstration lines related to this material, etc. | Improving the corporate image, demonstrating the responsibilities of a central enterprise, and contributing to meeting the major needs of national economic development. |
| R&D of High-performance Bridge Steel – 420MPa weathering bridge steel and high-strength bolts | To realize the key production of 420MPa high-performance bridge steel, and form key supporting technologies such as bolt manufacturing and installation. | Designed a new steel type – 420MPa weathering bridge steel, carried out evaluation of supporting welding consumables, supporting bolt connection pairs and welding, and successfully developed 3 supporting welding consumables | A breakthrough has been made in the key manufacturing technology of 420MPa weathering bridge steel plates, which have been applied without coating in the "China-Russia Joint Construction of Heihe Bridge". | It marks the Company's leading position in domestic bridge steel. In the future, 420MPa weathering bridge steel will have great market potential in engineering construction fields such as steel structure bridges, power towers and buildings |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

| Main R&D Projects | Project Purpose | Progress | Intended Goal | Expected impact on the future development of the Company |
|--|---|---|---|---|
| Development of the Third-generation Pipeline Steel for Super-large Capacity | To develop super-large-capacity and high-strength X80M pipes, lines, plates, coils and their manufacturing technology, to meet the needs for constructing oil and gas energy pipelines and ensure the energy security in China. | The single-furnace trial production and evaluation of 22mm thick X80M coils have been completed, and steel plates, coils and pipes have all passed the certification; A contract for 30,000 tons of L555M coiled plates has been entered | To develop super-large-capacity and high-strength X80M pipes, lines, plates, coils and their stable manufacturing technology. | Increase the profit of the Company's pipeline steel, broaden the quality range, and enhance the competitiveness of high-end products and the brand influence of Ansteel. |
| Development of High-purity and Homogenized Continuous Casting Billets for Large Nuclear Power Forgings and Extra-thick Plates for Containment Construction | To solve a series of technical problems in the manufacturing process of large nuclear power forgings | Successfully developed the production technology of high-purity and homogenized continuous casting billets, and realized the engineering verification of the application of composite rolling technology in extra-thick plates for nuclear power. | To develop continuous casting steel for nuclear power pressure vessels and steel for nuclear power containment | It can provide a strong guarantee for the localization of major equipment for large-scale advanced pressurized water reactor and high-temperature gas-cooled reactor nuclear power plants in China, and has significant social and economic benefits. |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

| Main R&D Projects | Project Purpose | Progress | Intended Goal | Expected impact on the future development of the Company |
|--|---|---|---|---|
| Development of High-Al Zn-Al-Mg Steel Plate Products | To research and develop high-Al Zn-Al-Mg plating products to increase market share and promotion. | Completed the impact analysis of the Mg content of coating on the microstructure; the characterization of surface roughness and waviness of the coating; achieved batch supply. | To complete the development of stamping-grade high-Al Zn-Al-Mg products with a surface quality of up to FB grade; achieve a production capacity of high-Al Zn-Al-Mg coated plates up to 240,000 tons/year; the plane corrosion resistance of high-Al Zn-Al-Mg coated plates is 50% higher than that of Al-Zn-plated steel plates. | Al-Zn-Mg steel plate is an upgraded product of Al-Zn plating, and it is the development trend of our products in the future. The development of this product is conducive to improving the profitability of our products. |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

R&D Staff of the Company:

| | 2021 | 2020 | Year-on-year increase/ decrease |
|--|-------|-------|---------------------------------------|
| Number of R&D staff (person) | 1,806 | 1,735 | 4% |
| Percentage of the number of R&D staff in the Company | 5.94% | 5.51% | Increased by 0.43 percentage point |
| Educational structure of R&D staff | | | |
| Undergraduate | 1,194 | 1,125 | 6.13% |
| Master | 199 | 197 | 1.02% |
| Age composition of R&D staff | | | |
| Under 30 years of age | 184 | 141 | 30.50% |
| 30~40 years of age | 570 | 543 | 4.97% |

R&D expenditure of the Company:

| | 2021 | 2020 | Year-on-year increase/ decrease |
|--|-------|-------|---------------------------------------|
| Amount of R&D expenditure (RMB million) | 2,644 | 1,575 | 56% |
| Percentage of R&D expenditure in operating income | 1.93% | 1.56% | Increased by 0.37 percentage point |
| Amount of capitalized R&D expenditure (RMB million) | - | - | - |
| Percentage of Capitalized R&D expenditure in R&D expenditure | - | - | - |

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

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

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

Applicable Not applicable

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

Applicable Not applicable

Reasons and rationality explanation for the substantial change in the capitalization rate of R&D expenditure

Applicable Not applicable

(V) Cash Flow

Unit: RMB million

| Items | 2021 | 2020 | Year-on-year increase/ decrease (%) |
|--|---------|---------|--|
| Subtotal of cash inflow from operating activities | 143,656 | 103,860 | 38.32 |
| Subtotal of cash outflow from operating activities | 130,810 | 93,944 | 39.24 |
| Net cash flow from operating activities | 12,846 | 9,916 | 29.55 |
| Subtotal of cash inflow from investing activities | 501 | 300 | 67.00 |
| Subtotal of cash outflow from investing activities | 4,672 | 3,852 | 21.29 |
| Net cash flow from investing activities | -4,171 | -3,552 | -17.43 |
| Subtotal of cash inflow from financing activities | 5,027 | 12,611 | -60.14 |
| Subtotal of cash outflow from financing activities | 13,655 | 18,317 | -25.45 |
| Net cash flow from financing activities | -8,628 | -5,706 | -51.21 |
| Net increase in cash and cash equivalents | 47 | 658 | -92.86 |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(V) Cash Flow (Continued)

- Explanation of the main influencing factors for the significant year-on-year changes in relevant data:
- (1) The cash inflow from operating activities increased by RMB39,796 million over the previous year, the main reason is that the increase in product prices affected the cash income from sales of goods and provision of labor services, which increased by RMB39,566 million as compared to the same period of the previous year.
 - (2) The cash outflow from operating activities increased by RMB36,866 million over the previous year, mainly due to: the increase in the price of raw materials and fuels affected the cash expenditure for purchasing goods and receiving labor services, which increased by RMB34,124 million as compared to the same period of the previous year; and the payment for various taxes increased by RMB2,031 million as compared to the same period of the previous year.
 - (3) The cash inflow from investing activities increased by RMB201 million over the previous year, mainly due to: (i) the net cash recovered from disposal of fixed assets, intangible assets and other long-term assets increased by RMB59 million over the same period of the previous year; (ii) the revenue from futures contracts increased by RMB109 million over the same period of the previous year.
 - (4) The cash inflow from financing activities decreased by RMB7,584 million compared with the previous year, mainly because the cash received from borrowings decreased by RMB7,676 million compared with the same period of the previous year.
 - (5) The net cash outflow from financing activities decreased by RMB2,922 million compared with the same period of the previous year, mainly due to (i) cash received from borrowings decreased by RMB7,676 million compared with the same period of the previous year, and (ii) cash for repayment of debts in the current period decreased by RMB4,361 million compared to the same period of the previous year.
 - (6) The net increase in cash and cash equivalents decreased by RMB611 million over the same period of the previous year, mainly due to (i) the increase of RMB2,930 million in net cash inflow from operating activities over the same period of the previous year; (ii) the net cash outflow from investing activities increased by RMB619 million over the same period of the previous year; (iii) the net cash outflow from financing activities increased by RMB2,922 million compared with the same period of the previous year.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(V) Cash Flow (Continued)

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

Unit: RMB million

| Items | Current Year Amount |
|---|--------------------------------|
| Reconciliation of net profit to cash flows from operating activities: | |
| Net profit | 6,959 |
| Add: Provision for impairment on assets | 306 |
| Credit impairment loss | 89 |
| Depreciation of fixed assets | 3,587 |
| Amortization of intangible assets | 190 |
| Depreciation of right to use assets | 130 |
| Loss on disposal of fixed assets, intangible assets and other non-current assets (“-” for gains) | -52 |
| Loss on retirement of fixed assets (“-” for gains) | 85 |
| Loss on the change of fair value (“-” for gains) | 65 |
| Financial expenses (“-” for gains) | 458 |
| Investment loss (“-” for gains) | -331 |
| Decrease in deferred tax assets (“-” for increase) | 594 |
| Increase in deferred tax liabilities (“-” for decrease) | 34 |
| Decrease in inventories (“-” for increase) | -8,415 |
| Decrease in operating receivables (“-” for increase) | -24 |
| Increase in operating payables (“-” for decrease) | 9,188 |
| Others | -17 |
| Net cash flow from operating activities | 12,846 |

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(VI) Liquidity and Financial Resources

As at 31 December 2021, the Group's long-term loans (exclusive of loans due within one year) amounted to RMB3,650 million with an average interest rate of 3.28% and terms ranging from two to five years. The loans are mainly used for replenishing the working capital. The Group's long-term loans due within one year amounted to RMB601 million. All bank loans of the Group are at fixed rates.

In 2021, with good credibility, the Group was reviewed and rated by the Rating Committee of China Chengxin International Credit Rating Co., Ltd. with a credit rating of "AAA". In 2021, more than 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 2021, cash and bank balances of the Group denominated in foreign currencies was RMB1 million (31 December 2020: RMB1 million).

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

Unit: RMB million

| | 31 December 2021 | 31 December 2020 |
|------------|-----------------------------|---------------------|
| RMB | 5,375 | 5,328 |
| US dollars | 1 | 1 |
| HK dollars | – | – |
| Others | – | – |
| Subtotal | 5,376 | 5,329 |

As at 31 December 2021, the Group had a total capital commitment of RMB3,648 million, which was primarily attributable to the construction and renovation contracts of RMB2,448 million entered into but not yet performed or partially performed and foreign investment contracts of RMB1,200 million entered into but not yet performed or partially performed.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(VII) Pension Scheme

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

No forfeited contributions (by the employer on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the Group as an employer to reduce the existing level of contribution.

(VIII) Foreign Exchange Risk

The Group carries out import and export through agent trade by Ansteel 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, and the current balance was HK\$1.818 billion. The foreign exchange risk of which depends on the exchange rate of RMB against HK dollars at the time of redemption of the unconverted bonds.

Discussion and Analysis of Operations (Continued)

II. ANALYSIS OF NON-PRINCIPAL BUSINESS

Unit: RMB million

| Items | Amount | As a Percentage of Total Profit (%) | Reasons for the Changes | Sustainable or not |
|---|--------|--|--|-----------------------|
| Investment income | 331 | 3.71 | Mainly included investment income from long-term equity investments accounted by equity method and other equity instruments during holding period. | Yes |
| Gains and losses arising from changes in fair value | -65 | -0.73 | Mainly included changes in fair value of derivative financial instruments and embedded derivative financial instruments. | Yes |
| Asset impairment losses ("-" for losses) | -306 | -3.43 | Mainly included impairment losses on fixed assets. | No |
| Credit impairment losses ("-" for losses) | -89 | -1.00 | Mainly included credit impairment loss on account receivables. | No |
| Other gains | 38 | 0.43 | Mainly included gains on government grants. | Yes |
| Non-operating income | 58 | 0.65 | Mainly included gains on destruction or scrap of non-current assets and unpayable payables. | Yes |
| Non-operating expenses | 123 | 1.38 | Mainly included losses on destroy or scrap of non-current assets. | Yes |

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY

(I) Significant Changes in Composition of Assets

Unit: RMB million

| Items | End of 2021 | | End of 2020 | | Increase/ decrease in proportion (percentage points) | Explanation for significant change |
|--------------------------------|-------------|--|-------------|--|--|--|
| | Amount | As a percentage of total assets | Amount | As a percentage of total assets | | |
| Money capital | 5,376 | 5.51% | 5,329 | 6.05% | -0.54 | - |
| Account receivables | 1,889 | 1.94% | 2,593 | 2.95% | -1.01 | - |
| Inventories | 18,969 | 19.45% | 10,618 | 12.06% | 7.39 | - |
| Long-term equity investment | 3,071 | 3.15% | 2,965 | 3.37% | -0.22 | - |
| Fixed assets | 47,895 | 49.11% | 50,372 | 57.21% | -8.10 | - |
| Construction in progress | 4,644 | 4.76% | 1,814 | 2.06% | 2.70 | - |
| Right-of-use assets | 689 | 0.71% | 822 | 0.93% | -0.22 | - |
| Short-term loans | 650 | 0.67% | 8,505 | 9.66% | -8.99 | - |
| Contract liabilities | 8,631 | 8.85% | 5,611 | 6.37% | 2.48 | - |
| Long-term loans | 3,650 | 3.74% | 3,478 | 3.95% | -0.21 | - |
| Lease liabilities | 346 | 0.35% | 665 | 0.76% | -0.41 | - |

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY (CONTINUED)

(II) 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 | Cumulative fair value changes included in equity | Impairment accrued for the period | Amount of purchases in the current period | Disposal amount in the current period | Other changes | Closing balance |
|--|-----------------|---|--|-----------------------------------|---|---------------------------------------|---------------|-----------------|
| Financial assets | | | | | | | | |
| 1. Financial assets held for trading (excluding derivative financial assets) | 34 | 9 | | | | | | 43 |
| 2. Derivative financial assets | 0 | 3 | | | | | | 3 |
| 3. Other credit investment | | | | | | | | |
| 4. Other equity instrument investment | 476 | | 60 | | | | -151 | 496 |
| Sub-total of financial assets | 510 | 12 | 60 | | | | -151 | 542 |
| Investment properties | | | | | | | | |
| Productive biological assets | | | | | | | | |
| Others | | | | | | | | |
| Total | 510 | 12 | 60 | | | | -151 | 542 |
| Financial liabilities | 43 | 73 | | | | | | 116 |

Are there material changes in measurement attributes of major assets during the Reporting Period

Yes No

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY (CONTINUED)

(III) Gearing Ratio

As at 31 December 2021 and 31 December 2020, the Group's ratio of equity to liability was 1.61 times and 1.58 times, respectively. The ratio is calculated on the basis of total shareholders' equity divided by total liabilities.

(IV) Restrictions on Assets as at the End of the Reporting Period

During the year, the Group pledged notes receivable with carrying amount of RMB632 million to bank to obtain notes payable of RMB585 million. The pledge period is from July 2021 to June 2022.

(V) Contingent Liabilities

As at 31 December 2021, the Group had no contingent liabilities.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY

(I) Overall Information

| Investments during the Reporting Period <i>(RMB million)</i> | Investments in the corresponding period of the previous year <i>(RMB million)</i> | Change <i>(%)</i> |
|--|---|-----------------------------|
| 211 | 1,073 | -80.34% |

(II) Significant Equity Investments Obtained During the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments

1. Securities Investments

Unit: RMB million

| Stock type | Stock code | Abbreviation | Initial investment cost | Accounting measurement model | Book value at the beginning of the period | Profit or loss on fair value change for the current period | Changes in fair value reported in equity | Purchase amount for the current period | Disposal amount for the current period | Profit or loss during the Reporting Period | Book value at the end of the period | Accounting item | Source of funds |
|------------|------------|--------------|-------------------------|------------------------------|---|--|--|--|--|--|-------------------------------------|-------------------------------------|------------------|
| Shares | 600961 | Zhuye Group | 81 | Measured at fair value | 34 | 9 | - | - | - | 9 | 43 | 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 amount of derivatives | Date of commencement | Date of termination | Investments at the beginning of the period | Purchase amount during the Reporting Period | Disposal amount during the Reporting Period | Provision for impairment (if any) | Investments at the end of the period | Proportion of investments at the end of the period to net assets of the Company at the end of the Reporting Period | Actual profit or loss during the Reporting Period |
|---|-----------------------------|----------------------------------|--------------------------------|--|----------------------|---------------------|--|---|---|-----------------------------------|--------------------------------------|--|---|
| Ansteel Steel | None | No | Futures hedging | 1 | 29 April 2015 | - | 150 | 1,856 | 1,384 | - | 306 | 0.51% | -32 |
| Ansteel Steel | None | No | Exchange rate swap | - | 29 October 2020 | 18 May 2023 | - | - | - | - | - | - | -51 |
| Total | | | | 1 | - | - | 150 | 1,856 | 1,384 | - | 306 | 0.51% | -83 |

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

| | |
|--|------------------|
| Source of funds for derivative investments | Self-owned funds |
|--|------------------|

| | |
|---------------------------------|------|
| Litigation case (if applicable) | None |
|---------------------------------|------|

| | |
|---|--|
| Date of the announcement disclosing the approval of derivatives investment by the Board | On 30 March 2021, the Resolution in Relation to the Company's 2021 Annual Hedging Business Amount was approved at the 41st meeting of the Eighth Session of the Board. On 29 October 2020, the Resolution in Relation to the Company's Foreign Exchange Hedging Business was approved at the 29th meeting of the Eighth Session of the Board. |
|---|--|

| | |
|---|------|
| Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting | None |
|---|------|

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

Risk analysis 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)

(IV) 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)

(IV) 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)

(IV) Financial Asset Investments (Continued)

2. Derivatives Investments (Continued)

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

❖Futures Hedging:

Deformed bar, hot-rolled coil and nickel quoted on the Shanghai Futures Exchange; iron ore, coking coal and coke quoted on the Dalian Commodity Exchange. On 4 January 2021, the settlement prices of main connected contracts for deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were RMB4,346/ton, RMB4,472/ton, RMB126,820/ton, RMB999.0/ton, RMB1,668/ton and RMB2,887.5/ton, respectively; on 31 December 2021, the settlement prices of main connected contracts for deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were RMB4,301/ton, RMB4,418/ton, RMB151,580/ton, RMB674/ton, RMB2,211.5/ton and RMB2,907/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were -RMB45/ton, -RMB54/ton, +RMB24,760/ton, -RMB325/ton, +RMB543.5/ton and +RMB19.5/ton, respectively.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments

2. Derivatives Investments (Continued)

❖ Foreign Exchange Hedging:

The Company will renew the contract when it expires this year, and the settlement price on 18 May 2023 will be calculated at the exchange rate of Hong Kong dollar to RMB of 0.866. On 31 December 2021 the median exchange rate of Hong Kong dollar to RMB was 0.81760. 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 3.11% 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)

(IV) 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 has established the Administrative Measures for Commodity Futures Hedging of Anshan Iron and Steel Co., Ltd., which clarifies 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)

(IV) 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 of the Company, 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 has formulated the Administrative Measures for Foreign Exchange Funds of Anshan Iron and Steel Co., Ltd., which clearly stipulates 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.

(V) Use of Proceeds

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

V. DISPOSAL OF SIGNIFICANT ASSETS AND EQUITY INTERESTS

(I) Disposal of Significant Assets

Applicable Not applicable

(II) Disposal of Significant Equity Interests

Applicable Not applicable

VI. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

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

Unit: RMB million

| Name of Companies | Type of Companies | Principal Activities | Registered Capital | Total Assets | Net Assets | Operating Income | Operating Profit | Net Profit |
|------------------------------------|-------------------|---------------------------------------|--------------------|--------------|------------|------------------|------------------|------------|
| Chaoyang Iron Production and Steel | Enterprise | Steel rolling and processing industry | 8,000 | 7,107 | 5,075 | 12,288 | 1,548 | 1,196 |

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

Applicable Not applicable

VII. STRUCTURE ENTITY CONTROLLED BY THE COMPANY

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS

(I) 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. 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". Dozens of its products such as 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". The Company dares to shoulder the important tasks of "Pillars of a Great Power", and 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.

(II) Advantages of Strategic Resource Guarantee

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

(III) 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 iron and steel smelting systems, iron and steel products, environmental resources, etc.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(III) Technological Innovation Advantage (Continued)

The Company's comprehensive product R&D strength ranks in the leading position in the iron and steel industry. It has developed a series of polar cryogenic shipbuilding and marine engineering steels represented by 120mm thick FH690, X80 grade polar cryogenic pipeline steel, which have successfully become substitutes for imported goods, and some products are first launch at home and abroad. Its innovative key technologies of steel for high-strength and toughness and good weldability marine equipment used in extreme cold environment and the third generation of steel plates for third-generation ultra-high capacity pipelines have reached the international leading level and filled the domestic gap.

(IV) Advantages of Scale and Technical Equipment

The Company's crude steel output has exceeded 26 million tons, ranking among the top 10 in the domestic iron and steel industry, with a certain scale advantage.

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. Bayuquan base is leading the world in equipment and craft, realizing large-scale equipment, constant processing, parameter modeling, operation automation, management informatization, and information digitization. The 1,580mm hot rolling production line adopts a number of internationally leading cutting-edge hot rolling technologies, and the 5,500mm thick plate production line is currently one of the largest wide and heavy plate rolling mills in the world.

(V) Corporate Culture Advantages

Through the accumulation, generalization, refinement and sublimation of the spirit of several generations, Ansteel has formed the core corporate values of "Innovation, Factualism, Hard Working and Contribution" and gave birth to the "Ansteel 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.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(VI) Advantages of Green Development

The Company actively responds to climate change, establishes and improves the environmental management system, vigorously implements renewable energy substitutes on the basis of improving energy efficiency, taps the potential of energy saving and carbon reduction, and realizes resource saving, harmless emissions, clean energy and environmental ecology. The Company vigorously expands new technologies for energy conservation and emission reduction, strives to improve energy utilization efficiency, improves the energy system for green, low-carbon and circular development, and promotes green manufacturing. The Company adheres to green, recycling and low-carbon development, and its environmental protection indicators are at the advanced level in China. The headquarters in Anshan, Bayuquan and Chaoyang achieved emission standards. In 2020, the Company was rated as "China Clean Production and Environment-friendly Enterprise in the Iron and Steel Industry".

IX. POTENTIAL RISKS

In 2022, the world economy is expected to maintain a recovery of growth, however, it is characterized by instability, uncertainty and imbalance due to the repeated impact of COVID-19 pandemic. The current international environment is complex and volatile. Local conflicts around the world may bring risks such as rising energy prices, inflation, food shortages and rising prices of metals and other commodities. The Central Economic Work Conference pointed out that China's economic development is facing the triple pressure of "Shrinking demand, supply shock, and weakening expectations", but China's economy is highly resilient and the fundamentals of long-term improvement will not change. Under the promotion of various favorable policies, the economy will maintain a good situation, providing a good environment for the Company's reform and development. In order to effectively prevent the occurrence of major risk events, the Company carried out the 2022 annual risk assessment work, and studied and formulated risk response measures.

Discussion and Analysis of Operations (Continued)

IX. POTENTIAL RISKS (CONTINUED)

(I) Risk Posed by COVID-19 Pandemic Prevention and Control

① Risk Description

In 2021, the global economy ushered in a remarkable recovery after the deep recession brought about by the outbreak of COVID-19 in 2020, the pandemic has been effectively controlled in China, and economic and social development has gradually recovered. However, at the beginning of 2022, the pandemic situation abroad is still very severe, and is rebounding slightly in China. In the face of the ongoing pandemic, the prevention and control policies of various countries have also changed. Countries that adopt the strategy of "Living with COVID" play a certain role in boosting the economy in the short term. While strict control policies have effectively controlled the spread of COVID-19 pandemic in countries that adopt such polices, they have had an impact on economic recovery.

② Risk Management Solutions

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 COVID-19 pandemic prevention and control to ensure the normal and orderly running of production and operation.

(II) Risk of Energy Procurement

① Risk Description

Since 2021, energy prices have risen sharply worldwide. With the improvement of the COVID-19 pandemic and the recovery of the global economy, energy demand has been stimulated, which has intensified the imbalance between supply and demand in the energy industry across the world, and the increase in energy prices is bound to have an impact on the iron and steel industry, which is major energy consumer. Tensions in local conflicts around the world are also pushing up energy prices, causing shocks in the world economy. The rise in energy prices will definitely push up the production and transportation costs of enterprises and squeeze the profit space of steel enterprises.

Discussion and Analysis of Operations (Continued)

IX. POTENTIAL RISKS (CONTINUED)

(II) Risk of Energy Procurement (Continued)

② Risk Management Solutions

Implement a refined management model in production and operation, focus on the main line of ensuring production and supply, consolidate fundamental management, optimize production organization, and strive to achieve the goal of optimal comprehensive energy consumption per ton of steel. Pay close attention to future fluctuations in market electricity prices, control electricity costs in a timely manner, increase the proportion of self-generated electricity, and the recovery rate of gas and residual energy and heat, so as to realize the "full operation and full output" of power generating units. Strengthen energy system management and strictly control energy purchase and sales risks. Continue to carry out energy-saving benchmarking and energy-saving technology exchanges, and speed up the application of energy-saving technologies in the company. Go further in direct power supply transactions, and keep abreast of market transaction electricity price information and future development trends.

(III) Risks of Energy Conservation and Emission Reduction

① Risk Description

Against the background of the "Carbon peak and carbon neutrality" target, the iron and steel industry is under great pressure to reduce emissions. The large carbon emissions and high industrial correlation in the steel industry result a great pressure for the investment in low-carbon transformation. Under the "Dual carbon goal", the cost pressure on iron and steel enterprises will increase in the short term, and profit margins will be compressed.

Discussion and Analysis of Operations (Continued)

IX. POTENTIAL RISKS (CONTINUED)

(III) Risks of Energy Conservation and Emission Reduction (Continued)

② Risk Management Solutions

Formulate an overall action plan for carbon peak and carbon reduction, establish a low-carbon management system, develop relevant management systems, and conduct research on carbon footprints to lay the foundation for the Company to participate in Carbon Trading. Actively carry out electricity market transactions, purchase green and clean energy, reduce carbon emissions, and promote the development of green and low-carbon steel products. With the goal of improving energy utilization level, the Company will further tap the potential of energy conservation and consumption reduction in all processes and production lines, promote the rapid approval and implementation of energy conservation projects, promote the effective implementation of energy conservation plans, and ensure that energy consumption indicators continue to improve.

(IV) Safety Production Risk

① Risk Description

The "Safety Production Law" has been revised in 2021, and the government has continuously 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.

② Risk Management Solutions

The Company will thoroughly implement General Secretary Xi Jinping's important statement on safe production, firmly establish the concept of safety development, focus on the goal of preventing and curbing major accidents to conduct more in-depth assessment and classification for risk points and hazard sources identified in special actions, especially to promote the hierarchical management and control of work safety risks, and drive the scientific, information-based, standardized, institutionalized and standardized work of accident prevention, so as to control risks before they form and eliminate hidden dangers before accidents.

Corporate Governance

I. BASIC INFORMATION ON CORPORATE GOVERNANCE

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Stock Exchange Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, the Corporate Governance Code and the 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 AND ACTUAL CONTROLLER IN TERMS OF ASSETS, PERSONNEL, FINANCE, ORGANIZATIONS, BUSINESS AND OTHER ASPECTS

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

Corporate Governance (Continued)

III. COMPETITION WITH PEERS IN THE INDUSTRY

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

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 |
|---|-------------------------------|-------------------------------------|-------------------|
| 2021 First Extraordinary General Meeting | Extraordinary General Meeting | 60.62% | 7 May 2021 |
| 2020 Annual General Meeting | Annual General Meeting | 60.42% | 26 May 2021 |
| 2021 Second Extraordinary General Meeting | Extraordinary General Meeting | 70.04% | 26 November 2021 |

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

(I) Basic Information

| Name | Position | Service Status | Gender | Age | Start Date of Term | Termination Date of Term | Number of shares held at the beginning of the period (shares) | Stock Options | Number of Restricted Stocks Granted (shares) | Number of shares increased in the current period (shares) | Number of shares decreased in the current period (shares) | Other increase or decrease (shares) | Number of shares held at the end of the period (shares) | Reasons for increase or decrease of shares |
|----------------|--|----------------|--------|-----|--------------------|--------------------------|--|---------------|---|--|--|--|--|--|
| Wang Yidong | Chairman | Incumbent | Male | 53 | 2017.11.23 | - | 9,945 | - | - | - | - | - | 9,945 | - |
| | Executive Director | Incumbent | | | 2013.07.08 | - | | | | | | | | |
| Xv Shishuai | Executive Director | Incumbent | Male | 48 | 2022.01.06 | - | - | - | - | - | - | - | - | - |
| | General Manager | Incumbent | | | 2021.11.19 | - | | | | | | | | |
| Wang Baojun | Director | Incumbent | Male | 55 | 2021.05.07 | - | - | - | - | - | - | - | - | - |
| | Vice General Manager, Chief Accountant | Incumbent | | | 2021.03.16 | - | | | | | | | | |
| | Secretary of the Board of Directors, Joint Company Secretary | Incumbent | | | 2021.06.16 | - | | | | | | | | |
| Feng Changli | Independent Non-Executive Director | Incumbent | Male | 58 | 2018.06.05 | - | - | - | - | - | - | - | - | - |
| Wang Jianhua | Independent Non-Executive Director | Incumbent | Male | 48 | 2019.05.28 | - | - | - | - | - | - | - | - | - |
| Wang Wanglin | Independent Non-Executive Director | Incumbent | Male | 47 | 2020.03.16 | - | - | - | - | - | - | - | - | - |
| Zhu Keshi | Independent Non-Executive Director | Incumbent | Male | 55 | 2020.11.30 | - | - | - | - | - | - | - | - | - |
| Shen Changchun | Chairman of the Board of Supervisors | Incumbent | Male | 56 | 2021.05.07 | - | - | - | - | - | - | - | - | - |
| Liu Ming | Supervisor | Incumbent | Male | 49 | 2021.11.26 | - | - | - | - | - | - | - | - | - |
| Yang Zhengwen | Supervisor | Incumbent | Male | 55 | 2021.02.02 | - | - | - | - | - | - | - | - | - |
| Meng Jinsong | Vice General Manager | Incumbent | Male | 52 | 2016.03.30 | - | 0 | - | 450,000 | - | - | - | 450,000 | Be granted restricted stock |
| Yang Xu | Vice General Manager | Incumbent | Male | 48 | 2022.03.25 | - | 0 | - | 400,000 | - | - | - | 400,000 | Be granted restricted stock |
| Zhang Peng | Vice General Manager | Incumbent | Male | 49 | 2021.12.30 | - | - | - | - | - | - | - | - | - |

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

| Name | Position | Service Status | Gender | Age | Start Date of Term | Termination Date of Term | Number of shares held at the beginning of the period (shares) | Stock Options | Number of Restricted Stocks Granted (shares) | Number of shares increased in the current period (shares) | Number of shares decreased in the current period (shares) | Other increase or decrease (shares) | Number of shares held at the end of the period (shares) | Reasons for increase or decrease of shares |
|---------------|--|----------------|--------|-----|--------------------|--------------------------|--|---------------|---|--|--|--|--|--|
| Li Zhen | Director | Exit | Male | 51 | 2020.03.27 | 2021.11.19 | 0 | - | 500,000 | - | - | - | 500,000 | Be granted restricted stock |
| | General Manager | Exit | Male | | 2018.03.05 | 2021.11.19 | | | | | | | | |
| Ma Lianyong | Vice General Manager, Chief Accountant, Joint Board Secretary (i.e. Joint Company Secretary) | Exit | Male | 59 | 2018.01.10 | 2021.03.16 | - | - | - | - | - | - | - | - |
| | Executive Director | Exit | | | 2018.03.05 | 2021.03.16 | | | | | | | | |
| Li Zhongwu | Executive Director | Exit | Male | 59 | 2020.03.16 | 2022.03.25 | 0 | - | 450,000 | - | - | - | 450,000 | Be granted restricted stock |
| | Vice General Manager | Exit | | | 2019.12.30 | 2022.03.25 | | | | | | | | |
| Mu Tiejian | Chairman of the Board of Supervisors | Exit | Male | 60 | 2020.11.30 | 2021.11.26 | - | - | - | - | - | - | - | - |
| Li Wenbing | Supervisor | Exit | Male | 53 | 2020.03.16 | 2021.05.07 | - | - | - | - | - | - | - | - |
| Yuan Peng | Supervisor | Exit | Male | 54 | 2016.06.08 | 2021.02.02 | - | - | - | - | - | - | - | - |
| Liu Jie | Vice General Manager | Exit | Male | 55 | 2020.03.27 | 2021.03.16 | 0 | - | 450,000 | - | - | - | 450,000 | Be granted restricted stock |
| Xiao Mingfu | Vice General Manager | Exit | Male | 54 | 2020.03.27 | 2021.12.30 | 0 | - | 450,000 | - | - | - | 450,000 | Be granted restricted stock |
| Zhang Hongjun | Vice General Manager | Exit | Male | 48 | 2021.03.16 | 2022.03.25 | 0 | - | 400,000 | - | - | - | 400,000 | Be granted restricted stock |
| Chen Chun | Joint Board Secretary, Joint Company Secretary | Exit | Female | 34 | 2017.10.20 | 2021.11.30 | - | - | - | - | - | - | - | - |

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

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

Save for the aforesaid, as at 31 December 2021, none of the directors, supervisors and senior executives of the Company had any shares, underlying shares in the Company or any of its associated corporations (as defined in Part XV of the Hong Kong Securities and Futures Ordinance) and debentures that have interests or short positions and need to be included in the register kept in accordance with Section 352 of the Securities and Futures Ordinance, or any interests or short positions that shall notify the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Stock Exchange Listing Rules.

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

Due to job changes, Mr. Yuan Peng resigned as Employee Representative Supervisor of the Company on 2 February 2021.

Due to job changes, Mr. Ma Lianyong resigned as Executive Director, Vice General Manager, Chief Accountant and Joint Board Secretary on 16 March 2021.

Due to job changes, Mr. Liu Jie resigned as Vice General Manager of the Company on 16 March 2021.

Li Wenbing applied to resign from the position of Supervisor of the Company as it is not convenient for him to perform his duties as a Supervisor due to disciplinary review and supervisory investigation. He no longer served as a Supervisor of the Company from 7 May 2021.

Due to job changes, Mr. Li Zhen resigned as Executive Director and General Manager of the Company on 19 November 2021.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

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

Due to his retirement age, Mr. Mu Tiejian applied to resign his position as Supervisor and Chairman of the Board of Supervisors. He no longer served as a Supervisor and Chairman of the Board of Supervisors from 26 November 2021.

Due to job changes, Ms. Chen Chun resigned as Joint Board Secretary and Joint Company Secretary on 30 November 2021.

Xiao Mingfu was dismissed as Vice General Manager by the 55th Meeting of the 8th Board of Directors of the Company on 30 December, 2021 due to his inability to perform his duties as Vice General Manager due to disciplinary review and supervisory investigation.

3. Changes of Directors, Supervisors and Senior Management

| Name | Position | Status of Position | Date | Reason for Change |
|-------------|--|--------------------|------------|--------------------------------------|
| Li Zhen | Director | Resigned | 2021.11.19 | Change of job |
| | General Manager | Dismissed | 2021.11.19 | Change of job |
| Ma Lianyong | Deputy General Manager, Chief Accountant, Joint Board Secretary, Joint Company Secretary | Dismissed | 2021.03.16 | Change of job |
| | Executive Director | Resigned | 2021.03.16 | Change of job |
| | Chairman of Supervisory Committee | Resigned | 2021.11.26 | Come to age of retirement |
| Li Wenbing | Supervisor | Resigned | 2021.05.07 | Have difficulties in performing duty |
| Yuan Peng | Supervisor | Resigned | 2021.02.02 | Change of job |
| Liu Jie | Deputy General Manager | Dismissed | 2021.03.16 | Change of job |
| Xiao Mingfu | Deputy General Manager | Dismissed | 2021.12.30 | Inability to perform duty |

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

3. Changes of Directors, Supervisors and Senior Management (Continued)

| Name | Position | Status of Position | Date | Reason for Change |
|----------------|--|--------------------|------------|-------------------|
| Chen Chun | Joint Borad Secretary, Joint Company Secretary | Dismissed | 2021.11.30 | Change of job |
| Wang Baojun | Deputy General Manager, Chief Accountant | Appointed | 2021.03.16 | - |
| | Executive Director | Elected | 2021.05.07 | - |
| | Board Secretary | Appointed | 2021.06.16 | - |
| Shen Changchun | Chairman of Supervisory Committee | Elected | 2021.05.07 | - |
| Yang Zhengwen | Supervisor | Elected | 2021.02.02 | - |
| Zhang Hongjun | Deputy General Manager | Appointed | 2021.03.16 | - |
| Xu Shishuai | General Manager | Appointed | 2021.11.19 | - |
| Zhang Peng | Deputy General Manager | Appointed | 2021.12.30 | - |
| Xu Shishuai | Director | Elected | 2022.01.06 | - |
| Yang Xv | Deputy General Manager | Appointed | 2022.03.25 | - |
| Li Zhongwu | Director, Deputy General Manager | Resigned | 2022.03.25 | Change of job |
| Zhang Hongjun | Deputy General Manager | Dismissed | 2022.03.25 | Change of job |

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information

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

Members of the Board of Directors

Executive Directors:

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

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Members of the Board of Directors (Continued)

Executive Directors: (Continued)

Mr. Xu Shishuai, Executive Director, General Manager, Deputy Secretary of the Party Committee of the Company, Deputy Secretary of the Party Committee, Director, General Manager and a senior engineer of Angang Holding. Mr. Xu graduated from Northeastern University as a bachelor, majoring in metal press working. And he obtained a master degree in Materials Engineering from the same university. Mr. Xu joined Angang Group Corporation in 1996, served as manager of Bayuquan Steel Branch Company of the Company, a member of the Standing Committee of the Party Committee and a director of Angang Group Corporation, a member of the Standing Committee of the Party Committee, Deputy General Manager, General Manager of the Marketing Center, General Manager of the Automobile Steel Marketing (Service) Center of the Company, Chairman of the Board of Beijing Custeel E-commerce Co., Ltd., an external director of Angang Group (Hong Kong) Corporation, an external director of Angang Group International Trade Corporation Ltd., Chairman of the Board of Delin Zhilian (Anshan) Co., Ltd., General Manager of Angang Group Zhongyuan Industry Development Co., Ltd., Director, General Manager and Deputy Secretary of the Party Committee of Angang Industry Group.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Members of the Board of Directors (Continued)

Executive Directors: (Continued)

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

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Members of the Board of Directors (Continued)

Independent Non-executive Directors:

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

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

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Members of the Board of Directors (Continued)

Independent Non-executive Directors: (Continued)

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

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

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Members of the Supervisory Committee

Shareholders' Representative Supervisor:

Mr. Shen Changchun, Chairman of the supervisory committee, a member of the Standing Committee of the Party Committee, Secretary of Committee for Discipline Inspection of the Company, a member of the Standing Committee of the Party Committee and Secretary of Committee for Discipline Inspection of Angang Holding, a professor-level senior economist. Mr. Shen obtained a bachelor degree from University of Science and Technology Liaoning, majoring in Industrial Electric Automation. He also obtained a master degree from Northeastern University, majoring in Management Engineering. Mr. Shen joined Angang Holding in 1988, served as Deputy Secretary of the Party Committee and Secretary of Committee for Discipline Inspection of The First Iron and Steel Plant, Deputy Director of the Organizational & Personnel Department of Angang Holding, Secretary of Party Committee and Secretary of Committee for Discipline Inspection of Angang Design & Research Institute, Secretary of the Party Committee, Secretary of Committee for Discipline Inspection and Vice Chairman of Ansteel Engineering Technology Corporation Limited, Secretary of the Party Committee of Pangang Group Chengdu Steel & Vanadium Co., Ltd. a member of the Party Committee and Deputy Secretary of Party Committee, Secretary of Committee for Discipline Inspection, chairman of trade union and Board of Supervisors of Pangang Group Co., Ltd., and head of Pangang Party School.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Members of the Supervisory Committee (Continued)

Shareholders' Representative Supervisor: (Continued)

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

Staff Representative Supervisor:

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

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Members of the Supervisory Committee (Continued)

Other Senior Management Members

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

Mr. Yang Xu, Deputy General Manager, a member of the Standing Committee of the Party Committee of the Company, a member of the Standing Committee of the Party Committee of Angang Holding, a senior engineer. Mr. Yang graduated from Northeastern University as a bachelor, majoring in Mechanical Metal Working. He obtained a master degree from School of Management of University of Science and Technology Beijing, majoring in Industrial Engineering. Mr. Yang had previously held various positions including head of Hot-rolled Strip Steel Plant of the Company, General Manager, Deputy Secretary of Party Committee and a director of Ansteel Group Chaoyang Steel & Iron Co., Ltd., and Deputy General Manager of the Strategic Planning Department of Ansteel.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Members of the Supervisory Committee (Continued)

Other Senior Management Members (Continued)

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

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

2. Positions at the Shareholders of the Company

| Name of the personnel who held position | Name of the shareholder | Position at the shareholder | Commencement date of term | 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, Chairman | 2017.12 | - | - |
| Xu Shishuai | Angang Holding | Deputy Secretary of the Party Committee, Director | 2021.10 | - | No |
| | Angang Holding | General Manager | 2021.12 | - | No |
| Shen Changchun | Angang Holding | Secretary of Committee for Discipline Inspection | 2021.03 | - | Yes |
| Yang Zhengwen | Angang Holding | Deputy Chairman of the Labor Union | 2020.12 | - | No |
| Liu Ming | Angang | General Manager of Legal Compliance Department | 2021.05 | - | Yes |
| Zhang Peng | Angang Holding | Director | 2021.12 | - | No |

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

2. Positions at the Shareholders of the Company (Continued)

| 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 |
|---|-------------------------|-----------------------------|---------------------------|----------------------|--|
|---|-------------------------|-----------------------------|---------------------------|----------------------|--|

Note on positions at the shareholders of the company

In March 2022, the Listed Company Supervision Department of China Securities Regulatory Commission released A Letter of Agreement on Relaxing Restrictions on Part-time Positions for Senior Management of Angang Group Corporation, according to which the General Manager of the company Mr. Xu Shishuai is agreed to be exempted from the restriction of serving as the General Manager of Angang Holding.

Independent directors' opinion on Mr. Xu Shishuai's Performance of Part-time Duty:

The Company and Angang Holding are capable of giving strict requirements in regulating Mr. Xu Shishuai's duty performance behavior to insure that he is diligent in performing duties, earnestly uphold the Company's interest, and avoid the damage to interests of the Company as well as medium and small shareholders as a result of his appointment in Angang Holding.

During his term of office, Mr. Xu Shishuai was able to strictly follow his promise, perform his duty diligently according to the Company Law, the Securities Law and relevant laws and regulations. He was able to perform the duty of senior management of the company, better handled the relationship between the company and the controlling shareholder Angang Holding without damaging the interests of the company as well as medium and small shareholders during the performance of the part-time position.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

3. Positions at Other Organizations

| Name of the personnel who held position | Name of 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. | Chief analyst of steel | 2015.01 | - | Yes |
| | Fujian Sangang Minguang Co., Ltd. | Independent Director | 2017.01 | - | Yes |
| | Shanxi Taigang Stainless Steel Co., Ltd. | Independent Director | 2021.05 | - | Yes |
| | Baowu Special Metallurgy Co., Ltd. | Director | 2021.06 | - | No |
| Wang Wanglin | Beijing Zhicheng Lawyer | Deputy Director and lawyer | 2018.11 | - | Yes |
| Zhu Keshi | The Research Institute of Cooperation Strategy of Fiscal and Financial Policy under Beijing National Accounting Institute | The Head | 2015.11 | - | Yes |
| | Toread Holdings Group Co., Ltd. | Independent Director | 2021.12 | - | Yes |
| | Xizi Clean Energy Equipment Manufacturing Co., Ltd. | Independent Director | 2019.11 | - | Yes |
| | Hengxin Xili Industry Co., Ltd. | Independent Director | 2017.09 | - | Yes |
| Wang Baojun | Angang Group Finance Co., Ltd. | Director | 2019.01 | - | No |
| Meng Jinlong | Angang Group Beijing Research Institute Co., Ltd. | Director | 2019.08 | - | No |
| Note on positions at other organizations | | | - | | |

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Mr. Zhang Peng, deputy general manager of the Company, has been subject to administrative punishment by the China Securities Regulatory Commission in the past three years. According to the Administrative Punishment Decision ([2019] No. 147) issued by the China Securities Regulatory Commission, the total profit disclosed in the annual report of Fushun Special Steel from 2010 to 2016 and in the quarterly report in the third quarter of 2017 was inconsistent with the facts, and there were false records in the reports. Mr. Zhang Peng served as a director of Fushun Special Steel from 10 March 2014 to 9 April 2015, and signed the regular reports involving false records during his tenure. Mr. Zhang Peng was therefore warned and fined 50,000 yuan by the China Securities Regulatory Commission in December 2019.

(III) Emoluments of directors, supervisors and senior managers

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

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

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

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

2. Emoluments of directors, supervisors and senior managers of the Company during the reporting period

| Name | Position | Gender | Age | Current Situation | Total pre-tax remuneration received from the Company (RMB10,000) | Whether received remuneration from related parties of the Company during ones tenure |
|----------------|---|--------|-----|-------------------|---|--|
| Wang Yidong | Executive Director, Chairman | Male | 53 | Current | 0 | Yes |
| Xu Shishuai | General Manager | Male | 48 | Current | 5.57 | No |
| Wang Baojun | Executive Director, Deputy General Manager, Chief Accountant, Secretary of the Board of Directors | Male | 55 | Current | 103.89 | No |
| Feng Changli | Independent Non-Executive Director | Male | 58 | Current | 12.00 | No |
| Wang Jianhua | Independent Non-Executive Director | Male | 48 | Current | 12.00 | No |
| Wang Wanglin | Independent Non-Executive Director | Male | 47 | Current | 12.00 | No |
| Zhu Keshi | Independent Non-Executive Director | Male | 55 | Current | 12.00 | No |
| Shen Changchun | Chairman of the Supervisory Board | Male | 56 | Current | 0 | Yes |
| Liu Ming | Supervisor | Male | 49 | Current | 0 | Yes |
| Yang Zhengwen | Supervisor | Male | 55 | Current | 68.05 | No |
| Meng Jinsong | Deputy General Manager | Male | 52 | Current | 144.13 | No |
| Zhang Peng | Deputy General Manager | Male | 49 | Current | 2.50 | No |
| Li Zhen | Executive Director, Former General Manager | Male | 51 | Outgoing | 157.64 | No |

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

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

2. Emoluments of directors, supervisors and senior managers of the Company during the reporting period.

| Name | Position | Gender | Age | Current Situation | Total pre-tax remuneration received from the Company (RMB10,000) | Whether received remuneration from related parties of the Company during ones tenure |
|---------------|---|--------|-----|-------------------|---|--|
| Ma Lianyong | Executive Director, Deputy General Manager, Chief Accountant, Joint Board Secretary | Male | 59 | Outgoing | 5.65 | No |
| Li Zhongwu | Executive Director, Deputy General Manager | Male | 59 | Outgoing | 164.70 | No |
| Mu Tiejian | Chairman of the Supervisory Board | Male | 60 | Outgoing | 0 | Yes |
| Li Wenbing | Supervisor | Male | 53 | Outgoing | 0 | Yes |
| Yuan Peng | Supervisor | Male | 54 | Outgoing | 2.57 | No |
| Liu Jie | Deputy General Manager | Male | 55 | Outgoing | 5.41 | No |
| Zhang Hongjun | Deputy General Manager | Male | 48 | Outgoing | 192.01 | No |
| Xiao Mingfu | Deputy General Manager | Male | 54 | Outgoing | 104.92 | No |
| Chen Chun | Joint Secretary of the Board of Directors, Joint Secretary of the Company | Female | 34 | Outgoing | - | No |
| Total | - | - | - | - | 1,005.04 | - |

Note: The above emoluments do not include insurance, welfare, education surcharge and other remuneration costs accrued by the Company. The emoluments of executive directors, supervisors and senior managers is the performance salary they have received during their tenure in 2021 and the total amount of annual risk salary in 2020 that has been fulfilled.

Corporate Governance (Continued)

VI. DIRECTORS' PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|-----------------|-----------------|--|
| The 37th meeting of the eighth session of the Board of Directors | 5 January 2021 | 6 January 2021 | 1. Approved the Proposal on the Accrual Credit Impairment Losses of the Company. |
| The 38th meeting of the eighth session of the Board of Directors | 8 January 2021 | 9 January 2021 | 1. Passed the Proposal on Adjusting Matters Related to the 2020 Restricted Stock Incentive Plan of Angang Steel. 2. Passed the Proposal on Granting Restricted Stocks to Incentive Objects for the First Time. |
| The 39th meeting of the eighth session of the Board of Directors | 9 February 2021 | – | 1. Approved the Proposal on Confiscating the Profits of the Wholly-owned Subsidiaries of Angang Steel in 2020. 2. Approved the 2021 Annual Risk Assessment Report of Angang Steel Co., Ltd. |
| The 40th meeting of the eighth session of the Board of Directors | 16 March 2021 | 17 March 2021 | 1. Approved the Proposal on Appointing Mr. Wang Baojun as the Company's Deputy General Manager and Chief Accountant. 2. Approved the Proposal on Nominating Mr. Wang Baojun as the Candidate for Executive Director of the 8th Board of Directors of the Company. 3. Approved the Proposal on Designating Mr. Wang Baojun to Serve as Secretary of the Board of Directors. 4. Approved the Proposal on Appointing Authorized Representatives. 5. Approved the Proposal on Appointing Mr. Zhang Hongjun as the Deputy General Manager of the Company. |

Corporate Governance (Continued)

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

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|----------------|-----------------|---|
| The 41th meeting of the eighth session of the Board of Directors | 30 March 2021 | 31 March 2021 | <ol style="list-style-type: none">1. Passed the 2020 Annual Report on the Work of the Board of Directors.2. Passed the 2020 Annual Report and Its Summary.3. Passed the 2020 Financial Report.4. Passed the 2020 Profit Distribution Plan.5. Passed the Proposal on the Remuneration of Directors and Senior Managers in 2020.6. Passed the Proposal on Daily Related Transactions in 2020.7. Passed the Proposal on Estimated Daily Related Transactions in 2021.8. Passed the 2020 Internal Control Evaluation Report.9. Passed the 2020 Corporate Social Responsibility Report and Environmental, Social and Governance Report.10. Passed the Risk Assessment Report of Angang Steel Group Finance Co., Ltd.11. Passed the Proposal on the 2021 Hedging Business Quota.12. Passed the Proposal on the Appointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company's Auditor in 2021. |

Corporate Governance (Continued)

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

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|----------------|-----------------|--|
| The 42th meeting of the eighth session of the Board of Directors | 12 April 2021 | 13 April 2021 | 13. Discussed the Proposal on Purchasing Liability Insurance for Directors, Supervisors and Senior Managers, all directors abstained from voting on this proposal, and this proposal will be directly submitted to the general meeting of shareholders for deliberation. |
| | | | 14. Passed the 14th Five-Year Plan Development Strategy and Planning of Angang Steel Co., Ltd. |
| | | | 15. Passed the Proposal on Holding the 2020 Annual General Meeting of Shareholders. |
| | | | 1. Approved the Proposal on Increasing Capital to Angang Energy Technology Co., Ltd. |
| | | | 2. Approved the Proposal on the Release of Energy Technology and CIMC Enric Investment Holdings (Shenzhen) Co., Ltd. to jointly build the Bayuquan Coke Oven Gas-to-Liquefied Natural Gas (LNG) Co-Production Hydrogen Project. |
| | | | 3. Approved the Proposal on Holding the First Extraordinary General Meeting of Shareholders of Angang Steel Co., Ltd. in 2021. |

Corporate Governance (Continued)

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

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|----------------|-----------------|---|
| The 43th meeting of the eighth session of the Board of Directors | 29 April 2021 | 30 April 2021 | <ol style="list-style-type: none">1. Approved the full text and main text of Angang Steel Co., Ltd. 2021 First Quarterly Report.2. Approved the Proposal on the Release of the Investment Plan for the Enclosed Project of the Raw Material Yard of Angang Steel Co., Ltd. Bayuquan Steel Branch. |
| The 44th meeting of the eighth session of the Board of Directors | 31 May 2021 | – | <ol style="list-style-type: none">1. Approved the Proposal on the 2021-2023 Tenure of Senior Managers of Angang Steel Co., Ltd. and the 2021 Annual Operating Performance Assessment Indicators. |
| The 45th meeting of the eighth session of the Board of Directors | 16 June 2021 | 17 June 2021 | <ol style="list-style-type: none">1. Approved the Proposal on Appointing Mr. Wang Baojun as the Company's Joint Secretary of the Board of Directors (i.e. Joint Company Secretary).2. Approve the Proposal on Changing Authorized Representative.3. Approved the Proposal on the Investment and Establishment of Beijing Angang International Trade Co., Ltd. |

Corporate Governance (Continued)

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

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|----------------|-----------------|---|
| The 46th meeting of the eighth session of the Board of Directors | 10 August 2021 | 11 August 2021 | <ol style="list-style-type: none"> 1. Approved the Proposal on the Purchase of Land Use Right Assets of Angang Steel Group Co., Ltd. by Angang Steel Chemical Technology Co., Ltd. 2. Approved the Proposal on Increasing Capital to Chemical Technology. 3. Approved the Proposal on Cooperation between the Company and Angang Steel Group Beijing Research Institute Co., Ltd. to Carry out Technology Development Projects. 4. Approved the Proposal on Appointing Mr. Wang Fei as the Company's Securities Representative. |
| The 47th meeting of the eighth session of the Board of Directors | 27 August 2021 | 28 August 2021 | <ol style="list-style-type: none"> 1. Passed the 2021 Semi-annual Report and its Summary. 2. Passed the Proposal on the Risk Assessment Report of Angang Steel Group Finance Co., Ltd. 3. Passed the Proposal on Issuing Perpetual Medium-Term Notes in the Interbank Bond Market. 4. Passed the Proposal on the Public Issuance of Corporate Bonds. 5. Passed the Proposal on the Public Issuance of Renewable Corporate Bonds. 6. Passed the Proposal on the Purchase of 550,000 Tons of Ironmaking Capacity. |

Corporate Governance (Continued)

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

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|-----------------|-----------------|--|
| The 48th meeting of the eighth session of the Board of Directors | 11 October 2021 | 12 October 2021 | <ol style="list-style-type: none">1. Passed the proposal of signing the Supplementary Agreement on the Raw Material and Service Supply Agreement (2021) between the Company and Angang Steel Group Co., Ltd.2. Passed the proposal of signing the Raw Material and Service Supply Agreement (2022-2024) between the company and Angang Steel Group Co., Ltd.3. Passed the proposal of signing the Raw Material Supply Agreement (2022-2024) between the Company and Pangang Group Vanadium and Titanium Resources Co., Ltd.4. Passed the proposal of signing the Financial Service Agreement (2022-2024) between the Company and Angang Steel Group Finance Co., Ltd.5. Passed the proposal of signing the Supply Chain Financial Services Framework Agreement (2022-2024) between the Company and Angang Steel Group Capital Holdings Co., Ltd. |
| The 49th meeting of the eighth session of the Board of Directors | 16 October 2021 | – | <ol style="list-style-type: none">1. Approved the Proposal of Angang Steel Co., Ltd. on Voting Opinions on the Reorganization Plan (Draft) of HNA Group Co., Ltd. |

Corporate Governance (Continued)

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

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|------------------|------------------|---|
| The 50th meeting of the eighth session of the Board of Directors | 29 October 2021 | 30 October 2021 | <ol style="list-style-type: none"> 1. Approved 2021 Third Quarterly Report of Angang Steel Co., Ltd. 2. Approved the Proposal on Amending the Information Disclosure Management System of Angang Steel Co., Ltd. 3. Approved the Proposal on Holding the Second Extraordinary General Meeting of Shareholders of Angang Steel Co., Ltd. in 2021. |
| The 51th meeting of the eighth session of the Board of Directors | 19 November 2021 | 20 November 2021 | <ol style="list-style-type: none"> 1. Approved the Proposal on Appointing Mr. Xu Shishuai as the General Manager of the Company. 2. Approved the Proposal on Nominating Mr. Xu Shishuai as Executive Director Candidate of the 8th Board of Directors of the Company. |
| The 52th meeting of the eighth session of the Board of Directors | 25 November 2021 | – | <ol style="list-style-type: none"> 1. The Proposal on Including the State Capital Special Subsidy Funds into the State Capital Reserve. |
| The 53th meeting of the eighth session of the Board of Directors | 30 November 2021 | 1 December 2021 | <ol style="list-style-type: none"> 1. The Proposal on the Appointment of Mr. Zhou Dongzhou as the Joint Secretary of the Company. |

Corporate Governance (Continued)

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

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|------------------|------------------|---|
| The 54th meeting of the eighth session of the Board of Directors | 10 December 2021 | 11 December 2021 | <ol style="list-style-type: none">1. Passed the Proposal on the Repurchase and Cancellation of Restricted Stock for Which Authority and Sales Restrictions are Given for Some Incentive Objects of the 2020 Restricted Stock Incentive Plan.2. Passed the Proposal on Granting Some Reserved Restricted Stocks to Incentive Objects.3. Passed the Proposed Change of the Company's Registered Capital and the Amendment of the "Articles of Association".4. Adopted the Proposal on Holding the First Extraordinary General Meeting of Shareholders of Angang Steel Co., Ltd. in 2022. |

Corporate Governance (Continued)

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

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|------------------|------------------|--|
| The 55th meeting of the eighth session of the Board of Directors | 30 December 2021 | 31 December 2021 | <ol style="list-style-type: none">1. Approved the Proposal on Relieving Xiao Mingfu from the Duties of Deputy General Manager of the Company.2. Approved the Proposal on Appointing Mr. Zhang Peng as Deputy General Manager of the Company.3. Approved the Proposal on the Accrued Asset Impairment.4. Approved the Proposal on the Acquisition of the Assets of the Second Power Plant of Angang Steel Group Co., Ltd.5. Approved the Proposal on the Joint Investment and Establishment of Angang Steel Industrial Products Co., Ltd. by the Company and Delin Land Port Supply Chain Service Co., Ltd. |

Corporate Governance (Continued)

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

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

| Meeting session | Convening date | Disclosure date | Meeting resolutions |
|--|------------------|-----------------|---|
| The 56th meeting of the eighth session of the Board of Directors | 31 December 2021 | - | <ol style="list-style-type: none">1. Approved the Proposal on Canceling upon Verification the Equity Interests of Dalian Shipbuilding Industry Group Shipping Engineering Co., Ltd. Held by the Company.2. Approved the Proposal on Strengthening the Construction of the Board of Directors of Subsidiaries and Implementing the Duties and Powers of the Board of Directors of Subsidiaries.3. Approved the Proposal on the "Three-Year Action Plan for ESG Management" "ESG Indicators Management Manual" of Angang Steel Co., Ltd.4. Approved the Proposal on Amending the Terms of Reference of the Strategy Committee. |

Corporate Governance (Continued)

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

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

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

| Name of Directors | Number of attendance in board meetings required during the reporting period | Number of | | | Whether or not attending board | | Number of attendance in general meetings of shareholders |
|-------------------|---|--|--|---|---------------------------------------|-------------------------------------|--|
| | | Number of on-site attendance in board meetings | telecommunication-based attendance in board meetings | Number of attendance in board meetings by proxy | Number of absence from board meetings | in person for two consecutive times | |
| Wang Yidong | 20 | 2 | 18 | 0 | 0 | No | 2 |
| Li Zhongwu | 20 | 2 | 18 | 0 | 0 | No | 2 |
| Wang Baojun | 13 | 1 | 12 | 0 | 0 | No | 1 |
| Feng Changli | 20 | 2 | 18 | 0 | 0 | No | 2 |
| Wang Jianhua | 20 | 1 | 19 | 0 | 0 | No | 1 |
| Wang Wanglin | 20 | 1 | 18 | 1 | 0 | No | 1 |
| Zhu Keshi | 20 | 1 | 19 | 0 | 0 | No | 1 |
| Li Zhen | 20 | 2 | 18 | 0 | 0 | No | 1 |
| Ma Lianyong | 3 | 0 | 3 | 0 | 0 | No | - |

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

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

Corporate Governance (Continued)

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

| Name of Committee | Membership | Number of Meetings | of Convening Date | Meeting Contents | Important Opinions and Suggestions | Other Performance of Duties | Specific Situations of Objections (if any) |
|----------------------|--|--------------------|---|--|------------------------------------|-----------------------------|--|
| Nomination Committee | Convener: Wang Jianhua Member: Wang Yidong, Li Zhongwu, Feng Changli, Wang Wanglin, Zhu Keshi | 5 | 16 March 2021 | 1. Approved the Proposal on Nominating Mr. Wang Baojun as the Company's Deputy General Manager and Chief Accountant. 2. Approved the Proposal on Suggesting Nominating Mr. Wang Baojun as the Candidate for Executive Director of the 8th session of Board of Directors of the Company. 3. Approved the Proposal on Nominating Mr. Zhang Hongjun as the Deputy General Manager of the Company. | - | - | - |
| | | | 29 March 2021 | 1. Passed the Opinions on the Structure and Composition of the Board of Directors of Angang Steel Co., Ltd. 2. Passed the Opinions on Independence Verification of Independent Non-executive Directors. | - | - | - |
| | | | 16 June 2021 | 1. Passed the Proposal on Nominating Mr. Wang Baojun as the Company's Joint Secretary of the Board of Directors (i.e. Joint Company Secretary). | - | - | - |
| | | 19 November 2021 | 1. Passed the Proposal on Nominating Mr. Xu Shishuai as the General Manager of the Company. 2. Passed the Proposal on Suggesting Nominating Mr. Xu Shishuai as the Candidate for Executive Director of the 8th session of Board of Directors of the Company. | - | - | - | |
| | | 30 December 2021 | Passed the Proposal on Nominating Mr. Zhang Peng as the Company's Deputy General Manager. | - | - | - | |

Corporate Governance (Continued)

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

| Name of Committee | Membership | Number of Meetings | of Convening Date | Meeting Contents | Important Opinions and Suggestions | Other Performance of Duties | Specific Situations of Objections (if any) |
|--------------------------------------|---|--------------------|-------------------|---|------------------------------------|-----------------------------|--|
| Remuneration and Appraisal Committee | Convener: Feng Changli | 2 | 29 March 2021 | 1. Passed the 2020 Remuneration Plan for Directors and Senior Managers of the Company. | - | - | - |
| | Member: Wang Yidong, Wang Jianhua, Wang Wanglin, Zhu Keshi | 31 | May 2021 | 1. Approved the Proposal on the 2021-2023 Tenure of Senior Managers of Angang Steel Co., Ltd. and the 2021 Annual Operating Performance Assessment Indicators. | - | - | - |
| Strategy Committee | Convener: Wang Yidong | 2 | 9 February 2021 | 1. Passed the 2021 Risk Assessment Report of Angang Steel Co., Ltd. | - | - | - |
| | Member: Li Zhen, Feng Changli, Wang Jianhua, Wang Wanglin, Zhu Keshi | 29 | March 2021 | 1. Passed the 14th Five-Year Plan Development Strategy and Planning of Angang Steel Co., Ltd. 2. Passed the Opinions on the Arrangement of Construction Projects of Angang Steel Co., Ltd. in 2021. | - | - | - |
| Audit Committee | Convener: Zhu Keshi | 5 | 22 January 2021 | 1. Passed the Opinions on 2020 Annual Financial Report Audit Plan (Pre-audit) Stage Report of Angang Steel Co., Ltd. | - | - | - |
| | Member: Feng Changli, Wang Jianhua, Wang Wanglin | 29 | March 2021 | 1. Passed the 2020 Audited Financial Report of Angang Steel Co., Ltd. 2. Approved the 2020 Internal Audit Work Report and 2021 Work Plan of Angang Steel Co., Ltd. 3. Passed the 2020 Internal Control Evaluation Report of Angang Steel Co., Ltd. 4. Passed the Proposal on the Appointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company's Auditor in 2021. | - | - | - |

Corporate Governance (Continued)

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

| Name of Committee | Membership | Number of Meetings | Convening Date | Meeting Contents | Important Opinions and Suggestions | Other Performance of Duties | Specific Situations of Objections (if any) |
|-------------------|------------|--------------------|------------------|---|------------------------------------|-----------------------------|--|
| | | | 29 April, 2021 | <ol style="list-style-type: none"> 1. Passed the Report on the Review Results of Financial Statements Angang Steel Co., Ltd. for the First Quarter of 2021. 2. Passed the 2021 First Quarter Work Report and Second Quarter Work Plan of the Audit Department of Angang Steel Co., Ltd. | - | - | - |
| | | | 27 August, 2021 | <ol style="list-style-type: none"> 1. Passed the Report on the Review Results of Interim Financial Statements of Angang Steel Co., Ltd. 2. Passed the Work Report of the Audit Department of Angang Steel Co., Ltd. for the First Half of 2021 and the Work Plan for the Second Half of the Year. | - | - | - |
| | | | 29 October, 2021 | <ol style="list-style-type: none"> 1. Passed the Report on the Review Results of the Financial Statements of Angang Steel Co., Ltd. for the Third Quarter of 2021. 2. Passed the 2021 Third-Quarter Work Report and Fourth-Quarter Work Plan of the Audit Department of Anshan Iron and Steel Co., Ltd. | - | - | - |

Corporate Governance (Continued)

VIII. EMPLOYEES OF THE COMPANY

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

| | |
|---|--------|
| Number of current employees in the Company (<i>person</i>) as at the end of the Reporting Period | 26,430 |
| Number of current employees in major subsidiaries as at the end of the Reporting Period | 3,982 |
| Total number of current employees (<i>person</i>) as at the end of the Reporting Period | 30,412 |
| Total number of employees receiving remuneration during the period (<i>person</i>) | 30,412 |
| Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations (<i>person</i>) | – |

Specialty composition

| Category of specialty composition | Number of people (person) |
|-----------------------------------|---------------------------|
| Production | 21,281 |
| Sales | 388 |
| Technical | 3,615 |
| Finance | 200 |
| Administration | 1,366 |
| Others | 3,562 |
| Total | 30,412 |

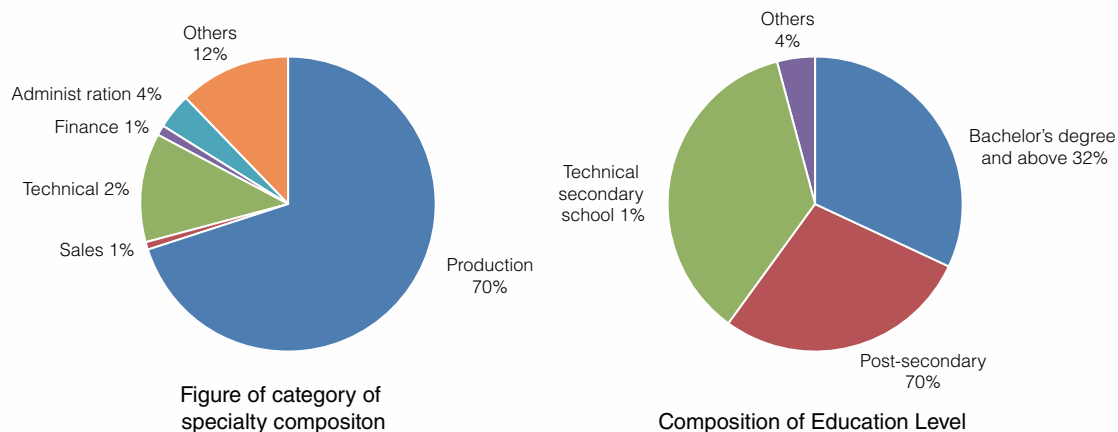
Education level

| Category of education level | Number of people (person) |
|-----------------------------|---------------------------|
| Bachelor's degree and above | 9,703 |
| Post-secondary | 8,470 |
| Technical secondary school | 11,020 |
| Others | 1,180 |
| Total | 30,412 |

Corporate Governance (Continued)

VIII. EMPLOYEES OF THE COMPANY (CONTINUED)

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



(II) Remuneration 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. The Company further established and improved the long-term incentive mechanism of the Company, attracting and retaining outstanding talents, fully mobilizing the enthusiasm of core and key employees and effectively combining the interests of shareholders, the Company and the personal interests of employees.

Corporate Governance (Continued)

VIII. EMPLOYEES OF THE COMPANY (CONTINUED)

(III) Training programs

In 2021, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, focusing on one main line, optimizing three major layouts, enhancing six major abilities, achieving one goal, the Company aimed to implement the strategy of prioritizing the development of talents and carried out employee education and training work. The talent training ability has been significantly improved. In 2021, 25,369 primary employees received training for job knowledge and skills; 11,316 employees received special training. Working closely with the principles of meticulous planning, exquisite training, fine implementation, lean management, accurate evaluation and precise motivation, with focusing on the main business, hardcore connection, and the overall quality of employees has been further improved, laying a solid foundation for the high-quality development of the Company.

(IV) Labor outsourcing

Applicable Not applicable

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

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

Special Explanation of the Policy of Distribution of Cash Dividend

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

Corporate Governance (Continued)

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

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

| | |
|---|---------------|
| Numbers of bonus share per 10 shares (share(s)) | – |
| Dividend distribution per 10 shares (RMB) (tax inclusive) | 2.21 |
| Conversion per 10 shares (share(s)) | – |
| Share base of the distribution proposal (shares) | 9,402,611,828 |
| Amount of cash dividend (RMB million) (tax inclusive) | 2,078 |
| Amount of cash dividend distributed in other forms (such as share repurchase) (RMB) | – |
| Total cash dividend (including other forms) (RMB million) | 2,078 |
| Distributable profits (RMB) | 12,179 |
| Percentage of total cash dividend (including other forms) to total profits distribution | 100% |

Distribution of cash dividends for this year

Distributing approximately RMB2,078 million of total profits to all shareholders of the Company by way of cash dividend of RMB2.21 (tax inclusive) per 10 shares on the basis of the total share capital of 9,402,611,828 shares which were entitled to the distribution, which accounted for approximately 30% of the net profit attributable to shareholders of the Company.

Particulars of profit distribution and capitalization of capital reserves plan

Distributing approximately RMB2,078 million of total profits to all shareholders of the Company by way of cash dividend of RMB2.21 (tax inclusive) per 10 shares on the basis of the total share capital of 9,402,611,828 shares which were entitled to the distribution, which accounted for approximately 30% of the net profit attributable to shareholders of the Company. The funds to be used for profit distribution are from the Company's own funds. If the total number of shares that the Company is eligible to distribute changes before the implementation of the distribution plan, the total amount of cash dividends 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 amount of cash dividend per share remains unchanged. This plan still needs to be submitted to the 2021 Annual General Meeting of Shareholders for deliberation.

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

(I) Implementation of the share-based incentives during the Reporting Period

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 of 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 of 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.

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

Corporate Governance (Continued)

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

(I) Implementation of the share-based incentives during the Reporting Period (Continued)

On 28 January 2022, the Company completed the registration for the grant of reserved portion of the 2020 Restricted Share Incentive Scheme and the listing date of the granted restricted shares was 28 January 2022.

On 25 February 2022, the Company completed the repurchase and cancellation of 2,229,750 restricted shares granted but not yet unlocked held by 8 former incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and upon completion of the cancellation, the total share capital of the Company was reduced from 9,405,250,201 shares to 9,403,020,451 shares.

(II) Incentives awarded to Directors and senior management of the Company during the Reporting Period

Unit: Share

| Name | Position | Number of shares exercisable during the Reporting Period | Number of shares exercised during the Reporting Period | Exercise | Market price as at the end of the Reporting Period | Number of restricted shares held at the beginning of the period | Number of shares unlocked during the period | Number of new restricted shares granted in the Reporting Period | Grant price of restricted shares | Number of restricted shares held at the end of the period |
|---------------|---|--|--|--|--|---|---|---|----------------------------------|---|
| | | | | price/number of shares exercised during the Reporting Period | | | | | | |
| | | | | (RMB/share) | (RMB/share) | | | (RMB/share) | | |
| Li Zhen | Former Director and Former General Manager | 0 | 0 | - | - | 0 | 0 | 500,000 | 1.85 | 500,000 |
| Li Zhongwu | Former Director and Former Deputy General Manager | 0 | 0 | - | - | 0 | 0 | 450,000 | 1.85 | 450,000 |
| Meng Jinsong | Deputy General Manager | 0 | 0 | - | - | 0 | 0 | 450,000 | 1.85 | 450,000 |
| Zhang Hongjun | Deputy General Manager | 0 | 0 | - | - | 0 | 0 | 400,000 | 1.85 | 400,000 |
| Liu Jie | Deputy General Manager | 0 | 0 | - | - | 0 | 0 | 450,000 | 1.85 | 450,000 |
| Xiao Mingfu | Deputy General Manager | 0 | 0 | - | - | 0 | 0 | 450,000 | 1.85 | 450,000 |
| Total | -- | 0 | 0 | -- | -- | 0 | 0 | 2,700,000 | -- | 2,700,000 |

Notes (if any) -

Corporate Governance (Continued)

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

(III) Appraisal mechanism and incentives for the senior management

The Company 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.

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

(I) Establishment and implementation of internal control

The Company has established a relatively sound internal control management system. The Company has established a sound organizational structure for risk management, further strengthened the construction of the "Three Lines of Defence" and formed a closed-loop management process covering the four key areas, i.e. risk assessment, risk response, risk monitoring and evaluation & improvement, providing organizational guarantee for the effective operation of the risk management and internal control system.

The Company has improved its internal control system and standardized its internal control mechanism. The Company consolidated and optimized risk and internal control-related management systems, focused on key businesses, key areas of reform and important aspects of production and operation, comprehensively sorted out and identified the loopholes in control systems and processes, and continuously carried out work on the establishment, reform and abolition of rules and regulations. In 2021, 64 regulations and amendments were completed.

The Company strengthened the monitoring of major risks, established a sound risk monitoring and reporting mechanism, closely tracked the changes in major risks in 2021, and identified and responded to new risk hazards and risk events in a timely manner. The Company organized quarterly early warning monitoring of major risks and prepared a tracking and monitoring list for the Company's major risks.

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

Yes

No

Corporate Governance (Continued)

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

Applicable Not applicable

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

(I) Self-evaluation Report on Internal Control

| | |
|---|--|
| Date of disclosure of full text of evaluation report on internal control | 31 March 2022 |
| Index of Full Disclosure of Evaluation report on internal control | Cninfo website http://www.cninfo.com.cn |
| The proportion of the total unit asset under the scope of evaluation to the total assets of the consolidated financial statements of the Company | 97.09% |
| The proportion of the unit operating income under the scope of evaluation to the operating income of the consolidated financial statements of the Company | 98.43% |

Corporate Governance (Continued)

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

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

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

Corporate Governance (Continued)

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

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

| Type | Defect identification standards | |
|------|--|---|
| | Financial report | Non-financial report |
| | 2. Major defect: 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. | (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. General defect: Internal control defect of financial reports other than significant defect and major defect. | (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)

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

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

| Type | Defect identification standards | |
|------|---------------------------------|----------------------|
| | Financial report | Non-financial report |

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

(1) General defect

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

Corporate Governance (Continued)

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

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

| Type | Defect identification standards | |
|------|---------------------------------|----------------------|
| | Financial report | Non-financial report |

(2) Major defect

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

Corporate Governance (Continued)

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

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

| Type | Defect identification standards | |
|------|---------------------------------|----------------------|
| | Financial report | Non-financial report |

(3) Significant defect

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

Corporate Governance (Continued)

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

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

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

Corporate Governance (Continued)

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

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

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

Corporate Governance (Continued)

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

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

| Type | Defect identification standards | |
|--------------------------------------|--|----------------------|
| | Financial report | Non-financial report |
| Quantitative identification standard | 1. Significant defect | |
| | significant effect on financial indicators and liquidity (0.8 time \leq turnover of current assets < 1 time); effect on total profit RMB50 million; effect on total assets RMB8 billion. | |
| | 2. Major defect | |
| | larger effect on financial indicators and liquidity (0.5 time \leq turnover of current assets < 0.8 time); RMB1 million effect on total profit < RMB50 million; RMB4.8 billion \leq effect on total assets < RMB8 billion. | - |
| | 3. General defect | |
| | middle-level or smaller effect on financial indicators and liquidity (turnover of current assets < 0.5 time); effect on total profit < RMB10 million; effect on total assets < RMB4.8 billion. | |
| | Number of significant defects of financial report | 0 |
| | Number of significant defects of non-financial report | 0 |
| | Number of major defects of financial report | 0 |
| | Number of major defects of non-financial report | 0 |

Corporate Governance (Continued)

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

(II) Auditor's report on internal control

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

ShineWing Certified Public Accountants (Special General Partnership) has audited the internal control of the financial report of the Company in respect of its effectiveness, and is of the opinion that Angang Steel Company Limited maintained effective internal control on the financial report in all material aspects in accordance with the Basic Standards for Enterprise Internal Control 《企業內部控制基本規範》) and the relevant regulations as of 31 December 2021.

| | |
|---|--|
| Disclosure of the auditor's report on internal control | Disclosed |
| Date of disclosure of full text of the auditor's report on internal control | 31 March 2022 |
| Index of full disclosure of the auditor's report on internal control | Cninfo website http://www.cninfo.com.cn |
| Type of opinion on the auditor's report on internal control | Standard unqualified opinion |
| Whether there is material defect of the non-financial report | No |

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

Yes No

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

Yes No

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT

(I) Corporate governance practices

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

The Company has adopted the code provisions set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange as currently effective. The Company has periodically reviewed its corporate governance practices, and properly complied with the code provisions of the Corporate Governance Code. During the year ended 31 December 2021, the Company has complied with all the code provisions of the Corporate Governance Code which were effective during the year.

(II) Securities transactions by Directors

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

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

(III) Independent non-executive Directors

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(III) Independent non-executive Directors (Continued)

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

(IV) The Board and its special committees

1. Composition of the Board

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

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

The Board of the Company held 20 Board meetings and considered and approved 70 proposals in 2021.

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

2. Duties and Operation of the Board

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

2. Duties and Operation of the Board (Continued)

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

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

3. Remuneration and Appraisal Committee

In 2021, 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 2020 and reviewed their remunerations for 2020 and other related matters, and submitted the same to the Board for consideration.

In 2021, the members of the Remuneration and Appraisal Committee of the Company and their attendance at meetings are as follows:

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

Main duties of the Remuneration and Appraisal Committee are:

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

3. Remuneration and Appraisal Committee (Continued)

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

4. Nomination Committee

In 2021, the Nomination Committee of the Company held five meetings to nominate the candidates of Directors, candidates of the secretary to the Board, 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.

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

4. Nomination Committee (Continued)

In 2021, 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 | 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
- (d) to make recommendations to the Board on the appointment or reappointment of Directors and succession plan for Directors, in particular, the Chairman and the General Manager.

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

5. Audit Committee

In 2021, 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, nominated auditor of the Company for 2021, and made provision for asset impairment, etc.

In 2021, the members of the Audit Committee of the Company and their attendance are as follows:

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

The Audit Committee and the management of the Company have jointly examined the Company's accounting policy and have discussed the issues in relation to the auditing, internal control and financial statements of the Company, including a review of the audited financial statements for the year ended 31 December 2021.

Main duties of the Audit Committee are:

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

5. Audit Committee (Continued)

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

6. Training for Directors

In 2021, 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 Zhongwu | Executive Director | A, B |
| Wang Baojun | Executive Director | A, B |
| Feng Changli | Independent Non-executive Director | A, B |
| Wang Jianhua | Independent Non-executive Director | A, B |
| Wang Wanglin | Independent Non-executive Director | A, B |
| Zhu Keshi | Independent Non-executive Director | A, B |
| Li Zhen | Former Executive Director | A, B |
| Ma Lianyong | Former Executive Director | A, 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.

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(V) Chairman and general manager

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

Duties of the Chairman:

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

Duties of the General Manager:

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VI) Company secretaries

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

(VII) Rights of shareholders

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

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

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

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

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VII) Rights of shareholders (Continued)

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

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

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

(VIII) Investor relations

1. Communication with Shareholders

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VIII) Investor relations (Continued)

1. Communication with Shareholders (Continued)

The contact with investors was deepened through holding results conferences, participating in strategic meetings organized by securities firms and receiving investor visits by the Company. In 2021, the Company organized 24 activities in connection with investor relations, conducted communications with 268 institutional investors, 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"

During the Reporting Period, there was no significant change in the Articles of Association of the Company.

(IX) Corporate governance functions

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(IX) Corporate governance functions (Continued)

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

(X) Risk management and internal control

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(X) Risk management and internal control (Continued)

1. Risk management

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

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

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(X) Risk management and internal control (Continued)

2. Internal control

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

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

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

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

Corporate Governance (Continued)

XV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(XI) Auditor's remuneration

For the year ended 31 December 2021, the Company paid audit fees of RMB5.0 million to the external auditor of the Company, of which RMB4.30 million was paid for audit fees of annual financial report and RMB0.70 million was paid for audit fees of internal control.

(XII) Board diversity policy

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

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

Environmental and Social Responsibilities

I. MAJOR ENVIRONMENTAL ISSUES

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

Yes No

| Name of company or subsidiary | Name of major pollutants and characteristic pollutants | Discharge method | Number of discharge outlets | Distribution of discharge outlets | Discharge concentration | Pollutant discharge standards executed | Total discharge | Approved total discharge | Excessive discharge |
|--|--|--|-----------------------------|-----------------------------------|-------------------------|--|-----------------|---|---------------------|
| Angang Steel Company Limited (including Anshan area of Angang Steel, Bayuquan Iron & Steel Branch Company and Chaoyang Iron and Steel) | COD | Discharged after being treated to acceptable standards | 3 | Main drain | <50mg/L | 50mg/L | 73.77 tons | Not approved by the government department | None |
| | Ammonia nitrogen | Discharged after being treated to acceptable standards | 3 | Main drain | <5mg/L | 5mg/L | 8.43 tons | | None |
| | Particulate matter | Discharged after being treated to acceptable standards | 589 | Coking | <30mg/m ³ | 30mg/m ³ | 11248.7 tons | | None |
| | Sulfur dioxide | Discharged after being treated to acceptable standards | 213 | Ironmaking | <50mg/m ³ | 50mg/m ³ | 9070.4 tons | | None |
| | | | | Steelmaking | <20mg/m ³ | 20mg/m ³ | | | |
| | | | | Steel rolling | <30mg/m ³ | 30mg/m ³ | | | |
| | Nitrogen oxide | Discharged after being treated to acceptable standards | 186 | Coking | <500mg/m ³ | 500mg/m ³ | 25284.5 tons | | None |
| | | | | Sintering | <200mg/m ³ | 200mg/m ³ | | | |
| | | | | Steel rolling | <150mg/m ³ | 150mg/m ³ | | | |
| | | | | Sintering | <300mg/m ³ | 300mg/m ³ | | | |
| | | | | Steel rolling | <200mg/m ³ | 200mg/m ³ | | | |

Environmental and Social Responsibilities (Continued)

I. MAJOR ENVIRONMENTAL ISSUES (CONTINUED)

(I) Construction and operation of pollution prevention facilities:

In 2021, Angang Steel approved the implementation of 82 environmental protection and renovation projects, with the investment amounting to RMB2.22 billion. The existing environmental protection facilities of Angang Steel operated stably, and the exhaust gas emission met the discharge standards. The wastewater discharge by 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.

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

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

(III) Emergency plans for environmental pollution accidents:

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

(IV) Environmental protection self-monitoring plan:

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

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

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

(VI) Other environmental information that should be disclosed:

None.

Environmental and Social Responsibilities (Continued)

II. SOCIAL RESPONSIBILITIES

The Company proactively assumed its social responsibilities. For details, please refer to the 2021 Social Responsibility and Environmental, Social and Governance Report of Angang Steel Company Limited.

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

In 2021, the Company actively promoted rural revitalization, worked to meet the requirements of “continuing poverty alleviation responsibility, policies, and assistance and oversight for areas that have been removed from the poverty list”, and maintained the overall stability of the successive assistance policy and kept up its efforts to provide assistances by strengthening organization and leadership with the implementation of responsibility. Focusing on the objectives of revitalizing industries, talents, culture, ecology and organizations, the Company adopted multiple measures to provide assistances to Tajik Autonomous County of Taxkorgan, Xinjiang and offer assistance for Liaoning Province through pairing programs, thereby making a good start in consolidating and expanding the achievements in poverty alleviation and promoting rural revitalization. For 2021, the Company provided a total of RMB15.596 million assistance funds, which have been put into use for 6 support programs. The Company spent RMB17.93 million on the purchase of agricultural and sideline products produced by the areas lifted out of poverty, fully completing the assistance program.

Significant Matters

I. PERFORMANCE OF UNDERTAKING

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

| Reason for Undertaking | Undertaking Party | Type of Undertaking | Contents of Undertaking | Date of Undertaking | Period of Undertaking | Performance of Undertaking |
|---|-------------------|------------------------------|---|---------------------|-----------------------|---|
| Undertaking made during the restructuring of assets | Angang Holding | Non-competition undertakings | <p>The Non-competition Undertaking Letter of Anshan Iron & Steel Group Complex (《鞍山鋼鐵集團公司避免同業競爭承諾函》):</p> <p>(1) Angang Holding and its wholly-owned and holding subsidiaries have complied with relevant requirements of the state on the non-competition.</p> <p>(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.</p> <p>(3) Angang Holding undertakes that the Company is entitled to the preemptive rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the iron and steel business of the Company.</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> | 20 May 2007 | Indefinite | There was no breach of such undertaking |

Significant Matters (Continued)

I. PERFORMANCE OF UNDERTAKING (CONTINUED)

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

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

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

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

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

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

Significant Matters (Continued)

I. PERFORMANCE OF UNDERTAKING (CONTINUED)

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

| Reason for Undertaking | Undertaking Party | Type of Undertaking | Contents of Undertaking | Date of Undertaking | Period of Undertaking | Performance of Undertaking |
|------------------------|-------------------|---------------------|--|---------------------|-----------------------|----------------------------|
| | | | <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> | | | |

Significant Matters (Continued)

I. PERFORMANCE OF UNDERTAKING (CONTINUED)

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

| Reason for Undertaking | Undertaking Party | Type of Undertaking | Contents of Undertaking | Date of Undertaking | Period of Undertaking | Performance of Undertaking |
|------------------------|--|---------------------|--|---------------------|-----------------------|----------------------------|
| | | | (3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically. | | | |
| | | | Considering that Angang Holding does not have any iron and steel production projects already put into production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter. | | | |
| | Whether the undertakings are fulfilled on time | | Yes | | | |

Significant Matters (Continued)

I. PERFORMANCE OF UNDERTAKING (CONTINUED)

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

Applicable Not applicable

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

Applicable Not applicable

III. NON-COMPLIED EXTERNAL GUARANTEE

Applicable Not applicable

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

Applicable Not applicable

V. EXPLANATION OF THE BOARD, THE SUPERVISORY COMMITTEE AND THE INDEPENDENT DIRECTORS (IF ANY) REGARDING THE ACCOUNTING FIRM'S "NON-STANDARD AUDIT OPINION" FOR THE REPORTING PERIOD

Applicable Not applicable

Significant Matters (Continued)

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

(I) Changes in accounting policies

According to the “Q&A on the Implementation of Accounting Standards for Business Enterprises” issued by the Ministry of Finance in November 2021, the transportation activities that occur before the Group transfers the control of goods or services to the customer, in order to perform the customer’s contract, do not constitute a single performance obligation, and the relevant transportation costs are regarded as the contract performance costs, which are carried forward and included in operating costs when revenue from goods or services is recognized.

Based on the above changes, the Group retrospectively adjusts the consolidated financial statements for the year 2020 as follows:

Unit: RMB million

| Items | 2020 | | Adjustments |
|--------------------|-------------------|------------------|-------------|
| | Before adjustment | After adjustment | |
| Operating costs | 91,605 | 94,313 | 2,708 |
| Marketing expenses | 3,204 | 496 | -2,708 |

The impact of the parent company financial statements in 2020 is as follows:

Unit: RMB million

| Items | 2020 | | Adjustments |
|--------------------|-------------------|------------------|-------------|
| | Before adjustment | After adjustment | |
| Operating costs | 84,880 | 87,141 | 2,261 |
| Marketing expenses | 2,667 | 406 | -2,261 |

Significant Matters (Continued)

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

(II) During the Reporting Period, there were no changes in accounting estimates or correction of major accounting errors for the Company

During the Reporting Period, there were no changes in accounting estimates or correction of major accounting errors for the Company.

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

Applicable Not applicable

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

(I) Accounting Firm Currently Engaged by the Company

| | |
|--|--|
| Name of the PRC accounting firm | ShineWing Certified Public Accountants (Special General Partnership) |
| Remuneration of the PRC accounting firm | RMB5 million |
| Continued term of auditing services by the PRC accounting firm | 4 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 | 4 years |

(II) Whether Appointed Another Accounting Firm During the Period

Yes No

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

The Company engaged ShineWing Certified Public Accountants (Special General Partnership) as the internal control and auditing firm of the Company for 2021 and the remuneration was RMB0.70 million.

Significant Matters (Continued)

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM (CONTINUED)

(IV) Whether the Accounting Firms Has Changed in the Last Three Years

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

IX. DELISTING RISKS AFTER THE DISCLOSURE OF ANNUAL REPORT

Applicable Not applicable

X. BANKRUPTCY REORGANIZATION

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

XI. MATERIAL LITIGATION AND ARBITRATION

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

Non-material litigation and arbitration are as follows:

| Background of litigation (arbitration) | Amount involved (RMB'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 | 118,819 | No | The majority of the successful cases have entered the enforcement process, while the remaining cases are still under trial. | - | - |
| Non-material response to proceedings | 1,640 | No | Most of the cases were concluded in favour of the Company, while individual cases are still under trial. | - | - |

XII. PENALTIES AND RECTIFICATIONS

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

Significant Matters (Continued)

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

Applicable Not applicable

XIV. MAJOR CONNECTED TRANSACTIONS

The connected transactions set out below fall within the definition of “Connected Transaction” or “Continuing Connected Transaction” under Chapter 14A of the Hong Kong Stock Exchange Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Stock Exchange Listing Rules for the connected transactions. Save for the connected transactions and continuing connected transactions disclosed in this annual report, there were no other material contracts entered into between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries, or material contracts for the provision of services by other controlling shareholders or their subsidiaries to the Company or its subsidiaries during the year 2021.

(I) Connected transactions related to daily operations

| Related party | Connected relationship | Type of connected transaction | Content of connected transaction | Pricing principle of connected transaction | Connected transaction price | Connected transaction amount (RMB million) | As a percentage | Transaction cap (RMB million) | Whether exceeding approved cap | Settlement method of connected transactions | Market price of available similar transactions |
|--|--|-------------------------------------|----------------------------------|--|-----------------------------|---|---|----------------------------------|--------------------------------|---|--|
| | | | | | | | of the amount of similar transactions (%) | | | | |
| Angang Group Mining Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase main materials | Market principle | - | 11,294 | 14.46 | 36,306 | No | In cash | - |
| Angang Holding | Controlling shareholder | Purchase goods/ Receive services | Purchase main materials | Market principle | - | 10,721 | 13.72 | | | In cash | - |
| Shanxi Wuchan International Energy Co., Ltd. (山西物產國際能源有限公司) | Associate of controlling shareholder | Purchase goods/ Receive services | Purchase main materials | Market principle | - | 3,888 | 4.98 | | | In cash | - |
| Angang Group Zhongyuan Industry Development Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase main materials | Market principle | - | 2,866 | 3.67 | | | In cash | - |
| Angang Group International Economic and Trade Co., Ltd. (鞍鋼集團國際經濟貿易有限公司) | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase main materials | Market principle | - | 1,652 | 2.11 | | | In cash | - |
| Ansteel Cast Steel Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase main materials | Market principle | - | 331 | 0.42 | | | In cash | - |

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

| Related party | Connected relationship | Type of connected transaction | Content of connected transaction | Pricing principle of connected transaction | Connected transaction price | Connected transaction amount (RMB million) | As a | Transaction cap (RMB million) | Whether exceeding approved cap | Settlement method of connected transactions | Market price of available similar transactions |
|--|--|----------------------------------|----------------------------------|--|-----------------------------|---|--|----------------------------------|--------------------------------|---|--|
| | | | | | | | percentage of the amount of similar transactions (%) | | | | |
| Angang Group | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase main materials | Market principle | 217 | 0.28 | | | In cash | - | - |
| Sub-total | - | - | Purchase main materials | - | - | 30,969 | 39.64 | | - | - | - |
| Pangang Group International Economic and Trade Co., Ltd. (攀鋼集團國際經濟貿易有限公司) | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase steel products | Market principle | - | 611 | 6.04 | 1,216 | No | In cash | - |
| Angang Cold Rolled Steel Plate (Putian) Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase steel products | Market principle | - | 359 | 3.55 | | | In cash | - |
| Angang Group | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase steel products | Market principle | - | 141 | 1.39 | | | In cash | - |
| Sub-total | - | - | Purchase steel products | - | - | 1,111 | 10.98 | | - | - | - |
| 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 | - | 962 | 9.08 | 3,614 | No | In cash | - |
| Angang Refractory Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase auxiliary materials | Market principle | - | 721 | 6.80 | | | In cash | - |
| Angang Group Engineering Technology Co., Ltd. | Associate of controlling shareholder | Purchase goods/ Receive services | Purchase auxiliary materials | Market principle | - | 430 | 4.06 | | | In cash | - |
| Angang Group Engineering Technology Development Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase auxiliary materials | Market principle | - | 362 | 3.42 | | | In cash | - |

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

| Related party | Connected relationship | Type of connected transaction | Content of connected transaction | Pricing principle of connected transaction | Connected transaction price | Connected transaction amount (RMB million) | As a | Transaction cap (RMB million) | Whether exceeding approved cap | Settlement method of connected transactions | Market price of available similar transactions |
|--|--|-------------------------------------|----------------------------------|--|-----------------------------|---|---|----------------------------------|--------------------------------|---|--|
| | | | | | | | percentage of the amount of similar transactions (%) | | | | |
| Angang Group | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Purchase auxiliary materials | Market principle | - | 939 | 8.86 | | | In cash | - |
| Sub-total | - | - | Purchase auxiliary materials | - | - | 3,414 | 32.22 | | | - | - |
| Angang Holding | Controlling shareholder | Purchase goods/ Receive services | Procurement of energy and power | Market principle | - | 996 | 37.30 | 1,848 | No | In cash | - |
| Angang Group | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Procurement of energy and power | Market principle | - | 47 | 1.76 | | | In cash | - |
| Sub-total | - | - | Procurement of energy and power | - | - | 1,043 | 39.06 | | | - | - |
| Delin Lugang Supply Chain Service Co., Ltd. (德鄰陸港供應鏈服務有限公司) | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 1,420 | 10.98 | 9,303 | No | In cash | - |
| Angang Group Zhongyuan Industry Development Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 1079 | 8.34 | | | In cash | - |
| Angang Group Engineering Technology Development Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 999 | 7.72 | | | In cash | - |
| Angang Holding | Controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 972 | 7.51 | | | In cash | - |
| Angang Group Engineering Technology Co., Ltd. | Associate of controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 917 | 7.09 | | | In cash | - |
| Angang Group Energy-saving Technology Service Co., Ltd. (鞍鋼集團節能技術服務有限公司) | Associate of controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 639 | 4.94 | | | In cash | - |

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

| Related party | Connected relationship | Type of connected transaction | Content of connected transaction | Pricing principle of connected transaction | Connected transaction price | Connected transaction amount (RMB million) | As a | Transaction cap (RMB million) | Whether exceeding approved cap | Settlement method of connected transactions | Market price of available similar transactions |
|--|--|---|----------------------------------|--|-----------------------------|---|--|----------------------------------|--------------------------------|---|--|
| | | | | | | | percentage of the amount of similar transactions (%) | | | | |
| Angang Cold Rolled Steel Plate (Putian) Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 459 | 3.55 | | | In cash | - |
| Angang Auto Transport Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 441 | 3.41 | | | In cash | - |
| Angang Group Information Industry Co., Ltd. | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 331 | 2.56 | | | In cash | - |
| Angang Group | Controlled by the same controlling shareholder | Purchase goods/ Receive services | Receive supporting services | Market principle | - | 1,084 | 8.38 | | | In cash | - |
| Sub-total | - | - | Receive supporting services | - | - | 8,341 | 64.48 | | | - | - |
| Delin Lugang Supply Chain Service Co., Ltd.* (德鄰陸港供應鏈服務有限公司) | Controlled by the same controlling shareholder | Sales of products/ Provision of services | Sales of products | Market principle | - | 5,372 | 4.15 | 10,172 | No | In cash | - |
| Angang Group Zhongyuan Industry Development Co., Ltd. | Controlled by the same controlling shareholder | Sales of products/ Provision of services | Sales of products | Market principle | - | 1,039 | 0.80 | | | In cash | - |
| Angang Group International Economic and Trade Co., Ltd. (鞍鋼集團國際經濟貿易有限公司) | Controlled by the same controlling shareholder | Sales of products/ Provision of services | Sales of products | Market principle | - | 906 | 0.70 | | | In cash | - |
| Angang Group Engineering Technology Development Co., Ltd. | Controlled by the same controlling shareholder | Sales of products/ Provision of services | Sales of products | Market principle | - | 330 | 0.25 | | | In cash | - |
| Angang Group | Controlled by the same controlling shareholder | Sales of products/ Provision of services | Sales of products | Market principle | - | 740 | 0.57 | | | In cash | - |
| Sub-total | - | - | Sales of products | - | - | 8,387 | 6.47 | | | - | - |

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

| Related party | Connected relationship | Type of connected transaction | Content of connected transaction | Pricing principle of connected transaction | Connected transaction price | Connected transaction amount (RMB million) | As a | Transaction cap (RMB million) | Whether exceeding approved cap | Settlement method of connected transactions | Market price of available similar transactions |
|--------------------------|--|--|---|--|-----------------------------|---|---|----------------------------------|--------------------------------|---|--|
| | | | | | | | percentage of the amount of similar transactions (%) | | | | |
| 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 | - | 356 | 94.68 | 437 | No | In cash | - |
| Sub-total | - | - | Sell scrap steel material, abandoned material, minus sieve powder | - | - | 356 | 94.68 | - | - | - | - |
| Angang Holding | Controlling shareholder | Sales of products/ Provision of services | Provide comprehensive services | Market principle | - | 691 | 22.93 | 2,240 | No | In cash | - |
| Angang Group | Controlled by the same controlling shareholder | Sales of products/ Provision of services | Provide comprehensive services | Market principle | - | 391 | 12.97 | - | - | In cash | - |
| Sub-total | - | - | Provide comprehensive services | - | - | 1,082 | 35.90 | - | - | - | - |
| Angang Financial Company | Controlled by the same controlling shareholder | Receive finance services | Settle fund and deposit interests | Market principle | - | 39 | 40.63 | 50 | No | In cash | - |
| Angang Financial Company | Controlled by the same controlling shareholder | Receive finance services | Maximum daily deposit balance | Market principle | - | 3,480 | - | 3,500 | No | - | - |
| Angang Financial Company | Controlled by the same controlling shareholder | Receive finance services | Credit business interest | Market principle | - | 9 | 1.72 | 250 | No | In cash | - |
| Angang Financial Company | Controlled by the same controlling shareholder | Receive finance services | Entrusted loan interest | Market principle | - | 0 | 0 | 120 | No | In cash | - |

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

| | |
|--|---|
| Particulars on refund of bulk sale | - |
| Estimated total amount for continuing connected transactions to be conducted during the period and their actual implementation during the Reporting Period | The estimated data of continuing connected transactions of the Company in 2021 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 2021 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 supporting services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company. |

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

| Related parties | Connected relationship | Type of connected transaction | Content of connected transaction | Pricing principle of connected transaction | Carrying value of assets transferred (RMB'000) | Appraised value of assets transferred (RMB'000) | Transfer price (RMB'000) | Settlement method of connected transactions | Gains and losses arising from transactions (RMB'000) |
|-----------------|-------------------------|-------------------------------|---|---|---|--|-----------------------------|---|---|
| Angang Holding | Controlling shareholder | Acquisition of assets | Purchase of use right assets of above-mentioned 4 parcels of land | Pricing based on the appraisal results issued by Liaoning Guodi Land Assets Appraisal Co., Ltd. | 27,274.4 | 27793.63 | 27793.63 | Cash | 0 |
| | | | | Reasons for the substantial differences between the transfer price and the carrying value or appraised value (if any) | | - | | | |
| | | | | Impact on the operating results and financial condition of the Company | | None | | | |
| | | | | Results realization status during the Reporting Period if relevant transaction involves agreement on results | | - | | | |

(III) Connected transactions in relation to joint external investments

During the Reporting Period, the Company had no connected transactions in relation to joint external investments.

(IV) Related party credit and debt transaction

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

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(V) Transactions with connected financial company

Unit: RMB million

Deposit business

| Related parties | Connected relationship | Maximum daily deposit limit | Range of deposit interest rate | Opening balance | Amount occurred in the period | | Closing balance |
|---|--|-----------------------------|--------------------------------|-----------------|--|--|-----------------|
| | | | | | Total amount deposited during the period | Total amount withdrawn during the period | |
| Angang Group Financial Company Limited (鞍鋼集團財務有限責任公司) | Controlled by the same controlling shareholder | 3,500 | 1.725% | 3,411 | 427,456 | 427,392 | 3,475 |

Loan business

| Related parties | Connected relationship | Total loan amount | Range of loan facility interest rate | Opening balance | Amount occurred in the period | | Closing balance |
|---|--|-------------------|--------------------------------------|-----------------|-------------------------------|-----------------------------------|-----------------|
| | | | | | Total loan during the period | Total repayment during the period | |
| Angang Group Financial Company Limited (鞍鋼集團財務有限責任公司) | Controlled by the same controlling shareholder | 3,000 | 3.48% | 0 | 500 | 500 | 0 |

Credit extension or other financial business

| Related parties | Connected relationship | Type of business | Total amount | Actual amount |
|---|--|------------------|--------------|---------------|
| Angang Group Financial Company Limited (鞍鋼集團財務有限責任公司) | Controlled by the same controlling shareholder | Credit extension | 3,000 | 500 |

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

Applicable Not applicable

(VII) Other major connected transactions

On 12 April 2021, the Resolution on Increase of Capital Contribution into Angang Energy Technology Co., Ltd.* (“Energy Technology”) (《關於向鞍鋼能源科技有限公司增資的議案》) was approved at the forty-second meeting of the eighth session of the Board of the Company, pursuant to which, in order to support the joint venture between Energy Technology and CIMC ENRIC Investment Holding (Shenzhen) Co., Ltd. to jointly invest in the construction of Bayuquan Coke Oven Gas-Produced LNG Co-producing Hydrogen Project, the Company and Angang Group Engineering Technology Development Co., Ltd. (“Angang Engineering”), the other shareholder of Energy Technology, would contribute additional capital of RMB100 million into Energy Technology in cash in proportion to their existing shareholding in Energy Technology, among which, the Company would contribute RMB60 million, and Angang Engineering would contribute RMB40 million. Upon the capital increase, the registered capital of Energy Technology will be RMB150 million, of which 60% will be held by the Company and 40% will be held by Angang Engineering. Based on the progress of the construction project, the capital increase has not yet been implemented.

On 10 August 2021, the Resolution on Cooperation in Conducting Technology Development Projects between Angang Group Beijing Research Institute Co., Ltd. and the Company was approved at the forty-sixth meeting of the eighth session of the Board. Angang Beijing Research Institute is a controlled 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 12 technology development projects. The total technology development fee is RMB114.24 million.

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(VII) Other major connected transactions (Continued)

On 30 December 2021, the Resolution on the Company's Acquisition of the Assets of the Second Power Plant of Anshan Iron & Steel Group Co. Ltd. (《關於公司收購鞍山鋼鐵集團有限公司第二發電廠資產的議案》) was approved at the fifty-fifth meeting of the eighth session of the Board of the Company. In order to enhance its energy support capacity, reduce production and operation costs and continuously enhance its overall competitiveness, the Company intended to acquire the relevant assets of the Second Power Plant of Angang Holding. Based on the appraised value of the net assets of the Second Power Plant held by Angang Holding issued by China United Assets Appraisal Group Co., Ltd., the transaction price was determined to be RMB1,125,908,300. The acquisition has been completed on 13 April 2022.

On 30 December 2021, the Resolution on Joint Investment between the Company and Delin Lugang Supply Chain Service Co., Ltd.* in Forming Angang Industrial Product Co. Ltd.* was approved at the fifty-fifth meeting of the eighth session of the Board of the Company. In order to give full play to the scale, resource advantages and synergy of Angang Steel's industrial chain cluster, accelerate the construction of the Company's intelligent supply chain service platform, expand the modern supply chain industry and facilitate the high quality development of the enterprise, the Company intended to jointly invest with Delin Lugang in the forming of Angang Industrial Product Co. Ltd.* (hereinafter referred to as Angang Industrial Product, subject to verification and approval by the industrial and commercial registration authority), the registered capital of which would be RMB180 million, of which the Company would contribute RMB163.8 million, representing 91% of the registered capital, while Delin Lugang would contribute RMB16.2 million, representing 9% of the registered capital. The capital injection has not been implemented yet.

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(VIII) Opinions of independent non-executive Directors

1. The continuing connected transactions of the Company in 2021 were carried out in the ordinary and usual course of business of the Company;
2. The continuing connected transactions of the Company in 2021 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 2021 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 interests of the Company and its shareholders as a whole;
4. The total amount of continuing connected transactions of the Company in 2021 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 Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(IX) Opinions of auditors

The auditors have reviewed the non-exempt continuing connected transactions of the Company conducted during the year 2021 and issued a letter to the Board. In respect of the continuing connected transactions disclosed by the Company, the auditors are of the opinion that nothing has come to their attention that causes them to believe that:

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

XV. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

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

Significant Matters (Continued)

XV. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

(I) Trust, contractual or lease arrangement. (Continued)

2. Contracting

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

3. Lease arrangement

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the Land Lease Agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, with a total amount of RMB83 million in 2021.

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

(II) Material guarantee

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

(III) Entrusted cash assets management

1. Entrusted wealth management

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 Matters (Continued)

XV. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

(IV) Other material contracts

Applicable Not applicable

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable Not applicable

XVII. SIGNIFICANT EVENTS OF THE COMPANY'S SUBSIDIARIES

Applicable Not applicable

Movement in Share Capital and Shareholders' Profile

I. MOVEMENT IN SHARE CAPITAL

(I) Movement in share capital

Unit: Share

| | Before the change | | Increase/decrease during the period (+/-) | | | | | After the change | |
|---|----------------------|----------------|---|--------------|----------------------|----------|-----------|----------------------|----------------|
| | Number | Percentage (%) | Issue of new shares | Bonus shares | Repurchase of shares | Others | Sub-total | Number | Percentage (%) |
| I. Shares subject to trading moratorium | 52,457,482 | 0.56 | - | - | - | - | - | 52,457,482 | 0.56 |
| 1. State-owned shares | - | - | - | - | - | - | - | - | - |
| 2. State-owned legal person shares | - | - | - | - | - | - | - | - | - |
| 3. Other domestic shares | 52,457,482 | 0.56 | - | - | - | - | - | 52,457,482 | 0.56 |
| Including: shares held by domestic legal persons | 52,450,023 | 0.56 | - | - | - | - | - | 52,450,023 | 0.56 |
| shares held by domestic natural persons | 7,459 | 0.00 | - | - | - | - | - | 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 | 9,352,792,719 | 99.44 | - | - | - | - | - | 9,352,792,719 | 99.44 |
| 1. Renminbi ordinary shares | 7,941,252,719 | 84.43 | - | - | - | - | - | 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 | - | - | - | - | - | 9,405,250,201 | 100.00 |

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

(I) Movement in share capital (Continued)

1. **Reasons for movement in share capital:**

Applicable Not applicable

2. **Approval of movement in share capital:**

Applicable Not applicable

3. **Transfer of movement in share capital:**

Applicable Not applicable

4. **Progress on the implementation of the share repurchase:**

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

(II) Changes in shares subject to trading moratorium

Applicable Not applicable

Movement in Share Capital and Shareholders' Profile (Continued)

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

(III) Existing internal staff shares condition

Applicable Not applicable

(IV) H share convertible bonds

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds on the Hong Kong Stock Exchange, which have been listed and traded on the Hong Kong Stock Exchange since 28 May 2018 and will mature on 25 May 2023. In accordance with the relevant terms of the issuance of the bonds and the request of the bondholders, the Company redeemed the bonds in the principal amount of HK\$32,000,000 at HK\$32,726,720 in cash on 25 May 2021. To date, the Company has outstanding bonds in the principal amount of HK\$1,818,000,000. After the Company implemented the profit distributions for 2017, 2018, 2019 and 2020, the conversion price of the convertible bonds has been adjusted from the original HK\$9.20 per H share to HK\$6.46 per H share. As of 31 December 2021, there has been no conversion of the above convertible bonds.

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

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER

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

Unit: Share

| | | | |
|---|--|--|----------------|
| The total number of ordinary shareholders of the Company as at the end of the Reporting Period | 122,446 of which 453 were holders of H Shares | The total number of ordinary shareholders of the Company as at the end of February 2022 | 119,560 |
|---|--|--|----------------|

| Details of shareholders with more than 5% of shares or top ten shareholders | | | | | | | | | |
|--|--------------------------|--------------------------------|---------------------------------------|-----------------------|---|--|---|------------------------------------|------------------|
| Name of shareholder | Nature of shareholder | Percentage of shareholding (%) | as at the end of the reporting period | Number of shares held | Increase/decrease during the Reporting Period | Number of ordinary shares held subject to trading moratorium | Number of shares held not subject to trading moratorium | Number of shares pledged or frozen | Status of shares |
| | | | | | | | | | |
| 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 | 14.87% | 1,398,521,646 | | 1,921,934 | - | 1,398,521,646 | - | - |
| China National Petroleum Corporation | State-owned legal person | 8.98% | 845,000,000 | | - | - | 845,000,000 | - | - |
| Hong Kong Securities Clearing Company Limited | Overseas legal person | 1.61% | 151,188,520 | | -43,182,751 | - | 151,188,520 | - | - |
| Central Huijin Asset Management Ltd. | State-owned legal person | 0.89% | 83,650,620 | | -10,698,050 | - | 83,650,620 | - | - |
| Fang Wei | Domestic natural person | 0.66% | 62,413,522 | | 62,413,522 | - | 62,413,522 | - | - |
| Power Construction Corporation of China | State-owned legal person | 0.60% | 56,550,580 | | -411,449,420 | - | 56,550,580 | - | - |
| China Merchants Securities Co., Ltd. (Tianhong China Securities 500 Index Enhanced Securities Investment Fund) | Others | 0.20% | 18,647,171 | | 14,878,221 | - | 18,647,171 | - | - |
| Cong Zhonghong | Domestic natural person | 0.15% | 14,472,700 | | 3,666,849 | - | 14,472,700 | - | - |
| Han Ke | Domestic natural person | 0.15% | 14,409,100 | | 14,409,100 | - | 14,409,100 | - | - |

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

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

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

Shareholdings of the top 10 shareholders not subject to trading moratorium

| Name of shareholder | Number of shares held not subject to trading moratorium | Type of shares | |
|---|---|--------------------------------|---------------|
| | | Type of shares | Number |
| Anshan Iron & Steel Group Co. Ltd. | 5,016,111,529 | Renminbi ordinary shares | 5,016,111,529 |
| HKSCC (Nominees) Limited | 1,398,521,646 | Overseas listed foreign shares | 1,398,521,646 |
| China National Petroleum Corporation | 845,000,000 | Renminbi ordinary shares | 845,000,000 |
| Hong Kong Securities Clearing Company Limited | 151,188,520 | Renminbi ordinary shares | 151,188,520 |
| Central Huijin Asset Management Ltd. | 83,650,620 | Renminbi ordinary shares | 83,650,620 |
| Fang Wei | 62,413,522 | Renminbi ordinary shares | 62,413,522 |
| Power Construction Corporation of China | 56,550,580 | Renminbi ordinary shares | 56,550,580 |
| China Merchants Securities Co., Ltd. (Tianhong China Securities 500 Index Enhanced Securities Investment Fund) | 18,647,171 | Renminbi ordinary shares | 18,647,171 |
| Cong Zhonghong | 14,472,700 | Renminbi ordinary shares | 14,472,700 |
| Han Ke | 14,409,100 | Renminbi ordinary shares | 14,409,100 |

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

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

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

Among the top ten shareholders, Cong Zhonghong held 14,472,700 shares through an investor credit securities account.

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

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

(II) Details of the controlling shareholder of the Company

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

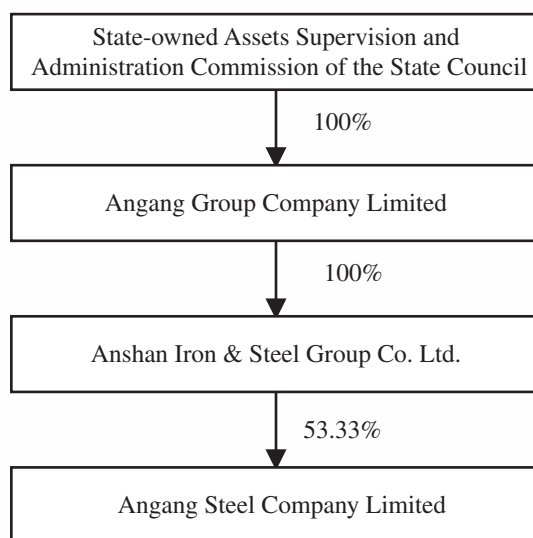
Details of shareholding of other domestic and overseas listed foreign shares by the controlling shareholder during the Reporting Period

Angang Holding directly and indirectly held a total of 51% shares in Anshan Falan (Stock code: 836861), 10.815% shares in Pangang Vanadium Titanium (Stock code: 000629), and 1.87% shares in Liaoning Port Co. Ltd. (Stock code: 601880).

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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



Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

| Name of de facto controller | Legal representative | Date of Incorporation | Organization code | Registered capital | Principal scope of operation |
|------------------------------|----------------------|-----------------------|--------------------|--------------------|--|
| Angang Group Company Limited | Tan Chengxu | 28 July 2010 | 91210000558190456G | 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 press work (for projects subject to approval according to laws, business activities may only be carried out after obtaining approval from relevant authorities). |

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

During the Reporting Period, Angang indirectly held 52.68% shares in Pangang Vanadium Titanium (000629.SZ) and indirectly held 81.07% shares in Bengang Steel Plates (000761.SZ).

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

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

Applicable Not applicable

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

Save as disclosed below, as at 31 December 2021, no parties (other than Directors, Supervisors and senior management of the Company) had any interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO:

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

| Name of shareholder | Number and class of shares held | Percentage to total issued share capital | Percentage of total H Shares in issue | Percentage of total domestic shares in issue | Capacity |
|------------------------------------|--|--|---------------------------------------|--|--|
| Angang Group Company Limited | 5,016,111,529 (L) A shares | 53.33% (L) | | 62.75% (L) | Interests of controlled corporation |
| Anshan Iron & Steel Group Co. Ltd. | 5,016,111,529 (L) A shares | 53.33% (L) | – | 62.75% (L) | Beneficial owner |
| Brown Brothers Harriman & Co. | 117,173,827 (L) 117,173,827 (P) H shares | 1.25% (L) 1.25% (P) | 8.30% (L) 8.30% (P) | – | Approved lending agent |
| BlackRock, Inc. | 100,036,847 (L) H shares | 1.06% (L) | 7.09% (L) | – | Interests of entities controlled by substantial shareholders |

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

| Name of shareholder | Number and class of shares held | Percentage to total issued share capital | Percentage of total H Shares in issue | Percentage of total domestic shares in issue | Capacity |
|--------------------------------------|--|--|---------------------------------------|--|--|
| JPMorgan Chase & Co. | 60,558,974 (L) H shares | 0.64% (L) | 4.29% (L) | – | Interests of entities controlled by substantial shareholders |
| | 50,534,056 (S) H shares | 0.54% (S) | 3.58% (S) | – | Interests of entities controlled by substantial shareholders |
| | 815,800 (L) H shares | 0.01% (L) | 0.06% (L) | – | Investment manager |
| | 8,329,572 (L) H shares | 0.09% (L) | 0.59% (L) | – | Guaranteed interests held in the shares |
| | 14,052,423 (L) 14,052,423 (P) H shares | 0.15% (L) 0.15% (L) | 1.00% (L) 1.00% (P) | – | Approved lending agent |
| China National Petroleum Corporation | 845,000,000 (L) A shares | 8.98% (L) | – | 10.57% (L) | Beneficial owner |

Notes:

- (1) (L) – a long position, (S) – a short position, and (P) – a lending pool
- (2) Anshan Iron & Steel Group Co. Ltd is a wholly-owned subsidiary of Angang Group Company Limited. For the purpose of the SFO, Angang Group Company Limited is therefore deemed to be interested in the A Shares held by Anshan Iron & Steel Group Co. Ltd., holding 5,016,111,529 A Shares, representing approximately 62.75% of the A Shares and approximately 53.33% of the total share capital of the Company, respectively.

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

Applicable Not applicable

IV. IMPLEMENTATION OF THE SHARE REPURCHASE DURING THE REPORTING PERIOD

Progress on the implementation of the share repurchase

Applicable Not applicable

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

Applicable Not applicable

Relevant Information on Bonds

I. COMPANY BONDS

Applicable Not applicable

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

II. CORPORATE BONDS

Applicable Not applicable

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

III. NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

Applicable Not applicable

During the Reporting Period, the Company did not have non-financial enterprise debt financing instruments.

IV. A SHARE CONVERTIBLE DEBENTURES

Applicable Not applicable

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

V. H SHARE CONVERTIBLE BONDS

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds on the Hong Kong Stock Exchange, which have been listed and traded on the Hong Kong Stock Exchange since 28 May 2018 and will mature on 25 May 2023. In accordance with the relevant terms of the issuance of the bonds and the request of the bondholders, the Company redeemed the bonds in the principal amount of HK\$32,000,000 at HK\$32,726,720 in cash through private arrangement on 25 May 2021. To date, the Company has outstanding bonds in the principal amount of HK\$1,818,000,000. After the Company implemented the profit distributions for 2017, 2018, 2019 and 2020, the conversion price of the convertible bonds has been adjusted from the original HK\$9.20 per H share to HK\$6.46 per H share. As of 31 December 2021, there has been no conversion of the above convertible bonds.

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

Relevant Information on Bonds (Continued)

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Unit: RMB million

| Item | As at the end of the Reporting Period | As at the end of the previous year | Increase/ decrease at the end of the Reporting Period as compared with the end of the previous year |
|---------------|--|--|--|
| Current ratio | 1.06 | 0.83 | 0.23 |
| Gearing ratio | 38.28% | 38.83% | Decreased by 0.55 percentage point |
| Quick ratio | 0.44 | 0.45 | -0.01 |

Relevant Information on Bonds (Continued)

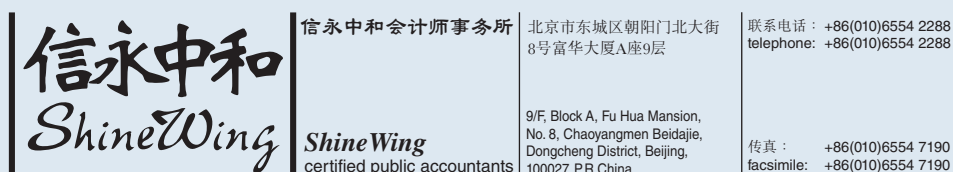
IX. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS AS AT THE END OF THE REPORTING PERIOD (CONTINUED)

| | During the Reporting Period | Corresponding period of the previous year | Increase/ decrease for the Reporting Period as compared with the corresponding period of the previous year |
|--|--|---|---|
| Net profit attributable to the shareholders of the Company after deduction of non-recurring gains or losses items | 6,941 | 1,975 | 4,966 |
| EBITDA to total debts ratio | 0.36 | 0.21 | 0.15 |
| Interest coverage ratio | 16.49 | 3.67 | 12.81 |
| Cash interest coverage ratio | 25.48 | 11.37 | 14.11 |
| EBITDA interest coverage ratio | 23.04 | 7.83 | 15.21 |
| Loan payment ratio | 1 | 1 | - |
| Interest payment ratio | 15.49 | 2.67 | 12.81 |

Annual General Meeting

The 2021 annual general meeting will be held on Thursday, 26 May 2022, 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/2022BJAA150027

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, 2021, 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, 2021, and its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

2 · Basis for Audit Opinion

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

3 · Key Audit Matter

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

Auditor's Report (Continued)

3 · Key Audit Matter (Continued)

3.1 Revenue recognition

3.1.1 Details

The Company is mainly engaged in the selling of steel products. The accounting policies related to revenue recognition refer to Notes 4.19. As stated in Notes 6.42 to financial statements, the operating revenue in 2021 amounted to 136,674 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)

3 · Key Audit Matter (Continued)

3.2 Impairment of fixed asset

3.2.1 Details

As stated in "Note 4.16 Impairment of non-current assets", "Note 4.27.2 Significant accounting estimates and judgments on impairment of non-current assets" and "Note 6.13 Fixed assets". The company hired an independent external evaluation agency to assist it in determining the fair value of production lines with indication of impairment, and based on the evaluation results, the impairment loss recognized on fixed assets was 304 million yuan. On the balance sheet date, the company conducted impairment test on the production line with indication of impairment. The result of the impairment test indicated that the part where the recoverable amount of the asset is lower than its book value is accrued as an impairment provision and recorded into the impairment loss. The recoverable amount is determined using the present value method of future cash flows. The key assumptions used by management in the impairment test include future sales volume, yield, future cost and discount rate. Since the key assumptions used in the impairment test of the above assets involve significant judgments, we paid high attention to them in the audit.

3.2 Impairment of fixed asset

3.2.2 Responsive audit procedures

Our main audit procedures for impairment of fixed assets are as follows:

- (1) We obtained understandings and tested the internal control related to asset impairment test;
- (2) We obtained understandings of the evaluation methods, important assumptions, selected key parameters, etc. used in the test to evaluate the appropriateness of the valuation model used in the management test;
- (3) We evaluated the competence, professional quality and objectivity of the external valuation experts appointed by the management;
- (4) We paid attention to the adequacy of the disclosure of impairment of fixed assets 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:

Chinese Certified Public Accountant :

Beijing, China

March 30, 2022

Consolidated Balance Sheet

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Notes | 31 December 2021 | 31 December 2020 |
|---|-------|---------------------|---------------------|
| Current assets: | | | |
| Cash and cash equivalents | 6.1 | 5,376 | 5,329 |
| Derivative financial assets | 6.2 | 3 | |
| Notes receivable | 6.3 | 25 | 63 |
| Accounts receivable | 6.4 | 1,889 | 2,593 |
| Receivables financing | 6.5 | 1,844 | 1,009 |
| Prepayments | 6.6 | 2,949 | 3,117 |
| Other receivables | 6.7 | 62 | 56 |
| Including: Interests receivable | 6.7 | | |
| Dividends receivable | 6.7 | | |
| Inventories | 6.8 | 18,969 | 10,618 |
| Other current assets | 6.9 | 1,306 | 231 |
| Total current assets | | 32,423 | 23,016 |
| Non-current assets: | | | |
| Long-term equity investments | 6.10 | 3,071 | 2,965 |
| Other investments in equity instruments | 6.11 | 496 | 476 |
| Other non-current financial assets | 6.12 | 43 | 34 |
| Fixed assets | 6.13 | 47,895 | 50,372 |
| Construction in progress | 6.14 | 4,644 | 1,814 |
| Right-of-use assets | 6.15 | 689 | 822 |
| Intangible assets | 6.16 | 6,085 | 5,988 |
| Deferred income tax assets | 6.17 | 744 | 1,369 |
| Other non-current assets | 6.18 | 1,436 | 1,190 |
| Total non-current assets | | 65,103 | 65,030 |
| Total assets | | 97,526 | 88,046 |
| Current liabilities: | | | |
| Short-term loans | 6.19 | 650 | 8,505 |
| Derivative financial liabilities | 6.20 | 116 | 43 |
| Notes payable | 6.21 | 8,086 | 2,620 |
| Accounts payable | 6.22 | 9,907 | 7,939 |
| Contract liabilities | 6.23 | 8,631 | 5,611 |
| Employee benefits payable | 6.24 | 214 | 228 |
| Tax payable | 6.25 | 189 | 387 |
| Other payables | 6.26 | 2,156 | 1,960 |
| Including: Interests payable | 6.26 | 2 | 15 |
| Dividends payable | 6.26 | | |
| Non-current liabilities due within 1 year | 6.27 | 601 | 409 |
| Total current liabilities | | 30,550 | 27,702 |

Consolidated Balance Sheet (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Notes | 31 December 2021 | 31 December 2020 |
|--|-------|---------------------|---------------------|
| Non-current liabilities: | | | |
| Long-term loans | 6.28 | 3,650 | 3,478 |
| Bonds payable | 6.29 | 1,463 | 1,476 |
| Lease liability | 6.30 | 346 | 665 |
| Long-term payables | 6.31 | 480 | |
| Long-term employee benefits payable | 6.32 | 106 | 125 |
| Deferred income | 6.33 | 543 | 595 |
| Deferred income tax liabilities | 6.17 | 157 | 112 |
| Other non-current liabilities | 6.34 | 39 | 35 |
| Total non-current liabilities | | 6,784 | 6,486 |
| Total liabilities | | 37,334 | 34,188 |
| Shareholders' equity: | | | |
| Share capital | 6.35 | 9,405 | 9,405 |
| Capital reserve | 6.36 | 33,604 | 33,485 |
| Less: Treasury shares | 6.37 | 100 | 166 |
| Other comprehensive income | 6.38 | 44 | (80) |
| Special reserve | 6.39 | 82 | 74 |
| Surplus reserve | 6.40 | 4,452 | 3,849 |
| Undistributed profit | 6.41 | 12,179 | 6,798 |
| Subtotal of Shareholders' equity attributable to shareholders of parent company | | 59,666 | 53,365 |
| Minority interests | | 526 | 493 |
| Total shareholders' equity | | 60,192 | 53,858 |
| Total liabilities and shareholders' equity | | 97,526 | 88,046 |

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
Qin Lianyu

Consolidated Income Statement

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Notes | Current period cumulative | Preceding period comparative |
|---|-------|------------------------------|---------------------------------|
| Operating income | | 136,674 | 100,903 |
| Including: operating income | 6.42 | 136,674 | 100,903 |
| Operating costs | | 127,650 | 98,325 |
| Less: operating costs | 6.42 | 123,434 | 94,313 |
| Tax and surcharges | 6.43 | 1,031 | 993 |
| Marketing expenses | 6.44 | 596 | 496 |
| Administrative expenses | 6.45 | 1,459 | 1,329 |
| Research and development expenses | 6.46 | 640 | 417 |
| Financial expenses | 6.47 | 490 | 777 |
| Including: Interests expenses | 6.47 | 576 | 899 |
| Interests revenue | 6.47 | 79 | 66 |
| Add: Other income | 6.48 | 38 | 65 |
| Investment income (“-” for losses) | 6.49 | 331 | 212 |
| Including: income from investment in jointly ventures and associates | 6.49 | 318 | 191 |
| Gains/losses from fair value variation (“-” for losses) | 6.50 | (65) | (18) |
| Impairment losses on assets (“-” for losses) | 6.51 | (306) | (39) |
| Credit impairment loss (“-” for losses) | 6.52 | (89) | (324) |
| Asset disposal income (“-” for losses) | 6.53 | 52 | 8 |
| Operating profit (“-” for losses) | | 8,985 | 2,482 |
| Add: Non-operating income | 6.54 | 58 | 33 |
| Less: Non-operating expenses | 6.55 | 123 | 112 |
| Profit before income tax (“-” for losses) | | 8,920 | 2,403 |
| Less: Income tax expenses | 6.56 | 1,961 | 407 |
| Net profit for the period (“-” for losses) | | 6,959 | 1,996 |
| Classification according to the continuity of operation | | | |
| i. Continuous operating net profit (“-” for losses) | | 6,959 | 1,996 |
| ii. Termination of net profit (“-” for losses) | | | |
| Classification according to ownership | | | |
| i. The net profit belongs to the owners of the company | | 6,925 | 1,978 |
| ii. Minority interest income | | 34 | 18 |

Consolidated Income Statement (Continued)

As at 31 December 2021 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 | 6.57 | (27) | (10) |
| Net after-tax net of other comprehensive income attributable to the parent company owner | 6.57 | (27) | (10) |
| I. The other comprehensive income which can not be reclassified into profit or loss | 6.57 | (26) | (9) |
| i. Changes in fair value of other investments in equity instrument investment | 6.57 | (26) | (9) |
| II. The other comprehensive income which can be classified into profit or loss | 6.57 | (1) | (1) |
| i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method | 6.57 | (1) | (1) |
| Net after-tax net of other comprehensive income attributable to minority shareholders | | | |
| Total comprehensive income | | 6,932 | 1,986 |
| The other comprehensive income attributed to the owners of the company | | 6,898 | 1,968 |
| The other comprehensive income attributed to the minority | | 34 | 18 |
| Earnings per share: | | | |
| Basic earnings per share (RMB/share) | 19.2 | 0.736 | 0.210 |
| Diluted earnings per share (RMB/share) | 19.2 | 0.720 | 0.198 |

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
Qin Lianyu

Consolidated Cash Flow Statement

As at 31 December 2021 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 | | 143,237 | 103,671 |
| Refund of taxes and fares | | 19 | 27 |
| Other cash received from operating activities | 6.58 | 400 | 162 |
| Sub-total of cash inflows | | 143,656 | 103,860 |
| Cash paid for goods and services | | 116,401 | 82,277 |
| Cash paid to and for the employees | | 5,095 | 4,411 |
| Cash paid for all types of taxes | | 4,763 | 2,732 |
| Other cash paid for operating activities | 6.58 | 4,551 | 4,524 |
| Sub-total of cash outflows | | 130,810 | 93,944 |
| Net cash flow from operating activities | 6.59 | 12,846 | 9,916 |
| Cash flows from investing activities: | | | |
| Cash received from return of investments | | | 165 |
| Cash received from investment income | | 185 | |
| Net cash received from disposal of fixed assets, intangible assets and other non-current assets | | 81 | 22 |
| Other cash received from investment activities | 6.58 | 235 | 113 |
| Sub-total of cash inflows | | 501 | 300 |
| Cash paid for acquisition of fixed assets, intangible assets and other non-current assets | | 4,518 | 3,778 |
| Cash paid for acquisition of investments | | 15 | 14 |
| Other cash paid for investment activities | 6.58 | 139 | 60 |
| Sub-total of cash outflows | | 4,672 | 3,852 |
| Net cash flow from investing activities | | (4,171) | (3,552) |

Consolidated Cash Flow Statement (Continued)

As at 31 December 2021 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 | | 4,929 | 12,605 |
| Other cash received from financing activities | 6.58 | 98 | 1 |
| Sub-total of cash inflows | | 5,027 | 12,611 |
| <hr/> | | | |
| Cash paid for settling of debts | | 12,442 | 16,803 |
| Cash paid for distribution of dividends or profit and repayment of interests | | 1,139 | 1,262 |
| Including: dividends or profit paid to minority shareholders | | 2 | 9 |
| Other cash paid for financing activities | 6.58 | 74 | 252 |
| Sub-total of cash outflows | | 13,655 | 18,317 |
| Net cash inflow from financing activities | | (8,628) | (5,706) |
| <hr/> | | | |
| Effect of changes in foreign exchange rate on cash and cash equivalents | | | |
| <hr/> | | | |
| Net increase in cash and cash equivalents | 6.59 | 47 | 658 |
| <hr/> | | | |
| Add: Cash and cash equivalents at beginning of this period | 6.59 | 5,329 | 4,671 |
| <hr/> | | | |
| Cash and cash equivalents at the end of this period | 6.59 | 5,376 | 5,329 |
| <hr/> | | | |

Legal representative:

Wang Yidong

Chief Accountant:

Wang Baojun

Person-in-charge of
accounting department:

Qin Lianyu

Consolidated Statement of Changes in equity

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Current period cumulative | | | | | | | | | |
|---|---------------------------------------|-----------------|----------------------|----------------------------|-----------------|-----------------|----------------------|----------------------|--------------------|-------------------------------|
| | Equity attributable to parent company | | | | | | | | | Total of shareholders' equity |
| | Share capital | Capital reserve | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | General risk reserve | Undistributed profit | Minority interests | |
| Balance as of 31 Dec. 2020 | 9,405 | 33,485 | 166 | (80) | 74 | 3,849 | | 6,798 | 493 | 53,858 |
| Add: Changes of accounting policy | | | | | | | | | | |
| Business combination under the common control | | | | | | | | | | |
| Others | | | | | | | | | | |
| Balance as of 1 Jan. 2021 | 9,405 | 33,485 | 166 | (80) | 74 | 3,849 | | 6,798 | 493 | 53,858 |
| Increase/decrease in 2021 ("-" represents loss) | | 119 | (66) | 124 | 8 | 603 | | 5,381 | 33 | 6,334 |
| (1) Total amount comprehensive income | | | | (27) | | | | 6,925 | 34 | 6,932 |
| (2) Capital introduced or withdrawn by owners | | 119 | (66) | | | | | | | 185 |
| i. Capital introduced by owners | | (66) | | | | | | | | (66) |
| ii. Amount of share-based payment included in owner's equity | | 22 | | | | | | | | 22 |
| iii. Others | | 163 | (66) | | | | | | | 229 |
| (3) Profit distribution | | | | | | 603 | | (1,393) | (2) | (792) |
| i. Transfer to surplus reserve | | | | | | 603 | | (603) | | |
| ii. Distribution to shareholders | | | | | | | | (790) | (2) | (792) |
| iii. Others | | | | | | | | | | |
| (4) Transfer within shareholder's equity | | | | | 151 | | | (151) | | |
| i. Transfer from capital reserve to share capital | | | | | | | | | | |
| ii. Transfer from surplus reserve to share capital | | | | | | | | | | |
| iii. Making up losses with surplus reserve | | | | | | | | | | |
| iv. Transfer from other comprehensive income to retained earnings | | | | | 151 | | | (151) | | |
| v. Others | | | | | | | | | | |
| (5) Special reserve | | | | | 8 | | | | 1 | 9 |
| i. Extracts of this period | | | | | 181 | | | | 4 | 185 |
| ii. Usage of this period | | | | | (173) | | | | (3) | (176) |
| Balance as of 31 Dec. 2021 | 9,405 | 33,604 | 100 | 44 | 82 | 4,452 | | 12,179 | 526 | 60,192 |

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
Qin Lianyu

Consolidated Statement of Changes in equity (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Preceding period comparative | | | | | | | | | |
|---|---------------------------------------|-----------------|----------------------|----------------------------|-----------------|-----------------|----------------------|----------------------|--------------------|-------------------------------|
| | 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 | 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. Amount of share-based payment included in owner's equity | | | | | | | | | | |
| 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 |

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
Qin Lianyu

Parent company balance sheet

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Notes | 31 December 2021 | 31 December 2020 |
|---|-------|---------------------|---------------------|
| Current assets: | | | |
| Cash and cash equivalents | | 2,872 | 1,586 |
| Derivative financial assets | | 3 | |
| Notes receivable | | 12 | 46 |
| Accounts receivable | 16.1 | 1,856 | 2,567 |
| Receivables financing | | 986 | 716 |
| Prepayments | | 2,502 | 2,927 |
| Other receivables | 16.2 | 82 | 102 |
| Including: Interests receivable | | | |
| Dividends receivable | | | |
| Inventories | | 14,561 | 8,263 |
| Other current assets | | 1,111 | 304 |
| Total current assets | | 23,985 | 16,511 |
| Non-current assets: | | | |
| Long-term equity investments | 16.3 | 12,926 | 12,612 |
| Other investments in equity instruments | | 496 | 476 |
| Other non-current financial assets | | 43 | 34 |
| Fixed assets | | 40,888 | 43,292 |
| Construction in progress | | 4,299 | 1,529 |
| Right-of-use assets | | 683 | 808 |
| Intangible assets | | 5,280 | 5,561 |
| Deferred income tax assets | | 671 | 1,277 |
| Other non-current assets | | 1,435 | 1,124 |
| Total non-current assets | | 66,721 | 66,713 |
| Total assets | | 90,706 | 83,224 |
| Current liabilities: | | | |
| Short-term loans | | 650 | 8,505 |
| Derivative financial liabilities | | 116 | 43 |
| Notes payable | | 7,492 | 2,519 |
| Accounts payable | | 8,408 | 7,240 |
| Contract liabilities | | 6,900 | 4,995 |
| Employee benefits payable | | 165 | 176 |
| Tax payable | | 122 | 180 |
| Other payables | | 2,989 | 1,732 |
| Including: Interests payable | | | 12 |
| Dividends payable | | | |
| Non-current liabilities due within 1 year | | 550 | 300 |
| Total current liabilities | | 27,392 | 25,690 |

Parent company balance sheet (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Notes | 31 December 2021 | 31 December 2020 |
|---|-------|---------------------|---------------------|
| Non-current liabilities: | | | |
| Long-term loans | | 3,600 | 3,350 |
| Bonds payable | | 1,463 | 1,476 |
| Lease liability | | 343 | 652 |
| Long-term payables | | 480 | |
| Long-term employee benefits payable | | 103 | 122 |
| Deferred income | | 416 | 463 |
| Deferred income tax liabilities | | 122 | 112 |
| Other non-current liabilities | | 39 | 35 |
| Total non-current liabilities | | 6,566 | 6,210 |
| Total liabilities | | 33,958 | 31,900 |
| Shareholders' equity: | | | |
| Share capital | | 9,405 | 9,405 |
| Capital reserve | | 26,646 | 26,527 |
| Less: Treasury shares | | 100 | 166 |
| Other comprehensive income | | 44 | (80) |
| Special reserve | | 43 | 25 |
| Surplus reserve | | 4,442 | 3,839 |
| Undistributed profit | | 16,268 | 11,774 |
| Subtotal of Shareholders' equity attributable to shareholders of parent company | | 56,748 | 51,324 |
| Minority interests | | | |
| Total shareholders' equity | | 56,748 | 51,324 |
| Total liabilities and shareholders' equity | | 90,706 | 83,224 |

Legal representative:

Wang Yidong

Chief Accountant:

Wang Baojun

Person-in-charge of
accounting department:

Qin Lianyu

Parent Company Income Statement

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Notes | Current period cumulative | Preceding period comparative |
|---|-------|------------------------------|---------------------------------|
| Operating income | | 122,278 | 91,764 |
| Including: operating income | 16.4 | 122,278 | 91,764 |
| Operating costs | | 115,862 | 90,719 |
| Less: Operating costs | 16.4 | 112,264 | 87,141 |
| Tax and surcharges | | 847 | 846 |
| Marketing expenses | | 427 | 406 |
| Administrative expenses | | 1,237 | 1,135 |
| Research and development expenses | | 589 | 408 |
| Financial expenses | | 498 | 783 |
| Including: Interests expenses | | 559 | 892 |
| Interests revenue | | 51 | 52 |
| Add: Other income | | 30 | 57 |
| Investment income (“-” for losses) | 16.5 | 1,324 | 659 |
| Including: income from investment in jointly ventures and associates | 16.5 | 251 | 190 |
| Gains/losses from fair value variation (“-” for losses) | | (65) | (18) |
| Impairment losses on assets (“-” for losses) | | (270) | (25) |
| Credit impairment loss (“-” for losses) | | (92) | (322) |
| Asset disposal income (“-” for losses) | | 106 | 10 |
| Operating profit (“-” for losses) | | 7,449 | 1,406 |
| Add: Non-operating income | | 48 | 30 |
| Less: Non-operating expenses | | 120 | 106 |
| Profit before income tax (“-” for losses) | | 7,377 | 1,330 |
| Less: Income tax expenses | | 1,339 | 69 |
| Net profit for the period (“-” for losses) | | 6,038 | 1,261 |
| Classification according to the continuity of operation | | | |
| i. Continuous operating net profit (“-” for losses) | | 6,038 | 1,261 |
| ii. Termination of net profit (“-” for losses) | | | |
| Classification according to ownership | | | |
| i. The net profit belongs to the owners of the company | | 6,038 | 1,261 |
| ii. Minority interest income | | | |

Parent Company Income Statement (Continued)

As at 31 December 2021 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 | | (27) | (10) |
| Net after-tax net of other comprehensive income attributable to the parent company owner | | | |
| I. The other comprehensive income which can not be reclassified into profit or loss | | (26) | (9) |
| i. Changes in fair value of other investments in equity instrument investment | | (26) | (9) |
| II. The other comprehensive income which can be classified into profit or loss | | (1) | (1) |
| i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method | | (1) | (1) |
| Net after-tax net of other comprehensive income attributable to minority shareholders | | | |
| Total comprehensive income | | 6,011 | 1,251 |
| The other comprehensive income attributed to the owners of the company | | 6,011 | 1,251 |
| The other comprehensive income attributed to the minority | | | |

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of accounting
department:
Qin Lianyu

Parent Company Cash Flow Statement

As at 31 December 2021 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 | | 127,258 | 95,712 |
| Refund of taxes and fares | | 7 | |
| Other cash received from operating activities | | 301 | 180 |
| Sub-total of cash inflows | | 127,566 | 95,892 |
| Cash paid for goods and services | | 103,591 | 76,682 |
| Cash paid to and for the employees | | 4,294 | 3,772 |
| Cash paid for all types of taxes | | 3,378 | 2,139 |
| Other cash paid for operating activities | | 5,026 | 4,419 |
| Sub-total of cash outflows | | 116,289 | 87,012 |
| Net cash flow from operating activities | | 11,277 | 8,880 |
| Cash flows from investing activities: | | | |
| Cash received from return of investments | | 1,244 | 625 |
| Cash received from investment income | | | |
| Net cash received from disposal of fixed assets, intangible assets and other non-current assets | | 87 | 66 |
| Net cash received from disposal of subsidiaries and other business units | | 202 | 96 |
| Sub-total of cash inflows | | 1,533 | 787 |
| Cash paid for acquisition of fixed assets, intangible assets and other non-current assets | | 3,908 | 3,588 |
| Cash paid for acquisition of investments | | 35 | 1,073 |
| Other cash paid for investment activities | | 169 | 60 |
| Sub-total of cash outflows | | 4,112 | 4,721 |
| Net cash flow from investing activities | | (2,579) | (3,934) |

Parent Company Cash Flow Statement (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Notes | Current period cumulative | Preceding period comparative |
|--|-------|------------------------------|---------------------------------|
| Cash flows from financing activities: | | | |
| Cash received from investment | | | |
| Cash received from borrowings | | 4,920 | 12,605 |
| Other cash received from financing activities | | 1,203 | 58 |
| Sub-total of cash inflows | | 6,123 | 12,663 |
| Cash paid for settling of debts | | 12,302 | 17,445 |
| Cash paid for distribution of dividends or profit and repayment of interests | | 1,129 | 1,266 |
| Including: dividends or profit paid to minority shareholders | | | |
| Other cash paid for financing activities | | 104 | 549 |
| Sub-total of cash outflows | | 13,535 | 19,260 |
| Net cash inflow from financing activities | | (7,412) | (6,597) |
| Effect of changes in foreign exchange rate on cash and cash equivalents | | | |
| Net increase in cash and cash equivalents | | 1,286 | (1,651) |
| Add: Cash and cash equivalents at beginning of this period | | 1,586 | 3,237 |
| Cash and cash equivalents at the end of this period | | 2,872 | 1,586 |

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
Qin Lianyu

Parent company statement of changes in equity

As at 31 December 2021 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. 2020 | 9,405 | 26,527 | 166 | (80) | 25 | 3,839 | | 11,774 | | 51,324 |
| Add: Changes of accounting policy | | | | | | | | | | |
| Business combination under the common control | | | | | | | | | | |
| Others | | | | | | | | | | |
| Balance as of 1 Jan. 2021 | 9,405 | 26,527 | 166 | (80) | 25 | 3,839 | | 11,774 | | 51,324 |
| Increase/decrease in 2021 | | | | | | | | | | |
| ("-" represents loss) | | 119 | (66) | 124 | 18 | 603 | | 4,494 | | 5,424 |
| (1) Total amount comprehensive income | | | | (27) | | | | 6,038 | | 6,011 |
| (2) Capital introduced or withdrawn by owners | | 119 | (66) | | | | | | | 185 |
| i. Capital introduced by owners | | (66) | | | | | | | | (66) |
| ii. Amount of share-based payment included in owner's equity | | 22 | | | | | | | | 22 |
| iii. Others | | 163 | (66) | | | | | | | 229 |
| (3) Profit distribution | | | | | | 603 | | (1,393) | | (790) |
| i. Transfer to surplus reserve | | | | | | 603 | | (603) | | |
| ii. Distribution to shareholders | | | | | | | | (790) | | (790) |
| iii. Others | | | | | | | | | | |
| (4) Transfer within shareholder's equity | | | | 151 | | | | (151) | | |
| i. Transfer from capital reserve to share capital | | | | | | | | | | |
| ii. Transfer from surplus reserve to share capital | | | | | | | | | | |
| iii. Making up losses with surplus reserve | | | | | | | | | | |
| iv. Transfer from other comprehensive income to retained earnings | | | | 151 | | | | (151) | | |
| v. Others | | | | | | | | | | |
| (5) Special reserve | | | | | 18 | | | | | 18 |
| i. Extracts of this period | | | | | 137 | | | | | 137 |
| ii. Usage of this period | | | | | (119) | | | | | (119) |
| Balance as of 31 Dec. 2021 | 9,405 | 26,646 | 100 | 44 | 43 | 4,442 | | 16,268 | | 56,748 |

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
Qin Lianyu

Parent company statement of changes in equity (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

| Items | Preceding period comparative | | | | | | | | | |
|---|---------------------------------------|-----------------|----------------------|----------------------------|-----------------|-----------------|----------------------|----------------------|--------------------|-------------------------------|
| | 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. Amount of share-based payment included in owner's equity | | | | | | | | | | |
| 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 |

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
Qin Lianyu

Notes to Financial Statements

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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, 2022.

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. There was no change in the scope of consolidation this year.

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, 2021, 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021, the financial performance and cash flow of the Group for the twelve months ended 31 December 2021. 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

4. Significant accounting policies and estimates (Continued)

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

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

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

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

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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: ①The debtor's failure to pay the principal and interest on the contractual maturity date; ②Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected; ③Serious 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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: ①Financial 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. ②Financial assets that do not meet the conditions for derecognition transfer or continue to be involved in the financial liabilities of the transferred financial assets. ③Financial 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

4. Significant accounting policies and estimates (Continued)

4.11 Long-term equity investment (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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

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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)

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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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

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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)

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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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 or offset related costs in subsequent periods while relevant expenses occur or loss incurs; designed to compensate the related expenses or loss that have occurred, shall be recorded into the current profit and loss or offset related costs.

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

If recognized government grant need be returned, the balance of relevant government grant shall be returned first and the shortage shall be recorded into current profit and loss.

Notes to Financial Statements (Continued)

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4. Significant accounting policies and estimates (Continued)

4.21 Deferred income tax asset and liability

4.21.1 Current income tax

On the balance sheet date, the current income tax liability (or asset) incurred in the current period or prior periods shall be measured at expected payable (refundable) amount of income tax in terms of the tax law. Current income tax shall be calculated based on the taxable income resulted from accounting profit before tax adjusted in terms of the relevant tax law and regulations.

4.21.2 Deferred income tax asset and liability

The difference between the book value of some assets and liabilities and their tax basis and the difference between the book value of accounting items that are not recognized as assets and liabilities but their tax basis can be recognized in accordance with the tax laws are regarded as temporary differences, and deferred income tax assets and liabilities are thus recognized by the use of debt method based on balance sheet.

If deductible temporary difference relates to initial recognition of good will, and not result from business combination and relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, relevant deferred income tax asset shall not be recognized. Moreover, for taxable temporary difference related to investment to subsidiaries, associates and joint ventures, if the group is able to schedule the reversal of temporary difference which is unlikely to be reversed in the excepted future. Except above-mentioned, deferred income tax liability resulted from any other taxable temporary difference shall be recognized.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

4. Significant accounting policies and estimates (Continued)

4.21 Deferred income tax asset and liability (Continued)

4.21.2 Deferred income tax asset and liability (Continued)

If deductible temporary difference relates to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, or not result from business combination, relevant deferred income tax asset shall not be recognized. Moreover, for deductible temporary difference related to investment to subsidiaries, associates and joint ventures, if the temporary difference is unlikely to be reversed in the foreseeable future or to be compensated by future taxable income, deferred income tax asset shall not be recognized. Except the above-mentioned, deferred income tax asset resulted from any other deductible temporary difference shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate a deductible temporary difference.

As for deductible loss or tax deduction that can be carried forward to next year, the corresponding deferred tax assets shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate deductible loss and tax payable.

On the balance sheet date, the deferred tax asset and liability shall be calculated by the tax rate applicable to the period during which the asset is expected to be recovered or the obligation is expected to be settled.

After reviewing the carrying value of deferred tax asset on the balance sheet date, the carrying value of the deferred tax assets shall be written-down if future taxable income is not sufficient to compensate benefit from deferred income tax asset, and if sufficient, the written-down shall be reversed.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

4. Significant accounting policies and estimates (Continued)

4.21 Deferred income tax asset and liability (Continued)

4.21.3 Income tax expenses

Income tax expenses comprise current income tax expense and deferred income tax expense.

The current income tax and deferred income tax, associated with the transaction recorded into other comprehensive income or shareholder's equity, shall be recorded into other comprehensive income or shareholder's equity, while resulted from a business combination shall be taken as an adjustment to goodwill. Income taxes and deferred taxes except mentioned before shall be recorded into current profit or loss.

4.22 Leases

As the contract gets started, the Group will assess whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is leased or includes a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customer in the contract is entitled to almost all of the economic benefits arising from the use of the identified assets and has the right to leads the use of identified assets during the period of use.

If the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met: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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 Changes of significant accounting policies

According to the "Q&A on the Implementation of Accounting Standards for Business Enterprises" issued by the Ministry of Finance in November 2021, the transportation activities that occur before the Group transfers the control of goods or services to the customer, in order to perform the customer's contract, do not constitute a single performance obligation, and the relevant transportation costs are regarded as the contract performance costs, which are carried forward and included in operating costs when revenue from goods or services is recognized.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

4. Significant accounting policies and estimates (Continued)

4.25 Changes of significant accounting policies and estimates (Continued)

4.25.1 Changes of significant accounting policies (Continued)

Based on the above changes, the Group retrospectively adjusts the consolidated financial statements for the year 2020 as follows:

| Item | 2020 | | Adjustments |
|--------------------|--------|--------|-------------|
| | Before | After | |
| operating costs | 91,605 | 94,313 | 2,708 |
| Marketing expenses | 3,204 | 496 | (2,708) |

The impact of the parent company financial statements in 2020 is as follows:

| Item | 2020 | | Adjustments |
|--------------------|--------|--------|-------------|
| | Before | After | |
| operating costs | 84,880 | 87,141 | 2,261 |
| Marketing expenses | 2,667 | 406 | (2,261) |

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

5. Taxation

Main taxes and tax rate

| Type of tax | Specific tax rate |
|--|---|
| Value added tax ("VAT") | Output VAT is calculated based on taxable income, according to the applicable tax rate, and deducting the VAT from the difference after deduction of input tax in current period. |
| City construction and Education surtax | Paid circulating tax: 7%, 3%, 2% |
| Enterprise income tax | Taxable income: 15%, 25% |
| Environmental protection tax | Atmospheric pollutant: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.2 or 2.4. Water pollutants: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.4. Solid wastes: Multiply the emission of solid wastes by 25. Noise: Multiply the noise coefficient of exceeding standards by 350, 700, 2800 or 1400. |

6. Notes to consolidated financial statements

Unless otherwise specified, the current year refers to the year 2021, last year refers to the year 2020.

6.1 Cash and cash equivalents

| Items | 31 December 2021 | 31 December 2020 |
|-----------------------------|---------------------|---------------------|
| Cash | | |
| Bank deposits | 5,062 | 5,176 |
| Other cash balance (Note 2) | 314 | 153 |
| Total | 5,376 | 5,329 |

Note 1: For details of the funds deposited by the Group in Angang Finance, please refer to Note 11.5.4

Note 2: Other currency funds are mainly futures margin.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.2 Derivative financial assets

| Items | 31 December 2021 | 31 December 2020 |
|------------------|---------------------|---------------------|
| Futures contract | 3 | |
| Total | 3 | |

6.3 Notes receivable

6.3.1 Classification of notes receivable

| Items | 31 December 2021 | | | 31 December 2020 | | |
|-----------------------------|------------------|-----------------------|-------------------|------------------|-----------------------|-------------------|
| | Book Balance | Bad Debt Provision | Net Book Value | Book Balance | Bad Debt Provision | Net Book Value |
| Bank acceptance notes | 25 | | 25 | 63 | | 63 |
| Commercial acceptance notes | | | | | | |
| Total | 25 | | 25 | 63 | | 63 |

6.3.2 Notes receivable transferred to accounts receivable due to insolvency of the issuer as of 31 December 2021.

| Items | Amount transferred to accounts receivable at the end of the year |
|-----------------------------|--|
| Bank acceptance notes | 951 |
| Commercial acceptance notes | |
| Total | 951 |

6.3.3 The ageing of the notes receivable at the end of the year

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

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.4 Accounts receivable

6.4.1 Classification of accounts receivable

| Items | 31 December 2021 | | | | |
|---|------------------|----------------|--------------------|----------------|----------------|
| | Book Value | | Bad Debt Provision | | Net Book Value |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Accounts receivable subject to separate assessment for bad debts provision | 1,033 | 37.96 | 830 | 80.35 | 203 |
| Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination | 1,688 | 62.04 | 2 | 0.12 | 1,686 |
| Risk group combination on the basis of aging-matrix | 207 | 7.61 | | | 207 |
| | 1,481 | 54.43 | 2 | 0.14 | 1,479 |
| Total | 2,721 | 100.00 | 832 | 30.58 | 1,889 |

| 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 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.4 Accounts receivable (Continued)

6.4.2 Accounts receivable subject to separate assessment for bad debts provision

| Debtors | 31 December 2021 | | | |
|---|------------------|--------------------|----------------|--|
| | Book Value | Bad Debt Provision | Percentage (%) | Reason |
| Tianjin Resources Group Finance Co., Ltd. (Department of finance) | 604 | 485 | 80.30 | Notes overdue |
| HNA Group Finance Co., Ltd. (HNA Finance Division) | 270 | 230 | 85.19 | Notes overdue |
| Chongqing Lifan Finance Co., Ltd. (Lifan Finance) | 77 | 34 | 44.16 | 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 |
| Total | 1,033 | 830 | - | - |

6.4.3 Accounts receivable classified by ageing

| Ageing | 31 December 2021 | 31 December 2020 |
|---------------|------------------|------------------|
| Within 1 year | 1,640 | 2,234 |
| 1 to 2 years | 10 | 968 |
| 2 to 3 years | 956 | 14 |
| 3 to 4 years | 6 | 14 |
| 4 to 5 years | 12 | 16 |
| Over 5 years | 97 | 92 |
| Total | 2,721 | 3,338 |

Note: In the above analysis, the ageing of accounts receivable transferred from overdue notes receivable is calculated on the transfer date. The amount of accounts receivable due within 1 year is RMB5 million, and the amount due in 2–3 years is RMB946 million. Meanwhile, the rest of the accounts receivable are based on the invoice date.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.4 Accounts receivable (Continued)

6.4.4 Bad debt provision

| Type | 31 December 2020 | Increase/Decrease | | | 31 December 2021 |
|------------------------|---------------------|-----------------------|---------|---------------------------|---------------------|
| | | Bad debt provision | Reverse | Resale or verification | |
| Accounts receivable | 745 | 87 | | | 832 |

6.4.5 Accounts receivable written off this period

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

6.4.6 The condition of accounts receivable of the top five debtors by the balances as of 31 December 2021

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB1,496 million as of 31 December 2021, which accounted for 54.98% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB715 million as of 31 December 2021.

6.4.7 Accounts receivable derecognized resulting from transfer of financial assets

The Group transferred accounts receivable on a non-recourse basis of RMB2,691 million and incurred costs related to derecognition of RMB29 million during the period. Please refer to Note 9.4 for details.

6.5 Receivables financing

6.5.1 Classification of receivables financing

| Type | 31 December 2021 | | | 31 December 2020 | | |
|-----------------------------|------------------|-----------------------|-------------------|------------------|-----------------------|-------------------|
| | Book Value | Bad Debt Provision | Net Book Value | Book Value | Bad Debt Provision | Net Book Value |
| Bank acceptance notes | 1,844 | | 1,844 | 991 | | 991 |
| Commercial acceptance notes | | | | 18 | | 18 |
| Total | 1,844 | | 1,844 | 1,009 | | 1,009 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.5 Receivables financing (Continued)

6.5.2 Receivables financing of the Company pledged as of 31 December 2021

| Items | Pledged Notes by End of 31 December 2021 |
|-----------------------|---|
| Bank acceptance notes | 632 |
| Total | 632 |

The Group has pledged notes receivable with a book value of RMB632 million to the bank and obtained RMB585 million in notes payable this year, of which the pledge period is from July 2021 to June 2022.

6.5.3 Receivables financing that have been endorsed or discounted and have not expired at the end of 31 December 2021

| Items | Amount of Termination Confirmation | Amount of Non-termination Confirmation |
|-----------------------------|---|--|
| Bank acceptance notes | 9,246 | |
| Commercial acceptance notes | 229 | |
| Total | 9,475 | |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.6 Prepayments

6.6.1 Prepayments classified by ageing

| Items | 31 December 2021 | | 31 December 2020 | |
|---------------|------------------|----------------|------------------|----------------|
| | Balance | Percentage (%) | Balance | Percentage (%) |
| Within 1 year | 2,935 | 99.52 | 3,022 | 96.96 |
| 1 to 2 years | 12 | 0.41 | 91 | 2.92 |
| 2 to 3 years | 2 | 0.07 | 2 | 0.06 |
| Over 3 years | | | 2 | 0.06 |
| Total | 2,949 | 100.00 | 3,117 | 100.00 |

6.6.2 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 RMB2,161 million in total, accounting for 73.28% of the prepayment balance on 31 December 2021.

6.7 Other receivables

| Items | 31 December 2021 | 31 December 2020 |
|----------------------|------------------|------------------|
| Dividends receivable | | |
| Other receivables | 62 | 56 |
| Total | 62 | 56 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables

6.7.1.1 Classification of other receivables

| Items | 31 December 2021 | | | | |
|---|------------------|----------------|--------------------|----------------|----------------|
| | Book Value | | Bad Debt Provision | | Net Book Value |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Other receivables subject to separate assessment for bad debts provision | 9 | 12.00 | 9 | 100.00 | |
| Other receivables for which bad debt is prepared based on group combination | 66 | 88 | 4 | 6.06 | 62 |
| Including: Risk-free group combination | 1 | 1.33 | | | 1 |
| Risk group combination on the basis of aging-matrix | 65 | 86.67 | 4 | 6.15 | 61 |
| Total | 75 | 100.00 | 13 | 17.33 | 62 |

| 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 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.2 Other receivables classified by the nature

| Type | 31 December 2021 | 31 December 2020 |
|---|---------------------|---------------------|
| The remaining factoring receivable | 25 | 44 |
| The service fee of land acquisition | 9 | 9 |
| Petty cash | 4 | 6 |
| Industrial injury loan | 13 | |
| Loan from Angang CIMC (Yingkou) New Energy Technology Co., Ltd. | 10 | |
| Others | 14 | 8 |
| Total | 75 | 67 |

6.7.1.3 Other receivables classified by ageing

| Ageing | 31 December 2021 | 31 December 2020 |
|---------------|---------------------|---------------------|
| Within 1 year | 61 | 52 |
| 1 to 2 years | 1 | 1 |
| 2 to 3 years | 1 | 1 |
| 3 to 4 years | | 1 |
| 4 to 5 years | | 3 |
| Over 5 years | 12 | 9 |
| Total | 75 | 67 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.4 The accrual condition of bad debt provision

| | The first stage | The second stage | The third stage | |
|-----------------------------|--|---|---|-------|
| | 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) | Total |
| Balance at 1 January 2021 | | 2 | 9 | 11 |
| Bad debt provision | | (1) | 3 | 2 |
| Reverse | | | | |
| Resale or verification | | | | |
| Write off | | | | |
| Other changes | | | | |
| Balance at 31 December 2021 | | 1 | 12 | 13 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.5 Bad debt provision at the end of the period

| Type | 31 December 2020 | Increase/Decrease | | 31 December 2021 |
|-------------------|---------------------|-----------------------|--------------------------------------|---------------------|
| | | Bad debt provision | Reverse Resale or verification | |
| Other receivables | 11 | 2 | | 13 |

6.7.1.6 Other receivables subject to separate assessment for bad debts provision

| Debtors | Book Value | 31 December 2021 | | |
|--|------------|-----------------------|-------------------|---------------------------|
| | | Bad Debt Provision | Percentage (%) | Reason |
| Land acquisition service station of Chaoyang City | 9 | 9 | 100.00 | Less likely to recover |
| Total | 9 | 9 | - | - |

6.7.1.7 The condition of other receivables of the top five debtors by the balances at the end of the period

The total amount of top five other receivables according to closing balance of debtors of the Group was RMB54 million at 31 December 2021, which accounted for 72.00% 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.8 Inventory

6.8.1 Classification of Inventory

| Items | 31 December 2021 | | |
|---------------------------------|-------------------|----------------|----------------|
| | Inventory falling | | |
| | Book Value | Price Reserves | Carrying Value |
| Raw materials | 6,990 | 37 | 6,953 |
| Work in progress | 4,225 | 176 | 4,049 |
| Finished goods | 6,592 | 270 | 6,322 |
| Revolving materials | 597 | 1 | 596 |
| Spare parts | 915 | 39 | 876 |
| Materials in transit | 171 | | 171 |
| Work in progress– outsourced | 2 | | 2 |
| Total | 19,492 | 523 | 18,969 |

| 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 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.8 Inventory (Continued)

6.8.2 Changes in Inventory falling price reserves

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 |
|---------------------|---------------------|--|--------------|---------------------|
| | | Inventory falling price reserves | Written Back | |
| Raw materials | 58 | 26 | 47 | 37 |
| Work in progress | 344 | 29 | 197 | 176 |
| Finished goods | 91 | 213 | 34 | 270 |
| Revolving materials | 1 | | | 1 |
| Spare parts | 53 | 2 | 16 | 39 |
| Total | 547 | 270 | 294 | 523 |

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.

6.9 Other current assets

| Items | 31 December 2021 | 31 December 2020 |
|--|---------------------|---------------------|
| The amount of input tax to be deducted and certified | 101 | 75 |
| Input tax retained | 870 | 156 |
| Prepayment of enterprise income tax | 335 | |
| Total | 1,306 | 231 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.10 Long-term equity investments

Details of long-term equity investments

| The invested entity | 31 December 2020 | Increase/Decrease | | Investment income under the equity method | Other comprehensive income |
|--|---------------------|-------------------|----------|--|----------------------------------|
| | | Increase | Decrease | | |
| Jointly venture | | | | | |
| TKAS Auto Steel Company Limited ("ANSC-TKS") | 622 | | | 148 | |
| The iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC – Dachuan") | 216 | | | (25) | |
| Ansteel Guangzhou Automobile Steel Co., Ltd. ("Guangzhou Automobile Steel") | 336 | | | 37 | |
| Sub-total | 1,174 | | | 160 | |
| Associated venture | | | | | |
| Angang Group Finance Co., Ltd ("Angang Finance") | 1,428 | | | 82 | |
| Anshan Anshan Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder Company") | 3 | | | 9 | |
| Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical") | 71 | | | (1) | |
| Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG") | 111 | | | 3 | |
| Guangzhou GAC Baoshang Steel Processing Co., Ltd. ("GAC Baoshang") | 97 | | | 2 | |
| Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company") | 45 | | | (4) | |
| ChaoyangZhong'an Water Co., Ltd. ("Zhong'an Water") | 36 | | | 1 | |
| Sub-total | 1,791 | | | 92 | |
| Total | 2,965 | | | 252 | |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.10 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 | | 99 | | 23 | 694 | |
| ANSC – Dachuan | | | | | 191 | |
| Guangzhou Automobile Steel | | | | 3 | 376 | |
| Sub-total | | 99 | | 26 | 1,261 | |
| Associated venture | | | | | | |
| Angang Finance | | 68 | | | 1,442 | |
| Iron Oxide Powder Company | | 3 | | | 9 | |
| Nansha Logistical | | | | | 70 | |
| AISSG | | | | | 114 | |
| GAC Baoshang | | | | | 99 | |
| Meizhou Motor Company | | | | | 41 | |
| Zhong'an Water | | 2 | | | 35 | |
| Sub-total | | 73 | | | 1,810 | |
| Total | | 172 | | 26 | 3,071 | |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.11 Other investments in equity instruments

6.11.1 Details of other investments in equity instruments

| The Invested Entity | Book Balance | |
|--|------------------|------------------|
| | 31 December 2021 | 31 December 2020 |
| WISDRI Engineering & Research Incorporation Limited Company ("WISDRI") | 437 | 399 |
| Heilongjiang Longmay Mining Group Co., Ltd. (hereinafter referred to as "Longmay Group") | | 36 |
| Anshan Falan Packing Material Co. Ltd. (hereinafter referred to as "Falan Packing") | 26 | 24 |
| Dalian Shipbuilding Industry Group Steel Co., Ltd (hereinafter referred to as "Dalian Steel") | | |
| Changsha Bao steel steel processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel") | 9 | 8 |
| China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd (hereinafter referred to as "China Shipbuilding") | 18 | 4 |
| 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") | 3 | 2 |
| Jindian (Hangzhou) Technology Co., Ltd. ("Jindian") | | |
| Total | 496 | 476 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.11 Other investments in equity instruments (Continued)

6.11.2 Non-tradable investments in equity instruments current period

| Items | Recognized dividend income current 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* | 12 | 297 | | | | |
| Longmay Group | | | (242) | | | |
| Falan Packing | 1 | 5 | | | | |
| Dalian Shipyard | | | | 151 | | The company has been deregistered |
| Changsha steel | | | (8) | | | |
| China Shipbuilding | | 8 | | | | |
| Guoqi Lightweight | | | | | | |
| Shanghai Ouye | | 2 | | | | |
| Jindian | | | (2) | | | |
| Total | 13 | 312 | (252) | 151 | | |

Note: The Group's investment in equity instruments that are not quoted in the open market is an investment that the Group plans to hold for a long period of time. Therefore, the Group designates it as a financial asset that is measured at fair value and whose changes are recorded into other comprehensive income.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.12 Other non-current financial assets

| The Invested Entity | Book Value | |
|---|-----------------------------|---------------------|
| | 31 December 2021 | 31 December 2020 |
| Zhuzhou Smelter Group Co., Ltd. (hereinafter referred to as “ZhuYe Group”) | 43 | 34 |
| Total | 43 | 34 |

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.13 Fixed assets

6.13.1 Analysis of fixed assets

| Items | Houses and Buildings | Machinery | Others | Total |
|--|----------------------------|-----------|--------|---------|
| Original Cost | | | | |
| 1. 31 December 2020 | 33,459 | 83,848 | 6,289 | 123,596 |
| 2. Increase in the period | 173 | 1,207 | 137 | 1,517 |
| (1) Purchase | 46 | 10 | 8 | 64 |
| (2) Transform from project under construction | 139 | 1,191 | 140 | 1,470 |
| (3) Increase from combination | | | | |
| (4) Others | (12) | 6 | (11) | (17) |
| 3. Decrease in the period | 71 | 307 | 50 | 428 |
| (1) Disposal or scrap | 70 | 307 | 49 | 426 |
| (2) Others | 1 | 1 | 2 | |
| 4. 31 December 2021 | 33,561 | 84,748 | 6,376 | 124,685 |
| Accumulated depreciation | | | | |
| 1. 31 December 2020 | 12,920 | 51,946 | 5,175 | 70,041 |
| 2. Increase in the period | 759 | 2,639 | 192 | 3,590 |
| (1) Depreciation | 764 | 2,615 | 208 | 3,587 |
| (2) Increase from combination | | | | |
| (3) Others | (5) | 24 | (16) | 3 |
| 3. Decrease in the period | 49 | 227 | 49 | 325 |
| (1) Disposal or scrap | 49 | 227 | 49 | 325 |
| (2) Others | | | | |
| 4. 31 December 2021 | 13,630 | 54,358 | 5,318 | 73,306 |
| Provision for impairment | | | | |
| 1. 31 December 2020 | 528 | 2,511 | 144 | 3,183 |
| 2. Increase in the period | 77 | 231 | (4) | 304 |
| (1) Provision for current period | 73 | 231 | 304 | |
| (2) Others | 4 | (4) | | |
| 3. Decrease in the period | 3 | 3 | | |
| (1) Disposal or scrap | 3 | 3 | | |
| (2) Others | | | | |
| 4. 31 December 2021 | 605 | 2739 | 140 | 3,484 |
| Book Value | | | | |
| 1. 31 December 2021 | 19,326 | 27,651 | 918 | 47,895 |
| 2. 31 December 2020 | 20,011 | 29,391 | 970 | 50,372 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.13 Fixed assets (Continued)

6.13.1 Analysis of fixed assets (Continued)

Note: The management assessed that some production lines have indications of impairment this year, and conducted impairment tests on related assets or asset groups. Taking the present value of the expected future cash flow as the recoverable amount, a provision for impairment of fixed assets of RMB304 million is made for the part of the production line whose book value on the base date is higher than the recoverable amount.

6.13.2 Temporarily idle fixed assets

| Item | Original Cost | Accumulated depreciation | Provision for impairment | Book Value | Notes |
|----------------------|---------------|--------------------------|--------------------------|------------|-------|
| Houses and Buildings | 8 | 3 | | 5 | |
| Machinery | 5 | 3 | | 2 | |
| Total | 13 | 6 | | 7 | |

6.13.3 Fixed assets leased out by operating lease

| Type | 31 December 2021 | 31 December 2020 |
|----------------------|------------------|------------------|
| Houses and buildings | 19 | 19 |
| Machinery | 5 | 6 |
| Total | 24 | 25 |

6.14 Construction in progress

| Items | 31 December 2021 | 31 December 2020 |
|--------------------------|------------------|------------------|
| Construction in progress | 4,638 | 1,772 |
| Construction materials | 6 | 42 |
| Total | 4,644 | 1,814 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress

6.14.1.1 Details of constructions in progress

| Items | 31 December 2021 | | | 31 December 2020 | | |
|--|------------------|----------------------|--------------|------------------|----------------------|--------------|
| | Book balance | Impairment Provision | Book value | Book balance | Impairment Provision | Book value |
| Anshan Iron and Steel Co., Ltd. Hot Rolling Plant 1700 Line Upgrading Project | 301 | | 301 | 100 | | 100 |
| Anshan Iron and Steel Co., Ltd. Ironmaking General Plant Sintering Machine Environmental Protection Upgrade Project (Ironmaking Property Rights) | 292 | | 292 | | | |
| Energy Centralized Control Platform Project of Energy Management and Control Center | 257 | | 257 | 131 | | 131 |
| Anshan Iron and Steel Co., Ltd. adds pre-straightening machine and cold straightening machine project to the 4300 heavy plate line | 248 | | 248 | 293 | | 293 |
| Anshan Iron and Steel Co., Ltd. integrated management and informatization promotion and manufacturing management system project | 236 | | 236 | 38 | | 38 |
| 2# and 3# slab casting machine upgrade project of 2150ASP production line of Anshan Iron and Steel Co., Ltd. | 197 | | 197 | 25 | | 25 |
| The upgrading and reconstruction project of seamless 177 production line in the large-scale general plant of Anshan Iron and Steel Co., Ltd. | 164 | | 164 | | | |
| Anshan Iron and Steel Co., Ltd. Steelmaking General Plant 2150ASP Production Line 1# Slab Caster Upgrading Project | 140 | | 140 | 31 | | 31 |
| 21 to 096B iron making – Anshan Iron and Steel Co., Ltd. Bayuquan raw material yard closed project | 114 | | 114 | | | |
| 18 Shares Reform 158-Ansteel Chemical Technology Desulfurization Waste Liquid Acid-making Project | 86 | | 86 | 54 | | 54 |
| Others | 2,609 | 6 | 2,603 | 1,106 | 6 | 1,100 |
| Total | 4,644 | 6 | 4,638 | 1,778 | 6 | 1,772 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress (Continued)

6.14.1.2 Changes in major constructions in progress

| Items | Items Budget | 31 December 2020 | Increase of the period | Transferred into fixed assets | Other decrease | 31 December 2021 |
|--|--------------|------------------|------------------------|-------------------------------|----------------|------------------|
| Anshan Iron and Steel Co., Ltd. Hot Rolling Plant 1700 Line Upgrading Project | 350 | 100 | 217 | 1 | 15 | 301 |
| Anshan Iron and Steel Co., Ltd. Ironmaking General Plant Sintering Machine Environmental Protection Upgrade Project (Ironmaking Property Rights) | 1025 | | 292 | | | 292 |
| Energy Centralized Control Platform Project of Energy Management and Control Center | 300 | 131 | 126 | | | 257 |
| Anshan Iron and Steel Co., Ltd. adds pre-straightening machine and cold straightening machine project to the 4300 heavy plate line | 358 | 293 | (45) | | | 248 |
| Anshan Iron and Steel Co., Ltd. integrated management and informatization promotion and manufacturing management system project | 422 | 38 | 198 | | | 236 |
| 2# and 3# slab casting machine upgrade project of 2150ASP production line of Anshan Iron and Steel Co., Ltd. | 297 | 25 | 172 | | | 197 |
| The upgrading and reconstruction project of seamless 177 production line in the large-scale general plant of Anshan Iron and Steel Co., Ltd. | 269 | | 164 | | | 164 |
| Anshan Iron and Steel Co., Ltd. Steelmaking General Plant 2150ASP Production Line 1# Slab Caster Upgrading Project | 207 | 31 | 109 | | | 140 |
| 21 to 096B iron making – Anshan Iron and Steel Co., Ltd. Bayuquan raw material yard closed project | 492 | | 114 | | | 114 |
| 18 Shares Reform 158-Ansteel Chemical Technology Desulfurization Waste Liquid Acid-making Project | 90 | 54 | 32 | | | 86 |
| Others | 13,800 | 1,106 | 2,995 | 1,469 | 23 | 2,609 |
| Total | | 1,778 | 4,374 | 1,470 | 38 | 4,644 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress (Continued)

6.14.1.2 Changes in major constructions in progress (Continued)

| Items | Accumulated capitalized borrowing cost | Of Which: Capitalized this Period | Capitalization Rate (%) | Expenditure Over Budget (%) | Project Progress (%) | Resource of Fund |
|--|---|---|-------------------------------|-----------------------------------|----------------------------|------------------|
| Anshan Iron and Steel Co., Ltd. Hot Rolling Plant 1700 Line Upgrading Project | | | | 91 | 91 | Self-financing |
| Anshan Iron and Steel Co., Ltd. Ironmaking General Plant Sintering Machine Environmental Protection Upgrade Project (Ironmaking Property Rights) | | | | 28 | 28 | Self-financing |
| Energy Centralized Control Platform Project of Energy Management and Control Center | | | | 86 | 86 | Self-financing |
| Anshan Iron and Steel Co., Ltd. adds pre-straightening machine and cold straightening machine project to the 4300 heavy plate line | | | | 69 | 69 | Self-financing |
| Anshan Iron and Steel Co., Ltd. integrated management and informatization promotion and manufacturing management system project | | | | 56 | 56 | Self-financing |
| 2# and 3# slab casting machine upgrade project of 2150ASP production line of Anshan Iron and Steel Co., Ltd. | 6 | 4 | 3.51 | 66 | 66 | Self-financing |
| The upgrading and reconstruction project of seamless 177 production line in the large-scale general plant of Anshan Iron and Steel Co., Ltd. | | | | 61 | 61 | Self-financing |
| Anshan Iron and Steel Co., Ltd. Steelmaking General Plant 2150ASP Production Line 1# Slab Caster Upgrading Project | 4 | 3 | 3.51 | 68 | 68 | Self-financing |
| 21 to 096B iron making – Anshan Iron and Steel Co., Ltd. Bayuquan raw material yard closed project | | | | 23 | 23 | Self-financing |
| 18 Shares Reform 158-Ansteel Chemical Technology Desulfurization Waste Liquid Acid-making Project | | | | 96 | 96 | Self-financing |
| Others | 3 | (5) | | 30 | 30 | Self-financing |
| Total | 13 | 2 | - | - | - | - |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress (Continued)

6.14.1.3 Provision of Impairment

| Items | 31 December 2020 | Increase in Current Period Provision | Decrease in Current Period Reversal | 31 December |
|--|---------------------|--|---|-------------|
| | | | | 2021 |
| Hot-rolled pickling plate production line project | 6 | | | 6 |
| Total | 6 | | | 6 |

6.14.2 Construction materials

| Item | 31 December 2021 | 31 December 2020 |
|-------------------|---------------------|---------------------|
| Special equipment | 6 | 42 |
| Total | 6 | 42 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.15 Right-of-use assets

| Items | Land Use Right | Machinery | Total |
|--------------------------------------|-------------------|-----------|-------|
| Original Cost | | | |
| 1. Balance at 31 December 2020 | 254 | 781 | 1,035 |
| 2. Increase in the period | | | |
| ① Lease | | | |
| ② Increase from business combination | | | |
| ③ Others | | | |
| 3. Decrease in the period | 254 | | 254 |
| ① Disposal | 239 | | 239 |
| ② Decrease from business combination | | | |
| ③ Others | 15 | | 15 |
| 4. Balance at 31 December 2021 | | 781 | 781 |
| Accumulated depreciation | | | |
| 1. Balance at 31 December 2020 | 167 | 46 | 213 |
| 2. Increase in current period | 84 | 46 | 130 |
| ① Depreciation for current period | 84 | 46 | 130 |
| ② Increase from business combination | | | |
| 3. Decrease in current period | 251 | | 251 |
| ① Disposal | 239 | | 239 |
| ② Decrease from business combination | | | |
| ③ Others | | | |
| 4. Balance at 31 December 2021 | 12 | | 12 |
| Provision for impairment | | 92 | 92 |
| 1. Balance at 31 December 2020 | | | |
| 2. Increase | | | |
| Provision for current period | | | |
| 3. Decrease | | | |
| Disposal | | | |
| 4. Balance at 31 December 2021 | | | |
| Book Value | | | |
| 1. 31 December 2021 | | | |
| 2. 31 December 2020 | | 689 | 689 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.16 Intangible assets

| Items | Land Use | Non-Patented | Trademark | | Total |
|----------------------------------|----------|--------------|-----------|-------|-------|
| | Right | Technology | Software | Right | |
| Original Cost | | | | | |
| 1. 31 December 2020 | 8,311 | 47 | 117 | | 8,475 |
| 2. Increase | 209 | | 39 | | 248 |
| ① Purchase | 209 | | 39 | | 248 |
| ② Internal R&D | | | | | |
| ③ Enterprise merger | | | | | |
| ④ Others | | | | | |
| 3. Decrease: | 26 | | | | 26 |
| ① Disposition | 26 | | | | 26 |
| ② Enterprise merger | | | | | |
| 4. 31 December 2021 | 8,494 | 47 | 156 | | 8,697 |
| Accumulative amortization | | | | | |
| 1. 31 December 2020 | 2,355 | 47 | 85 | | 2,487 |
| 2. Increase | 167 | | 23 | | 190 |
| ① Counting and Drawing | 167 | | 23 | | 190 |
| ② Enterprise merger | | | | | |
| ③ Others | | | | | |
| 3. Decrease | 65 | | | | 65 |
| ① Disposition | 65 | | | | 65 |
| ② Enterprise merger | | | | | |
| ③ Others | | | | | |
| 4. 31 December 2021 | 2,457 | 47 | 108 | | 2,612 |
| Provision for impairment | | | | | |
| 1. 31 December 2020 | | | | | |
| 2. Increase | | | | | |
| ① Counting and Drawing | | | | | |
| 3. Decrease | | | | | |
| ① Disposition | | | | | |
| 4. 31 December 2021 | | | | | |
| Book value | | | | | |
| 1. 31 December 2021 | 6,037 | | 48 | | 6,085 |
| 2. 31 December 2020 | 5,956 | | 32 | | 5,988 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.17 Deferred income tax assets and deferred income tax liabilities

6.17.1 Recognized deferred income tax assets

| Items | 31 December 2021 | | 31 December 2020 | |
|---|----------------------------|---|----------------------------|---|
| | Deferred income tax assets | Temporary difference or deductible loss | Deferred income tax assets | Temporary difference or deductible loss |
| Provision for impairment | 417 | 1,668 | 331 | 1,324 |
| Deductible loss | 50 | 200 | 692 | 2,768 |
| Unrealized profit within the group | 4 | 16 | 19 | 76 |
| Dismissal welfare | 47 | 188 | 47 | 188 |
| Accumulated depreciation of fixed assets | 31 | 124 | 34 | 136 |
| Salaries payable | 9 | 36 | 22 | 88 |
| Employee training expenses | 14 | 56 | 8 | 32 |
| Deferred income | 104 | 416 | 116 | 464 |
| Changes in the fair value of other equity instrument investments | 63 | 252 | 94 | 376 |
| Changes for fair value of financial assets (liabilities) held for trade | | | 1 | 4 |
| Others | 5 | 20 | 5 | 20 |
| Total | 744 | 2,976 | 1,369 | 5,476 |

6.17.2 Recognized deferred income tax liabilities

| Items | 31 December 2021 | | 31 December 2020 | |
|---|---------------------------------|------------------------------|---------------------------------|------------------------------|
| | 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 | 44 | 176 | 43 | 172 |
| Changes in the fair value of other equity instrument investments | 78 | 312 | 67 | 267 |
| Unrealized profit within the group | 35 | 140 | 2 | 8 |
| Total | 157 | 628 | 112 | 447 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

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

6.17.3 Unrecognized deferred income tax assets

| Items | 31 December 2021 | 31 December 2020 |
|--|-----------------------------|---------------------|
| Deductible temporary difference- provision for impairment | 2,240 | 2,362 |
| Deductible loss | | 50 |
| Total | 2,240 | 2,412 |

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

| Items | 31 December 2021 | 31 December 2020 |
|--------------|-----------------------------|---------------------|
| 2024 | | 50 |
| Total | | 50 |

6.18 Other non-current assets

| Item | 31 December 2021 | 31 December 2020 |
|--------------------------------------|-----------------------------|---------------------|
| Prepayment for Construction Projects | 1,436 | 1,190 |
| Total | 1,436 | 1,190 |

6.19 Short-term loans

| Items | 31 December 2021 | 31 December 2020 |
|--------------|-----------------------------|---------------------|
| Credit loans | 650 | 8,505 |
| Total | 650 | 8,505 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.20 Derivative financial liabilities

| Items | 31 December 2021 | 31 December 2020 |
|---------------------------------|---------------------|---------------------|
| Future contracts | 51 | 13 |
| Foreign exchange swap contracts | 65 | 30 |
| Total | 116 | 43 |

6.21 Notes payable

| Items | 31 December 2021 | 31 December 2020 |
|-----------------------------|---------------------|---------------------|
| Bank acceptance notes | 7,952 | 2,444 |
| Commercial acceptance notes | 134 | 176 |
| Total | 8,086 | 2,620 |

Note: There are no notes payable that have expired but have not been paid on 31 December 2021. The above ageing of the Group's notes payable at the end of the year is within 1 year.

6.22 Accounts payable

6.22.1 Ageing of accounts payable

| Items | 31 December 2021 | | 31 December 2020 | |
|---------------|------------------|----------------|------------------|----------------|
| | Balance | Percentage (%) | Balance | Percentage (%) |
| Within 1 year | 9,798 | 98.90 | 7,858 | 98.98 |
| 1 to 2 years | 81 | 0.82 | 10 | 0.13 |
| 2 to 3 years | 10 | 0.10 | | |
| Over 3 years | 18 | 0.18 | 71 | 0.89 |
| Total | 9,907 | 100.00 | 7,939 | 100.00 |

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

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.22 Accounts payable (Continued)

6.22.2 Significant account payable ageing over 1 year

| Creditors | Balance | Ageing |
|---|----------------|--|
| Angang Construction Group Co., Ltd | 9 | 1 to 2 years · 2 to 3 years · 3 to 4 years |
| Anshan Metallurgical Group Power Engineering Co., Ltd | 5 | 1 to 2 years · 2 to 3 years · 3 to 4 years · 4 to 5 years · Over 5 years |
| Anshan Metallurgical Group Construction and installation Co., Ltd | 5 | 1 to 2 years · 2 to 3 years · 3 to 4 years · 4 to 5 years · Over 5 years |
| Total | 19 | |

6.23 Contract liabilities

| Items | 31 December 2021 | 31 December 2020 |
|------------------|-------------------------|------------------|
| Products selling | 8,597 | 5,594 |
| Others | 34 | 17 |
| Total | 8,631 | 5,611 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.24 Employee benefits payable

6.24.1 Analysis of employee benefits payable

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 |
|---|------------------------|----------|----------|------------------------|
| Short-term remuneration | 165 | 4,406 | 4,439 | 132 |
| After-service benefits defined contribution plans | | 586 | 586 | |
| Termination benefits | 63 | 260 | 241 | 82 |
| Total | 228 | 5,252 | 5,266 | 214 |

6.24.2 Short-term compensation

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 |
|--|------------------------|----------|----------|------------------------|
| 1.Salaries, bonus and allowance | 123 | 3,278 | 3,337 | 64 |
| 2.Staff welfare | | 301 | 301 | |
| 3.Social insurance | 1 | 353 | 353 | 1 |
| Including: Medical insurance | 1 | 304 | 304 | 1 |
| Staff and workers 'injury insurance | | 47 | 47 | |
| Maternity insurance | | | | |
| Others | | 2 | 2 | |
| 4.Housing fund | | 293 | 293 | |
| 5.Labor union fee and staff training fee | 41 | 115 | 89 | 67 |
| 6.Short paid absences | | | | |
| 7.The short-term profit sharing plan | | | | |
| 8.Others | | 66 | 66 | |
| Total | 165 | 4,406 | 4,439 | 132 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.24 Employee benefits payable (Continued)

6.24.3 Defined Contribution Plans

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 |
|---------------------------|---------------------|----------|----------|---------------------|
| 1.Basic pension insurance | | 409 | 409 | |
| 2.Unemployment insurance | | 13 | 13 | |
| 3.Occupational pension | | 164 | 164 | |
| Total | | 586 | 586 | |

6.25 Taxes payable

| Items | 31 December 2021 | 31 December 2020 |
|---------------------------------------|---------------------|---------------------|
| VAT | 2 | 100 |
| Environmental protection tax | 23 | 32 |
| Resource tax | 1 | 1 |
| Corporate income tax | 30 | 158 |
| City maintenance and construction tax | 5 | 14 |
| Property tax | 26 | 14 |
| Land use tax | 71 | 37 |
| Individual income tax | 16 | 12 |
| Educational surcharges | 3 | 10 |
| Others | 12 | 9 |
| Total | 189 | 387 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.26 Other payables

| Items | 31 December 2021 | 31 December 2020 |
|-------------------|-----------------------------|---------------------|
| Interests payable | 2 | 15 |
| Dividends payable | | |
| Other payables | 2,154 | 1,945 |
| Total | 2,156 | 1,960 |

6.26.1 Interests payable

| Items | 31 December 2021 | 31 December 2020 |
|---|-----------------------------|---------------------|
| Staging interest maturity of long-term borrowings | 1 | 3 |
| Interest for short-term loans | 1 | 12 |
| Total | 2 | 15 |

6.26.2 Other payables

6.26.2.1 Classification of other payables by nature

| Items | 31 December 2021 | 31 December 2020 |
|---|-----------------------------|---------------------|
| Construction payable | 773 | 511 |
| Quality assurance | 471 | 603 |
| Performance assurance | 506 | 230 |
| Deposit for steel shelves | | 12 |
| Freight charges | 28 | 33 |
| The special funds paid by Anshan Iron and Steel Group Company | | 457 |
| Administrative Fund | 108 | |
| Restricted stock repurchases obligations | 99 | |
| Others | 169 | 99 |
| Total | 2,154 | 1,945 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.26 Other payables (Continued)

6.26.2 Other payables (Continued)

6.26.2.2 Significant balances of other payables ageing over 1 year

| Creditors | Balance | Reason | Whether paid after 31 December 2021 |
|--|------------|--------------------------------|---|
| Angang Group Engineering Technology Co., Ltd. | 68 | Retention Money | No |
| Acre Coking & Refractory (Dalian) Engineering Technology Corporation | 41 | Retention Money | No |
| Sinosteel Anshan research institute of thermo-energy Co., Ltd | 18 | Retention Money | No |
| Angang Construction Group Co., Ltd. | 17 | Project Funds, Retention Money | No |
| Anshan Iron and Steel Group Automation Company | 12 | Retention Money | No |
| Angang Group Information Industry Co., Ltd. | 7 | Retention Money | No |
| Total | 163 | - | - |

6.27 Non-current liabilities due within 1 year

| Items | 31 December 2021 | 31 December 2020 |
|--|---------------------|---------------------|
| Long-term loans due within 1 year (Note. 6.28) | 601 | 409 |
| Total | 601 | 409 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.28 Long-term loans

6.28.1 Classification of long-term loans

| Items | 31 December 2021 | 31 December 2020 |
|--|-----------------------------|---------------------|
| Guaranteed loans | 51 | 154 |
| Credit loans | 4,200 | 3,733 |
| Subtotal | 4,251 | 3,887 |
| Less: long-term loans due within 1 year (Note.6.27) | 601 | 409 |
| Total | 3,650 | 3,478 |

6.28.2 Classification of long-term loans by the maturity date

| Items | 31 December 2021 | 31 December 2020 |
|-----------------------------------|-----------------------------|---------------------|
| Within 1 year | 601 | 409 |
| 1 year to 2 year (include 2 year) | 3,600 | 1,601 |
| 2 year to 3 year (include 3 year) | 50 | 1,877 |
| 3 year to 5 year (include 5 year) | | |
| Total | 4,251 | 3,887 |

6.29 Bonds payable

6.29.1 Bonds payable

| Items | 31 December 2021 | 31 December 2020 |
|------------------|-----------------------------|---------------------|
| Convertible bond | 1,463 | 1,476 |
| Total | 1,463 | 1,476 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.29 Bonds payable (Continued)

6.29.2 Increase or decrease in bonds payable

| Type of bonds | Par value | Issuance date | Bond duration | Issuance amount | 31 December 2020 |
|------------------|-----------|---------------|---------------|-----------------|------------------|
| Convertible bond | 1,512 | May 25, 2018 | 5 years | 1,299 | 1,476 |
| Total | 1,512 | - | - | 1,299 | 1,476 |

| 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 2021 |
|------------------|---------------|--------------------------------|--|--|-----------------------|------------------|
| Convertible bond | | | 57 | (43) | 27 | 1,463 |
| Total | | | 57 | (43) | 27 | 1,463 |

Note 1: The company issued a five-year zero-rate convertible bond on 25 May 2018 with a total principal amount of HKD1.85 billion. The bond conversion period is from 5 July 2018 to 15 May 2023. The price of the H Shares to be issued will be initially at HKD9.54 per share (H Share). The shareholders of the Company have approved the cash dividend in the 2020 Annual General Meeting of Shareholders, therefore the conversion price has been adjusted to HKD6.46 per share (H Share) since 8 June 2021. On the issuance date, the convertible bonds-embedded derivative financial instruments are initially recognized at fair value, and the portion of the issue price that exceeds the initial recognition as a derivative financial instrument is recognized as a debt instrument.

Note 2: The maturity dates of the above-mentioned bonds payable are between 1 and 2 years (include 2 years).

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.30 Lease liability

| Items | 31 December 2021 | 31 December 2020 |
|---------------------------------------|-------------------------|-------------------------|
| lease payments | 358 | 699 |
| Less: Unrecognized financing expenses | 12 | 34 |
| Total | text-align: right;">346 | text-align: right;">665 |

6.31 Long-term payables

| Items | 31 December 2021 | 31 December 2020 |
|--------------------|-------------------------|---------------------|
| Long-term payables | | |
| Special payables | 480 | |
| Total | text-align: right;">480 | |

6.31.1 Special payables

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 | Cause of formation |
|---|---------------------|-------------------------|----------|-------------------------|-----------------------|
| The special funds paid by Anshan Iron and Steel | | 480 | | 480 | |
| Total | | text-align: right;">480 | | text-align: right;">480 | |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.32 Long-term employee benefits payable

| Items | 31 December 2021 | 31 December 2020 |
|----------------------|---------------------|---------------------|
| Termination benefits | 106 | 125 |
| Total | 106 | 125 |

6.33 Deferred income

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 | Cause of formation |
|-------------------|---------------------|----------|----------|---------------------|-----------------------|
| Government grants | 595 | 142 | 194 | 543 | |
| Total | 595 | 142 | 194 | 543 | |

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

| Items | 31 December 2020 | New grants | Belong to Non-business income | Belong to Other income | Other decrease | 31 December 2021 | Associated with the asset/income |
|---|---------------------|------------|-------------------------------------|---------------------------|-------------------|---------------------|--|
| The government grants related to environmental protection | 98 | | | 21 | | 77 | Asset related |
| The government grant related to scientific research | 320 | 142 | | 5 | 130 | 327 | Assets/Income related |
| Others | 177 | | | 5 | 33 | 139 | Assets/Income related |
| Total | 595 | 142 | | 31 | 163 | 543 | |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.34 Other non-current liabilities

| Items | 31 December 2021 | 31 December 2020 |
|---|---------------------|---------------------|
| Embedded derivative financial instruments | 39 | 35 |
| Total | 39 | 35 |

6.35 Share capital

| Items | 31 December 2020 | | Increase/Decrease | | | | 31 December 2021 | | |
|-----------------------------------|------------------|-------------------|----------------------|----------------|---|--------|------------------|---------|-------------------|
| | Balance | Proportion (%) | New shares issued | Bonus issue | Shares transferred from reserves | Others | Subtotal | Balance | Proportion (%) |
| Shares unrestricted on sale: | | | | | | | | | |
| 1. Ordinary A shares | 7,942 | 84 | | | | | | 7,942 | 84 |
| 2. Foreign shares listed overseas | 1,411 | 15 | | | | | | 1,411 | 15 |
| Restricted shares: | | | | | | | | | |
| 1. Ordinary A shares | 52 | 1 | | | | | | 52 | 1 |
| Total | 9,405 | 100 | | | | | | 9,405 | 100 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.36 Capital reserve

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 |
|--------------------------|---------------------|----------|----------|---------------------|
| Share premium | 33,110 | 22 | 66 | 33,066 |
| Other capital reserve | 375 | 163 | | 538 |
| Total | 33,485 | 185 | 66 | 33,604 |

Note 1: The increase of RMB22 million in capital premium is due to the amount of share-based payment recorded into the owner's equity; the decrease of RMB66 million is due to the difference between the share subscription paid by employees and the company's repurchase price under the stock incentive plan.

Note 2: The increase of RMB163 million in other capital reserves is due to the receipt of state capital appropriations, which are exclusively enjoyed by the representatives of state-owned assets contributors.

6.37 Treasury shares

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 |
|----------------------------------|---------------------|----------|------------|---------------------|
| Stock incentive plan(Note 12) | 166 | 98 | 164 | 100 |

Note: In this period, treasury shares decreased by RMB164 million due to the implementation of the stock incentive plan. At the same time, treasury shares increased by RMB98 million due to the recognition of the repurchase obligation under the stock incentive plan.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.38 Other comprehensive income

| Items | 31 December 2020 | The amount of this period | | | | 31 December 2021 |
|---|---------------------|--|---|----------------------------------|--|---------------------|
| | | Amount for the period before tax | Minus: transform into profit or loss from other comprehensive income | Minus: income tax expenses | The After- tax amount attributed to the parent company | |
| 1. Other comprehensive income will not reclassified into the gains and losses | (81) | 16 | (151) | 42 | 125 | 44 |
| Profit or loss arising from fair value changes of other investments in equity instruments | (81) | 16 | (151) | 42 | 125 | 44 |
| 2. Other comprehensive income will reclassified into the gains and losses | 1 | (1) | | | (1) | |
| The share which enjoyed by the invested unit reclassified into profit or loss in other comprehensive income under the equity method | 1 | (1) | | (1) | | |
| Total | (80) | 15 | (151) | 42 | 124 | 44 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.39 Special reserve

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 |
|-------------------------------|---------------------|----------|----------|---------------------|
| Safety production expenses | 74 | 181 | 173 | 82 |
| Total | 74 | 181 | 173 | 82 |

6.40 Surplus reserve

| Items | 31 December 2020 | Increase | Decrease | 31 December 2021 |
|------------------------------|---------------------|----------|----------|---------------------|
| Statutory surplus reserve | 3,849 | 603 | | 4,452 |
| Total | 3,849 | 603 | | 4,452 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.41 Undistributed profit

| Items | This period | Last period |
|--|-------------|-------------|
| Balance as of 31 Dec. 2020 | 6,798 | 5,551 |
| Changes in accounting policies | | |
| Business combination under the common control | | |
| Balance as of 1 Jan. 2021 | 6,798 | 5,551 |
| Increase in 2021 | 6,925 | 1,978 |
| Including: Net profit transferred this year | 6,925 | 1,978 |
| Other adjustment factors | | |
| Decrease in 2021 | 1,544 | 731 |
| Including: Extraction of surplus reserve this year | 603 | 126 |
| Extraction of general risk provisions in this year | | |
| Distribution of cash dividend this year (Note 1) | 790 | 536 |
| Conversed capital | | |
| Other decreases (Note 2) | 151 | 69 |
| Balance as of 31 Dec. 2021 | 12,179 | 6,798 |

Note 1: According to the resolution of the 2020 Annual General Meeting of Shareholders held on May 26, 2021, the Company distributed cash dividends to all shareholders at RMB0.84 every 10 shares. Calculated based on the total number of shares entitled to distribution rights of 9,399,600,178 shares, a total of RMB790 million. All of them have been released as of 31 December 2021.

Note 2: Other decrease RMB151 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.41 Undistributed profit (Continued)

Note 3: The board of directors recommended that, based on the total number of shares currently entitled to the distribution of 9,402,611,828 shares, a cash dividend of RMB2.21 (tax included) should be distributed to all shareholders of the company for every 10 shares. The estimated total profit distribution is approximately RMB2,078 million. If the total number of shares that the company is eligible to distribute changes before the implementation of the distribution plan, the total amount of cash dividends 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 amount of cash dividend per share remains unchanged. This plan still needs to be submitted to the 2021 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.

6.42 Operating income and operating costs

6.42.1 Classified by production

| Items | This period | | Last period | |
|-----------------|-------------|---------|-------------|--------|
| | Income | Cost | Income | Cost |
| Prime operating | 136,023 | 122,993 | 100,403 | 93,824 |
| Other operating | 651 | 441 | 500 | 489 |
| Total | 136,674 | 123,434 | 100,903 | 94,313 |

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.42 Operating income and operating costs (Continued)

6.42.2 Classified by region

| Items | This period | Last period |
|---|--------------------|-------------|
| Foreign transaction income from the within borders | 131,169 | 98,003 |
| Foreign exchange income from outside borders | 5,505 | 2,900 |
| Total | 136,674 | 100,903 |

6.42.3 Classified by the time when the revenue is confirmed

| Items | This period | Last period |
|------------------------------|--------------------|-------------|
| Confirmed at a certain point | 136,674 | 100,903 |
| Total | 136,674 | 100,903 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.43 Tax and surcharges

| Items | This period | Last period |
|---|-------------|-------------|
| City maintenance and construction tax | 136 | 133 |
| Educational surcharge and local educational surcharge | 97 | 95 |
| Land use tax | 427 | 427 |
| Property tax | 157 | 155 |
| Stamp tax | 111 | 84 |
| Resources tax | 3 | 3 |
| Environmental protection tax | 99 | 95 |
| Others | 1 | 1 |
| Total | 1,031 | 993 |

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

6.44 Marketing expenses

| Items | This period | Last period |
|-----------------------------------|-------------|-------------|
| Employee benefits | 265 | 191 |
| Warehouse storage expense | 89 | 72 |
| Sales and service expense | 36 | 17 |
| Packing expense | 39 | 52 |
| Agency fee for commissioned sales | 30 | 23 |
| Insurance expense | 8 | 7 |
| Others | 129 | 134 |
| Total | 596 | 496 |

Note: According to the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance, the transportation costs meeting the performance costs in the current year and the previous year are recorded into the operating costs.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.45 Administrative expenses

| Items | This period | Last period |
|--|--------------------|-------------|
| Employee benefits | 921 | 838 |
| Amortization of intangible asset | 27 | 184 |
| Depreciation | 153 | 137 |
| Information system maintenance expense | 44 | 42 |
| Repair and maintenance | 47 | 32 |
| Security and firefighting expenses | 103 | 75 |
| Agency fees | 28 | 16 |
| Including: Auditor's fee for annual report | 5 | 5 |
| Others | 136 | 5 |
| Total | 1,459 | 1,329 |

6.46 Research and development expenses

| Items | This period | Last period |
|------------------------------|--------------------|-------------|
| Raw material consumption fee | 198 | 92 |
| Labor cost | 196 | 161 |
| Depreciation | 23 | 16 |
| Outsourcing expenses | 149 | 120 |
| Travel expenses | 6 | 5 |
| Others | 68 | 23 |
| Total | 640 | 417 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.47 Financial expenses

| Items | This period | Last period |
|---|-------------|-------------|
| Interest expense | 578 | 908 |
| Including: interests expense from the long-term loans and long-term bonds | 146 | 284 |
| Interests expense from the short-term loans and letters of credit | 169 | 503 |
| Other interest expenditures | 263 | 121 |
| Less: Interest income | 79 | 66 |
| Less: Capitalized interest expense | 2 | 9 |
| Exchange gain or loss | (40) | (95) |
| Less: Capitalized exchange gain or loss | | |
| Others | 33 | 39 |
| Total | 490 | 777 |

6.48 Other income

| Items | This period | Last period | Recorded into extraordinary gains and losses |
|---|-------------|-------------|--|
| The government grants related to environment protection | 21 | 39 | 21 |
| The government grants related to scientific research | 5 | 14 | 5 |
| Others | 12 | 12 | 12 |
| Total | 38 | 65 | 38 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.49 Investment income

| Items | This period | Last period |
|---|-------------|-------------|
| Long-term equity income under the equity method | 318 | 191 |
| Investment income of other investments in equity instruments invested in the holding period | 13 | 21 |
| Total | 331 | 212 |

6.50 Gains/losses from fair value variation

| Sources | This period | Last period |
|--|-------------|-------------|
| Changes in fair value of derivative financial assets | (19) | (27) |
| Changes in fair value of other non-current financial assets | 9 | (4) |
| Changes in fair value of derivative financial liabilities | (51) | (30) |
| Changes in fair value of embedded derivative financial instruments | (4) | 43 |
| Total | (65) | (18) |

6.51 Impairment losses on assets

| Items | This period | Last period |
|---|-------------|-------------|
| Provision for written-down of inventories | (2) | (39) |
| Impairment loss of fixed assets | (304) | |
| Total | (306) | (39) |

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

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.52 Credit impairment loss

| Items | This period | Last period |
|---------------------------|-------------|--------------|
| Accounts receivable | (87) | (323) |
| Other accounts receivable | (2) | (1) |
| Total | (89) | (324) |

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

6.53 Asset disposal income

| Items | This period | Last period |
|-----------------------------------|-------------|-------------|
| Fixed assets disposal income | 11 | 5 |
| Intangible assets disposal income | 41 | 3 |
| Total | 52 | 8 |

6.54 Non-operating income

| Items | This period | Last period | Recorded into extraordinary gains and losses |
|---|-------------|-------------|--|
| Gains from destroy or scrap of non-current assets | 17 | 10 | 17 |
| Government grant | 5 | 1 | 5 |
| Liquidated damages | 8 | 7 | 8 |
| Payable that can not be paid | 25 | | 25 |
| Others | 3 | 15 | 3 |
| Total | 58 | 33 | 58 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.54 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 | 5 | 1 | Income related | No |
| Total | 5 | 1 | – | – |

6.55 Non-operating expenses

| Items | This period | Last period | Recorded into extraordinary gains and losses |
|---|-------------|-------------|---|
| The loss on destroy or scrap of non-current assets | 102 | 96 | 102 |
| External donation | 16 | 15 | 16 |
| Others | 5 | 1 | 5 |
| Total | 123 | 112 | 123 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.56 Income tax expenses

6.54.1 Income tax expenses

| Items | This period | Last period |
|---|--------------------|-------------|
| Income tax during this period | 1,370 | 748 |
| Changes on deferred income tax expenses | 591 | (341) |
| Total | 1,961 | 407 |

6.54.2 The reconciliation between accounting profit and income tax expenses

| Items | This period |
|---|--------------------|
| Total profit | 8,920 |
| Income tax expenses calculated at statutory/applicable tax rates | 2,230 |
| Effect of different tax rates applied by subsidiary companies | (5) |
| Effect of adjustments for income tax for prior period | (17) |
| Effect of income not subject to tax | (66) |
| Effect of costs, expenses and loss not deductible for tax purpose | 59 |
| Effect of deductible loss of deferred income tax assets not recognized in prior periods | (36) |
| Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets | |
| Changes in the balance of deferred income tax assets/liabilities at the beginning of the year resulting from tax rate adjustments | |
| Others | (204) |
| Income tax expenses | 1,961 |

6.57 The other comprehensive income

Please refer to Note 6.38.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.58 Items on statements of cash flow

6.58.1 Cash received from other operating activities

| Items | This period | Last period |
|-------------------|-------------|-------------|
| Deposit income | 151 | 56 |
| Government grants | 172 | 76 |
| Others | 77 | 30 |
| Total | 400 | 162 |

6.58.2 Cash paid for other operating activities

| Items | This period | Last period |
|------------------------------------|-------------|-------------|
| Freight fee | 1,635 | 2,048 |
| Commission for processing products | 719 | 778 |
| Testing fee for energy saving | 484 | 575 |
| Research and development expenses | 142 | 104 |
| Selling operation fee | 171 | 98 |
| Security and firefighting expenses | 94 | 88 |
| Pipeline transportation fee | 41 | 50 |
| Computer maintenance fee | 45 | 54 |
| Storage expenses | 21 | 43 |
| Agency fee | 18 | 14 |
| Afforestation fee | | 9 |
| Insurance fee | 46 | 28 |
| Sewage fee | | 16 |
| Other operating expenses | 1,135 | 619 |
| Total | 4,551 | 4,524 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.58 Items on statements of cash flow (Continued)

6.58.3 Cash received from other investment activities

| Items | This period | Last period |
|-----------------------------|--------------------|-------------|
| Interest revenue | 80 | 66 |
| Future contract income | 155 | 46 |
| Construction risk guarantee | | 1 |
| Total | 235 | 113 |

6.58.4 Cash paid for other investment activities

| Items | This period | Last period |
|----------------------|--------------------|-------------|
| Future contract loss | 139 | 60 |
| Total | 139 | 60 |

6.58.5 Cash received from other financing activities

| Items | This period | Last period |
|--|--------------------|-------------|
| Equity-based incentives subscription payment | 98 | 1 |
| Total | 98 | 1 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.58 Items on statements of cash flow (Continued)

6.58.6 Cash paid for other financing activities

| Items | This period | Last period |
|-----------------------------|-------------|-------------|
| Payment of rental expenses | 73 | 84 |
| Loan agency fee | 1 | 2 |
| Payment of share repurchase | | 166 |
| Total | 74 | 252 |

6.59 Supplement of cash flow statement

6.59.1 Reconciliation of net profit to cash flows from operating activities

| Items | This period | Last period |
|--|-------------|-------------|
| 1. Reconciliation of net profit to cash flows from operating activities | | |
| Net profit | 6,959 | 1,996 |
| Add: Provision for impairment on asset | 306 | 39 |
| Provision for impairment on credit | 89 | 324 |
| Depreciation of fixed assets | 3,587 | 3,555 |
| Depreciation of right-of-use asset | 130 | 133 |
| Amortization of intangible assets | 190 | 186 |
| Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains) | (52) | (8) |
| Loss on scrap of fixed assets ("-" for gains) | 85 | 86 |
| Loss on the change of fair value ("-" for gains) | 65 | 18 |
| Financial expenses ("-" for gains) | 458 | 641 |
| Investment loss ("-" for gains) | (331) | (212) |
| Decrease in deferred tax assets ("-" for increase) | 594 | (355) |
| Increase in deferred tax liabilities ("-" for decrease) | 34 | 12 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.59 Supplement of cash flow statement (Continued)

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

| Items | This period | Last period |
|--|-------------|-------------|
| Decrease in inventories ("-" for increase) | (8,415) | (996) |
| Decrease in operating receivables ("-" for increase) | (24) | 1,219 |
| Increase in operating payable ("-" for decrease) | 9,188 | 3,269 |
| Others | (17) | 9 |
| Net cash flow from operating activities | 12,846 | 9,916 |
| 2. Change in cash and cash equivalent | | |
| Cash at the end of the period | 5,376 | 5,329 |
| Less: cash at the beginning of the period | 5,329 | 4,671 |
| 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 | 47 | 658 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.59 Supplement of cash flow statement (Continued)

6.59.2 Composition of cash and cash equivalent

| Items | 31 December 2021 | 31 December 2020 |
|--|---------------------|---------------------|
| 1. Cash at bank and on hands | 5,376 | 5,329 |
| Of which: Cash | | |
| Bank deposits available | 5,062 | 5,176 |
| Other deposits available | 314 | 153 |
| 2. Cash equivalents | | |
| Of which: Bonds due within 3 months | | |
| 3. Closing balance of cash and cash equivalents | 5,376 | 5,329 |

6.60 Restricted assets of ownership or use rights

| Items | 31 December 2021 | Reason |
|-----------------------|---------------------|--------|
| Receivables financing | 632 | Pledge |
| Total | 632 | – |

6.61 Foreign currency monetary

| Items | Foreign currency closing balance | Conversion calculation | Closing balance in CNY |
|---|---|---------------------------|------------------------------|
| Notes payable | 1,789 | 0.8176 | 1,463 |
| Other non-current liabilities (2018 convertible bonds – embedded derivative financial instruments) | 47 | 0.8176 | 39 |
| Total | 1,836 | | 1,502 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

6. Notes to consolidated financial statements (Continued)

6.62 Government grants

6.62.1 The basic situation of government grants

| Items | The basic situation of government grants identified at the beginning of the period | | Government grants included in the profit or loss |
|---|--|-------------------------------|--|
| | Amounts | Items | |
| The government grants related to environmental protection | | Deferred income, other income | 21 |
| The government grants related to scientific research | 11 | Deferred income, other income | 5 |
| Others | 1 | Deferred income, other income | 12 |
| Others | 5 | Non-operating income | 5 |
| Total | 15 | | 43 |

6.62.2 Return of government grants

The Group returned government subsidies of RMB1 million this year.

7. Changes in consolidation scope

The consolidation scope of the company has not changed this year.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 Shenyang 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 Shanghai International Trade Co., Ltd. ("Shanghai Trade") | Shanghai | Shanghai | 300 | Wholesale and retail purchasing services | 100 | | Combination under common control | Wholly-owned |
| Tianjin Anshan Iron and Steel International Trade Co., Ltd. ("Tianjin Trade") | Tianjin | Tianjin | 200 | Purchase and sale of metal and other materials | 100 | | Combination under common control | Wholly-owned |
| Guangzhou Anshan Iron and Steel International Trade Co., Ltd. ("Guangzhou Trade") | Guangzhou | Guangzhou | 300 | Technology import and export of goods, wholesale and retail trade. | 100 | | Combination under common control | Wholly-owned |
| Shenyang Anshan Iron and Steel Shenyang Processing and Distribution Co., Ltd. ("Shenyang Steel ") | Shenyang | Shenyang | 187 | Steel processing and distribution | 100 | | Combination under common control | Wholly-owned |
| Anshan Iron and Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian") | Dalian | Dalian | 266 | Steel processing and distribution | 100 | | Establishment | Wholly-owned |
| Ningbo Anshan Iron and Steel International Trade Co., Ltd. ("Ningbo Trade") | Ningbo | Ningbo | 100 | Steel trade | 100 | | Establishment | Wholly-owned |
| Yantai Anshan Iron and Steel International Trade Co., Ltd. ("yantai Trade") | Yantai | Yantai | 200 | Steel trade | 100 | | Establishment | Wholly-owned |
| Angang Steel Distribution (Zhengzhou) Co., Ltd. ("Angang Zhengzhou") | Zhengzhou | Zhengzhou | 149 | Steel processing and distribution | 100 | | Establishment | Wholly-owned |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 |
|--|-----------------------------|--------------------|----------------------|--|------------------|--------------------|--------------------------------------|-----------------------------|
| 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 |
| FAW Angang | Changchun | Changchun | 90 | Steel processing and distribution | 60 | | Combination not under common control | Joint venture |
| FAW Angang | Chaoyang | Chaoyang | 8000 | Processing and sale of steel rolling | 100 | | Combination under common control | Wholly-owned |
| Angang (Hangzhou) Automobile Material Technology Co., Ltd. ("Hangzhou Auto Material") | Hangzhou | Hangzhou | 118 | Steel, steel coil processing, sales and distribution | 51 | 49 | Establishment | Wholly-owned |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 |
|---|-----------------------------|--------------------|----------------------|---|------------------|--------------------|---------------|------------------------|
| Ansteel (Beijing) Auto Parts Technology Co., Ltd. ("Ansteel Parts") | Beijing | Beijing | 50 | Technology development, consulting, service, production of auto parts | 100 | | Establishment | Wholly-owned |
| Delin Zhilian (Anshan) Co., Ltd. ("Delin Zhilian ") | Anshan | Anshan | 60 | E-commerce and technology consulting, technology development, technology services, technology transfer, value-added telecommunications services in this field | 91 | | Establishment | Joint venture |

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

8.1.2 By the end of 31 December 2021, no subsidiaries of the Company issued share capital or debt securities.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

8. Interests in other entities (Continued)

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 Company | Anshan | Anshan | Iron powder processing | 35.29 | Equity method |
| Nansha Logistical | Guangzhou | Guangzhou | Freight Forwarding, steel packaging, 49.8 | 49.8 | Equity method |
| AISSG | Hangzhou | Hangzhou | Trade, warehousing services | 49 | Equity method |
| GAC Baoshang | Guangzhou | Guangzhou | Steel Processing and Distribution | 30 | Equity method |
| Meizhou Motor Company | Meizhou | Meizhou | Automobile parts | 25 | Equity method |
| Zhong'an Water | Chaoyang | Chaoyang | Water production and supply | 45 | Equity method |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021/the Date Occurred in This Period | 31 December 2020/the Date Occurred in Last Period |
| Current assets | 2,054 | 1,921 |
| Including: Cash and cash equivalents | 582 | 544 |
| Non- Current assets | 631 | 568 |
| Total Assets | 2,685 | 2,489 |
| Current liabilities | 1,178 | 1,197 |
| Non- Current liabilities | 6 | |
| Total Liabilities | 1,184 | 1,197 |
| Minority interests | | |
| Subtotal of Shareholders' equity attributable to shareholders of parent Company | 1,501 | 1,292 |
| The net assets calculated by the share percentage held | 751 | 646 |
| Adjusting events | | |
| –goodwill | | |
| –unrealized profit resulting from trade within the group | (57) | (24) |
| –others | | |
| The book value of equity investments in joint ventures | 694 | 622 |
| Fair value of equity investment in joint ventures with publicly quoted price | | |
| Operating revenue | 5,844 | 4,575 |
| Finance costs | (5) | 4 |
| Income tax expenses | 79 | 30 |
| Net profit | 409 | 200 |
| Net profit from discontinued operations | | |
| Other comprehensive income | | |
| The total of comprehensive income | 409 | 200 |
| Dividends received from joint ventures this year | 99 | 74 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021/the Date Occurred in This Period | 31 December 2020/the Date Occurred in Last Period |
| Current assets | 18,884 | 8,895 |
| Including: Cash and cash equivalents | 18,244 | 8,289 |
| Non- Current assets | 18,659 | 18,934 |
| Total Assets | 37,543 | 27,829 |
| Current liabilities | 30,303 | 20,663 |
| Non- Current liabilities | 28 | 8 |
| Total Liabilities | 30,331 | 20,671 |
| Minority interests | | 20 |
| Subtotal of Shareholders' equity | | |
| attributable to shareholders of parent Company | 7,212 | 7,138 |
| The net assets calculated by the share percentage held | 1,442 | 1,428 |
| Adjusting events | | |
| –goodwill | | |
| –unrealized profit resulting from trade within the group | | |
| –others | | |
| The book value of equity investments in joint ventures | 1,442 | 1,428 |
| Fair value of equity investment in joint ventures with publicly quoted price | | |
| Operating revenue | 975 | 914 |
| Finance costs | | |
| Income tax expenses | 128 | 160 |
| Net profit | 410 | 491 |
| Net profit from discontinued operations | | |
| Other comprehensive income | | 7 |
| The total of comprehensive income | 410 | 484 |
| Dividends received from joint ventures this year | 68 | 64 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021/the Date Occurred in This Period | 31 December 2020/the Date Occurred in Last Period |
|---|--|--|
| Associations : | | |
| The book value of equity investments | 567 | 553 |
| The followings are calculated by shares | | |
| –Net profit | 22 | (7) |
| –Other comprehensive income | | |
| –The total of comprehensive income | 22 | (7) |
| Joint ventures : | | |
| The book value of equity investments | 368 | 362 |
| The followings are calculated by shares | | |
| –Net profit | 10 | 2 |
| –Other comprehensive income | | |
| –The total of comprehensive income | 10 | 2 |

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021, other assets and liabilities of the Group are denominated in RMB balances.

Unit: Yuan

| Items | 31 December 2021 | 31 December 2020 |
|-------------------------------------|---------------------|---------------------|
| Bank deposits (USD) | 100,224.18 | 100,761.29 |
| Bank deposits (HKD) | 9.09 | |
| Bond Payable (HKD) | 1,789,476,218.26 | 1,753,971,405.06 |
| Other non-current liabilities (HKD) | 47,135,694.48 | 42,187,306.84 |

In terms of the major foreign currency transactions such as exporting sales of products, importing and procurement of raw materials for production and engineering equipment, the Group conducts imports and exports agency transactions through trading with Angang Group International Economic and Trade Co., Ltd. The foreign exchange risk is mainly reflected in the impact of exchange rate changes on sales and purchase costs during agency settlement.

- A. On 31 December 2021, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6.1, 29 and 34.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 | 6.4512 | 6.8976 | 6.3757 |
| H.K. dollar | 0.8300 | 0.8893 | 0.8176 | 0.8416 |

C. Sensitivity analysis

On 31 December 2021, 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 2021 | U.S. dollar | | |
| | H.K. dollar | (11) | (11) |
| 31 December 2020 | U.S. dollar | | |
| | H.K. dollar | (11) | (11) |

By end of 31 December 2021, 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021. Please refer to notes 6.1, 19, 27, 28 and 29.

Sensitivity analysis :

The principles of the Group's interest rate risk management aim to reduce the impact of short-term fluctuations on the Group's profits. However, in the long term, permanent changes in interest rates will affect profits.

As of 31 December 2021, 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 RMB10 million decrease (last period: RMB65 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021, except for the impairment provision of RMB749 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 53% of the receivables and other receivables on the balance sheet date (at the beginning of this period: 49%), the Group may face a certain degree of credit risk concentration.

The maximum credit risk exposure faced by the Group, which is not guaranteed, is the book value of the financial assets in the balance sheet.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

9. Risk associated with financial instruments (Continued)

9.3 Liquidity risk

The Group is responsible for its own cash management to cover projected cash arrangements including the short-term investments by using the cash surpluses and loans. The Group monitor short-term and long-term liquidity requirements regularly aimed to find out whether is in compliance with the loan agreements, to ensure that the group maintains sufficient cash reserves and readily realizable securities, and to maintain sufficient funds of major committed financial institutions to meet short-term and longer-term liquidity needs.

The repayment date of the Group's long-term debts, please refer to Note 6.28.

9.4 Transfer of financial assets

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

On December 31, 2021, the amount of bank acceptance notes endorsed by the Group to suppliers for settlement of accounts payable was RMB5,005 million, and the amount of commercial acceptance notes was RMB0 million; The amount of bank acceptance notes discounted to financial institutions is RMB4,241 million, and the amount of commercial acceptance notes was RMB299 million; On December 31, 2021, 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.

In 2021, the Group and financial institutions reached an open-type non-recourse factoring agreement, transferred RMB2,691 million accounts receivable to financial institutions, the proceeds of the transfer was RMB2,500 million, and the difference between proceeds of the transfer and accounts receivable was recorded into other receivables. After the accounts receivable were transferred, with regard to the unrecoverable portion that could happen without commercial disputes, financial institutions 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 RMB2,691 million. The Group derecognized related expenses of RMB29 million this year.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021 | | | Total |
|--|--|---|--|-------|
| | The Fair Value Measured at first Level | The Fair Value Measured at Second Level | The Fair Value Measured at Third Level | |
| Continues fair value measurement: | | | | |
| Derivative financial assets | 3 | | | 3 |
| Receivables financing | | 1,844 | | 1,844 |
| Other investments in equity instruments | | | 496 | 496 |
| Other non-current financial assets | 43 | | | 43 |
| Derivative financial liabilities | 116 | | | 116 |
| Other non-current liabilities(note) | | | 39 | 39 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 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 | 43 | | | 43 |
| Other non-current liabilities(note) | | | 35 | 35 |

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, 2021, with the values of other parameters unchanged, the stock price volatility increased or decreased by 1%, and the value of the embedded derivatives of convertible bonds increased or decreased by RMB1 million. 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

10. Disclosure of the fair value (Continued)

10.2 Adjustment information between the book value of the continuous third-level fair value measurement project

| | Other investments in equity instruments | Other non-current liability |
|---|---|-----------------------------------|
| Balance at 1 January 2021 | 476 | 35 |
| Additional investment | 4 | |
| Changes in fair value (included in other comprehensive income) | 16 | |
| Changes in fair value (included in current profit and loss) | | 4 |
| Balance at 31 December 2021 | 496 | 39 |

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

11. Related parties and related party transactions (Continued)

11.4 Related parties without control relationship

| Name of Enterprise | Relation with the Parent Company |
|---|----------------------------------|
| Guangzhou Automobile Steel | Joint venture |
| ANSC-TKS | Joint venture |
| ANSC – Dachuan | Joint venture |
| AISSG | Associate |
| Nansha Logistical | Associate |
| Zhong'an Water | Associate |
| GAC Baoshang | Associate |
| Meizhou Motor Company | Associate |
| Angang Finance | Associate, Fellow subsidiary |
| Shanxi Wuchan International Energy Co., Ltd. | Associate of Angang Group |
| Falan Packing | Fellow subsidiary |
| Angang Steel Casting Co., Ltd. | Fellow subsidiary |
| Angang Group Mining Co., Ltd | Fellow subsidiary |
| Angang Steel Rope Co., Ltd | Fellow subsidiary |
| Angang Group Dalian Technology Creativity Co., Ltd. | Fellow subsidiary |
| Anshan Iron and Steel Group Refractories Co., Ltd. | Fellow subsidiary |
| Angang Automobile Transportation Co., Ltd. | Fellow subsidiary |
| Angang Cold Rolled Steel Plate (Putian) Co., Ltd. | Fellow subsidiary |
| Angang Group Real Estate Co., Ltd. | Fellow subsidiary |
| Anshan Iron and Steel Institute of Labor Technology Co., Ltd. | Fellow subsidiary |
| Delin Lugang Supply Chain Service Co., Ltd. | Fellow subsidiary |
| Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd. | Fellow subsidiary |
| Angang Group Information Industry Co., Ltd. | Fellow subsidiary |
| Angang Electric Co., Ltd. | Fellow subsidiary |
| 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 |
| Anshan Kede Roll Surface Treatment Co., Ltd. | Joint venture of Angang Group |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

11. Related parties and related party transactions (Continued)

11.4 Related parties without control relationship (Continued)

| Name of Enterprise | Relation with the Parent Company |
|--|----------------------------------|
| Angang Group Engineering Technology Co., Ltd. | Joint venture of Angang Group |
| Angang Mine Construction Co., Ltd. | Associate of Angang Group |
| Angang Group International Economic and Trade Co., Ltd. ("Angang International Trade") | Fellow subsidiary |
| Angang Group Capital Holding Co., Ltd. (hereinafter referred to as "Angang capital holding") | Fellow subsidiary |
| AngangLianzhong (Guangzhou) Stainless Steel Co., Ltd | Fellow subsidiary |
| Pangang Group Xichang Steel and Vanadium Co., Ltd. | Fellow subsidiary |
| Pangang Group International Economic and Trade Co., Ltd. | Fellow subsidiary |
| Pangang Group Vanadium and Titanium Resources Co., Ltd. | Fellow subsidiary |
| Pangang Group Jiangyou Great Wall Special Steel Co., Ltd. | Fellow subsidiary |
| 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 |
| Pangang Group Life Service Co., Ltd. | Fellow subsidiary |
| Pangang Group Mining Co., Ltd. | Fellow subsidiary |
| Angang Group Engineering Technology Development Co., Ltd. | Fellow subsidiary |
| Angang Group Zhongyuan Industry Development Co., Ltd. | Fellow subsidiary |
| Bensteel Group Co., Ltd. | Fellow subsidiary |
| Bengang Steel Plates Co., Ltd. | Fellow subsidiary |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 | 30,840 | 20,891 |
| Steel | Note.2 | 1,111 | 398 |
| Supplementary materials | Note.3 | 3,414 | 2,980 |
| Energy and power supplies | Note.4 | 1,043 | 1,595 |
| Support service | Note.5 | 8,341 | 6,934 |
| Total | – | 44,749 | 32,798 |

11.5.1.2 Related-party transactions on Sales of Goods and Services

| Contents | Pricing Policy | This Period | Last Period |
|--------------------------|----------------|-------------|-------------|
| Product | Note.6 | 8,387 | 4,112 |
| Scrap steel and material | Note.6 | 356 | 302 |
| General services | Note.7 | 1,082 | 1,087 |
| Total | – | 9,825 | 5,501 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Angang Group Co., Ltd (Continued)

11.5.1.2 Related-party transactions on Sales of Goods and Services (Continued)

Note. 1: The iron ore concentrate purchase price 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Angang Group Co., Ltd (Continued)

11.5.1.3 Related-party transactions on Asset acquisition

| Contents | Pricing Policy | This Period | Last Period |
|----------------|---------------------------|-------------|-------------|
| Land Use Right | Evaluation result pricing | 278 | |

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

Related-party transactions on Procurement of Goods and Services

| Contents | Pricing Policy | This Period | Last Period |
|---------------|----------------|-------------|-------------|
| Raw materials | Market price | 129 | 156 |
| Total | – | 129 | 156 |

11.5.3 Other related-party transactions

For this period, the amount of domestic and export sales agent service provided by Angang International Trade were 1.10 million tons respectively (0.77 million tons respectively for last period).

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

11. Related parties and related party transactions (Continued)

11.5 Related-party transactions (Continued)

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 | | 3,411 | 427,456 | 427,392 | 3,475 | |
| Loan | 3.48 | | 500 | 500 | | |

In this period, the Group's interest income of deposit in Angang Finance was RMB39 million (for the last period: RMB33 million) and the interest expenditure for loans(including discount)from Angang finance was RMB9 million (for the last period: RMB2 million). The highest daily deposit of the Group in Angang Finance in this period was RMB3,480 million (for the last period: RMB3,496 million).

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 | 729 | 521 |
| ANSC – Dachuan | 103 | |
| Guangzhou Automobile Steel | 56 | 154 |
| Zhong'an Water | 22 | 24 |
| GAC Baoshang | 8 | |
| Nansha Logistical | | 15 |
| AISSG | | 2 |
| Total | 918 | 716 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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:
(Continued)

B. Statement of selling products

| Name of enterprise | This period | Last period |
|----------------------------|--------------------|-------------|
| ANSC-TKS | 4,534 | 3,103 |
| Guangzhou Automobile Steel | 1,972 | 717 |
| AISSG | 7 | |
| Angang Yasheng | | 2 |
| GAC Baoshang | 17 | 1 |
| Nansha Logistical | 196 | 993 |
| Total | 6,726 | 4,816 |

11.5.6 Remuneration of the directors, supervisors and senior management

| Items | This period | Last period |
|---|--------------------|-------------|
| Directors' fee | 0.48 | 0.49 |
| Other remuneration | 13.49 | 6.02 |
| Including: Salaries, allowances and non-cash amount of interest | 9.59 | 4.53 |
| Performance-related bonus | | |
| Other insurance and benefits | 1.56 | 0.88 |
| Pension plan contributions | 1.39 | 0.61 |
| Share-based payment | 0.95 | |
| Total | 13.97 | 6.51 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 | | Share-based payment |
| Executive directors: | | | | | | | |
| Li Zhen (resigned) | | 1.58 | | 0.27 | 0.25 | 0.09 | 2.19 |
| Ma Lianyong (resigned) | | 0.06 | | 0.01 | 0.01 | | 0.08 |
| Li Zhongwu | | 1.65 | | 0.29 | 0.26 | 0.22 | 2.42 |
| Subtotal for executive directors | | 3.29 | | 0.57 | 0.52 | 0.31 | 4.69 |
| Independent non-executive directors : | | | | | | | |
| Feng Changli | 0.12 | | | | | | 0.12 |
| Wang Jianhua | 0.12 | | | | | | 0.12 |
| Wang Wanglin | 0.12 | | | | | | 0.12 |
| Zhu Keshi | 0.12 | | | | | | 0.12 |
| Subtotal for Independent non-executive directors | 0.48 | | | | | | 0.48 |
| Supervisors: | | | | | | | |
| Yuan Peng (resigned) | | 0.03 | | 0.03 | | 0.01 | 0.07 |
| Yang Zhengwen | | 0.68 | | 0.13 | 0.11 | | 0.92 |
| Subtotal for Supervisors | | 0.71 | | 0.16 | 0.11 | 0.01 | 0.99 |
| Senior Management: | | | | | | | |
| Wang Baojun | | 1.04 | | 0.04 | 0.03 | 0.01 | 1.12 |
| Xu Shishuai | | 0.06 | | 0.01 | 0.01 | 0.01 | 0.09 |
| Meng Jinsong | | 1.44 | | 0.25 | 0.23 | 0.22 | 2.14 |
| Zhang Hongjun | | 1.92 | | 0.33 | 0.31 | 0.20 | 2.76 |
| Zhang Peng | | 0.03 | | 0.01 | | 0.17 | 0.21 |
| Liu Jie (resigned) | | 0.05 | | 0.01 | 0.01 | 0.02 | 0.09 |
| Xiao Mingfu (resigned) | | 1.05 | | 0.18 | 0.17 | | 1.40 |
| Subtotal for Senior management | | 5.59 | | 0.83 | 0.76 | 0.63 | 7.81 |
| Total | 0.48 | 9.59 | | 1.56 | 1.39 | 0.95 | 13.97 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 | | 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 |

Note: There is no agreement for a director, supervisor and senior management to waive or agree to waive this year's remuneration.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

The top five employees with the highest remuneration this year included 2 directors and 3 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 Stock Exchange Listing Rules.

11.6 Balances of related-party transactions

11.6.1 Accounts receivable

| Items | Related party | 31 December 2021 | 31 December 2020 |
|---------------------|--|---------------------|---------------------|
| Accounts receivable | Angang Steel Rope Co., Ltd. | 82 | 74 |
| Accounts receivable | Angang International Trade | 39 | 295 |
| Accounts receivable | Anshan Iron and Steel Group Refractories Co., Ltd. | 23 | |
| Accounts receivable | Angang Group Mining Co., Ltd. | 16 | 1 |
| Accounts receivable | ANSC-TKS | 15 | 12 |
| Accounts receivable | Pangang Group Xichang Steel and Vanadium Co., Ltd. | 6 | 2 |
| Accounts receivable | Pangang Group Mining Co., Ltd. | 5 | |
| Accounts receivable | Angang Group Information Industry Co., Ltd. | 4 | 2 |
| Accounts receivable | Anshan Iron and Steel | 3 | 20 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021 | 31 December 2020 |
|---------------------|---|---------------------|---------------------|
| Accounts receivable | Angang Group Engineering Technology Development Co., Ltd. | 3 | 2 |
| Accounts receivable | Chengdu Western IOT Group Co., Ltd. | 2 | |
| Accounts receivable | Angang Group Zhongyuan Industry Development Co., Ltd. | 2 | |
| Accounts receivable | Panzhuhua Steel & Vanadium Co., Ltd. of Panzhuhua Iron and Steel Group | 1 | 1 |
| Accounts receivable | GAC Baoshang | 1 | 1 |
| Accounts receivable | Angang Automobile Transportation Co., Ltd. | 1 | |
| Accounts receivable | Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd. | 1 | |
| Accounts receivable | Delin Lugang Supply Chain Service Co., Ltd. | 1 | |
| Accounts receivable | Guangzhou Automobile Steel | | 37 |
| Accounts receivable | Angang Steel Casting Co., Ltd. | | 6 |
| Accounts receivable | Other Related Parties | 1 | 1 |
| Total | | 206 | 453 |
| Other receivables | Other Related Parties | | 1 |
| Total | | | 1 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021 | 31 December 2020 |
|--------------|---|---------------------|---------------------|
| Prepayment | Angang International Trade | 1,717 | 2,120 |
| Prepayment | Angang Group Engineering Technology Development Co., Ltd. | 53 | 20 |
| Prepayment | ANSC-TKS | 23 | |
| Prepayment | Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd. | 15 | 8 |
| Prepayment | Guangzhou Automobile Steel | 6 | 26 |
| Prepayment | Delin Lugang Supply Chain Service Co., Ltd. | 3 | 14 |
| Prepayment | Angang Automobile Transportation Co., Ltd. | 2 | 3 |
| Prepayment | Bengang Steel Plates Co., Ltd. | 1 | |
| Prepayment | Bensteel Group Co., Ltd. | 1 | |
| Prepayment | Pangang Group International Economic and Trade Co., Ltd. | 1 | |
| Prepayment | Other Related Parties | | 1 |
| Total | | 1,822 | 2,192 |

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

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

11. Related parties and related party transactions (Continued)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable

| Items | Related party | 31 December 2021 | 31 December 2020 |
|------------------|---|---------------------|---------------------|
| Accounts payable | Angang International Trade | 2,258 | 2,014 |
| Accounts payable | Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd. | 165 | 123 |
| Accounts payable | Pangang Group International Economic and Trade Co., Ltd. | 191 | 47 |
| Accounts payable | Angang Group Zhongyuan Industry Development Co., Ltd. | 173 | 95 |
| Accounts payable | ANSC-TKS | 74 | 121 |
| Accounts payable | Angang Group Mining Co., Ltd. | 68 | 15 |
| Accounts payable | Angang Group Engineering Technology Development Co., Ltd. | 67 | 92 |
| Accounts payable | Delin Lugang Supply Chain Service Co., Ltd. | 64 | 25 |
| Accounts payable | Anshan Iron and Steel | 52 | 17 |
| Accounts payable | Anshan Iron and Steel Group Refractories Co., Ltd. | 45 | 1 |
| Accounts payable | China Ordnance Materials Group Co., Ltd. | | 39 |
| Accounts payable | Angang Automobile Transportation Co., Ltd. | 31 | 3 |
| Accounts payable | Chengdu Western IOT Group Co., Ltd. | 30 | 5 |
| Accounts payable | ANSC – Dachuan | 28 | 62 |
| Accounts payable | Angang Mine Construction Co., Ltd. | 25 | 16 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021 | 31 December 2020 |
|------------------|---|---------------------|---------------------|
| Accounts payable | Pangang Group Vanadium and Titanium Resources Co., Ltd. | 23 | 10 |
| Accounts payable | Bensteel Group Co., Ltd. | 19 | |
| Accounts payable | Angang Group Information Industry Co., Ltd. | 14 | 19 |
| Accounts payable | Falan Packing | 13 | 12 |
| Accounts payable | Angang Group Real Estate Co., Ltd. | 12 | 6 |
| Accounts payable | Angang Cold Rolled Steel Plate (Putian) Co., Ltd. | 11 | |
| Accounts payable | Angang Steel Casting Co., Ltd. | | 13 |
| Accounts payable | Angang Electric Co., Ltd. | 9 | 7 |
| Accounts payable | Angang Group Engineering Technology Co., Ltd. | 7 | |
| Accounts payable | Anshan Kede Roll Surface Treatment Co., Ltd. | 6 | 2 |
| Accounts payable | Pangang Group Life Service Co., Ltd. | 6 | |
| Accounts payable | Chaoyang Zhong'an Water Co., Ltd. | 2 | 3 |
| Accounts payable | Angang Steel Rope Co., Ltd. | 2 | 2 |
| Accounts payable | AISSG | 1 | 1 |
| Accounts payable | GAC Baoshang | 1 | |
| Accounts payable | Anshan Iron and Steel Baker Gillini Water Treatment Co., Ltd. | | 4 |
| Accounts payable | Angang Group Co., Ltd. | | 3 |
| Accounts payable | Other Related Parties | 1 | 1 |
| Total | | 3,398 | 2,758 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021 | 31 December 2020 |
|----------------|--|---------------------|---------------------|
| Other payables | Angang Group Engineering Technology Co., Ltd. | 237 | |
| Other payables | Angang Group Information Industry Co., Ltd. | 77 | 53 |
| Other payables | Angang Group Engineering Technology Development Co., Ltd. | 69 | 204 |
| Other payables | Angang Group Zhongyuan Industry Development Co., Ltd. | 14 | 32 |
| Other payables | Angang Electric Co., Ltd. | 6 | 7 |
| Other payables | Angang Group Real Estate Co., Ltd. | 6 | 2 |
| Other payables | Delin Lugang Supply Chain Service Co., Ltd. | 5 | 20 |
| Other payables | Shanxi Wuchan International Energy Co., Ltd. | 4 | 3 |
| Other payables | Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd. | 3 | 3 |
| Other payables | Angang Mine Construction Co., Ltd. | 3 | |
| Other payables | Angang International Trade | 1 | 5 |
| Other payables | AISSG | 1 | 1 |
| Other payables | Angang Group Mining Co., Ltd. | | 5 |
| Other payables | Anshan Iron and Steel Baker Gillini Water Treatment Co., Ltd. | | 3 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021 | 31 December 2020 |
|----------------------|---|---------------------|---------------------|
| Other payables | Pangang Group Engineering Technology Co., Ltd. | | 2 |
| Other payables | Anshan Iron and Steel Group Refractories Co., Ltd. | | 1 |
| Other payables | Anshan Iron and Steel | | 1 |
| Other payables | Angang Automobile Transportation Co., Ltd. | | 1 |
| Other payables | Other Related Parties | 1 | 2 |
| Total | | 427 | 345 |
| Contract liabilities | Delin Lugang Supply Chain Service Co., Ltd. | 682 | 357 |
| Contract liabilities | Angang Group Zhongyuan Industry Development Co., Ltd. | 114 | 69 |
| Contract liabilities | ANSC-TKS | 77 | 101 |
| Contract liabilities | Angang Group Engineering Technology Development Co., Ltd. | 33 | 42 |
| Contract liabilities | Falan Packing | 29 | 6 |
| Contract liabilities | China Ordnance Materials Group Co., Ltd. | | 21 |
| Contract liabilities | Anshan Iron and Steel | 23 | 1 |
| Contract liabilities | Angang International Trade | 11 | 13 |
| Contract liabilities | AISSG | 11 | |
| Contract liabilities | Angang Group Mining Co., Ltd. | 10 | 5 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021 | 31 December 2020 |
|----------------------|---|---------------------|---------------------|
| Contract liabilities | Angang Steel Casting Co., Ltd. | 7 | |
| Contract liabilities | Guangzhou Automobile Steel | 5 | |
| Contract liabilities | Angang Group Engineering Technology Co., Ltd. | 5 | |
| Contract liabilities | Angang Automobile Transportation Co., Ltd. | 4 | |
| Contract liabilities | Pangang Group Jiangyou Great Wall Special Steel Co., Ltd. | 3 | 6 |
| Contract liabilities | Pangang Group International Economic and Trade Co., Ltd. | 2 | 6 |
| Contract liabilities | Angang Electric Co., Ltd. | 2 | |
| Contract liabilities | Angang Group Dalian Technology Creativity Co., Ltd. | 2 | |
| Contract liabilities | Nansha Logistical | 1 | 68 |
| Contract liabilities | Meizhou Motor Company | 1 | 1 |
| Contract liabilities | Anshan Jidong Cement Co., Ltd. | 1 | |
| Contract liabilities | Anshan Iron and Steel Group Refractories Co., Ltd. | 1 | |
| Contract liabilities | Other Related Parties | 1 | 2 |
| Total | | 1,025 | 698 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 2021 | 31 December 2020 |
|--------------------------|---|---------------------|---------------------|
| Other non-current assets | Angang Group Engineering Technology Co., Ltd. | 438 | |
| Other non-current assets | Angang International Trade | 191 | 226 |
| Other non-current assets | Angang Group Information Industry Co., Ltd. | 41 | 102 |
| Other non-current assets | Angang Group Engineering Technology Development Co., Ltd. | 31 | 517 |
| Total | | 701 | 845 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

12. Share-based payment (Continued)

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

On December 10, 2021, the Company held the eighth session of the fifty-fourth meeting of the board of directors, deliberated and approved the "On the grant of reserved partial restricted stock to incentive objects". According to "the Measures for The Administration of Equity Incentives of Listed Companies", the relevant provisions of the 2020 incentive plan and the authorization of the 2020 Third Extraordinary General Meeting of Shareholders held by the Company, the board of directors believed that the conditions for the award of the incentive plan have been met, and determined that December 10, 2021 will be the reserved grant date, and 5.3662 million restricted shares will be granted to 38 incentive objects at a price of RMB2.31 per share. On the same day, upon deliberation and approval by the board of directors, part of the 8 incentive objects first granted by the 2020 incentive plan have cancelled or terminated their labor relations with the company due to job transfer, and no longer meet the incentive conditions. The Company intends to repurchase and cancel 2.23 million A-shares of restricted stock held by the above incentive objects. The repurchase price is RMB1.88 per share (the repurchase price is calculated based on the grant price plus the interest of bank fixed deposit in the same period), and the total amount of this repurchase is RMB4 million. The above-mentioned restricted shares for repurchase were transferred to the special securities account for repurchase opened by the company, and cancelled after being reviewed and approved by the general meeting of shareholders on January 6, 2022. After the cancellation, the company reduced the company's share capital and capital reserve by RMB2 million and RMB2 million respectively, and reduced treasury shares by RMB4 million.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

12. Share-based payment (Continued)

12.2 Overview

The total amount of various equity instruments granted by the company in the current period (10,000 shares) 5,204

The total amount of various equity instruments exercised by the company in the current period (10,000 shares) 0

The total amount of various equity instruments expired in the current period (10,000 shares) 223

Among them, the introduction of share-based payment settled by equity:

Determination method of fair value of equity instruments on grant date Based on the market value of shares granted to Japanese companies

Determination basis for the number of exercisable equity instruments Estimated and determined according to the performance conditions of each unlocking period specified in the restricted stock plan

Reasons for the significant differences between the current estimates and the previous estimates None

Total employee services in exchange for share-based payments 73

Accumulated amount of equity-settled share-based payment included in capital reserve 22

Total expenses recognized for equity-settled share-based payments in the current period 22

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

13. Commitments and contingencies

13.1 Significant commitments

| Items | 31 December 2021 | 31 December 2020 |
|--|---------------------|---------------------|
| Investment contracts entered but not yet performed or performed partially | 1,200 | 14 |
| Construction and renovation contracts entered but not yet performed or performed partially | 2,448 | 4,279 |
| Total | 3,648 | 4,293 |

13.2 Contingencies

As of 31 December 2021, there are no contingencies that need to be disclosed.

14. Subsequent events

14.1 Reduction of registered capital

The company held a general meeting of shareholders on January 6, 2022, and passed the "Proposal on the Repurchase and Cancellation of Restricted Shares that have been granted to Some Incentive Objects of the 2020 Restricted Stock Incentive Plan but have not yet been released from restricted sales", "Proposal on Changing the Registered Capital of The Company and Corresponding Amendments to the <Articles of Association> And other motions. According to the provisions of the 2020 incentive plan and relevant laws and regulations, the 8 original incentive objects granted by the 2020 incentive plan for the first time no long meet the incentive conditions, and the company will repurchase and cancel all the restricted shares that have been granted but have not been released from restricted sales, with a total of 2,229,750 shares. After the completion of the repurchase and cancellation, the total share capital of the company will be reduced from 9,405,250,201 shares to 9,403,020,451 shares, and the registered capital will be reduced from 9,405,250,201 yuan to 9,403,020,451 yuan.

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

14. Subsequent events (Continued)

14.2 Acquisition of the Second Power Plant

In order to improve energy guarantee capabilities, reduce production and operation costs, and continuously enhance the company's comprehensive competitiveness. On December 30, 2021, the Company signed an agreement with Anshan Iron and Steel on the acquisition of relevant assets of the Second Power Plant affiliated to Anshan Iron and Steel. The valuation base date of October 31, 2021, the book value of the net assets of the Second Power Plant was 1,035 million yuan, and the assessed value was 1,126 million yuan. Both parties agree and confirm that the asset delivery date is January 1, 2022, and Anshan Iron and Steel will enjoy or undertake the increase in net assets due to the realization of profits and other reasons or the decrease in net assets due to operating losses and other reasons during the transition period.

15. Other significant introductions

As of 31 December 2021, there are no other significant introductions that need to be disclosed

16. Notes to parent company financial statements

16.1 Accounts Receivable

16.1.1 Classification of Accounts Receivable

| Items | 31 December 2021 | | | | Net Book Value |
|---|------------------|----------------|--------------------|----------------|----------------|
| | Book Value | | Bad Debt Provision | | |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Accounts receivable subject to separate assessment for bad debts provision | 1,018 | 38.08 | 815 | 80.06 | 203 |
| Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination | 1,655 | 61.92 | 2 | 0.12 | 1,653 |
| Risk group combination on the basis of aging-matrix | 1,130 | 42.27 | | | 1,130 |
| | 525 | 19.65 | 2 | 0.38 | 523 |
| Total | 2,673 | 100.00 | 817 | 30.56 | 1,856 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

16. Notes to parent company financial statements (Continued)

16.1 Accounts Receivable (Continued)

16.1.1 Classification of Accounts Receivable (Continued)

| 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 |

16.1.2 Accounts receivable subject to separate assessment for bad debts provision

| Debtors | 31 December 2021 | | | |
|--|------------------|------------|----------------|--|
| | Book Value | Bad Debt | | Reason |
| | | Provision | Percentage (%) | |
| Department of Property and Finance | 604 | 485 | 80.30 | Notes overdue |
| HNA Finance Department | 270 | 230 | 85.19 | Notes overdue |
| Lifan Finance | 77 | 34 | 44.16 | 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 | 1,018 | 815 | -- | |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

16. Notes to parent company financial statements (Continued)

16.1 Accounts Receivable (Continued)

16.1.3 Accounts Receivable classified by ageing

| Ageing | 31 December 2021 | 31 December 2020 |
|---------------|-----------------------------|---------------------|
| Within 1 year | 1,609 | 2,212 |
| 1 to 2 years | 10 | 963 |
| 2 to 3 years | 956 | 13 |
| 3 to 4 years | 6 | 14 |
| 4 to 5 years | 12 | 15 |
| Over 5 years | 80 | 77 |
| Total | 1,609 | 2,212 |

Note: In the above analysis, the ageing of accounts receivable transferred from overdue notes receivable is calculated on the transfer date. The amount of accounts receivable due within 1 year is RMB5 million, and the amount due in 2–3 years is RMB946 million. Meanwhile, the rest of accounts receivable are based on the invoice date.

16.1.4 Bad debt provision at the end of the period

| Type | 31 December 2020 | Increase/Decrease | | 31 December 2021 |
|------------------------|---------------------|-----------------------|---------------------------|---------------------|
| | | Bad debt provision | Resale or verification | |
| Accounts receivable | 727 | 90 | | 817 |

16.1.5 Accounts receivable written off this period

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

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

16. Notes to parent company financial statements (Continued)

16.1 Accounts Receivable (Continued)

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 RMB1,807 million as of 31 December 2021, which accounted for 67.79% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB715 million as of 31 December 2021.

16.1.7 Accounts receivable derecognized resulting from transfer of financial assets.

In 2021, the Group transferred accounts receivable of RMB1,872 million without recourse, and incurred related expenses of RMB22 million for derecognition this year.

16.2 Other receivables

| Items | 31 December 2021 | 31 December 2020 |
|----------------------|---------------------|---------------------|
| Dividends receivable | | |
| Other receivables | 82 | 102 |
| Total | 82 | 102 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

16. Notes to parent company financial statements (Continued)

16.2 Other receivables (Continued)

16.2.1 Other receivables

16.2.1.1 Classification of other receivables

| Items | 31 December 2021 | | | | Net Book Value |
|--|------------------|----------------|--------------------|----------------|----------------|
| | Book Value | | Bad Debt Provision | | |
| | Amount | Percentage (%) | Amount | Percentage (%) | |
| Other receivables subject to separate assessment for bad debts provision | | | | | |
| Other receivables for which bad debt is prepared based on group combination including: Risk-free group combination | 85 | 100.00 | 3 | 3.53 | 82 |
| Risk group combination on the basis of aging-matrix | 36 | 42.35 | | | 36 |
| | 49 | 57.65 | 3 | 6.12 | 46 |
| Total | 85 | 100.00 | 3 | 3.53 | 82 |

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

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

16. Notes to parent company financial statements (Continued)

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

16.2.1.2 Other receivables classified by the nature

| Type | 31 December 2021 | 31 December 2020 |
|---------------------------------------|---------------------|---------------------|
| Petty cash | 4 | 5 |
| Money lent to subsidiary | 36 | 51 |
| The remaining factoring receivable | 25 | 44 |
| Industrial injury loan | 13 | |
| Others | 7 | 3 |
| Total | 85 | 103 |

16.2.1.3 Other receivables classified by ageing

| Ageing | 31 December 2021 | 31 December 2020 |
|---------------|---------------------|---------------------|
| Within 1 year | 81 | 48 |
| 1 to 2 years | 1 | 41 |
| 2 to 3 years | | 10 |
| 3 to 4 years | | 1 |
| 4 to 5 years | | 3 |
| Over 5 years | 3 | |
| Total | 85 | 103 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

16. Notes to parent company financial statements (Continued)

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

16.2.1.4 The recognition of bad debt provision

| | The first stage | The second stage | The third stage | Total |
|-----------------------------|--|---|---|-------|
| | Expected credit losses within the next 12 months | Expected credit losses for the entire duration of the period (no credit impairment) | Expected credit losses for the entire duration of the period (credit impairment has occurred) | |
| Balance at 1 January 2021 | | 1 | | 1 |
| Bad debt provision | | (1) | 3 | 2 |
| Reverse | | | | |
| Resale or verification | | | | |
| Write off | | | | |
| Other changes | | | | |
| Balance at 31 December 2021 | | | 3 | 3 |

16.2.1.5 Bad debt provision at the end of the period

| Type | 31 December 2020 | Increase/Decrease | | 31 December 2021 |
|-------------------|------------------|--------------------|------------------------|------------------|
| | | Bad debt provision | Resale or verification | |
| Other receivables | 1 | 2 | | 3 |

16.2.1.6 The condition of other receivables of the top five debtors by the balances at the end of the period

The total amount of top five other receivables according to closing balance of debtors of the Group was RMB50 million at 31 December 2021, which accounted for 58.82% 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

16. Notes to parent company financial statements (Continued)

16.3 Long-term equity investment

16.3.1 Classification of long-term equity investment

| Items | 31 December 2021 | | | 31 December 2020 | | |
|--|------------------|--------------------------|---------------|------------------|--------------------------|---------------|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Investments in subsidiaries | 9,890 | | 9,890 | 9,683 | | 9,683 |
| Investments in joint ventures and associates | 3,036 | | 3,036 | 2,929 | | 2,929 |
| Total | 12,926 | | 12,926 | 12,612 | | 12,612 |

16.3.2 Investments in subsidiaries

| The invested entity | 31 December 2020 | Increment | Decrement | 31 December 2021 | 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 | 321 | | | 321 | | |
| Shanghai Trade | 303 | | | 303 | | |
| Tianjin Trade | 203 | | | 203 | | |
| Guangzhou Trade | 315 | | | 315 | | |
| Angang Shenyang | 151 | 30 | | 181 | | |
| Angang Tianjin | 27 | | | 27 | | |
| Angang Dalian | 266 | | | 266 | | |
| Ningbo Trade | 100 | | | 100 | | |
| yantai Trade | 200 | | | 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 | 177 | | 2,677 | | |
| FAW Angang | 119 | | | 119 | | |
| Angang Parts | 50 | | | 50 | | |
| Delin Zhilian | 55 | | | 55 | | |
| Angang Hangzhou | 60 | | | 60 | | |
| Total | 9,683 | 207 | | 9,890 | | |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

16. Notes to parent company financial statements (Continued)

16.3 Long-term equity investment (Continued)

16.3.3 Investments for the joint ventures and associates

Please refer to Note 6.10 (excluding Zhong'an Water).

16.4 Operating income and operating cost

16.4.1 Classified by production

| Items | This period | | Last period | |
|-----------------|-------------|---------|-------------|--------|
| | Income | Cost | Income | Cost |
| Prime operating | 121,613 | 111,819 | 91,459 | 86,864 |
| Other operating | 665 | 445 | 305 | 277 |
| Total | 122,278 | 112,264 | 91,764 | 87,141 |

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 | 116,773 | 88,864 |
| Foreign exchange income from outside borders | 5,505 | 2,900 |
| Total | 122,278 | 91,764 |

16.4.3 Classified by the time when the revenue is confirmed

| Items | This period | Last period |
|------------------------------|-------------|-------------|
| Confirmed at a certain point | 122,278 | 91,764 |
| Total | 122,278 | 91,764 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

16. Notes to parent company financial statements (Continued)

16.5 Investment income

| Items | This period | Last period |
|---|-------------|-------------|
| Long-term equity investment income measured at cost method | 1,060 | 448 |
| Long-term equity investment income measured at equity method | 251 | 190 |
| Investment income of other investments in equity instruments | 13 | 21 |
| Total | 1,324 | 659 |

17. Net current assets

| Items | 31 December 2021 | 31 December 2020 |
|----------------------------------|---------------------|---------------------|
| Current assets | 32,423 | 23,016 |
| Less : Current liabilities | 30,550 | 27,702 |
| Net current assets/(liabilities) | 1,873 | (4,686) |

18. Total assets less current liabilities

| Items | 31 December 2021 | 31 December 2020 |
|---------------------------------------|---------------------|---------------------|
| Total assets | 97,526 | 88,046 |
| Less: Current liabilities | 30,550 | 27,702 |
| Total assets less current liabilities | 66,976 | 60,344 |

Notes to Financial Statements (Continued)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

19. Supplementary documents

19.1 Non-recurring gains and losses

| Items | This period | Last period |
|--|-------------|-------------|
| Gains and losses from disposal of non-current assets | (33) | (78) |
| Government grant recorded into profit and loss for current period except that relevant to enterprise operation and in compliance with government policies | 43 | 66 |
| Changes in the fair value of trading financial assets (Liabilities) | 9 | (4) |
| Other non-current liabilities-part of embedded derivative financial instruments, derivative financial liabilities-changes in fair value of foreign exchange swap contracts | (55) | 14 |
| Other non-operating income and loss not listed above | 15 | 6 |
| Subtotal | (21) | 4 |
| Less: Effect on taxation | (5) | 1 |
| Effect on minority interest (after tax) | | |
| Total | (16) | 3 |

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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

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 | 12.26 | 0.736 | 0.720 |
| Net profit (exclusive of non-operating profit) attributable to ordinary shareholders | 12.29 | 0.738 | 0.722 |

The above data is calculated using the following formula:

(1) Weighted average return on equity

$$\text{Weighted average return on equity} = P0 / (E0 + NP \div 2 + E_i \times M_i \div M0 - E_j \times M_j \div M0 \pm E_k \times M_k \div M0)$$

P0 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; E0 corresponds to the net assets at the beginning of the period attributable to the ordinary shareholders of the company; Ei 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; Ej corresponds to the net assets attributable to ordinary shareholders of the company, such as repurchase or cash dividends during the reporting 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; Ek corresponds to the change or decrease in net assets attributable to ordinary shareholders of the company due to other transactions or events; Mk 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)

As at 31 December 2021 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

19. Supplementary documents (Continued)

19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

(2) Basic earnings per share

$$\text{Basic earnings per share} = P0 \div S, S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$$

P0 corresponds to the net profit attributable to ordinary shareholders of the company or net profit attributable to ordinary shareholders after deducting non-recurring gains and losses; S corresponds to the weighted average number of ordinary shares outstanding; S0 corresponds to the total number of shares at the beginning of the period; S1 is the increase in the number of shares due to the conversion of public reserve funds into share capital or stock dividends during the reporting period; Si refers to increasing the number of shares due to the issuance of new shares or debt-to-equity swaps during the reporting period; Sj refers to the number of shares reduced due to repurchase during the reporting period; Sk refers to the number of share compressing in the report period; M0 corresponds to the number of months in the reporting period; Mi corresponds to the cumulative number of months from the next month of the new net assets to the end of the reporting period; Mj is the cumulative number of months from the second month of the net assets reduction to the end of the reporting period.

(3) Diluted earnings per share

$$\text{Diluted earnings per share} = P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Weighted average number of common shares increased by warrants, share options, convertible bonds, etc.})$$

P1 refers to the net profit attributable to the ordinary shareholders of the company or the net profit attributable to the ordinary shareholders of the company after deducting non-recurring gains and losses, and considering the impact of diluted potential ordinary shares, adjusted according to the ASBE and relevant regulations. In calculating the diluted earnings per share, the company should consider the effect of all diluted potential ordinary shares on the net profit attributable to the company's common shareholders or the net profit attributable to the company's common shareholders and the weighted average number of shares after deducting non-recurring gains and losses. Diluted earnings per share are included in descending order of dilution until the diluted earnings per share reaches a minimum.

Five-Year Summary

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|-------------------|----------------|---------|---------|---------|--------|
| Operating income | 136,674 | 100,903 | 105,587 | 105,157 | 91,683 |
| Net profit | 6,959 | 1,996 | 1,760 | 7,952 | 6,645 |
| Total assets | 97,526 | 88,046 | 87,808 | 90,024 | 94,886 |
| Total liabilities | 37,334 | 34,188 | 35,260 | 37,559 | 42,174 |
| Net assets | 60,192 | 53,858 | 52,548 | 52,465 | 52,712 |

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 announcement, the following expressions shall have the following meanings unless the context requires otherwise:

| | |
|--|---|
| “Company” or “Angang Steel” | Angang Steel Company Limited* (鞍鋼股份有限公司) |
| “Corporate Governance Code” | Appendix 14 of the Hong Kong Stock Exchange Listing Rules |
| “Group” | Angang Steel Company Limited* and its subsidiaries |
| “Angang Holding” | Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司), the controlling shareholder of the Company |
| “Anshan Iron & Steel Group Complex” | Angang Holding and the companies in which it holds 30% or above interests (excluding the Group) |
| “Angang” | Angang Group Company Limited* (鞍鋼集團有限公司), the ultimate controlling shareholder of the Company |
| “Angang Group” | Angang and the companies held by it as to 30% or more (excluding the Group) |
| “Angang Financial Company” | Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司) |
| “Pangang Vanadium & Titanium” | Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團鈮鈦資源股份有限公司) |
| “Pangang Vanadium & Titanium Group” | Pangang Vanadium & Titanium and its subsidiaries |
| “Reporting Period” | the year ended 31 December 2021 |
| “Supply of Materials and Services Agreement (2019–2021)” | the Supply of Materials and Services Agreement (2019–2021) entered into between the Company and Angang on 16 October 2018, which was approved at the third extraordinary general meeting of the Company in 2018 |
| “Supply of Materials Agreement (2019–2021)” | the Supply of Materials Agreement (2019–2021) entered into between the Company and Pangang Vanadium & Titanium on 16 October 2018, which was approved at the third extraordinary general meeting of the Company in 2018 |

Definitions (Continued)

| | |
|---|---|
| “Financial Service Agreement (2019–2021)” | the Financial Service Agreement (2019-2021) entered into between the Company and Angang Financial Company on 16 October 2018, which was approved at the third extraordinary general meeting of the Company in 2018 |
| “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) |
| “Supplemental Agreement of the Continuing Connected Transaction Agreements” | the Supplemental Agreement of the Supply of Materials and Services Agreement (2021) entered into between the Company and Angang on 11 October 2021, which was approved at the second extraordinary general meeting of the Company in 2021 |
| “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) |
| “Chaoyang Iron and Steel” | Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司) |
| “Chemical Technology” | Angang Chemical Technology Co., Ltd.* (鞍鋼化學科技有限公司) |
| “Energy Technology” | Angang Energy Technology Co., Ltd.* (鞍鋼能源科技有限公司) |
| “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 Beijing Research Institute” | Angang Group Beijing Research Institute Co., Ltd. *(鞍鋼集團北京研究院有限公司) |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange 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 |
| “PRC” | the People’s Republic of China (for the purpose of this announcement, excluding the Hong Kong and Macau special administrative regions) |

Documents Available for Inspection

1. Financial statements signed by the Responsible Officer, Chief Accountant and Person-in-charge of the accounting firm and with seal affixed.
2. Original of the auditor's report sealed by accounting firms and signed and sealed by certified public accountants.
3. Originals of all documents and manuscripts of announcements disclosed by the Company during the Reporting Period.
4. Annual report of the Company disclosed on the HKEXnews website of the Hong Kong Stock Exchange.
5. The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited* situated at Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province.

Angang Steel Company Limited*

The Board

30 March 2022

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*