



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



2023
ANNUAL REPORT

* For identification purposes only

Contents

Corporate Profile	2
Summary of Accounting Figures and Financial Indicators	7
Chairman's Statement	12
Report of the Directors	24
Report of the Supervisory Committee	35
Discussion and Analysis of Operations	37
Corporate Governance	82
Environmental and Social Responsibilities	169
Significant Matters	175
Movement in Share Capital and Shareholders' Profile	200
Relevant Information on Bonds	217
Annual General Meeting	222
Auditor's Report	223
Five-Year Summary	416
Other Relevant Corporate Information	417
Definitions	418
Documents Available for Inspection	420

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

I. 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 reorganisation, 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 HKD1.63 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. The 285,505,400 shares issued in the domestic public offering commenced trading on 25 December 1997 on Shenzhen Stock Exchange. The 14,494,600 employees' shares placed to the employees of the Company commenced trading on Shenzhen Stock Exchange on 26 June 1998.

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)

I. 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 “鞍钢新轧钢股份有限公司” to “鞍钢股份有限公司”, while the Chinese short name was changed to “鞍钢股份” from “鞍钢新轧”, 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 “鞍钢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 “鞍钢JTC1” share warrants to other holders of A Shares. The “鞍钢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 “鞍钢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, matured for principal and interest repayment on 25 May 2023, and delisted on the Hong Kong Stock Exchange on the same day. No conversion of shares occurred as of the date of maturity.

Corporate Profile (Continued)

I. CORPORATE PROFILE (CONTINUED)

In June 2019, the Company issue shares to all shareholders by way of conversion of capital reserve into share capital on the basis of three (3) capitalisation shares for every ten(10) existing shares, and the share capital capitalised is 2,170,442,354 shares in aggregate. Upon capitalisation, 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.

In 2022, the Company repurchased and cancelled 2,229,750 restricted A shares 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.

In 2023, the Company repurchased and cancelled 19,168,479 restricted A shares in accordance with the "2020 Restricted Share Incentive Scheme of Angang Steel Company Limited (Draft)", and cancelled 408,623 residue inventory shares in the special securities account for the Company's repurchase. Upon completion of the cancellation, the Company's total shares was 9,383,851,972 shares, including 7,972,311,972 A shares and 1,411,540,000 H shares.

Corporate Profile (Continued)

II. CORPORATE INFORMATION

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

Corporate Profile (Continued)

III. CONTACT PERSONS AND CONTACT METHODS

	Company Secretary	Securities Affairs Representative
Name	Wang Baojun	Qu Shengyu
Address	Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC	Production Area of Angang Steel, Tie Xi 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	qushengyu@ansteel.com.cn

IV. 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

Whether the Company needs to retrospectively adjust or restate accounting data for previous years

Yes No

Reasons for retrospective adjustment: Change of accounting policy

Unit: RMB million

Item	2023	2022		Changes over the preceding year (%)	2021	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating income	113,502	131,072	131,072	-13.40	136,674	136,120
Operating profit	-4,149	-218	-218	-1,803.21	8,985	9,023
Total profit	-4,142	-269	-269	-1,439.78	8,920	8,959
Net profit attributable to shareholders of the Company	-3,257	156	108	-3,115.74	6,925	6,878
Net profit attributable to shareholders of the Company after extraordinary items	-3,315	11	-37	-8,859.46	6,941	6,855
Net cash flows from operating activities	1,579	6,139	6,139	-74.28	12,846	12,935
Basic earnings per share (RMB/share)	-0.347	0.017	0.011	-3,254.55	0.736	0.731
Diluted earnings per share (RMB/share)	-0.347	0.017	0.011	-3,254.55	0.720	0.711
Weighted average return on net assets (%)	-5.78	0.26	0.18	Decreased by 5.96 percentage points	12.26	11.98

Item	At the end of 2023	At the end of 2022		Changes over the preceding year (%)	At the end of 2021	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Total assets	97,014	96,935	96,991	0.02	97,526	98,738
Total liabilities	41,623	38,138	38,328	8.60	37,334	37,587
Owner's equity attributable to shareholders of the Company	54,704	58,140	58,006	-5.69	59,666	60,625
Gearing ratio (%)	42.90	39.34	39.52	Increased by 3.38 percentage points	38.28	38.07
Total share capital	9,384	9,403	9,403	-0.20	9,405	9,405

Summary of Accounting Figures and Financial Indicators (Continued)

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS (CONTINUED)

Note: Since 1 January 2023, the Company has implemented the stipulation of “the accounting processing of initial recognition exemption is not applicable to deferred income tax related to assets and liabilities arising from individual transactions” in the Interpretation No. 16 of Accounting Standards for Business Enterprises from Ministry of Finance. According to the stipulations regarding change of accounting policy, the financial data of 2022 and 2021 were subject to retrospective adjustment. In 2022, the Company acquired the net assets of Second Power Plant of Angang Holding and treated the transaction by following the principles for business combination involving entities under common control. In 2022, the Company made retrospective adjustments to the financial data of 2021 and 2020.

In recent three fiscal years of the Company, the lower of net profit before or after deducting non-recurring gain or loss was negative. Moreover, the auditor’s report for recent one year suggests that the Company’s ability to continue as a going concern is plagued by uncertainties.

Yes No

The lower of the net profits of the Company before and after non-recurring gains and losses are deducted is negative

Yes No

Unit: RMB million

Item	2023	2022	Notes
Operating income	113,502	131,072	–
Amount deducted from operating income	191	303	–
Amount of operating income after deduction	113,311	130,769	–

The Company’s total share capital as of 28 March 2024:

The Company’s total share capital (*shares*) 9,383,851,972

Fully diluted earnings per share calculated based on the latest share capital:

Preferred dividend paid	–
Interest on perpetual bond (<i>RMB</i>) paid	–
Fully diluted earnings per share calculated based on the latest share capital (<i>RMB/share</i>)	-0.347

Summary of Accounting Figures and Financial Indicators (Continued)

II. MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB million

Item	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating income	30,844	27,981	25,463	29,214
Net profit attributable to shareholders of the Company	-149	-1,197	-769	-1,142
Net profit attributable to shareholders of the Company after extraordinary items	-150	-1,205	-778	-1,182
Net cash flows from operating activities	2,556	-141	359	-1,195

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

Yes No

Summary of Accounting Figures and Financial Indicators (Continued)

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

Unit: RMB million

Items of Non-Recurring Gain or Losses	2023	2022	2021
1. Gains/losses from disposal and write-off of non-current assets	-22	-25	-33
2. Government grants included in profit or loss for the current period (except those closely related to the normal operation of the Company, in compliance with the national policy and by certain standards, which impose continuous impacts on the Company's profit or loss)	60	89	43
3. Changes in fair value of other non-current financial assets	6	-10	9
4. Changes in fair value of exchange rate swap contracts for other non-current liabilities – the part of embedded derivative financial instrument and derivative financial liabilities – as well as gains and losses from relevant disposal	-37	87	-55
5. Reversal of the allowance for impairment of receivables that is individually tested for impairment	19	64	
6. Net profit and loss of subsidiaries arising from business combination under common control from the initial period to the day of combination			39
7. Gain/Loss from debt restructuring	30		
8. Other non-operating revenue and expenses except those mentioned above	22	-12	15
Subtotal	78	193	18
Less: Effect on income tax	20	48	-5
Effect on minority interest (after tax)			
Total	58	145	23

Summary of Accounting Figures and Financial Indicators (Continued)

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

Details of other profit and loss items in line with the definition of non-recurring gains and losses:

Applicable Not applicable

There are no other profit and loss items in line with the definition of non-recurring gains and losses in the Company.

Note to defining the non-recurring gain and loss items listed in the Explanatory Notice of Information Disclosure by Companies Offering Securities to the Public No. 1–Extraordinary Gains and Losses as recurring profit and loss items

Applicable Not applicable

The Company involves no circumstances where the non-recurring gains and losses listed in the Explanatory Notice of Information Disclosure by Companies Offering Securities to the Public No. 1–Extraordinary Gains and Losses are defined as recurring gains and losses.

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 2023 and hereby extend my regards to all shareholders.



OPERATING RESULTS FOR 2023:

According to the PRC Accounting Standard for Business Enterprise (“PRC ASBE”), the Group recorded a net profit attributable to shareholders of the Company of -RMB3,257 million and basic earnings per share of -RMB0.347 for the year ended 31 December 2023. The adjusted net profit attributable to shareholders of the Company was RMB108 million and the adjusted basic earnings per share was RMB0.011 for the year ended 31 December 2022.

Chairman's Statement (Continued)

PROFIT DISTRIBUTION:

Net profit attributable to shareholders of the Company amounted to -RMB3,257 million for the year of 2023 in accordance with the PRC Accounting Standard for Business Enterprise, as audited and confirmed by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership). Due to the loss in 2023, the Company decided not to pay cash dividends, not to issue bonus shares, and not to convert capital reserves into shares. The proposal shall be subject to the approval by the 2023 annual general meeting.

BUSINESS REVIEW:

(I) Industry situation of the Company during the Reporting Period

In 2023, the national economy of the country showed an upward trend, creating a good external environment for steady operation of China's steel industry. Boosted by the country's policy for stabilising growth, infrastructure investment and manufacturing investment kept growing, while sluggish operation was seen in the real estate investment. According to statistics of the China Iron and Steel Association, the annual apparent consumption of steel (converted into crude steel) in 2023 was 933 million tons, down 3.4% year on year; domestic output of crude steel was 1,019 million tons without noticeable change year on year; the steel output was 1,363 million tons, up 5.2% year on year. The unbalance between supply and demand led to fluctuation and decline of steel price. Although the prices of raw materials and fuel dropped to some extent, the decline of cost could not make up for that of steel price. According to statistics of the China Iron and Steel Association, the procurement cost of imported fine ore for steel enterprises subject to prior statistics in China increased by 5.34% year on year; the average of China Steel Price Index (CSPI) dropped by 9.1% year on year. An operation status featuring "excess supply, declining steel price, high cost, and shrinking profit" was witnessed in the steel industry as a whole. The continuous decrease of profit for the steel industry imposed even heavier pressure on steel enterprises in production and operation.

Chairman’s Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

(I) Industry situation of the Company during the Reporting Period (Continued)

IRON ORE 62% FE, CFR CHINA and CSPI



Source: CISA statistics and Pratt’s report

In 2023, the Ministry of Industry and Information Technology and other six ministries and commissions jointly issued the “Plan for Steady Growth of Steel Industry”, which was conducive to stabilising industry operation, facilitating industry development, improving operation status and enhancing corporate confidence. In 2023, steady operation was sustained in the steel industry as a whole; the structure of types continued to be optimised; the guarantee capability of domestic mines was improved; transformation for ultra-low emission sped up noticeably; digital transformation and development of the steel industry proceeded at a faster pace; the investment in scientific research-based environmental protection continued to increase; innovation achievements emerged one after another; internal impetus for the steel industry’s green transformation continued to increase.

The Central Economic Work Conference put forward the requirement of “pursuing progress while ensuring stability, promoting stability with progress, and establishing targets first and making breakthroughs”, emphasised the focus on high-quality development, strengthened the counter-cyclical and cross-cyclical adjustments based on macro policies, continued to implement proactive fiscal policy and prudent monetary policy, and so on, which will help consolidate and enhance the upward trend of economy. It is expected that the sound and steady progress made in implementation of the country’s relevant policies and measures will have favorable impacts on the steel industry and relevant downstream industries.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

(II) The Main Business of the Company during the Reporting Period

The Company focused on steel as its main business and continued to optimise its industrial layout. In addition to three production bases in Anshan, Yingkou and Chaoyang, it established institutions of production, processing or sales service in Guangzhou, Shanghai, Tianjin, Shenyang, Dalian, Wuhan, Hefei, Zhengzhou and other cities, and conducted internationalised operation by virtue of overseas sales institutions of Angang Group, forming a cross-regional and multi-base industry development layout. The Company has been equipped with the production lines and supporting facilities for all steel production procedures, including coking, sintering, iron smelting, steel smelting, steel rolling, iron and steel products, railway transportation and energy power, as well as complete industrial chains of logistics, trade and steel processing service. With its primary equipment being advanced in the contemporary times, the Company has a relatively complete product series such as hot-rolled sheet, medium and heavy sheet, cold-rolled sheet, galvanised sheet, color-coated sheet, cold-rolled silicon steel, heavy rail and profiles, seamless steel pipe, and wire rods. The products have been widely applied in such industries as machinery, metallurgy, petroleum, chemical, coal, electric power, railway, ship, automobile, construction, home appliances, and aviation.

In 2023, despite the complicated and tough market situation, the Company maintained strategic focus as usual, continued to deepen reform and innovation, vigorously strengthened market development, deeply tapped the potential of systematic cost reduction, and advanced all tasks related to production and operation solidly and effectively.

1. Production and operation were managed steadily. The Company refined its production organisation, fully leveraged the strength of coordination and synergy among bases, proactively responded to market changes, enhanced synergy of production, sales and research, and optimised resources allocation with benefit as focus. Throughout the year, the output of iron, steel and rolled steel was 25,456,400 tons, 26,627,400 tons and 24,600,500 tons respectively, down 2.97%, up 0.15% and down 1.93%, respectively, over the previous year. Meanwhile, 24,854,900 tons of steel were sold, a decline of 3.72% over the previous year, elevating the current period inventory of steel to 101.03%. New breakthroughs were made in the production of non-oriented silicon steel for new energy vehicles, a leapfrog improvement was realised in the yield ratio of original types, and a record high was witnessed in both output and yield ratio. With the production of high magnetic induction-oriented silicon steel at a larger output and higher efficiency, the yield ratio increased steadily, realising a rise of 20% in output over the previous year.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

(II) The Main Business of the Company during the Reporting Period (Continued)

2. Cost reform was deepened continuously. Continuous efforts were made to further advance stricter benchmarking. The Company continuously optimise production and operation indicators and develop new paths to the lowest cost by improving the benchmarking system, finding out differences, determining measures, initiating projects, improving weak links and making up for disadvantages. Remarkable results were made in procurement reform. The Company continuously expanded procurement channels, persistently optimised procurement strategy, enhanced cost-effectiveness-based procurement, and conducted procurement at an appropriate frequency and in proper times, controlling the procurement cost effectively. Continuous improvement was made in logistics control capability. The Company effectively fulfilled responsibilities, connected various systems, served customers, and reduced costs, thereby making new breakthroughs in the leading logistics indicators such as logistics efficiency, fund occupancy, direct payment rate and natural wear and tear, which helped realise continuous reduction of logistics cost.

3. Marketing management was improved gradually. The Company played a role of marketing leader, constructed value creation models, continuously optimised the product mix, and increased the sales volume of products with high added value, thus improving its brand influence and competitiveness continuously. In 2023, the Company launched 52 new types of products, among which the proportion of flagship products was 4.05 percentage points higher than planned; the proportion of direct supply was nine percentage points higher than planned; the full-lifecycle agreement execution rate increased by 15.86 percentage points over the previous year; the sales volume of auto steel increased by 12.2% over the previous year; the sales volume of heavy rail increased by 14.85% over the previous year; the sales volume of oriented silicon steel, galvanised sheet for household electrical appliance, industrial pure iron and other products reached a record high. With its active efforts made to expand overseas sales channels, the number of export orders increased by 33.85% over the previous year. New breakthroughs were made in export of variety steel. The export of container steel, 50-metre cut-to-length heavy rail and EPS auto steel was realised for the first time.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

(II) The Main Business of the Company during the Reporting Period (Continued)

4. Breakthroughs were made in scientific and technological innovation. The Company deepened the construction of the “four innovation platforms” to improve the capacity for leadership of technological innovation. It optimised and improved the indicator system of Technology Leadership Programme Phase II with the industrial leadership as the purpose. The Company initiated 122 projects of Technology Leadership Programme Phase II and two lists of “leading researchers”. Revolving around technological development projects of steel for energy industry, low carbon, energy conservation, environmental protection, etc., the Company signed agreements on co-construction of joint laboratories respectively with relevant downstream users and scientific research institutions, and founded new alliances in joint efforts with eight research institutes, steadily pushing forward the pilot test base of high-quality steel and iron materials' preparation and application as well as the pilot test project of fluidised bed-based hydrogen iron smelting technology. The project of “development and industrialisation of key technology for steel used in third-generation super-large-capacity low-temperature pipelines” was granted the special prize of China Metallurgical Science and Technology Award. The Company's three products were included in the Catalog of Transformation and Application of Advanced Technical Products in Fundamental Fields by the Ministry of Industry and Information Technology. Its P690QL2 steel for cargo tanks of liquefied carbon dioxide transport vessels and other two products became the first ones of their kinds launched worldwide.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

(II) The Main Business of the Company during the Reporting Period (Continued)

5. The development of digital intelligence accelerated empowerment. Intelligent manufacturing was promoted in depth. In 2023, the rate of 3D post machine shift increased by 7.2%, the rate of procedure automation by 1.2%, and the rate of operation room centralisation by 5%. In 2023, the Company was granted eight demonstration pilots, application scenarios and excellent cases at the level of national ministries and commissions as well as seven provincial-level excellent demonstration cases, and took the lead in compilation of two industry standards for intelligent factories, marking its increasingly significant influence on the industry. The intelligent operation was improved in all aspects. Continuous efforts were made to improve the integrated management and control platform of intelligent operation and provide all-dimensional digital empowerment to the Company for improvement of its operation efficiency, which increased the inventory turnover rate by 3% and the in-time order delivery rate by 4%. The Company enhanced the support of the new-generation information technology for the customer service system, and continuously improved the customer service capability by optimising system functions and strengthening the construction of channels for major customers. Ansteel was recognised as a national “digital piloting enterprise” and included among demonstration pilots by the Ministry of Industry and Information Technology for six consecutive years. Specifically, “Ansteel data-driven whole-procedure intelligent iron and steel plant” was included among the demonstration intelligent plants by the Ministry of Industry and Information Technology.

Chairman's Statement (Continued)

BUSINESS REVIEW: (CONTINUED)

II. The Main Business of the Company during the Reporting Period (Continued)

6. Green and low-carbon development was advanced in a steady manner. The Company fulfilled the goal of dual carbon and the requirement for construction of a green Ansteel, and made all efforts to promote ultra-low emission transformation and clean production. A total of 152 ultra-low emission transformation projects were approved. The subsidiary in Bayuquan completed its whole-procedure ultra-low emission transformation and publicity of assessment and monitoring; Chaoyang Steel, whose all pre-assessment projects were approved, completed its interim assessment and transformation for clean transportation; Anshan Headquarters, whose all pre-assessment projects were approved, completed its interim assessment, prepared the clean transportation plan, and advanced implementation of the plan steadily. The emission of sulfur dioxide, nitrogen oxides, COD and ammonia nitrogen dropped by 28.2%, 21.9%, 2.2% and 60% respectively compared with the plan. As investment in relevant projects was increased, 21 energy conservation projects were approved and implemented in 2023, registering a total investment of RMB106 million. With the advancement of green energy's layout and application, the Coke Oven Gas-to-Liquefied Natural Gas (LNG) Co-Production Hydrogen Project in Bayuquan was implemented steadily; Chaoyang Steel's 5.4MW photovoltaic project of New Energy Power Generation Phase I has been put into operation. The subsidiary in Bayuquan was granted the title of "benchmark enterprise for green steel development".

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR:

I. Development strategy

The Company will continue to advance the “11361” development strategy, refine the strengths, make up for the shortcomings, and endeavour to improve its competitiveness, innovation, control, influence, and anti-risk capability. It will focus on one main task and philosophy of “intensive, reductive and intelligent @ customers” to realise high-quality development. Additionally, it will continue to optimise the layout of spaces, products and industries, speed up the improvement of such six capabilities as efficiency improvement, cost reform, service leadership, technology leadership, intelligent manufacturing and ecological integration, constantly enhance the core competitiveness of the Company in response to market changes, and build the Company into a listed company with excellent corporate citizen values and the most competitive “iron & steel flagship enterprise” in the industry.

II. 2024 business guidelines

The year 2024 is of critical significance for fulfilling the goals and tasks of the Company's “14th Five-Year Plan”. The Company will fully implement the guidelines put forward at the Party's 20th National Congress and Central Economic Work Conference, seek progress while maintaining stability, reinforce stability with progress, and establish the new before abolishing the old. It will accelerate transformation and innovation, improve development quality, and resolutely promote the development as a world-class enterprise.

1. To focus on reform empowerment and continue to deepen the reform of systems and mechanisms. The Company will speed up its refinement of the market-oriented operation mechanism, increase the enterprise's internal vitality, accelerate the efforts to promote iteration and upgrade of Chaoyang Steel's experience in reform, and magnify its leading and demonstration role. It will focus on the key points of three institutional reforms, and refine the income allocation mechanism that is more well-targeted, flexible, standardised and efficient. A differentiated assessment and evaluation will be embraced. According to the principle of “one policy for one enterprise” and “one strategy for one category”, the Company will adopt well-targeted incentives to spur the enterprise's internal dynamic and employees' passion for career.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR: (CONTINUED)

II. 2024 business guidelines (Continued)

2. To focus on innovation-driven development and leverage the role of science and technology in leadership and support. The Company will focus on the country's strategic demands and requirement for industrial upgrade, increase the efforts to overcome difficulties in critical core technologies, and concentrate efforts to conduct original and leading technological researches. It will continue to advance the Technology Leadership Programme and the technological excellence projects, enhance the in-depth integration between R&D and production, and speed up transformation of scientific and technological achievements to realistic productivity. The Company will actively participate in the construction of major innovation platforms of the country, and help build up national key laboratories by high standards. It will accelerate the development of high-calibre innovation talents, and cultivate a full-participation innovation and benefit-making culture.
3. To focus on cost reform and realise optimal efficiency and benefit. The Company will construct an "all-dimensional, whole-procedure and full-coverage" budget performance management system and leverage the role of overall budget management as a "baton". It will continue to conduct stricter benchmarking, concentrate on gaps and weaknesses, stay committed to the target-oriented approach, enhance implementation of relevant measures, and deeply tap the effectiveness of lean management. With efficient linkage as the core, the Company will take multiple measures, including optimising process design, intensifying the interconnection between processes, making logistics paths smoother, refining procurement strategy and enhancing energy conservation management, at the same time to promote systematic cost reduction.
4. To focus on brand building and continue to improve market competitiveness. The Company will stay committed to a market-oriented and customer-centric approach, and develop an array of branded products such as silicon steel, medium and heavy sheet, heavy rail and auto steel in priority through professional division of labour among product lines and optimisation and upgrade of product mix. It will enhance the whole-process quality control and improve its brand influence with excellent products. The Company will strengthen marketing service, provide customers with customised service, deepen full-lifecycle management of contracts, continue to optimise the three-tier service system, and improve brand affinity and customer satisfaction with premium service. It will refine the value creation model, enhance effective connection of sales, R&D and production, and shape new driving force and new advantages for corporate development and customer services.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR: (CONTINUED)

II. 2024 business guidelines (Continued)

5. To focus on digital and intelligent empowerment and continue to advance corporation transformation and upgrade. With the digital and intelligent empowerment being taken as the key point in improvement of corporate core competitiveness, the Company will reinforce lean foundation, strengthen standardised operation, consolidate basis of automation, improve effectiveness of information technology, expand digital application and advance intelligent decision-making, so as to construct a whole-value-chain digital and intelligent management system. It will promote lean operation, digital industrial upgrade and tapping of data value, solidify the cybersecurity protection system, and empower corporate development with lean digital and intelligent transformation.
6. To focus on green and low-carbon development and improve corporate capability of sustainable development. The Company will firmly establish the concept of green development, continue to refine the system to advance work related to "dual carbon", further improve low-carbon plans, and engage in R&D and application of low-carbon metallurgical technology, exploring green and low-carbon production paths. It will actively promote optimal effectiveness, speed up the popularisation and application of cutting-edge energy conservation technologies, and advance the construction of "demonstration plants as effectiveness benchmarks". The Company will advance the ultra-low emission transformation at a faster pace, make all efforts to elevate the performance of the subsidiary in Bayuquan in environmental protection to "A", and help Chaoyang Steel complete its transformation publicity. It will promote the combination between industrial upgrade and green transformation, and give priority to increase of production capacity of oriented silicon steel, effectiveness improvement and transformation of steel smelting 2# production line and other projects with high effectiveness and added value.
7. To focus on risk prevention and control and consolidate the foundation for high-quality corporate development. The Company will enhance fund management, expand low-cost financing channels, and strengthen the balanced management and control of "two funds", so as to improve capital efficiency and financial guarantee capability. It will deepen the integrated development of law, compliance and risk control, continue to optimise the compliant operation and guarantee mechanism, and facilitate the unlocking of compliance management effectiveness. The Company will continue to improve and refine the safe production responsibility system, conduct "potential hazard elimination" campaign in depth, further strengthen the foundation for essential safety, and improve safety management on all fronts.

Chairman's Statement (Continued)

DEVELOPMENT PLAN FOR THE NEW YEAR: (CONTINUED)

III. PLANS FOR FUNDING REQUIREMENTS

In 2024, the proposed investments for fixed assets and external investments of the Company will amount to RMB4,205 million, and the sources of funding for the Company mainly include internal fund, supplemented by bank loans and issuing bonds.

Wang Jun *Chairman*

Anshan, China
28 March 2024

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements for the year ended 31 December 2023.

I. PRINCIPAL BUSINESSES

(1) Composition of operating income

Unit: RMB million

	2023		2022		Year-on-year increase/ decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total operating income	113,502	100	131,072	100	-13.40
By industry					
Steel rolling and processing industry	113,311	99.83	130,769	99.77	-13.35
Others	191	0.17	303	0.23	-36.96
By product					
Steel products	102,576	90.37	118,482	90.39	-13.42
Others	10,926	9.63	12,590	9.61	-13.22
By geographical location					
China	106,342	93.69	125,013	95.38	-14.94
Export sales	7,160	6.31	6,059	4.62	18.17
By sales model					
Direct selling	51,124	45.04	60,260	45.97	-15.16
Distributorship	62,378	54.96	70,812	54.03	-11.91

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	113,311	113,874	-0.50	-13.35	-10.85	-2.83
By product						
Hot-rolled sheets products	32,750	33,188	-1.34	-12.39	-8.83	-3.96
Cold-rolled sheets products	39,057	38,437	1.59	-10.01	-8.80	-1.30
Medium and heavy sheets	20,515	20,489	0.13	-20.59	-18.92	-2.05
By geographical location						
China	106,151	106,804	-0.62	-14.88	-12.48	-2.76
Export sales	7,160	7,070	1.26	18.17	24.27	-4.85
By sales model						
Direct selling	50,935	51,274	-0.67	-15.05	-12.11	-3.36
Distributorship	62,376	62,600	-0.36	-11.91	-9.78	-2.37

In case of adjustment in statistical scope of principal businesses of the Company during the Reporting Period, the principal business data of the Company in the latest year according to adjusted scope 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	2023		2022		Year-on-year increase/decrease in operating costs (percentage point)
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Steel rolling and processing industry	Raw materials and fuel	89,483	78.58	104,800	82.05	-3.47
	Others	24,391	21.42	22,927	17.95	3.47
	Total	113,874	100.00	127,727	100.00	-

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

Applicable Not applicable

1. This year, Angang Steel Technology and Development Co., Ltd. (hereinafter referred to as "Technology and Development"), a wholly-owned subsidiary of the Company, was divided into Anshan Steel (Liaoning) Material Technology Co., LTD (hereinafter referred to as "Materials Technology") and Technology and Development. Technology and Development was renamed as Liaoning Jinsuoju Material Technology Co., Ltd. (hereinafter referred to as "Jinsuoju").
2. This year, the Company deregistered Delin Zhilian (Anshan) Co., Ltd. (hereinafter referred to as "Delin Zhilian"), a subsidiary of the Company.
3. This year, Angang Chemical Technology Co., Ltd. (hereinafter referred to as "Chemical Technology"), a subsidiary of the Company, established Sichuan Lüxinding Carbon Industry Co., Ltd. (hereinafter referred to as "Lüxinding") as its new subsidiary.

Report of the Directors (Continued)

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

Applicable Not applicable

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

Net profit attributable to shareholders of the Company amounted to -RMB3,257 million for the year of 2023 in accordance with the PRC Accounting Standard for Business Enterprise, as audited and confirmed by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership). Due to the loss in 2023, the Company decided not to pay cash dividends, not to issue bonus shares, and not to convert capital reserves into shares. The proposal shall be subject to the approval by the 2023 annual general meeting.

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 calendaring process	8,000	6,704	4,351	7,331	-322	-275

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

Name of company	Means of acquisition and disposal of subsidiary during the Reporting Period	Effect on overall business operation and results
Materials Technology	Separate and newly established	No significant impact
Lüxinding	Newly established	No significant impact
Delin Zhilian	De-registered	No significant impact

Report of the Directors (Continued)

VI. MAJOR CUSTOMERS AND SUPPLIERS

Sales to major customers of the Company

Total sales amount of the top five customers (<i>RMB million</i>)	45,235
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	39.93
Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year (%)	39.93

Top five customers of the Company

No.	Name	Sales amount (<i>RMB million</i>)	Proportion of sales amount over total sales amount for the year (%)
1	Customer A	16,161	14.26
2	Customer B	12,244	10.81
3	Customer C	8,971	7.92
4	Customer D	4,405	3.89
5	Customer E	3,454	3.05
Total		45,235	39.93

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>)	42,357
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	47.40
Proportion of procurement from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%)	38.20

Top five suppliers of the Company

No.	Supplier name	Purchase amount (<i>RMB million</i>)	Proportion of purchase amount over total purchase amount for the year (%)
1	Supplier A	15,937	17.84
2	Supplier B	15,519	17.37
3	Supplier C	4,433	4.96
4	Supplier D	3,793	4.24
5	Supplier E	2,675	2.99
Total		42,357	47.40

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

In 2023, save as disclosed in this annual report, none of the Directors, Supervisors and their associates nor any shareholders (who to the knowledge of the Directors hold 5% or more of the shares of the Company) had any interest in any of the top five suppliers or top five customers of the Company.

Report of the Directors (Continued)

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

VIII. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

On 10 February 2023, the Company completed the repurchase and cancellation of 2,040,931 restricted shares granted but not yet released from restricted sales to 12 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. On 21 July 2023, the Company completed the repurchase and cancellation of 1,128,370 restricted shares granted but not yet released from restricted sales to 12 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. On 19 December 2023, the Company completed the repurchase and cancellation of 15,590,555 restricted shares held by 197 original incentive recipients at the Shenzhen Branch of China Securities Depository and Clearing Limited that had been granted but had not yet been released. For the movement in share capital related to the incentive scheme, please refer to “Corporate Governance” in this annual report.

On 25 May 2018, the Company issued HKD1,850,000,000 zero-coupon convertible bonds on the Hong Kong Stock Exchange. The convertible bonds were listed and traded on the Hong Kong Stock Exchange on 28 May 2018, and will mature on 25 May 2023. According to the relevant terms of the bond issuance, the company redeemed the remaining principal amount of HKD1,818,000,000 bonds on the maturity date of the convertible bonds on 25 May 2023, and the convertible bonds have been fully redeemed. By the maturity date, there has been no conversion of the above bonds.

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.

Report of the Directors (Continued)

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 2023.

XI. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

XII. INDEMNITY PROVISIONS

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

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

The Directors confirmed that there was no matter occurring in 2023 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.

Report of the Directors (Continued)

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 VI.13 to the financial statements on pages 323 to 324 of this annual report.

XVI. OPERATING RESULTS

The results of the Company for the year ended 31 December 2023 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 VI.35 to the financial statements on page 345 of this annual report.

XVIII. RESERVES

Changes in the reserves are set out in note VI.39 to the financial statements on page 347 of this annual report.

XIX. DONATIONS

During the Reporting Period, the total amount of donations made by the Group was RMB16.401 million. For details of the donations and subsidies, please refer to the section of Significant Matters/Social Responsibilities in this annual report.

Report of the Directors (Continued)

XX. EMPLOYEE RETIREMENT SCHEME

Details of the employee retirement scheme of the Company are set out in note VI.24 to the financial statements on page 335 to page 336 of this annual report.

XXI. CONTINUING CONNECTED TRANSACTIONS

Details of continuing connected transactions of the Company for the year are set out on page 187 to page 198 and on page 378 to page 395 of this annual report.

The related-party transactions disclosed in note XIII.5.(1)-(4) to the financial statements of this annual report also constitute connected transactions or continuing connected transactions defined in Chapter 14A of the Hong Kong Stock Exchange Listing Rules.

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 2023, 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 Hong Kong Stock Exchange Listing Rules.

XXIII. FIVE-YEAR SUMMARY

A summary of the results and balance sheet of the Company for five years are set out on page 416 of this annual report.

XXIV. AUDITOR

BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) was engaged as the Company's auditor in 2023.

XXV. REMUNERATION OF EMPLOYEES

The Group's remuneration of employees in 2023 is set out in note VI.24 to the financial statements on page 335 of this annual report.

Report of the Directors (Continued)

XXVI. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, there is no significant event after 31 December 2023 that has material impact on the Group's results and financial performance as at the date of this report.

By order of the Board

Wang Jun

Chairman

28 March 2024

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 2023, the Company's Supervisory Committee attended four general meetings and two Board meetings as non-voting participants and convened six Supervisory Committee meetings. The Supervisory Committee has provided independent opinions and recommendations on the basis of their sufficient knowledge of the Company's major business decisions and implementation process.

II. SUPERVISION OVER CORPORATE GOVERNANCE AND OPERATION

In 2023, the Company's Supervisory Committee monitored the Company's operations to ensure compliance with the relevant laws and regulations, such as the Company Law, and the Articles of Association of the Company. It also exercised supervision on the connected transactions entered into by the Company. The Supervisory Committee raised no objection to the matters it supervised in the Reporting Period.

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

- (1) The Supervisory Committee was, based on its examination, of the opinion that the procedures by which the Board prepared and considered the 2023 annual report complied with laws, administrative regulations and the requirements of CSRC, the annual report truly, accurately and fully reflected the Company's actual development, and there was no false representation or misleading statement contained in, or material omission from the annual report.
- (2) During the year, the Company's operations complied with the laws, the Company had comprehensive internal control system and the decision-making procedures of the Company complied with applicable laws, and the Supervisory Committee was not aware of any violation of regulations.

Report of the Supervisory Committee (Continued)

II. SUPERVISION OVER CORPORATE GOVERNANCE AND OPERATION (CONTINUED)

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

On behalf of the Supervisory Committee
Cao Yuhui
Chairman of the Supervisory Committee

28 March 2024

Discussion and Analysis of Operations

I. ANALYSIS OF PRINCIPAL BUSINESSES

(I) Overview

In 2023, the Group achieved operating income of RMB113,502 million; total profit of -RMB4,142 million; and net profit attributable to shareholders of the listed company of -RMB3,257 million.

Unit: RMB million

Item	During the Reporting Period	Corresponding period of the previous year	Increase/Decrease from the Same Period Last Year (%)	Explanation and reasons for significant change
Operating income	113,502	131,072	-13.40	-
Operating cost	114,037	128,022	-10.92	-
Marketing expenses	628	600	4.67	-
Administrative expenses	1,689	1,298	30.12	Administrative expenses increased by RMB391 million compared to the same period of the previous year, mainly due to institutional reforms aimed at improving labour productivity. Some employees transitioned from production positions to empowerment positions to enhance individual capabilities, resulting in the increase in wages and additional expenses for empowerment personnel in administrative expenses (while related expenses in production and manufacturing costs decreased simultaneously). Additionally, there was an increase in information system expenses due to the advanced management capabilities of integrated information system.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Overview (Continued)

Item	During the Reporting Period	Corresponding period of the previous year	Increase/ Decrease from the Same Period Last Year (%)	Explanation and reasons for significant change
Financial expenses	258	487	-47.02	Financial expenses decreased by RMB229 million compared to the same period of the previous year, which was mainly due to (i) the average indirect financing cost in 2023 decreased by 0.56 percentage point compared to the same period of the previous year, resulting in a reduction of RMB59 million in cumulative financial expenses compared to the same period of the previous year; (ii), due to exchange rate fluctuations, the forex loss on H-share convertible bonds decreased by RMB162 million compared to the same period of the previous year.
R&D Expenditure	492	727	-32.32	R&D Expenditure decreased by RMB235 million compared to the same period of the previous year, mainly due to the reduced expenses related to the trial production of new products.
Total profit	-4,142	-269	-1,439.78	Both total profit and net profit attributable to shareholders of the Company decreased as compared to the same period of the previous year, mainly due to continuous weak market state of the steel industry in 2023, with downstream demand remaining sluggish and steel prices fluctuating at a low level. While the raw materials end followed a consequent downward trend, the decrease in the purchase costs end was much smaller as compared to the decline in the sales end. Faced with the downward pressure of the steel market, the Company took marketing as the leadership, tended to increase resources allocation to relatively more profitable products, while grasped the best opportunity to purchase so as to reduce procurement cost, and reduce the costs of manufacturing in a systematic manner. However, the continued narrowing of supply and demand ends led to operating losses of the Company incurred.
Net profit attributable to shareholders of the listed company	-3,257	108	-3,115.74	

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Overview (Continued)

Item	During the Reporting Period	Corresponding period of the previous year	Increase/ Decrease from the Same Period Last Year (%)	Explanation and reasons for significant change
Net increase in cash and cash equivalents	-1,872	-305	-513.77	The net increase in cash and cash equivalents decreased by RMB1,567 million compared to the same period of the previous year, primarily due to four reasons: First, the net cash inflow from operating activities decreased by RMB4,560 million compared to the same period of the previous year. Second, the net cash outflow from investment activities decreased by RMB1,019 million compared to the same period of the previous year. Third, the net cash outflow from financing activities decreased by RMB1,941 million compared to the same period of the previous year. Fourth, the impact of exchange rate fluctuations on cash and cash equivalents increased by RMB33 million 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

	2023		2022		Year-on-year increase/decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total operating income	113,502	100	131,072	100	-13.40
By industry					
Steel rolling and processing industry	113,311	99.83	130,769	99.77	-13.35
Others	191	0.17	303	0.23	-36.96
By product					
Steel products	102,576	90.37	118,482	90.39	-13.42
Others	10,926	9.63	12,590	9.61	-13.22
By geographical location					
China	106,342	93.69	125,013	95.38	-14.94
Export sales	7,160	6.31	6,059	4.62	18.17
By sales model					
Direct selling	51,124	45.04	60,260	45.97	-15.16
Distributorship	62,378	54.96	70,812	54.03	-11.91

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	113,311	113,874	-0.50	-13.35	-10.85	-2.83
By product						
Hot-rolled sheets products	32,750	33,188	-1.34	-12.39	-8.83	-3.96
Cold-rolled sheets products	39,057	38,437	1.59	-10.01	-8.80	-1.30
Medium and heavy sheets	20,515	20,489	0.13	-20.59	-18.92	-2.05
By geographical location						
China	106,151	106,804	-0.62	-14.88	-12.48	-2.76
Export sales	7,160	7,070	1.26	18.17	24.27	-4.85
By sales model						
Direct selling	50,935	51,274	-0.67	-15.05	-12.11	-3.36
Distributorship	62,376	62,600	-0.36	-11.91	-9.78	-2.37

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

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

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

Yes No

By industry	Item	2023	2022	Year-on-year
				increase/ decrease (%)
Steel rolling and processing industry	Sales volume (0'000 tons)	2,485.49	2,581.65	-3.72
	Production volume (0'000 tons)	2,460.05	2,508.38	-1.93
	Stock volume (0'000 tons)	74.57	72.20	3.28

Reasons for any YoY movements over 30% in relevant data

Applicable Not applicable

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	2023		2022		Year-on-year increase/decrease in operating costs (percentage point)
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Steel rolling and processing industry	Raw materials and fuel	89,483	78.58	104,800	82.05	-3.47
	Others	24,391	21.42	22,927	17.95	3.47
Total		113,874	100.00	127,727	100.00	-

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Income and cost (Continued)

6. Whether the scope of consolidation was changed during the reporting period

Applicable Not applicable

(1) This year, Technology and Development, a wholly-owned subsidiary of the Company, was divided into Materials Technology and Technology and Development. Technology and Development was renamed as Jinsuoju.

(2) This year, the Company deregistered Delin Zhilian, a subsidiary of the Company.

(3) This year, Chemical Technology, a wholly-owned subsidiary of the Company, established Lùxinding as its new subsidiary.

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>)	45,235
Proportion of total sales amount of the top five customers over total sales amount for the year (%)	39.93
Proportion of sales to related parties of total sales amount of the top five customers over total sales amount for the year (%)	39.93

Top five customers of the Company

No.	Name	Sales amount (<i>RMB million</i>)	Proportion of sales amount over total sales amount for the year (%)
1	Customer A	16,161	14.26
2	Customer B	12,244	10.81
3	Customer C	8,971	7.92
4	Customer D	4,405	3.89
5	Customer E	3,454	3.05
Total		45,235	39.93

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>)	42,357
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	47.40
Proportion of procurement from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%)	38.20

Top five suppliers of the Company

No.	Supplier name	Purchase amount (<i>RMB million</i>)	Proportion of purchase amount over total purchase amount for the year (%)
1	Supplier A	15,937	17.84
2	Supplier B	15,519	17.37
3	Supplier C	4,433	4.96
4	Supplier D	3,793	4.24
5	Supplier E	2,675	2.99
Total		42,357	47.40

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

In 2023, 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

	2023	2022	Year- on-year increase/ decrease (%)	Statement on Significant Changes
Marketing expenses	628	600	4.67	-
Administrative expenses	1,689	1,298	30.12	Administrative expenses increased by RMB391 million compared to the same period of the previous year, mainly due to institutional reforms aimed at improving labor productivity. Some employees transitioned from production positions to empowerment positions to enhance individual capabilities, resulting in the increase in wages and additional expenses for empowerment personnel in administrative expenses (while related expenses in production and manufacturing costs decreased simultaneously). Additionally, there was an increase in information system expenses due to the advanced management capabilities of integrated information system.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) Expenses (Continued)

	2023	2022	Year- on-year increase/ decrease (%)	Statement on Significant Changes
Financial expenses	258	487	-47.02	Financial expenses decreased by RMB229 million compared to the same period of the previous year, which was mainly due to (i) the average indirect financing cost in 2023 decreased by 0.56 percentage points compared to the same period of the previous year, resulting in a reduction of RMB59 million in cumulative financial expenses compared to the same period of the previous year; (ii), due to exchange rate fluctuations, the forex loss on H-share convertible bonds decreased by RMB162 million compared to the same period of the previous year.
R&D Expenditure	492	727	-32.32	R&D Expenditure decreased by RMB235 million compared to the same period of the previous year, mainly due to the reduced expenses related to the trial production of new products.
Income tax expense	-919	-407	-125.80	The income tax expenses decreased by RMB512 million as compared to the same period of the previous year, which was mainly due to (i) the year-on-year decrease in the profit of the Company as compared to the previous year, and the decrease in the income tax expenses by RMB352 million for the current year as compared to the same period of the previous year; (ii) the decrease of RMB160 million in deferred income tax expense resulting from deferred income tax assets recognised for offsetting losses in the current year as compared to the same period of the previous year.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES

(IV) R&D Expenditure

Names of Main R&D Projects	Purpose	Progresses	Proposed objectives	Expected effects on the future development of the Company
Research on Steel Used for Railway Vehicle Bogie under the Environment of Sandstorms and Snow Grains	To realise home-made bogie steel and achieve application and demonstration.	The upgrade of the localised technical agreement entered into between it and Qingdao Sifang has been completed and the product supply has commenced.	To replace the steels used for the bogie of high-speed EMUs with home-made steel.	To retain our status as the sole eligible domestic supplier of high-speed electric multiple units (EMUs) which are capable of traversing at speeds exceeding 350 kilometers per hour.
Research on Weather-proof and Corrosion-resistant Steel for Photovoltaic Brackets	To successfully develop high-strength and corrosion-resistant steel for photovoltaic brackets and achieve small-scale supply.	The high-strength and corrosion-resistant steel for photovoltaic brackets has been successfully developed and applied to the first megawatt-scale photovoltaic project independently invested in Chaoyang.	To promote the use of high-strength and corrosion-resistant steel for photovoltaic brackets to become a new product with a production scale of 10,000 tons.	To expand the application areas of Angang's corrosion-resistant steel to support green and low-carbon development.
Development of Hot Rolled Coils used for High-output, Ultra-high-strength X100 Pipeline	To fill the gaps of Angang and improve Angang's iteration ability and influence in respect of the technology in steel used for pipeline.	The industrial trial production of X100 hot-rolled sheet has been completed, and its composition and performance meet the requirements of API 5L and Q/SY TGRC standards.	To successfully complete the industrial trial production of X100 coils and apply it to the production of pipes, which have been evaluated and certified as qualified by a third party.	To lead the development of pipeline steel at home and increase its market share.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

Names of Main R&D Projects	Purpose	Progresses	Proposed objectives	Expected effects on the future development of the Company
Development of Steel used for Ultra-Fine Conductive Wire	To develop a stable production process for rolling of steel wire rod used for ultra-fine conductive wire. The steel wire rod inclusions, microstructure, mechanical properties and surface quality of copper-clad steel can meet the user requirements.	Chemical composition design has been completed, and microstructure uniformity control has been carried out. The surface quality and mechanical properties of the steel wire rod have met the requirements of the users.	To achieve a material rolling rate of over 95%, a defect-free surface for the steel wire rod, and a finished wire diameter of below 0.1mm.	It will increase the market share of the conductive steel.
Development of All-Season Production Process and Application of On-line Heat-Treated Rail	To achieve the production of on-line heat-treated steel rails under ambient temperatures above -5℃ and ensure bulk supply.	Through the research and accumulation of on-line heat treatment process parameters for quenched rail under different temperatures throughout the year, the whole-year production process system for on-line heat-treated rail at ambient temperatures above -5℃ has been determined, thus ensuring the stable production of online heat-treated rail throughout the year.	To establish an on-line heat treatment production process for steel rails at ambient temperatures above -5℃ and achieve mass production and supply. The qualification rate for the mechanical properties of the on-line heat-treated steel rails should be ≥90%.	The on-line heat-treated steel rails of Angang will no longer be restricted by ambient temperatures and can achieve mass production and supply under conditions above -5℃.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

Names of Main R&D Projects	Purpose	Progresses	Proposed objectives	Expected effects on the future development of the Company
Research and Application of 585MPa-Grade Containment Steel Plates for CAP1000	To complete the development of 585MPa-grade containment steel plates for CAP1000, establish a stable production process, and achieve a supply of steel plates exceeding 1,000 tons with a qualification rate of over 95%.	A total supply of 4,230 tons of the third-generation nuclear reactor containment steel under the SA-738Gr. B contract has been completed throughout the year, with a one-time qualification rate of over 95%.	Based on the analysis of previous production data and relevant technical reserves of SA-738Gr.B, the goal is to develop the formulation of the steel grade chemical composition system and production process route, ultimately achieving mass supply.	It will continue to maintain its competitiveness in the third-generation nuclear reactor containment steel market and become a stable source of profit growth for the Company.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

Names of Main R&D Projects	Purpose	Progresses	Proposed objectives	Expected effects on the future development of the Company
Key Technologies for Preparation and Application of Corrosion-Resistant Steel for Marine Structural Engineering	In response to the severe corrosion problem of steel materials in the harsh environment of the South China Sea region, which is characterised by high temperature, high humidity, high salinity, and high radiation, the goal is to develop corrosion-resistant steel plates that provide more than three times the corrosion resistance of conventional steel plates.	The development of corrosion-resistant steel plates that are 2.6 times more corrosion-resistant than conventional steel plates has been completed.	The goal is to establish the key preparation technologies and industrial production capacity for corrosion-resistant steel plates. The developed corrosion-resistant steel plates should have a yield strength (Rel) of $\geq 345\text{MPa}$, ultimate tensile strength (Rm) of $\geq 490\text{MPa}$, elongation (A) of $\geq 20\%$, impact toughness (AKV) at -20°C of $\geq 100\text{J}$. The corrosion resistance of the steel plates should be improved by more than three times compared to traditional steel plates.	It will meet the infrastructure material demands for the implementation of China's maritime strategy, address the persistent key technical challenges in the steel development for marine architectural structures, and establish a production capacity for high-performance marine architectural structure steel that is both stable in quality and produced in large quantities.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

Names of Main R&D Projects	Purpose	Progresses	Proposed objectives	Expected effects on the future development of the Company
Research on Key Technologies for Manufacturing High Serviceability Steel Plates in Polar Regions	(1) To develop 36Kg, 40Kg, and 47Kg polar ship steel with a maximum thickness of 50mm. (2) To release two enterprise standards or group standards.	Laboratory preparation of prototype steel, comprehensive performance evaluation and industrial trials have been completed.	To solve the "stranglehold" problems of China's high-end marine equipment materials and promote technological progress in the shipbuilding and metallurgical industries, thus contributing to the strategic development of the national energy and enhancing international competitiveness in high-end marine equipment.	It will improve products' profitability, enhance the brand value and the Company's voice in the field.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

Names of Main R&D Projects	Purpose	Progresses	Proposed objectives	Expected effects on the future development of the Company
Process and Product Development of the Green and Low Carbon Automotive Steel of Angang Steel Company Limited	To conduct research on process technology and product development of green and low-carbon automotive steel, to establish production process routes for blast furnace-converter, abandoned steel-electric furnace, and direct-reduced iron iron-electric furnace or converter, to achieve carbon reduction targets of 10%, 30%, and 35%, and to develop green and low-carbon automotive steel products for demonstration applications.	Angang Steel has completed a process route based on the blast furnace-converter production process plus abandoned steel (increasing the abandoned steel ratio), and achieved the stable production of automotive steel products with 30% carbon reduction.	(1) To develop green and low-carbon automotive steel products; (2) To complete the industrial production of green and low-carbon automotive steel; (3) To realise the demonstration applications of green and low-carbon automotive steel.	It will help develop a low-carbon product production process path that is in compliance with the actual situation of production of Angang Steel and of its characteristics so as to empower the green, low-carbon and high-quality development of the Company.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

Names of Main R&D Projects	Purpose	Progresses	Proposed objectives	Expected effects on the future development of the Company
Development of High-quality Hot-dip Aluminium-Silicon Coated Steel Plate Product Process	To complete the technological transformation of Angang Steel's aluminium-silicon coated steel plate production line, and to develop high-quality hot-dip aluminium-silicon coated steel plate products.	Both the production line modification and technology integration, and the development of 550MPa~2,000MPa aluminium-silicon coated hot-formed steel plates have been completed.	(1) To conduct R&D of aluminium-silicon coated hot-formed automotive steel products; (2) To complete the integration of core process technologies for the industrial production of aluminium-silicon coated steel plates; (3) To achieve the demonstration applications of aluminium-silicon coated steel plates for automotive steel.	The newly added product line of hot-dip aluminium-silicon coated steel plates will help enhance the capability to supply a full range of automotive steel plates.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

Names of Main R&D Projects	Purpose	Progresses	Proposed objectives	Expected effects on the future development of the Company
Research on Key Production Technology of Cold-rolled Advanced High-strength Steel	To achieve stable production of cold-rolled advanced high-strength steel cold hard plates.	The research on laser welding technology and surface control technology for cold-rolled advanced high-strength steel has been completed. The optimisation of the rolling model for cold-rolled advanced high-strength steel has been realised, and a plan for extreme specifications and high-precision plate shape control has been put forward.	To develop key production technologies for cold-rolled advanced high-strength steel, with a typical steel grade yield ratio of 91% or higher.	It will help achieve efficient and stable production of cold-rolled advanced high-strength steel and increase its market share as well.
Research on the Analysis and Control of Surface Micro-morphology of High-grade Surface Cold-rolled Steel Strip	To achieve effective control of the surface morphology and parameters of high-grade surface cold-rolled steel strip to match the non-medium-coating process upgrade of downstream users.	The research on surface characteristics and genetic laws of high-grade surface quality cold-rolled strip steel has been completed, and a product-specific roll grinding control programme has been formed.	To form the surface micro-morphology control technology of high-grade surface quality cold-rolled steel strip, and ensure that surface parameters meet downstream users' requirements, $Wsa \leq 0.35 \mu m$.	It will help achieve stable control of the surface morphology of high-grade cold-rolled steel strip, thereby increasing its market share.

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

R&D staff of the Company

	2023	2022	Changes of Proportion
Number of R&D staff (<i>person</i>)	2,278	2,185	4.26%
Percentage of the number of R&D staff in the Company	8.45%	7.46%	Increased by 0.99 percentage point
Educational background of R&D staff			
Bachelor	1,484	1,414	4.95%
Master	441	418	5.50%
Age structure of R&D staff			
Below 30	115	121	-4.96%
Aged from 30 to 40	694	704	-1.42%
Above 41	1,469	1,360	8.01%

R&D expenditure of the Company

	2023	2022	Changes of Proportion
Amount of R&D investment (<i>RMB million</i>)	2,852	2,621	8.81%
Percentage of R&D expenditure in operating income	2.51%	2.0%	Increased by 0.51 percentage point
Amount of capitalisation of R&D expenditure (<i>RMB million</i>)	—	—	—
Proportion of capitalisation of R&D expenditure to total R&D expenditure	—	—	—

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) R&D Expenditure (Continued)

Reasons for significant changes in the composition of the Company's R&D personnel and effects

Applicable Not applicable

Reasons for the significant changes in the proportion of total R&D investment to revenue compared with the previous year

Applicable Not applicable

Reasons and explanations for the significant changes in the proportion of capitalisation of R&D investment

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(V). Cash flow

Unit: RMB million

Item	2023	2022	Year-on-year increase/ decrease (%)
Sub-total of cash inflow from operating activities	115,177	133,193	-13.53
Sub-total of cash outflow from operating activities	113,598	127,054	-10.59
Net cash flows from operating activities	1,579	6,139	-74.28
Sub-total of cash inflow from investing activities	327	409	-20.05
Sub-total of cash outflow from investing activities	3,277	4,378	-25.15
Net cash flows from investing activities	-2,950	-3,969	25.67
Sub-total of cash inflow from financing activities	10,194	3,174	221.17
Sub-total of cash outflow from financing activities	10,728	5,649	89.91
Net cash flows from financing activities	-534	-2,475	78.42
Net increase in cash and cash equivalents	-1,872	-305	-513.77

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(V). Cash flow (Continued)

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

Applicable Not applicable

- (1) Net cash inflow from operating activities decreased by RMB4,560 million as compared with the same period of the previous year, mainly because (i) the cash received from sales of goods and rendering of services decreased by RMB17,879 million as compared with the same period of the previous year; (ii) the cash paid for goods purchased and services received decreased by RMB11,912 million as compared with the same period of the previous year; and (iii) the payment for various taxes decreased by RMB1,840 million as compared with the same period of the previous year.
- (2) Net cash outflow from financing activities decreased by RMB1,941 million as compared with the same period of the previous year, mainly because (i) the cash received from borrowings obtained increased by RMB7,142 million as compared with the same period of the previous year; (ii) the cash payment for repayment of debts increased by RMB7,202 million as compared with the same period of the previous year; and (iii) a decrease of RMB2,150 million in cash payment for distribution of dividends, profits or payment of interest as compared with the same period of the previous year.
- (3) Net increase in cash and cash equivalents decreased by RMB1,567 million compared to the same period of the previous year, primarily due to four reasons: First, the net cash inflow from operating activities decreased by RMB4,560 million compared to the same period of the previous year. Second, the net cash outflow from investment activities decreased by RMB1,019 million compared to the same period of the previous year. Third, the net cash outflow from financing activities decreased by RMB1,941 million compared to the same period of the previous year. Fourth, the impact of exchange rate fluctuations on cash and cash equivalents increased by RMB33 million compared to 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 significant differences in net cash flow from operating activities and net profit of the Company during the reporting period:

Applicable Not applicable

Unit: RMB million

Item	Current Year Amount
Reconciliation of net profit to cash flow from operating activities:	
Net profit	-3,223
Add: Provision for impairment of assets	131
Credit impairment losses	-15
Depreciation of fixed assets	3,338
Amortisation of intangible assets	267
Depreciation of right-of-use assets	164
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains represented by "-")	-1
Losses from scrap of fixed assets (gains represented by "-")	23
Losses from changes in fair value (gains represented by "-")	-45
Financial expenses (gains represented by "-")	187
Investment loss (gains represented by "-")	-317
Decrease in deferred income tax assets (gains represented by "-")	-703
Increase in deferred income tax liabilities (decrease represented by "-")	-244
Decrease in inventory (gains represented by "-")	-3,127
Decrease in accounts receivable generated from operating activities (gains represented by "-")	3,325
Increase in accounts payable used in operating activities (decrease represented by "-")	1,863
Others	-44
Net cash flows from operating activities	1,579

Discussion and Analysis of Operations (Continued)

I. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(VI) Liquidity and financial resources

As at 31 December 2023, the Group had long-term loans (exclusive of loans due within one year) of RMB5,199 million with average interest rate of 2.64% per annum and a term of three years. The loans are mainly used for replenishing the working capital. All bank loans of the Group are at fixed interest rates or LPR floating interest rates.

In 2023, 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 2023, over 10 financial institutions that had cooperated with the Company provided credit facilities to the Company. The Group is capable of repaying its debts when they become due.

As at 31 December 2023, cash and bank balances of the Group denominated in foreign currencies was RMB1 million (31 December 2022: RMB1 million).

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

Unit: RMB million

	31 December 2023	31 December 2022
RMB	3,220	5,092
USD	1	1
HKD	–	–
Others	–	–
Subtotal	3,221	5,093

As at 31 December 2023, the Group had a total capital commitment of RMB2,436 million, which was primarily the construction and renovation contracts of RMB2,197 million entered into but not yet performed or partially performed and foreign investment contracts of RMB239 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 aggregate sum of individual employee's contribution basis. In addition, the Group maintains corporate annuity scheme for all of its employees and compensates employees for the number of years of service prior to the establishment of the corporate annuity scheme. The Group, as an employer, cannot use forfeited contributions (by the employer on behalf of employees who leave the scheme prior to vesting fully in such contributions) to reduce the existing level of contributions.

(VIII) Foreign Exchange Risk

The Group carries out import and export through agent trade by 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.

Discussion and Analysis of Operations (Continued)

II. ANALYSIS OF NON-PRINCIPAL BUSINESS

Unit: RMB million

Item	Amount	As a Percentage of Total Profit (%)	Reasons for the Changes	Sustainable or not
Investment income	317	N/A	Mainly included investment income from long-term equity investments accounted by equity method and other equity instruments during holding period.	Yes
Gains or losses from changes in fair value	45	N/A	Mainly included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Asset impairment loss (loss presented with "-")	-131	N/A	Mainly included reversal of provisions for impairment on inventories.	No
Credit impairment loss ("- " for loss)	15	N/A	Mainly included reversal of credit impairment loss on account receivables	No
Other gains	52	N/A	Mainly included gains on government grants.	No
Non-operating income	54	N/A	Mainly included gains on destroy or scrap of non-current assets.	Yes
Non-operating expenses	47	N/A	Mainly included losses on destroy or scrap of non-current assets.	Yes

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY

(I) Significant Changes in Composition of Assets

Unit: RMB million

	End of 2023		Beginning of 2023		Increase/ Decrease (percentage point)	Statement on Significant Changes
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	3,221	3.32	5,093	5.25	-1.93	-
Accounts receivable	1,693	1.75	2,838	2.93	-1.18	-
Inventories	16,565	17.07	13,575	14.00	3.07	-
Long-term equity investments	3,486	3.59	3,169	3.27	0.32	-
Fixed assets	48,692	50.19	46,985	48.44	1.75	-
Construction in progress	6,887	7.10	6,732	6.94	0.16	-
Right-of-use assets	7	0.01	761	0.78	-0.77	-
Short-term loan	1,330	1.37	1,579	1.63	-0.26	-
Contract liabilities	5,186	5.35	6,393	6.59	-1.24	-
Long-term loans	5,199	5.36	600	0.62	4.74	-
Lease liabilities	2	0.00	226	0.23	-0.23	-

A high proportion was recorded in offshore assets

Applicable Not Applicable

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY (CONTINUED)

(II) Assets and Liabilities Measured at Fair Value

Unit: RMB million

Item	Opening balance	Gains and losses from changes in fair value in the reporting period	Accumulative changes in fair value included in equity	Impairments accrued in the reporting period	Purchase amount in the reporting period	Selling amount in the reporting period	Other changes	Closing balance
Financial assets								
1. Transactional financial assets (excluding derivative financial assets)								
2. Derivative financial assets	37	-34						3
3. Other credit investment								
4. Other equity instrument investment	641		235					672
5. Other non-current financial assets	33	6					52	91
Sub-total of financial assets	711	-28	235				52	766
Investment properties								
Productive biological assets								
Others								
Total of above	711	-28	235				52	766
Financial liabilities	41	-35						6

Material changes in measurement of major assets during the Reporting Period

Yes No

Discussion and Analysis of Operations (Continued)

III. ANALYSIS OF ASSETS AND LIABILITY (CONTINUED)

(III) Debt-to-asset Ratio

As at 31 December 2023 and 31 December 2022, the Group's ratio of equity to liability was 1.33 times and 1.53 times, respectively. This ratio is calculated on the basis of total shareholders' equity divided by total liabilities.

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

Nil.

(V) Contingent Liabilities

As at 31 December 2023, the Group had no contingent liabilities.

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY

(I) Overall Information

Investments during the reporting period (RMB million)	Investments in the corresponding period of the previous year (RMB million)	Change
155	758	-79.55%

(II) Significant Equity Investments Obtained during the Reporting Period

Applicable Not applicable

(III) Significant Non-equity Investments being conducted during the reporting period

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments

1. Securities Investments

Unit: RMB million

Stock type	Stock code	Stock abbreviation	Initial investment costs	Accounting measurement model	Book value at the beginning of the period	Gains and losses from changes in fair value in the reporting period	Accumulative changes in fair value included in equity	Purchase amount in the reporting period	Selling amount in the reporting period	Gains or losses during the reporting period	Book value at the end of the period	Accounting items	Source of funds
Stock	600961	Zhuye Group	81	Measured at fair value	33	6	-	-	-	6	39	Financial asset held for trading	Self-owned funds

2. Derivative investments

1) Derivatives investment with the intention of hedging during the reporting period

Unit: RMB million

Type of derivatives investment	Initial investment amount of derivatives	Investments at the beginning of the period	Gains and losses from changes in fair value in the reporting period	Accumulative changes in fair value included in equity	Purchase amount during the reporting period	Disposal amount during the reporting period	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
Futures hedging	1	353	22	-	924	736	394	0.7%
Exchange rate swap	-	-	17	-	-	-	-	-
Total	1	353	39	-	924	736	394	0.7%

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivative investments (Continued)

1) Derivatives investment with the intention of hedging during the reporting period (Continued)

Statement on whether there was any material changes between the accounting policies and specific accounting principles for the hedging business during the reporting period and those during the previous reporting period

N/A

Statement on the actual gains or losses during the reporting period

The actual gains and losses from futures hedging during the reporting period was RMB38 million.

The actual gains and losses from foreign exchange hedging during the reporting period was -RMB27 million.

Statement on the effectiveness of future hedging

1. During the reporting period, there was a high correlation between futures hedging projects and hedging tools, resulting in effective hedging at both ends of the futures and spot markets, thus allowing the hedging business to perform well.
2. During the reporting period, the foreign exchange hedging for H-share convertible bonds had a high correlation between hedging projects—particularly the principal exchange rate exposure—and hedging tools such as exchange rate swap. This correlation effectively controlled the risk of foreign currency debt exposure, demonstrating the successful application of hedging business.

Source of funds for derivative investments

Self-owned funds

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivative investments (Continued)

1) Derivatives investment with the intention of hedging during the reporting period (Continued)

Risk analysis on and control measures to the derivative positions during the reporting period (including but not limited to the market risk, the liquidity risk, the credit risk, the operational risk, and the legal risk) and the statement on the corresponding control measures

❖ Futures hedging:

- (1) Market risk: The portfolio comprises commodities related to the steel industry, highly correlated with the Company's spot operation. While regular market analysis and forecasting are conducted, there may be deviations in market judgments, thus presenting a certain level of risk. However, with hedging between futures and spots, the risk is manageable.
- (2) The liquidity of the portfolio is ample, with no liquidity risk.
- (3) Futures exchanges provide credit guarantees for the portfolio, resulting in minimal credit risk.
- (4) The hedging is carried out strictly in accordance with relevant regulations, with the position quantity and duration meeting the Company's approval.

The Company has evaluated legal risks and conducts its operations in accordance with national laws and regulations on futures trading, thus the risks are manageable.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivative investments (Continued)

1) Derivatives investment with the intention of hedging during the reporting period (Continued)

❖ Foreign exchange hedging:

The hedging process begins by signing a forward contract with the bank, and at maturity, purchasing foreign exchange at the agreed-upon price. The purpose of the transaction is to hedge against the exchange rate risk arising from the redemption of the H-share convertible bonds due in May 2023. The transaction is straightforward and convenient, with no significant risks involved. Control measures: (1) To regulate foreign exchange derivative trading activities, the Company strengthens supervision and management of foreign exchange derivative trading business. Based on relevant laws, regulations, and policies, the Company has issued the Management Measures for Foreign Exchange Fund, which provide detailed regulations on the principles, conditions, implementation of transactions, fund management, position management, as well as corresponding approval processes and authorities for the Company's foreign exchange derivative trading. (2) The Company enhances management of bank accounts and funds, strictly adhering to approval procedures for fund transfer and utilisation. Dedicated personnel are assigned, with clear job responsibilities, strictly engaging in the aforementioned business within authorised limits. Efforts are made to ensure proper arrangement of delivery funds to ensure timely delivery. In the event of special circumstances requiring early delivery, extension, or other methods acceptable to counterparties through swap transactions, relevant procedures should be conducted according to the regulations of foreign exchange derivative trading.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivative investments (Continued)

1) Derivatives investment with the intention of hedging during the reporting period (Continued)

In case of any changes in market prices or fair value of invested derivatives during the reporting period, the Company should disclose the specific methods used, relevant assumptions and parameter setting for the analysis of the fair value of derivatives.

❖ Futures hedging:

Dalian Commodity Exchange (DCE): Iron ore, coking coal, coke; Shanghai Futures Exchange (SHFE): Nickel, hot-rolled sheet. Settlement prices of continuous futures contract on 3 January 2023: Iron ore at RMB849.5/tonne, coking coal at RMB1,812/tonne, coke at RMB2,610/tonne, nickel at RMB227,130/tonne, hot-rolled sheet at RMB4,077/tonne; settlement prices of continuous futures contract on 29 December 2023: Iron ore at RMB973.5/tonne, coking coal at RMB1,884/tonne, coke at RMB2,478.5/tonne, nickel at RMB128,170/tonne, hot-rolled sheet at RMB4,110/tonne;

Changes in fair value: Iron ore +RMB124/tonne, coking coal +RMB72/tonne, coke -RMB131.5/tonne, nickel -RMB98,960/tonne, hot-rolled sheet +RMB33/tonne.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivative investments (Continued)

1) Derivatives investment with the intention of hedging during the reporting period (Continued)

❖ Foreign exchange hedging:

When the contract was signed in 2020, the settlement price on 18 May 2021, was based on a Hong Kong Dollar to Renminbi exchange rate of 0.866. The Company used HKD1 billion (equivalent to RMB866 million at the settlement price of 0.866) as the principal amount and paid interest to the bank at an annualised interest rate of 3.58% based on the actual days the contract was in force. The Company extended the term of the contracts upon the expiry of the term of such contracts in May 2021, and an exchange rate of 0.866 HKD/RMB was adopted as the settlement price on 18 May 2023. On 18 May 2023, the Company paid interest of RMB54.61 million to the bank on the principal amount of HKD1 billion (converted to RMB866 million at the settlement price of 0.866 at maturity) at an annualized interest rate of 3.11% based on the actual number of subsisting days of the contracts.

Litigation involved (if applicable)

N/A

Date of the announcement disclosing the approval of derivative investments by the Board (if any)

On 30 March 2023, the Resolution in relation to the Company's 2023 Annual Hedging Business Amount was approved at the 14th meeting of the ninth 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.

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivative investments (Continued)

1) Derivatives investment with the intention of hedging during the reporting period (Continued)

Date of the announcement disclosing the approval of derivative investments at shareholders' meeting (if any)	On 29 May 2023, the Resolution in relation to the Company's 2023 Annual Hedging Business Amount was approved at the 2022 Annual General Meeting of Angang Steel Company Limited.
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Special opinions of independent directors on the Company's derivatives investments and control of the relevant risks

❖ Futures hedging:

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

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivative investments (Continued)

1) Derivatives investment with the intention of hedging during the reporting period (Continued)

❖ Foreign exchange hedging:

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

Discussion and Analysis of Operations (Continued)

IV. ANALYSIS OF INVESTMENTS OF THE COMPANY (CONTINUED)

(IV) Financial Asset Investments (Continued)

2. Derivative investments (Continued)

2) Derivatives investments for the purpose of speculation in the Reporting Period

The Company did not engage in any derivatives investment for the purpose of speculation in the Reporting Period.

(V) Use of Proceeds

Applicable Not applicable

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

Discussion and Analysis of Operations (Continued)

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 calendaring process	8,000	6704	4351	7331	-322	-275

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

Name of company	Means of acquisition and disposal of subsidiary during the Reporting Period	Effect on overall business operation and results
Materials Technology Lùxinding	Separate and newly established	No significant impact
Lüxinding	Newly established	No significant impact
Delin Zhilian	De-registered	No significant impact

VII. STRUCTURE ENTITY CONTROLLED BY THE COMPANY

Applicable Not applicable

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS

(I) Market competitiveness

The Company has a complete range of steel products, with certain differentiation advantages and high brand awareness and credibility. Steel used in shipbuilding and offshore engineering, automobile plate, household appliance plate, container plate, heavy rail and other products are leading in the industry. Railway steel, container steel and shipbuilding plate won the title of “China Brand-name Products”, and dozens of products, such as hot-rolled acid-washed steel strips, cold-rolled hot-dip aluminium-zinc coated plates, structural steel for bridges, and so on, have been appraised as “Golden Cup Award”. In addition, seven types of products, such as steel cord coils, have been appraised as “Liaoning Province famous brand”. Shipbuilding steel, bridge steel, nuclear power steel, pipeline steel, railway steel, household appliance steel, among others, as the Company’s dominant products, have a high market share, and are well recognised and praised by downstream customers. Steel for railway vehicles, conductive steel, nuclear steel market share ranked first in the domestic industry with the market shares of rails, pipeline steel ranking the second in domestic industry. Angang Steel was awarded “Outstanding Strategic Partner” by BYD, “Excellent Supplier” by Dongfeng Nissan, “Core Supplier”, “Glorious Partner” and “Synergistic Development” awards by Faw Jiefang, “Quality Leadership” award of JAC, “Strategic Ecology Award” of Changan Automobile, “Excellent Supplier” award of GAC Passenger Vehicle, “Excellent Cooperation Award” of GAC Aion, “Excellent Supplier of CIMC Container”, “Strategic Partner Award” of Hisense Group, “Excellent Partner Award” of Haier Home Automation, and many other customer awards. We won the China Iron and Steel Association’s Home Appliance Material Innovation and Application Award.

(II) Security of iron ore resources

Anshan has abundant iron ore resources, with 8.8 billion tonnes of iron ore resources in the hands of mining companies under the Angang Group; it has a production capacity of 280 million tonnes/year of mining and stripping, 65.00 million tonnes/year of ore processing, and 22.00 million tonnes for iron ore concentrates, which is the highest in the PRC and ranks among the top in the world. In addition, Angang Group owns the Carrara iron ore base with an annual production capacity of 8 million tonnes, and has a strong capacity for international trade in iron ore.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(III) Scientific and technological innovation

The Company possesses advanced process technologies leading the development of the industry, such as clean steel smelting, medium-and-heavy-sheet rolling, cold rolling coating, process control based on big data, energy saving and environmental protection, and has controlled a batch of core, leading, basic and cutting-edge key technologies, and is in the first echelon of the metallurgical industry in terms of the number of patent applications, the number of patents and authorisations and the number of know-how, and its patent innovation index ranks third in the comprehensive ranking among China's iron and steel enterprises. In addition, its comprehensive R&D strength is in the leading position in the steel industry, with strong science and technology innovation capability.

The products' comprehensive R&D strength lies in the leading position in the steel industry. The research and development of new types of ship plates and railway rails as well as rail production technology have reached the leading level in the world; the technology and craftsmanship level of high-strength, thick-walled pipeline steel series for deep-sea high-pressure oil and gas transmission runs in the forefront in the industry; and there is the first State Key Laboratory of Metal Materials and Application for Marine Equipment in China. In 2023, it was the first around the world to launch three products such as P690QL2 steel for the cargo tank of liquefied carbon dioxide carriers; the national major science and technology project on "Development of High-purity, Homogenised Continuous Casting Billet for Nuclear Power Heavy Forgings and Development of Extra-thick Steel Plates for Containment Structures" won national acceptance; the re-engineering of industry foundation and high-quality development of manufacturing industry special project on "Al-Si coating hot-formed steel" of the Ministry of Industry and Information Technology won national acceptance; it is responsible for undertaking the research of six key technologies in three areas of future industries; and the project on "Key Technology Development and Industrialisation of Steel for Third Generation Ultra-large Capacity Cryogenic Pipelines" won the special prize of the China Metallurgical Science and Technology Award.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(IV) Intellectual property

In 2023, the Company obtained 742 patents accepted by the State, of which 544 were invention patents, accounting for 73.3%, an increase of 4.7% year-on-year; obtained 7 PCT international invention patent applications, representing a year-on-year increase of 40%; obtained 520 nationally granted patents, of which 301 were invention patents, accounting for 57.9%, representing a year-on-year increase of 8.6%; and accumulated 3,811 valid patents, of which 2,515 were invention patents, accounting for 66.0%, representing an increase of 4.0% year-on-year; obtained 5 PCT international invention patent licenses, and 2 Paris Convention international invention patent licenses. The Company also recognised and filed 95 patented technologies and applied for 25 computer software copyrights. It launched 6 patent navigation projects, including “Green Hydrogen Manufacturing Technology”, and formed a patent portfolio of 55 inventions in 9 technical fields, including “New Energy Battery Shells with Automotive Steel”. The Company passed the review of “National Intellectual Property Advantageous Enterprise” by the National Intellectual Property Administration, and 10 product patents have been registered and submitted to the “Pilot Platform for Recognition of National Patent-intensive Product”.

(V) Technology and equipment

Low-cost blast furnace iron making 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 1,780, 2,150 and 1,580 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, applied cold rolling mill shape control system core technology and wide and thick plate production technology have all reached the internationally advanced level. The 1,580 hot rolling production line adopts a number of internationally leading hot rolling technologies, and is equipped with a fixed-width press, a hot roll box, and seven continuous rolling units. The 5,500 line is one of the largest wide and thick plate rolling mills in the world. The equipment and processes of the pipeline base have reached the global advanced level, realising large-scale equipment, continuous process, parameter modelling, operation automation, informed management and digital information.

Discussion and Analysis of Operations (Continued)

VIII. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(VI) Corporate culture

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

IX. POTENTIAL RISKS

In 2024, from a macro perspective, it is anticipated that the global economy will continue to experience a slow recovery period, with the external environment being complex and volatile, accompanied by an increase in instability and uncertainty factors. Looking at the industry level, the steel industry has entered a new round of adjustment cycle. It is expected that the situation of “high supply and overall weak demand” will continue to prevail in 2024, thus intensifying competition within the steel industry. The rise of overseas trade protectionism and the escalation of international trade frictions will exert certain pressure on steel exports. With the active promotion of various national policies for stabilising economic growth, China’s economy is expected to continue to rebound and improve in 2024. However, the demand for steel in downstream industries will continue to differentiate, and overall demand is expected to decrease slightly, making it difficult to fundamentally improve the situation of oversupply in the steel industry. The Company is expected to face significant operational pressure, fluctuations in raw material prices, environmental protection, safety management, and other risks. Therefore, the Company will strengthen macro policy analysis and industry research, actively respond to market changes, innovate marketing models, optimise cost reduction and efficiency enhancement, strengthen financial management and control, accelerate ultra-low emission transformation, and effectively enhance the Company’s risk prevention capabilities.

Corporate Governance

I. BASIC INFORMATION ON CORPORATE GOVERNANCE

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

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

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

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

Corporate Governance (Continued)

III. COMPETITION WITH PEERS IN THE INDUSTRY

Type of Problem	Type of Relationship with the Company	Name of company	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 reorganisation, 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 five years from the date of its Letter of Commitment, and it will strive to achieve this goal in an even shorter period of time.	No specific implementation plan yet

Corporate Governance (Continued)

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

(I) Information on the General Meeting during the Reporting Period

Meeting session	Type of the meeting	Participation ratio of investors	Convening Date	Resolutions
2023 First Extraordinary General Meeting	Extraordinary general meeting of shareholders	57.95%	22 March 2023	<p>Resolution 1. Election of Mr. Zhang Hongjun as an Executive Director of the Ninth Session of the Board of Directors.</p> <p>Resolution 2. Election of Mr. Cao Yuhui as a Representative Supervisor of the Ninth Session of the Supervisory Committee.</p>
2022 Shareholders' General Meeting	Annual general meeting of shareholders	58.32%	29 May 2023	<p>Resolution 1. Considered and approved the Annual Work Report of the Board of Directors for 2022.</p> <p>Resolution 2. Considered and approved the 2022 Annual Report on the Work of the Supervisory Committee.</p> <p>Resolution 3. Considered and approved the 2022 Annual Report and Its Summary.</p> <p>Resolution 4. Considered and approved the 2022 Audited Financial Report.</p> <p>Resolution 5. Considered and approved the 2022 Profit Distribution Plan.</p>

Corporate Governance (Continued)

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

(I) Information on the General Meeting during the Reporting Period (Continued)

Meeting session	Type of the meeting	Participation ratio of investors	Convening Date	Resolutions
				Resolution 6. Considered and approved the Proposal on the Remuneration of Directors and Supervisors in 2022.
				Resolution 7. Considered and approved the Proposal on the Appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the Company's Auditor in 2023.
				Resolution 8. Considered and approved the Proposal on the Hedging Business Limit in 2023.
				Resolution 9. Considered and approved the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales.
				Resolution 10. Considered and approved the Proposal on the Cancellation of Residue Inventory Shares in the Special Securities Account for the Company's Repurchase.
				Resolution 11. Proposal on the change of the registered capital of the Company and amendment of the Articles of Association.

Corporate Governance (Continued)

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

(I) Information on the General Meeting during the Reporting Period (Continued)

Meeting session	Type of the meeting	Participation ratio of investors	Convening Date	Resolutions
2023 Second Extraordinary General Meeting	Extraordinary general meeting of shareholders	57.69%	22 September 2023	Election of Mr. Wang Jun as an Executive Director of the Ninth Session of the Board of Directors.
2023 Third Extraordinary General Meeting	Extraordinary general meeting of shareholders	67.01%	26 October 2023	Resolution 1. Considered and approved the Proposal on the 2023 Supplemental Agreement to the Raw Materials and Services Supply Agreement (2022-2024) between the Company and Ansteel Group Co., Ltd. Resolution 2. Considered and approved the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales. Resolution 3. Considered and approved the Proposal on the Change of the Registered Capital of the Company and Amendment of the Articles of Association.

(II) Request for Convening an Extraordinary General Meeting by Preference Shareholders Whose Voting Rights Have Been Restored

Applicable Not applicable

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

(I) Basic Information

Name	Position	Office-holding status	Gender	Age	Start Date of Term of Office	Termination date of term	Number of shares held at the beginning of the period (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 Jun	Chairman	Incumbent	Male	56	2023.09.22	-	-	-	-	-	0	-
	Executive Director	Incumbent			2023.09.22	-						
Zhang Hongjun	General Manager	Incumbent	Male	50	2022.12.29	-	400,000	-	-	-268,000	132,000	Failure to meet the incentive scheme during the term of office and failure to achieve the assessment target of the second release period to repurchase and cancel the corresponding restricted shares
	Executive Director	Incumbent			2023.03.22	-						
Wang Baojun	Executive Director	Incumbent	Male	57	2021.05.07	-	265,500	-	-	-87,615	177,885	Failure to achieve the assessment target of the second release period to repurchase and cancel the corresponding restricted shares
	Deputy General Manager, Chief Accountant	Incumbent			2021.03.16	-						
	Secretary of the Board, Joint Company Secretary	Incumbent			2021.06.16	-						
Tian Yong	Executive Director	Incumbent	Male	45	2022.12.19	-	300,000	-	-	-99,000	201,000	Failure to achieve the assessment target of the second release period to repurchase and cancel the corresponding restricted shares
	Deputy General Manager	Incumbent			2022.10.11	-						

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

Name	Position	Office-holding status	Gender	Age	Start Date of Term of Office	Termination date of term	Number of shares held at the beginning of the period (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
Feng Changli	Independent Non-executive Director	Incumbent	Male	60	2018.06.05	-	-	-	-	-	-	-
Wang Jianhua	Independent Non-executive Director	Incumbent	Male	50	2019.05.28	-	-	-	-	-	-	-
Wang Wanglin	Independent Non-executive Director	Incumbent	Male	49	2020.03.16	-	-	-	-	-	-	-
Zhu Keshi	Independent Non-executive Director	Incumbent	Male	57	2020.11.30	-	-	-	-	-	-	-
Cao Yuhui	Chairman of the Supervisory Committee	Incumbent	Male	52	2023.03.22	-	-	-	-	-	-	-
Liu Ming	Supervisor	Incumbent	Male	51	2021.11.26	-	-	-	-	-	-	-
Guo Fang	Supervisor	Incumbent	Male	54	2023.08.25	-	-	-	-	-	-	-
Meng Jinsong	Deputy General Manager	Incumbent	Male	54	2016.03.30	-	450,000	-	-	-148,500	301,500	Failure to achieve the assessment target of the second release period to repurchase and cancel the corresponding restricted shares

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

Name	Position	Office-holding status	Gender	Age	Start Date of Term of Office	Termination date of term	Number of shares held at the beginning of the period (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
Zhang Hua	Deputy General Manager	Incumbent	Male	43	2023.08.28	-	-	-	-	-	-	-
Wang Yidong	Chairman Executive Director	Resignation	Male	55	2017.11.23 2013.07.08	2023.09.22 2023.09.22	9,945	-	-	-	9,945	-
Shen Changchun	Chairman of the Supervisory Committee	Resignation	Male	58	2021.05.07	2023.03.22	-	-	-	-	-	-
Yang Zhengwen	Supervisor	Resignation	Male	57	2021.02.02	2023.08.25	-	-	-	-	-	-
Zhang Peng	Deputy General Manager	Resignation	Male	51	2021.12.30	2023.08.28	-	-	-	-	-	-

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

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

1. Directors, Supervisors and senior management's interests and short positions in the shares, underlying shares and debentures of the Company

Save as disclosed above, as at 31 December 2023, none of the Directors, Supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) which were recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance, or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

On 22 March 2023, Mr. Shen Changchun resigned as the Chairman of the Supervisory Committee and shareholder representative supervisor of the Company due to change of work arrangements.

On 25 August 2023, Mr. Yang Zhengwen resigned as the staff representative supervisor of the Company due to change of work arrangements.

On 28 August 2023, Mr. Zhang Peng resigned as the deputy general manager of the Company due to change of work arrangements.

On 22 September 2023, Mr. Wang Yidong resigned as the Chairman and executive director of the Company due to change of work arrangements.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(I) Basic Information (Continued)

3. Changes of Directors, Supervisors and Senior Management

Name	Position Held	Type	Date	Reason
Zhang Hongjun	Director	Election	2023.03.22	-
Shen Changchun	Supervisor, Chairman of the Supervisory Committee	Resignation	2023.03.22	Resignation due to change of work arrangements
Cao Yuhui	Supervisor, Chairman of the Supervisory Committee	Election	2023.03.22	-
Yang Zhengwen	Supervisor	Resignation	2023.08.25	Resignation due to change of work arrangements
Guo Fang	Supervisor	Election	2023.08.25	-
Zhang Peng	Deputy General Manager	Dismissal	2023.08.28	Resignation due to change of work arrangements
Zhang Hua	Deputy General Manager	Appointment	2023.08.28	-
Wang Yidong	Chairman, Executive Director	Resignation	2023.09.22	Resignation due to change of work arrangements
Wang Jun	Director	Election	2023.09.22	-

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information

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

Members of the Board of Directors

Executive Directors:

Mr. Wang Jun, Chairman, Executive Director and Secretary of the Party Committee of the Company, Party Committee Secretary and Chairman of Angang Holding, and a senior engineer (professor and research level). Mr. Wang Jun received a bachelor's degree in iron and steel metallurgy and a master's degree in iron and steel metallurgy from Northeastern University, and a doctorate degree in iron and steel metallurgy from Northeastern University. Mr. Wang Jun joined Angang Holding in 1990 and served as the director of the Company's Main Steel Smelting Plant, the manager of Bayuquan Steel Branch Company, the general manager of Angang Strategic Planning Department, and the director, general manager, and deputy secretary of the Party Committee of Bensteel Group Corporation Limited of Ansteel Group.

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

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, Secretary of the Board, 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 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 Centre of Angang, and the chairman of the Supervisory Committee of the Company, etc.

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

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Members of the Board of Directors (Continued)

Independent Non-executive Directors:

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

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 centre and editor-in-chief of the chief editor office of Shanghai Ganglian E-commerce Holdings Co., Ltd.; a visiting professor at Shanghai University of International Business and Economics; and an independent director of Fujian Sangang Minguang Co., Ltd., an A-share listed company. Mr. Wang currently serves as an independent director of Shanxi Taigang Stainless Steel Co., Ltd. (an A-share listed company), an independent director of Ling Steel Group (an A-share listed company) and a 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 Supervisory Committee of Chinese Young Volunteers Association. Mr. Wang obtained a master's degree in civil and commercial law from Beijing Technology and Business University. Mr. Wang 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.

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. Zhu Keshi, an independent Non-executive Director of the Company, a professor of 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 was a senior accountant of the International Taxation Research Institute under the State Administration of Taxation, the chief accountant of Beijing Aerospace Online Technology Co., Ltd. of Aisino, the head of the Research Institute of Coordination Strategy of Fiscal and Financial Policy under Beijing National Accounting Institute, an independent director of Liaoning Energy Coal and Electricity Industry Co., Ltd. (an A-share listed company), an independent director of Shenyang Lanying Industrial Automation Equipment Co., Ltd. (an A-share listed company), and an independent director of Xizi Clean Energy Equipment Manufacturing Co., Ltd. (an A-share listed company). Mr. Zhu currently serves as an independent director of Tread Holdings Group Co., Ltd. (an A-share listed company) and Hengxin Xili Industry Co., Ltd. (a company listed on the National Equities Exchange and Quotations), and a supervisor of Jiuhengxing Technology 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

Shareholder Representative Supervisors:

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

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

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)

Staff Representative Supervisors:

Mr. Guo Fang, currently serves as a Supervisor and vice chairman of the Labour Union of the Company, vice chairman of the Labour Union of Angang Holding, and a senior engineer. Mr. Guo received a Bachelor of Engineering degree in thermal engineering from Northeastern University. Mr. Guo joined Angang Holding in 1989 and served successively as secretary of the Party Discipline Committee of Ansteel Cast Steel Co., Ltd., deputy director of the Company's Office (Party Committee Office), secretary of the Party Discipline Committee of the Company's Main Steel Smelting Plant, deputy secretary of the Party Committee, secretary of the Party Discipline Committee, chairman of the Labour Union, chairman of the Supervisory Committee of Chaoyang Iron and Steel and secretary of the Party Committee of Delin Industrial Products Co., Ltd. (Equipment and Materials Procurement Centre).

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

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

Other Senior Management Members

Mr. Meng Jingsong serves as the 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. Zhanghua serves as the 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 and a director of Angang Holding, and a professor-level senior engineer. Mr. Zhang received his bachelor's degree in metal pressure processing from Anshan University of Science and Technology and his master's degree in Materials Engineering from University of Science and Technology Beijing. Mr. Zhang joined Angang Holding in 2002 and has served as deputy director of the Company's Hot Roll Plant, director and deputy secretary of the Party Committee of the Company's Hot Roll Plant, deputy general manager of the Company's Marketing Centre (responsible for daily operations), and deputy general manager of Angang Strategic Planning Department.

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

2. Positions at the Shareholders of the Company

Name of the personnel who held position	Name of the shareholder	Position at the shareholder	Commencement date of term	Termination date of term	Receipt of remuneration and allowance in the shareholder
Wang Jun	Angang Holding	Party Committee Secretary and Chairman	2023.08.16	-	No
Zhang Hongjun	Angang Holding	Deputy Party Committee Secretary and Director	2022.12.09	-	No
Wang Baojun	Angang Holding	General Manager	2023.03.10	-	No
Wang Baojun	Angang Holding	A member of the Standing Committee of the Party Committee	2021.02.01	-	No
Tian Yong	Angang Holding	A member of the Standing Committee of the Party Committee	2022.09.16	-	No
Cao Yuhui	Angang Holding	A member of the Standing Committee of the Party Committee and Secretary of Committee for Discipline Inspection	2023.02.11	-	Yes
Guo Fang	Angang Holding	Vice Chairman of the Labour Union	2023.05.17	-	No
Liu Ming	Angang	General Manager of Legal Compliance Department	2021.05.26	-	Yes
Meng Jinsong	Angang Holding	A member of the Standing Committee of the Party Committee	2016.01.31	-	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	Termination date of term	Receipt of remuneration and allowance in the shareholder
Zhang Hua	Angang Holding	A member of the Standing Committee of the Party Committee and Director	2023.08.04	-	No
Note on positions at the shareholders of the company	<p>In March 2023, the Listed Company Supervision Department of China Securities Regulatory Commission released A Letter of Agreement on Relaxing Restrictions on Concurrent Positions for Senior Management of Anshan Iron & Steel Co. Ltd., according to which the General Manager of the Company Mr. Zhang Hongjun is agreed to be exempted from the restriction to serve as the General Manager of Angang Holding.</p> <p>Independent Directors of the Company believe that Mr. Zhang Hongjun, the general manager of the Company, have strictly followed his promises, performed his duties diligently according to the Company Law, the Securities Law and relevant laws and regulations. He prioritised the performance of duties as members of the senior management of the company and better handled the relationship between the Company and the controlling shareholder Angang Holding when concurrently serving as the general manager of Angang Holding, without damaging the interests of the Company and minority shareholders.</p>				

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(II) Employment Information (Continued)

3. Positions at other organisations

Name of the personnel who held position	Name of the organisation	Position in the organisation	Commencement date of term	Termination date of term	Receipt of remuneration and allowance in other organisations
Feng Changli	Dalian University of Technology	Professor	2016.12	–	Yes
Wang Jianhua	Shanghai Ganglian E-Commerce Holdings Co., Ltd.	Chief Steel Analyst	2015.01	–	Yes
	Shanxi Taigang Stainless Steel Co., Ltd.	Independent Director	2021.05	–	Yes
	Baowu Special Metallurgy Co., Ltd.	Director	2021.06	–	Yes
	Ling Steel Group	Independent Director	2023.09	–	Yes
Wang Wanglin	Beijing Zhicheng Lawyer	Deputy Director, Lawyer	2018.11	–	Yes
Zhu Keshi	Beijing National Accounting Institute	Professor	2013.07	–	Yes
	Toread Holdings Group Co., Ltd.	Independent Director	2021.12	–	Yes
	Jiuhengxing Technology Co., Ltd. (a company listed on the National Equities Exchange and Quotations)	Supervisor	2023.05	–	Yes
	Hengxin Xili Industry Co., Ltd. (a company listed on the National Equities Exchange and Quotations)	Independent Director	2017.09	–	Yes
Wang Baojun	Angang Financial Company	Director	2019.01		No
	Angang Steel Group Capital Holdings Co., Ltd.	Director	2021.07		No
Meng Jinsong	Ansteel Beijing Research Institute Co., Ltd.	Director	2019.08	–	No
Note on positions in other organisations	–				

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 management of the Company in the past three years

Applicable Not Applicable

(III) Emoluments of Directors, Supervisors and senior management

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

The emoluments of the Company's Directors, Supervisors and senior management 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 management (Continued)

2. Emoluments of Directors, Supervisors and senior management 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 one's tenure
Wang Jun	Chairman, Executive Director	Male	56	Incumbent	24.09	-
Zhang Hongjun	Executive Director, General Manager	Male	50	Incumbent	114.41	-
Wang Baojun	Executive Director, Deputy General Manager, Chief Accountant, and Secretary of the Board	Male	57	Incumbent	61.24	-
Tian Yong	Executive Director and Deputy General Manager	Male	45	Incumbent	100.95	-
Feng Changli	Independent Non-executive Director	Male	60	Incumbent	12.00	-
Wang Jianhua	Independent Non-executive Director	Male	50	Incumbent	12.00	-
Wang Wanglin	Independent Non-executive Director	Male	49	Incumbent	12.00	-
Zhu Keshi	Independent Non-executive Director	Male	57	Incumbent	12.00	-
Cao Yuhui	Chairman of the Supervisory Committee	Male	52	Incumbent	-	Yes

Corporate Governance (Continued)

V. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

(III) Emoluments of Directors, Supervisors and senior management (Continued)

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

Name	Position	Gender	Age	Current Situation	Total pre-tax remuneration received from the Company (RMB10,000)	Whether received remuneration from related parties of the Company during one's tenure
Liu Ming	Supervisor	Male	51	Incumbent	-	Yes
Guo Fang	Supervisor	Male	54	Incumbent	11.37	-
Meng Jinsong	Deputy General Manager	Male	54	Incumbent	118.36	-
Zhang Hua	Deputy General Manager	Male	43	Incumbent	13.67	-
Wang Yidong	Chairman, Executive Director	Male	55	Resignation	-	Yes
Shen Changchun	Chairman of the Supervisory Committee	Male	58	Resignation	-	Yes
Yang Zhengwen	Supervisor	Male	57	Resignation	55.60	-
Zhang Peng	Deputy General Manager	Male	51	Resignation	62.27	-
Total	-	-	-	-	609.96	-

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 management is the performance salary they have received during their tenure in 2023 and the total amount of annual risk salary in 2022 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	Resolutions
The 11th meeting of the ninth session of the Board of Directors of Angang Steel	24 February 2023	Passed the Proposal on Convening the 2023 First Extraordinary General Meeting.
The 12th meeting of the ninth session of the Board of Directors of Angang Steel	13 March 2023	<ol style="list-style-type: none">1. Passed the Proposal on Capital Injection to Angang Guangzhou Auto Steel Co., Ltd. and Construction of Guangzhou Auto Steel Phase II Project.2. Passed the 2023 Work Plan for Paired Assistance by Angang Steel Company Limited.3. Passed the Proposal on the Investment and Establishment of Angang Renewable Metal Resources Co., Ltd.4. Passed the Report on Material Risk Assessment of Angang Steel Company Limited for 2022.5. Passed the Proposal on Revising the Rules of Procedure for General Managers of Angang Steel Company Limited.6. Passed the Proposal on Revising the Management Measures for the Internal Control Evaluation.7. Passed the Proposal on Revising the Implementation Measures for Investigating and Affixing the Responsibility in Illegal Operation and Investment.8. Passed the Proposal on the Release of the Investment Plan for the Comprehensive Utilisation of Resources for Power Generation Project of the First Power Generation Sub-plant.9. Passed the Proposal on the Release of the Investment Plan for the Comprehensive Utilisation of Resources for Power Generation Project of the Second Power Generation Sub-plant.

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	Resolutions
The 13th meeting of the ninth session of the Board of Directors of Angang Steel	22 March 2023	<ol style="list-style-type: none">1. Passed the Proposal on the Adjustment of the Members of the Special Committees of the Board of Directors.2. Passed the Proposal on Revising the Management Measures for the Hedging Business of Angang Steel Company Limited.3. Passed the Proposal on the Change of Authorisation for Transactions in the Hedging Business of Angang Steel Company Limited.
The 14th meeting of the ninth session of the Board of Directors of Angang Steel	30 March 2023	<ol style="list-style-type: none">1. Passed the Annual Work Report of the Board of Directors for 2022.2. Passed the 2022 Annual Report and Its Summary.3. Passed the 2022 Financial Report.4. Passed the 2022 Profit Distribution Plan.5. Passed the Proposal on the Remuneration of Directors and Senior Management in 2022.6. Passed the Proposal on Daily Related Transactions in 2022.7. Passed the Proposal on Estimated Daily Related Transactions in 2023.8. Passed the 2022 Internal Control Evaluation Report.9. Passed the 2022 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 Hedging Business Limit in 2023.12. Passed the Proposal on the Appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the Company's Auditor in 2023.

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	Resolutions
		<ol style="list-style-type: none">13. Passed the Proposal on the Achievement of Lifting the Restriction Conditions in the First Lifting Restriction Period for the First Grant Portion of the 2020 Restricted Share Incentive Scheme.14. Passed the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales.15. Passed the Proposal on the Cancellation of Residue Inventory Shares in the Special Securities Account for the Company's Repurchase.16. Passed the Proposal on the Change of the Registered Capital of the Company and Amendment of the Articles of Association.17. Passed the Proposal on Convening the 2022 Annual General Meeting, the 2023 First Domestic Shareholders' Class Meeting and the 2023 First Foreign Shareholders' Class Meeting of the Company.
The 15th meeting of the ninth session of the Board of Directors of Angang Steel	27 April 2023	<ol style="list-style-type: none">1. Passed the 2023 First Quarterly Report of Angang Steel Company Limited.2. Passed the Proposal on the Separation, Scientific and Technological System Reform and Capital Injection of Angang Science and Technology Development Co., Ltd.
The 16th meeting of the ninth session of the Board of Directors of Angang Steel	18 May 2023	<ol style="list-style-type: none">1. Passed the Proposal on the Release of Investment Plan for the Project of New Constant Pickling Unit (AP2) in the West Area of Cold-rolled Silicon Steel Plant.2. Passed the Proposal on Collection of Profit of Wholly-owned Subsidiaries for 2022.3. Passed the Proposal on the Appointment of Mr. Qu Sheng Yu as the Company's Securities Affairs Representative.

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	Resolutions
The 17th meeting of the ninth session of the Board of Directors of Angang Steel	23 August 2023	<ol style="list-style-type: none">1. Passed the Proposal on the Joint Venture Company Invested by Angang Chemical Technology Co., Ltd., Panzhihua Steel & Vanadium Co., Ltd. of Panzhihua Iron and Steel Group and Pangang Group Xichang Steel and Vanadium Co., Ltd.2. Passed the Proposal on the 2023 Supplemental Agreement to the Raw Materials and Services Supply Agreement (2022-2024) between the Company and Ansteel Group Co., Ltd.3. Passed the Proposal on the Adjustment of the Programme for the Implementation of the Steel Slag Treatment Upgrading Project of Anshan Headquarters by Adopting the BOO Approach.4. Passed the Proposal on the Measures for Evaluating the Performance of Senior Management of Anshan Steel for 2023.
The 18th meeting of the ninth session of the Board of Directors of Angang Steel	28 August 2023	<ol style="list-style-type: none">1. Passed the Proposal on the Nomination of Mr. Wang Jun as the Candidate for Executive Director of the Ninth Session of the Board of Directors of the Company.2. Passed the Proposal on the Appointment of Mr. Zhang Hua as Deputy General Manager of the Company.3. Passed the Proposal on Convening the 2023 Second Extraordinary General Meeting.
The 19th meeting of the ninth session of the Board of Directors of Angang Steel	30 August 2023	<ol style="list-style-type: none">1. Passed the 2023 Interim 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 the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales.

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	Resolutions
The 20th meeting of the ninth session of the Board of Directors of Angang Steel	22 September 2023	<ol style="list-style-type: none">1. Passed the Proposal on the Election of the Chairman of the Ninth Session of the Board of Directors of the Company.2. Passed the Proposal on the Adjustment of the Members of the Special Committees of the Board of Directors.
The 21st meeting of the ninth session of the Board of Directors of Angang Steel	26 September 2023	<ol style="list-style-type: none">1. Passed the Proposal on the Change of the Registered Capital of the Company and Amendment of the Articles of Association.2. Passed the Proposal on Convening the 2023 Third Extraordinary General Meeting, the 2023 Second Domestic Shareholders' Class Meeting and the 2023 Second Foreign Shareholders' Class Meeting of the Company.3. Passed the Proposal on the Revision of the Management Rules for Related Transactions of Angang Steel Company Limited.4. Passed the Proposal on the Revision of the Investor Relations Management System of Angang Steel Company Limited.5. Passed the Proposal on the Revision of the Working System for Independent Directors of Angang Steel Company Limited.6. Passed the Proposal on the Revision of the Management System for Registration of Persons Informed of Insider Information of Angang Steel Company Limited.

Corporate Governance (Continued)

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

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

Meeting session	Convening Date	Resolutions
The 22nd meeting of the ninth session of the Board of Directors of Angang Steel	30 October 2023	<ol style="list-style-type: none">1. Passed the 2023 Third Quarterly Report of Angang Steel Company Limited.2. Passed the Proposal on the Transfer of Equity in Dalian Steel Processing and Distribution Co., Ltd. of Dalian Shipbuilding Industry Co., Ltd. and Angang Steel Company Limited.3. Passed the Proposal on the Change of the Name of the Audit Committee and the Revision of the Terms of Reference.
The 23rd meeting of the ninth session of the Board of Directors of Angang Steel	20 November 2023	Passed the Proposal on the Release of the Investment Plan for the Safety Hazard Remediation Project for the Converter BCDE Cross Plant of the Second Sub-plant of the Main Steel Smelting Plant.
The 24th meeting of the ninth session of the Board of Directors of Angang Steel	28 December 2023	<ol style="list-style-type: none">1. Passed the Proposal on the Release of the Investment Plan for the Efficiency Improvement Project of the Converter Production Process and Equipment of Line 2 of the Second Sub-plant of the Main Steel Smelting Plant.2. Passed the Proposal on the Revision of the Terms of Reference of the Remuneration and Appraisal Committee of Angang Steel Company Limited.

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 during the Reporting Period

Name of Director	Number of attendance in board meetings required during the Reporting Period	Attendance of Directors in the meetings of the Board of Directors and general meeting of shareholders				Whether or not attending board meetings in person for two consecutive times	Number of attendance in general meetings of shareholders
		Number of on-site attendance in board meetings	Number of telecommunication-based attendance in board meetings	Number of attendance in board meetings by proxy	Number of absence from board meetings		
Wang Jun	5	-	5	-	-	No	-
Zhang Hongjun	12	2	10	-	-	No	2
Wang Baojun	14	2	12	-	-	No	4
Tian Yong	14	2	12	-	-	No	4
Feng Changli	14	2	12	-	-	No	2
Wang Jianhua	14	2	12	-	-	No	3
Wang Wanglin	14	2	12	-	-	No	1
Zhu Keshi	14	2	12	-	-	No	2
Wang Yidong	9	-	7	2	-	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	Convening Date	Meeting Contents	Important Opinions and Suggestions	Other Performance of Duties	Specific Situations of Objections (if any)
Nomination Committee	Chairman: Wang Jianhua Member: Wang Yidong, Tian Yong, Feng Changli, Wang Wanglin, Zhu Keshi	2	29 March 2023	1. Passed the Opinions on the Structure and Composition of the Board of Directors of Angang Steel Company Limited.	-	-	-
				2. Passed the Opinions on Independence Verification of Independent Non-executive Directors.	-	-	-
			28 August 2023	1. Passed the Proposal on Suggesting the Nomination of Mr. Wang Jun as the Candidate for Executive Director of the Ninth Session of the Board of Directors of the Company.	-	-	-
				2. Passed the Proposal on the Nomination of Mr. Zhang Hua as Deputy General Manager of the Company.	-	-	-

Corporate Governance (Continued)

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

Name of Committee	Membership	Number of Meetings	Convening Date	Meeting Contents	Important Opinions and Suggestions	Other Performance of Duties	Specific Situations of Objections (if any)
Remuneration and Appraisal Committee	Chairman: Feng Changli Member: Wang Yidong, Wang Jianhua, Wang Wanglin, Zhu Keshi	2	29 March 2023	1. Passed the 2022 Remuneration Plan for Directors and Senior Management of the Company.	-	-	-
				2. Passed the Proposal on the Achievement of Lifting the Restriction Conditions in the First Lifting Restriction Period for the First Grant Portion of the 2020 Restricted Share Incentive Scheme.	-	-	-
				3. Passed the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales.	-	-	-
			30 August 2023	1. Passed the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales.	-	-	-

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)
Strategy Committee	Chairman: Wang Yidong Member: Zhang Hongjun, Feng Changli, Wang Jianhua, Wang Wanglin, Zhu Keshi	2	13 March 2023	Passed the 2023 Major Risk Assessment Report of Angang Steel Company Limited	-	-	-
			29 March 2023	Passed the 2022 Corporate Social Responsibility Report and Environmental, Social and Governance Report and 2023 Key Work of ESG Management.	-	-	-
Audit Committee	Chairman: Zhu Keshi Member: Feng Changli, Wang Jianhua, Wang Wanglin	6	January 13, 2023	Passed the Opinions on 2022 Governance Communication Report on Annual Financial Report Audit Plan (Pre-audit) Stage Report of Angang Steel Company Limited.	-	-	-
			13 March 2023	Passed the Proposal on Revising the Management Measures for the Internal Control Evaluation.	-	-	-
			29 March 2023	1. Passed the 2022 Audited Financial Report of Angang Steel Company Limited.	-	-	-
				2. Passed the 2022 Internal Audit Work Report and 2023 Work Plan of Angang Steel Company Limited.	-	-	-
29 March 2023	3. Passed the 2022 Internal Control Evaluation Report of Angang Steel Company Limited.	-	-	-			

Corporate Governance (Continued)

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

Name of Committee	Membership	Number of Meetings	Convening Date	Meeting Contents	Important Opinions and Suggestions	Other Performance of Duties	Specific Situations of Objections (if any)
				4. Passed the Proposal on the Appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the Company's Auditor in 2023.	-	-	-
			27 April 2023	1. Passed the Report on the Review Results of Financial Statements of Angang Steel Company Limited for the First Quarter of 2023.	-	-	-
				2. Passed the 2023 First Quarter Work Report and Second Quarter Work Plan of the Audit Department of Angang Steel Company Limited.	-	-	-
			30 August 2023	1. Passed the Report on the Review Results of Interim Financial Statements of Angang Steel Company Limited in 2023.	-	-	-
				2. Passed the Work Summary of the Audit Department of Angang Steel Company Limited for the First Half of 2023 and the Work Plan for the Second Half of the Year.	-	-	-

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)
			30 October 2023	<ol style="list-style-type: none"> Passed the Report on the Review Results of the Financial Statements of Angang Steel Company Limited for the Third Quarter of 2023. Passed the 2023 Third Quarter Work Report and Fourth Quarter Work Plan of the Audit Department of Angang Steel Company Limited. 	-	-	-

Corporate Governance (Continued)

VIII. EMPLOYEES OF THE COMPANY

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

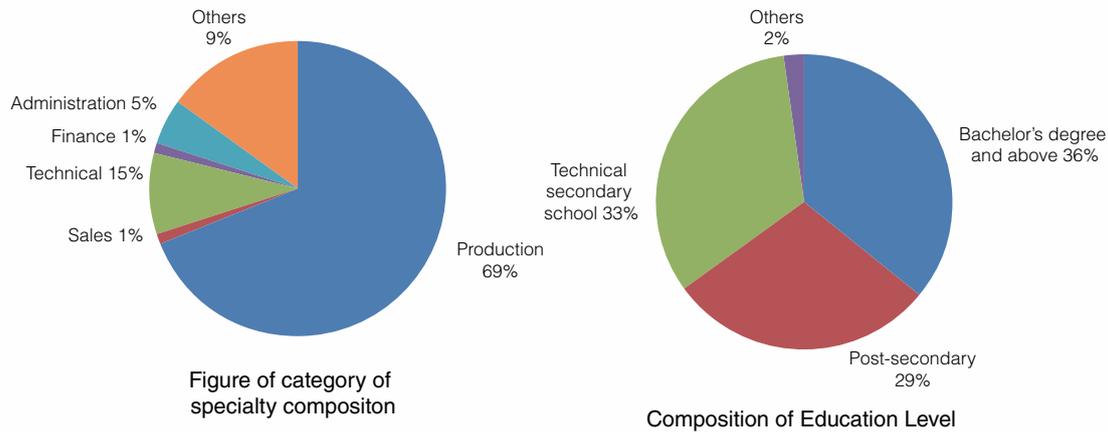
Number of current employees in the Company (<i>person</i>) as at the end of the Reporting Period	23,246
Number of current employees in major subsidiaries (<i>person</i>) as at the end of the Reporting Period	3,718
Total number of current employees (<i>person</i>) as at the end of the Reporting Period	26,964
Total number of employees receiving remuneration during the Reporting Period (<i>person</i>)	26,964
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations (<i>person</i>)	–

Specialty composition	
Category of specialty composition	Number of people (<i>person</i>)
Production	18,664
Sales	354
Technical	4,137
Financial	151
Administration	1,196
Others	2,462
Total	26,964

Education level	
Category of education level	Number of people (<i>person</i>)
Bachelor's degree and above	9,689
Post-secondary	7,755
Technical secondary school	8,805
Others	715
Total	26,964

VIII. EMPLOYEES OF THE COMPANY (CONTINUED)

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



(II) Remuneration policy

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

In 2023, comprehensively implementing the spirit of the 20th National Congress of the Communist Party of China and Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company closely centred on its production, operation, transformation and upgrading for the education and training work, based on talent cultivation and focusing on skill enhancement. The Company gave full play to the role of talent leadership and demonstration, and accelerated the education and training work in a systematised, modularised, and precise manner. The Company focused on strengthening the political literacy and decision-making ability of leadership positions, strengthening the innovative R&D ability of engineers and technicians, strengthening the service consciousness and efficient execution ability of purchasing and marketing positions, and strengthening the ability of skilled personnel to master the skills and inheritance ability. The Company took online and offline ways to organise training, achieved excellent training results. During the year, special trainings covered 12,280 participants; key special-theme trainings organised by the Company covered 10,516 participants; expertise and skill trainings for frontline employees covered 25,226 participants; and trainings on safety qualification for work permits of special operations covered 6,290 participants. The comprehensive quality of the workforce was steadily improved, providing intellectual support and talent guarantee for realising the high-quality development of Angang.

(IV) Labour outsourcing

Applicable Not applicable

Corporate Governance (Continued)

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

Formulation, execution and adjustments of the profit distribution policies, especially the cash dividend distribution policy, during the Reporting Period

Applicable Not applicable

Special Explanation of the Policy of Distribution of Cash Dividend

Whether it complies with the provisions of the Articles of Association or requirements of the resolutions of the Company's general meetings:	Yes
Whether the standards and ratio of dividends are clear and definite:	Yes, for details, please refer to the Articles of Association of the Company
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors have tried their best to perform their duties and duly fulfilled their roles:	Yes
If the Company has not made cash dividends, it should disclose the specific reasons and the next steps it intends to take to enhance investor returns:	Due to the loss of the Company in 2023, taking full consideration of the Company's development and capital demands, the Company decided not to pay cash dividends, not to issue bonus shares, and not to convert capital reserves into shares in 2023 to better safeguard the Company's sustainable development and long-term interests of all shareholders. The Company will continue to deepen reform and innovation and strive to raise its profitability to return investors with better results.
Whether the minority shareholders have sufficient opportunities to express their views and appeals and whether their legitimate rights and interests are adequately protected:	Yes
Whether the premises and procedures for the revisions and changes, if any, of the cash dividend distribution policy are compliant with relevant provisions and transparent:	N/A

Corporate Governance (Continued)

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

Formulation, execution and adjustments of the profit distribution policies, especially the cash dividend distribution policy, during the Reporting Period (Continued)

The Company has not proposed a cash dividend distribution plan during the Reporting Period, when profits are made and the parent company's profit distributable to shareholders remains positive.

Applicable Not applicable

Information on profit distribution and the conversion of capital reserves into share capital during the Reporting Period

Applicable Not applicable

The Company decided not to pay cash dividends, not to issue bonus shares, and not to convert capital reserves into shares in 2023.

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

(I) Basic information of the Share Incentive Scheme

Purpose of the Scheme

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the core and key employees, effectively align the interests of Shareholders, the interest of the Company and the personal interests of the employees, the 2020 Restricted Share Incentive Scheme (Draft) of Angang Steel Company Limited (hereinafter referred to as the Scheme) was considered and approved at the thirty-second meeting of the eighth session of the Board of Directors and the eleventh meeting of the eighth session of the Supervisory Committee of the Company on 26 November 2020, and was approved at the 2020 third extraordinary general meeting of the Company on 31 December 2020.

Participants of the Scheme

The Participants under the Scheme are the incumbent directors, senior and middle-level management, core technical (business) personnel upon the implementation of the Scheme, excluding Supervisors and independent Directors.

Corporate Governance (Continued)

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

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

Total number of shares available for issue under the Scheme	N/A
Percentage of shares issued at the end of 2023	N/A
Source of restricted shares granted in the Scheme	The ordinary A shares repurchased by the Company from the secondary market.
Maximum entitlement of each participant in the Scheme	The total number of Restricted Shares to be granted to any single Incentive Participant under all the fully effective share incentive schemes of the Company within the effective period shall not exceed 1% of the total share capital of the Company at the date of the First Announcement (i.e., 26 November 2020).
Period during which the grantee may exercise the option under the Scheme	N/A
Vesting period for options or awards granted under the Scheme	The share awards granted under this Scheme have no vesting period. The lock-up period of the Restricted Shares granted under this Scheme shall be 24 months from the date of completion of equity registration. If the conditions for the unlocking of the Restricted Shares are met, the Restricted Shares will be unlocked in three batches within the next 36 months in the proportion of 33%, 33% and 34%, respectively.
The amount payable (if any) on application or acceptance of the option or award and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount that is not required to be paid upon acceptance of the award.

Corporate Governance (Continued)

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

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

Basis for determining the purchase price (if any) of the Shares granted	<p>I. Basis for Determination of the Price of the First Grant</p> <p>The date of determining the price of the Restricted Shares under the First Grant is the date of the publication of the draft of the Scheme. The Grant Price shall not be lower than the nominal value of the Share, and shall not be lower than 60% of the higher of:</p> <ol style="list-style-type: none">1. the average trading price of the underlying Shares of the Company for the last trading day preceding the announcement date of the draft of the Scheme;2. the average trading price of the underlying Shares of the Company for the last 20 trading days, 60 trading days or 120 trading days preceding the announcement date of the draft of the Scheme. <p>II. Methods of Determining the Grant Price of the Reserved Restricted Share</p> <p>Prior to the grant of reserved Restricted Shares, a separate Board meeting shall be convened to consider and approve the relevant proposal. The Grant Price shall not be lower than the nominal value of the Share, and shall not be lower than 60% of the higher of:</p> <ol style="list-style-type: none">1. the average trading price of the Company's Shares on the trading day preceding the date of announcement of the Board's resolution regarding the grant of the reserved Restricted Shares;2. any one of the average trading prices of the Company's Shares in the last 20, 60 or 120 trading days preceding the date of announcement of the Board's resolution regarding the grant of the reserved Restricted Shares.
Remaining life of the Scheme	<p>The effective period of this Scheme shall commence from the date of completion of registration for the First Grant and end on the date when all the Restricted Shares are fully unlocked or repurchased, for a maximum of 72 months. On 27 January 2021, the Company completed the registration of the First Grant of Restricted Shares under the Scheme with the China Securities Depository and Clearing Corporation Limited. As of 31 December 2023, there are no more than 37 months remaining under the Scheme.</p>

Corporate Governance (Continued)

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

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

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

In 2023, the Company did not grant any new Restricted Shares.

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

On 19 December 2022, the 2022 third extraordinary general meeting, the 2022 second domestic shareholders' class meeting and the 2022 second foreign shareholders' class meeting of the Company considered and approved the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales. On 10 February 2023, the Company completed the Repurchase and Cancellation of 2,040,931 Restricted Shares granted but not yet released from restricted sales to 12 original incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On 29 May 2023, the 2022 Shareholders' General Meeting, the 2023 first domestic shareholders' class meeting and the 2023 first foreign shareholders' class meeting of the Company considered and approved the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales. On 21 July 2023, the Company completed the Repurchase and Cancellation of 1,128,370 Restricted Shares granted but not yet released from restricted sales to 12 original incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

Corporate Governance (Continued)

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

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

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

On 26 October 2023, the 2023 third extraordinary general meeting, the 2023 second domestic shareholders' class meeting and the 2023 second foreign shareholders' class meeting of the Company considered and approved the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales. On 19 December 2023, the Company completed the Repurchase and Cancellation of 15,590,555 Restricted Shares granted but not yet released from restricted sales to 197 original incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

Corporate Governance (Continued)

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

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

3. Grantees

Name	Position	Grant Date	Lock-up period	Restricted Shares	Grant price of	Number of grants held at the beginning of the Reporting Period	Number of shares granted during the Reporting Period	Number of shares unlocked during the Reporting Period	Number of shares canceled during the Reporting Period	Purchase price of canceled incentive	Number of shares lapsed during the Reporting Period	Number of grants held at the end of the Reporting Period
I. Directors and Senior Management												
Zhang Hongjun	Executive Director, General Manager	2021.01.08	2021.01.27-2023.01.26	1.85	40	-	13.2	24.6	1.91	-	0	
								2.2	1.85			
Wang Baojun	Executive Director, Deputy General Manager, Chief Accountant, and Secretary of the Board	2021.12.10	2022.01.28-2024.01.27	2.31	26.55	-	-	8.7615	2.31	-	17.7885	
Tian Yong	Executive Director and Deputy General Manager	2021.01.08	2021.01.27-2023.01.26	1.85	30	-	9.9	9.9	1.85	-	10.2	
Meng Jinsong	Deputy General Manager	2021.01.08	2021.01.27-2023.01.26	1.85	45	-	14.85	14.85	1.85	-	15.3	
Zhang Hua	Deputy General Manager	2021.01.08	2021.01.27-2023.01.26	1.85	30	-	9.9	16.8	1.91	-	0	
								3.3	1.85			

Corporate Governance (Continued)

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

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

3. Grantees (Continued)

Name	Position	Grant Date	Lock-up period	Grant price of Restricted Shares	Number of grants held at the beginning of the Reporting Period	Number of shares granted during the Reporting Period	Number of shares unlocked during the Reporting Period	Number of shares canceled during the Reporting Period	Purchase price of canceled incentive	Number of shares lapsed during the Reporting Period	Number of grants held at the end of the Reporting Period
II. Other Core Employees											
Other core employees in the First Grant (170)		2021.01.08	2021.01.27-2023.01.26	1.85	4,312,025	-	1,430,055	94.2	1.91	-	1,271,4581
							1,419,5,950	1.85			
							74,7585	1.92			
							21,9584	1.96			
Other core employees in the Reserved Grant (36)		2021.12.10	2022.01.28-2024.01.27	2.31	497.59	-	-	23,4931	2.34	-	312,5278
							15,1085	2.36			
							146,4606	2.31			
Total		-	-	-	4,981,165	-	1,477,905	1,875,9,856	-	-	1,627,2,744
III. Five Individuals with the Highest Compensation in Aggregate											
Employees in the First Grant (5)		2021.01.08	2021.01.27-2023.01.26	1.85	150	-	49.5	49.5	1.85	-	51
Employees in the Reserved Grant (0)		-	-	-	-	-	-	-	-	-	-

Notes:

- On 18 April 2023, 14,779,050 restricted shares of 172 Incentive Participants of the First Grant of the first unlocking period were listed and circulated. The closing price of A shares on the day before unlocking was RMB3.12/share.
- During the Reporting Period, all five individuals with the highest compensation in aggregate were granted restricted A shares.

Corporate Governance (Continued)

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

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

3. Grantees (Continued)

Notes: (Continued)

3. The lock-up period of the Restricted Shares shall be 24 months from the date of completion of restricted share registration. The unlocking period and schedule for each unlocking of the Restricted Shares (including the reserved Restricted Shares) are set out below:

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

Corporate Governance (Continued)

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

(III) Appraisal mechanism and incentives for the senior management

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

(IV) Implementation of the Employee Stock Ownerships Scheme

Applicable Not applicable

(V) Other employee incentive measures

Applicable Not applicable

Corporate Governance (Continued)

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

(I) Establishment and implementation of internal control

With the goal of “strengthening internal control, preventing risks, and promoting compliance”, the Company constantly improved risk control awareness, performed the responsibilities of risk control operator, and built and perfected an internal control system that is oriented by risk management and focusing on compliance management supervision. With the bottom line of no material risks, the rights and liabilities of governance entities including the Party Committee, the Board of Directors, the Management, and legal and audit departments were performed effectively, realising organic integration and effective operation of risk management and the internal control system.

The Company continued to optimise the integration of internal control, risk, and compliance responsibilities and carried out a management mode with a centralised and unified leadership, classification of each department, and hierarchy of each unit to consolidate the lines of defense of internal control. The Company improved the establishment of the internal control policy system to make sure that such system covers all business areas and management processes, providing a solid policy guarantee for corporate reform and development. The Company focused on the enhancement of key process supervision. It deeply carried out the “6 + X” joint review mechanism and enhanced ex-ante risk prevention to provide effective support for making decisions scientifically. It enhanced in-event standardised supervision and implemented risk assessment and compliance review for material events to ensure to implement risk prevention and control responsibilities. It strengthened ex-post summarisation and improvement and built a supervision and service platform for risk identification, defect determination, and responsibility implementation. It continued to enhance the supervision of key areas. By focusing on carrying out special compliance governance, the Company ensured that all work tasks were in line with laws and regulations, regulatory provisions, industry rules, and management policies of the Company and that there was no major violation of laws and regulations.

Corporate Governance (Continued)

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

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

Yes No

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

Applicable Not applicable

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

(I) Self-evaluation Report on Internal Control

Date of disclosure of full text of evaluation report on internal control	29 March 2024
Index of full disclosure Index of Full Disclosure of Evaluation report on internal control	(CNINFO) 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	97.32%
The proportion of the unit operating income under the scope of evaluation to the operating income of the consolidated financial statements of the Company	93.69%

Corporate Governance (Continued)

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

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

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

Corporate Governance (Continued)

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

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

Type	Deficiency identification standards	
	Financial report	Non-financial report
		<p>2. Defect identification standards for internal control of the Company's reputation as follows:</p> <p>(1) General defect</p> <p>has medium or below impact on the Company and the Company is required to pay a certain consideration for its recovery in a certain period: the Company is required to pay a certain consideration for its recovery in a certain period, overly prolonged delivery of goods and unstable quality, resulting in the reduction in cooperation with partners; concern from partners due to negative reports in a certain scope; quality issues in the application of products and inappropriate response resulting in tightening of conditions for continual cooperation with customers; the occurrence of counterfeit incident affects the normal sales of the Company's customers, resulting in the request of goods return or clarification from customers; internal rectification required by regulatory authorities.</p>

Corporate Governance (Continued)

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

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

Type	Deficiency identification standards	
	Financial report	Non-financial report
		<p>(2) Significant defect</p> <p>has relatively large impact on the Company and the Company is required to pay a certain consideration for its recovery in a longer period: partners continue to be dissatisfied with the Company in terms of quality, delivery time and price and other factors, thus certain partners cease their cooperation with the Company; negative reports from various media causes important partners to be concerned and public image is prejudiced; material quality issue results in discontinuity of cooperation and indirectly affects the cooperation with similar customers; the occurrence of counterfeit incident affects the normal sales channels and refund, thus the interests of both the Company and the customers are prejudiced; the Company is reported or publicly denounced by regulatory authorities.</p>

Corporate Governance (Continued)

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

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

Type	Deficiency identification standards	
	Financial report	Non-financial report
		<p>(3) Major defect</p> <p>has significant impact on the Company and the Company is required to pay a considerable consideration for its recovery in a longer period: serious problems occur in various sales factors and most of the partners cease to cooperate or reduce the level of cooperation; negative reports issued by popular authoritative media to cause the suspension of cooperation among customers, suppliers and the Company; material quality problems are found in application of products to key construction projects and have certain impact on the society, thus the recognition from the public decreases; negative effect brought by counterfeit incident, thus the recognition from the public and loyalty of customers decrease; the Company's business is forced to stop for rectification by regulatory authorities.</p>
		<p>3. 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) Significant defect</p> <p>affects part of staff/public health/safety; major accidents.</p> <p>(3) Major defect</p> <p>affects certain number of staff/public health/safety; significant accidents.</p>

Corporate Governance (Continued)

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

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

Type	Deficiency 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) Significant defect</p> <p>relatively large damage on the environment, the occurrence of larger environmental accident (National level III).</p> <p>(3) Major defect</p> <p>serious damage on the environment, the occurrence of environmental protection incident at the level of significant environmental accident (National level II) or above.</p>

Corporate Governance (Continued)

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

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

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

Corporate Governance (Continued)

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

(II) Auditor's report on internal control

Applicable Not applicable

Opinion on the Review of the Auditor's Report on Internal Control

BDO China Shu Lun Pan Certified Public Accountants LLP (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 and the relevant regulations as of 31 December 2023.

Disclosure of the auditor's report on internal control	Disclosed
Date of disclosure of full text of the auditor's report on internal control	29 March 2024
Index of full disclosure of the auditor's report on internal control	(CNINFO) http://www.cninfo.com.cn
Type of opinion on the auditor's report on internal control	Standard and unqualified
Whether there are material defects in non-financial statements	No

Whether the accounting firm has released an unqualified internal control audit report

Yes No

Whether the internal control audit report released by the accounting firm is consistent with the opinion of the Board of Directors in the self-assessment report

Yes No

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT

(I) Corporate governance practices

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

The Company has adopted the code provisions set out in Appendix C1 to the Hong Kong Stock Exchange Listing Rules as currently effective. The Company has periodically reviewed its corporate governance practices, except for the following matters, the Company has properly complied with the code provisions of the Corporate Governance Code. According to the requirements of F.2.2 of Appendix C1 (Corporate Governance Code) to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, “The chairman of the board should attend the annual general meeting.....”. In 2023, Mr. Wang Yidong, Chairman of the Company did not attend the annual general meeting in person due to official duties and entrusted Mr. Zhang Hongjun, a director of the Company, to attend and preside over the annual general meeting.

(II) Securities transactions by Directors

The Board has adopted the relevant code for Directors' securities transactions for the purpose of complying with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. 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 C3 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(III) Independent Non-executive Directors

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

Pursuant to the requirements of the Hong Kong Stock Exchange, the Company has verified with its independent non-executive Directors in respect of their independence as follows: the Company has received the written confirmation of each of the independent non-executive Directors ascertaining that they are in compliance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited 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 eight members including four executive Directors (including one Chairman) and four independent non-executive Directors as at the end of the Reporting Period. The number of independent non-executive Directors of the Company represents over one-third of the members of the Board.

The Board of the Company establishes four special committees, which are all comprised of Directors. In particular, the majority of the members of the Audit and Risk (Oversight) 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 and Risk (Oversight) 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 14 Board meetings and considered and approved 59 proposals in 2023.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

2. Duties and Operation of the Board

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

- i. to convene and report at the general meetings;
- ii. to implement the resolutions passed at the general meetings;
- iii. to decide the Company's business and investment plans;
- iv. to prepare the Company's annual budget and its final accounts plan;
- v. to prepare the Company's profit distribution plan and loss recovery plan;
- vi. to prepare the proposals for the increase or reduction of the Company's registered capital, issue of debentures or other securities as well as listing;
- vii. to draw up plans for significant acquisition by the Company, purchase of the Company's shares or the merger, division and dissolution of the Company and change of corporate form;
- viii. to decide the Company's external investment, acquisition and sale of assets, asset mortgage, external guarantee, entrusted financial management, connected transactions within the scope of powers prescribed by laws, regulations and listing rules of the Company's listing places and the authorisation of the general meeting;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

2. Duties and Operation of the Board (Continued)

- ix. to determine the structure of the Company's internal management;
- x. to appoint or dismiss the Company's manager and the Secretary of the Board, to appoint or dismiss the Company's deputy general manager and other senior management including the financial controller as nominated by the manager, and determine their remunerations, awards and punishment;
- xi. to prepare the Company's basic management system;
- xii. to prepare amendments to the Articles of Association of the Company;
- xiii. to manage the Company's information disclosure;
- xiv. to propose to the general meeting to hire or replace the accounting firm for the Company;
- xv. to hear the work report of the Company's manager and check the work of the manager;
- 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 sub paragraphs vi, vii and xii above, which shall be passed by votes of more than two-thirds of the Directors, the resolutions in respect of other matters specified above may be passed by votes of at least half of the Directors.

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

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

2. Duties and Operation of the Board (Continued)

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

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

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

3. Remuneration and Appraisal Committee

In 2023, 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 2022, reviewed their remunerations for 2022 and relevant matters of the Satisfaction of the Unlocking Conditions for the First Unlocking Period of the Restricted Shares under the First Grant of the 2020 Restricted Share Incentive Scheme and the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales, and submitted these matters to the Board for consideration.

In 2023, 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	Chairman	100%
Wang Jun	member	100%
Wang Jianhua	member	100%
Wang Wanglin	member	100%
Zhu Keshi	member	100%
Wang Yidong	former member	100%

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

3. Remuneration and Appraisal Committee (Continued)

Main duties of the Remuneration and Appraisal Committee are:

- (a) to make recommendation to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives set up by the Board;
- (c) to put forth suggestions on the remuneration of all Directors and senior management to the Board. This should include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
- (d) to organise to formulate the appraisal standards for Directors and senior management and conduct assessments;
- (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;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

3. Remuneration and Appraisal Committee (Continued)
 - (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;
 - (i) to put forth suggestions to the Board on the development or revision of the stock incentive plan and the employee share ownership scheme, rights and interests to eligible participants, and achievement of exercising conditions;
 - (j) to put forth suggestions to the Board on the share ownership scheme for directors and senior management members in the subsidiaries to be spun off;
 - (k) to review and/or approve matters relating to share schemes under Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited; and
 - (l) Other matters stipulated by laws, administrative regulations, provisions of regulatory authorities for securities, and the provisions of the Articles of Association.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

4. Nomination Committee

In 2023, the Nomination Committee of the Company held two meetings to nominate the candidates of Directors and deputy general manager of the Company for consideration by the Board in accordance with the qualification requirements and relevant requirement of regulations and the Articles of Association of the Company.

- (1) In 2023, 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	Chairman	100%
Wang Jun	member	–
Tian Yong	member	100%
Feng Changli	member	100%
Wang Wanglin	member	100%
Zhu Keshi	member	100%
Wang Yidong	former member	100%

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

4. Nomination Committee (Continued)

(2) Main duties of the Nomination Committee are:

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

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

4. Nomination Committee (Continued)

(3) Nomination policy

- (a) The Nomination Committee shall review at least once a year the number, composition and organisational structure of the Board (including the skills, knowledge base, work experience and diversity of the Board members), and advise on personnel changes of the Board to consolidate the Company's development strategy;
- (b) The Nomination Committee shall consider the criteria and procedures for selecting directors, general manager and other senior management members and make recommendations thereon to the Board, develop or revise the Board Diversity Policy and focus on developing board diversity in the member selection process. Factors to consider include but are not limited to gender, age, culture, perspectives, education background and previous experience;
- (c) The Nomination Committee shall identify candidates qualified to become the Board members and make recommendations thereon to the Board, having due regard to the Company's Board Diversity Policy, the requirements in the Articles of Association regarding the appointment of directors of the Company, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (d) The Nomination Committee shall review the independence of independent non-executive Directors with reference to the factors set out in the Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board. If a proposed independent non-executive Director will be holding his/her seventh (or more) listed company directorship, the Nomination Committee shall assess his/her ability to devote sufficient time to the Board matters.

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

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

5. Audit and Risk (Oversight) Committee

In 2023, the Audit and Risk (Oversight) Committee of the Company held a total of six meetings. During the meetings, the Audit and Risk (Oversight) Committee mainly reviewed the quarterly, interim and annual financial statements of the Company and financial information set out in the quarterly, interim and annual reports of the Company, reviewed the internal control system and risk management of the Company and nominated auditor of the Company for 2023.

In 2023, the members of the Audit and Risk (Oversight) Committee of the Company and their attendance are as follows:

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

The Audit and Risk (Oversight) 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 2023.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

5. Audit and Risk (Oversight) Committee (Continued)

Main duties of the Audit and Risk (Oversight) Committee are:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

5. Audit and Risk (Oversight) Committee (Continued)

(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;
- (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (vii) the Company's profit distribution or loss recovery plan.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

5. Audit and Risk (Oversight) 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;
 - (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 programmes and budget of the Company's accounting and financial reporting function;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

5. Audit and Risk (Oversight) Committee (Continued)
 - (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;
 - (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;

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

5. Audit and Risk (Oversight) Committee (Continued)
 - (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;
 - (p) to act as the key representative body for overseeing the Company's relations with the external auditor;
 - (q) to guide and promote the development of corporate rule of law and compliance management and supervise the duty performance of the management regarding the governance of enterprises according to law and compliance management;
 - (r) to oversee the appointment and removal of the person in charge of the Audit Department of the enterprise and put forth relevant suggestions;
 - (s) Other functions and powers conferred by the Board.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

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

6. Training for Directors

In 2023, 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 Jun	Chairman	A, B
Zhang Hongjun	Executive Director	A, B
Wang Baojun	Executive Director	A, B
Tian Yong	Executive Director	A, B
Feng Changli	Independent Non-executive Director	A, B
Wang Jianhua	Independent Non-executive Director	A, B
Wang Wanglin	Independent Non-executive Director	A, B
Zhu Keshi	Independent Non-executive Director	A, B
Wang Yidong	Former Chairman and Executive Director	A, B

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

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

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(V) Chairman and general manager

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

Duties of the Chairman:

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

Duties of the General Manager:

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

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

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VI) Company secretaries

During the Reporting Period, Mr. Wang Baojun and Mr. Zhou Dongzhou, the Joint Company Secretaries, were in compliance with Rule 3.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. 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 five days after it has passed the relevant resolution. Any change made to the original request in the notice shall be subject to the consent of such shareholder(s).

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

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VII) Rights of shareholders (Continued)

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

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

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

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

(VIII) Investor relations

1. Communication with shareholders

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

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(VIII) Investor relations (Continued)

1. Communication with shareholders (Continued)

In 2023, the Company developed the Work Plan for Investor Relation Management and further revised and perfected the Policy for Investor Relation Management. The Company strengthened communication with investors by holding results briefings and attending strategic review meetings organised by brokers and held 16 investor relation activities. The Company replied inquiries of 62 investors via the interaction platform of Shenzhen Stock Exchange. During the Reporting Period, the Company strictly followed the requirements of the Articles of Association and the Investor Relation Management Measures concerning the shareholder communication policy, truly protected the rights and interests of shareholders and ensured smooth channels for communication between the Company and investors.

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

2. Significant changes in the “Articles of Association”

In 2023, the Company’s Articles of Association were amended at the 2022 Shareholders’ General Meeting and the 2023 Third Extraordinary General Meeting, respectively, to mainly revise relevant information on registered capital and share change in the Articles of Association in accordance with the repurchase and cancellation of restricted shares approved by the Shareholders’ General Meeting and the cancellation of the residue inventory shares in the special securities account for the Company’s repurchase.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(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;
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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and made disclosures in the Corporate Governance Report.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(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 and Risk (Oversight) Committee under the Company's Board of Directors assist the Board in monitoring and reviewing the design and operational effectiveness of the risks, associated risk management and internal control systems, and submit reports to the Board.

The Group has established a relatively comprehensive risk management and internal control system, in which there is close integration of the Group's comprehensive risk management and internal control work with other management efforts, so as to integrate the various requirements of risk management into corporate management and business processes. In accordance with the principle of "The one who is in charge of the business is responsible for the risks", the Company has established "Three Lines of Defence" for risk management, with each department and unit as the first line of defence to perform the corresponding responsibilities. Risk assessment was conducted from professional areas and the resolution to risk projects was strictly implemented. The strategic committee under the Board of Directors and the Legal Compliance Department performed their corresponding responsibilities as the second line of defence to promote material operation risk assessment and optimise risk control procedures to effectively safeguard the smooth implementation of material risk prevention and control. The Audit and Risk (Oversight) Committee under the Board of Directors and the Audit Department performed their corresponding responsibilities as the third line of defence to supervise effective implementation and self-evaluation of internal control to identify deficiencies to make up for them and improve it through rectification.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(X) Risk management and internal control (Continued)

1. Risk management

The Group has established a material risk assessment mechanism. Based on the changes in the internal and external environment, identify, analyse 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 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 has continuously improved policies related to risk internal control. The Group has insisted on effectively embedding the internal risk control provisions into the whole process of production and management, continued to make the internal control policy system more scientific, systematic, and effective. The Group effectively complied with the internal and external regulation requirements, and comprehensively reviewed the rules and policies related to internal control, risk and compliance management. In 2023, the Group developed and revised a total of 139 rules and regulations focusing on cash flow, production safety, serious fire, marketing, technical R&D, and environmental protection.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(X) Risk management and internal control (Continued)

1. Risk management (Continued)

The Group established and improved the quarterly monitoring and reporting mechanism for material risks. All competent business departments and units closely track and monitor the changes in major risks and relevant implementation, implemented the work mechanism of “active reporting + dynamic supplementation + barrier review” for risk screening to realise the smooth supervision and feedback of comprehensive risk management.

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, organise and conduct special risk assessment and compliance review of significant matters, and form the Special Risk Assessment and Compliance Review Report. Before significant matters are reviewed and decisions are made, they should be submitted to the Joint Review Department for review and a Review Opinion is formed.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(X) Risk management and internal control (Continued)

2. Internal control

The Group has established an internal audit department which reports directly to the Audit and Risk (Oversight) Committee. The Audit Department attends the Audit and Risk (Oversight) Committee meetings on a quarterly basis to report on the internal audit work of the Company. The Audit and Risk (Oversight) Committee oversees and reviews the comprehensiveness and implementation of the Group's internal control system. The Audit Department organises annual reviews and self-evaluations of the internal control system, prepares self-evaluation reports on internal controls and reports to the Audit and Risk (Oversight) 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 authorisation and approval, an internal control evaluation mechanism, an internal control rectification mechanism and an internal control system work reporting mechanism. The Audit Department organises 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 adequate and effective.

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(XI) Auditor's remuneration

For the year ended 31 December 2023, 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 RMB700,000 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 Diversity Policy of the Board and the Policy. The Company is committed to the principle of equal opportunities in all aspects of its business, and no one will be discriminated against on the grounds of race, gender, disability, religion or ideological belief, age, sexual orientation, family status or any other factors.

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

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

Corporate Governance (Continued)

XIV. CORPORATE GOVERNANCE REPORT (CONTINUED)

(XII) Board diversity policy (Continued)

All directors are males, and the Board of the Company plans to further optimise the member structure of the Board. It plans to elect one additional female directors by the end of 2024. With full consideration of the Board Diversity Policy, the Company will uphold the principle of selecting talents on their merits and remain committed to providing female employees with career development opportunities. A series of measures have been adopted, which will be further promoted in the future, to enhance the gender diversity of the Board. The Nomination Committee will review the Board Diversity Policy and the progress (including gender balance) on the regular basis, to ensure continuity and effectiveness. The Board believes that the policy will provide the talents it is seeking to achieve gender diversity.

The Group (the Company and its subsidiaries) has 26,964 employees in total in 2023, including 2,270 female employees, who account for 8.42% of the workforce. The Company will actively organise diversified recruitment and admission to ensure equal opportunities and remuneration for employees of all genders in the organisation. As at the date of this annual report, the Company is not aware of any factor or circumstance that poses challenges to or negatively affects the gender diversity of employees.

Environmental and Social Responsibilities

I. MAJOR ENVIRONMENTAL ISSUES

If the listed company and its subsidiaries are in the list of key pollutant discharge institutions as declared by environmental protection authorities

Yes No

(I) Environmental protection related policies and industry standards

The Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Noise Pollution, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, Emission Standard of Pollutants for Coking Chemical Industry, Emission Standard of Air Pollutants for Iron Smelt Industry, Emission Standard of Air Pollutants for Steel Smelt Industry, Emission Standard of Air Pollutants for Sintering and Pelletising of Iron and Steel Industry, Emission Standard of Air Pollutants for Steel Rolling Industry, Emission Standard of Air Pollutants for Thermal Power Plants, Discharge Standard of Water Pollutants for Iron and Steel Industry and other laws, regulations, and industry standards.

(II) Environment protection administrative permits:

The latest update to the pollutant discharge permit for Angang Steel Company Limited's Anshan headquarter took place on 9 February 2023, with the validity period extending until 8 February 2028. The Bayuquan branch company's pollutant discharge permit was most recently updated on 23 January 2024, with a validity period until 22 January 2029. The Chaoyang Iron and Steel pollutant discharge permit was most recently updated on 3 July 2023, with a validity period until 2 July 2028.

Environmental and Social Responsibilities (Continued)

I. MAJOR ENVIRONMENTAL ISSUES (CONTINUED)

(III) Industry emission standards and specific information on pollutant emissions in production and operating activities

Name of company or subsidiary	Types of major pollutants and characteristic pollutants	Name of major pollutants and characteristic pollutants	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Discharge/Emission Concentration/Intensity	Pollutant discharge standards	Total Discharge/Emissions	Approved Total Discharge/Emissions	Excess discharge
ANGANG STEEL COMPANY LIMITED	Water pollutant	COD	Discharged after being treated to acceptable standards	3	Main drain	< 50 mg/L	< 50 mg/L	50.91	Government Agency Not approved by the government department	No
	Water pollutant	Ammonia-nitrogen		3	Main drain	< 5 mg/L	5 mg/L	8.535		No
	Air pollutants	Particles		561	Coking	< 30 mg/m ³	30 mg/m ³	10,952.7		No
				Iron smelting	< 25 mg/m ³	25 mg/m ³				
				Steel smelting	< 20 mg/m ³	20 mg/m ³				
				Steel rolling	< 30 mg/m ³	30 mg/m ³				
	Air pollutants	Sulfur dioxide		200	Coking	< 50 mg/m ³	50 mg/m ³	7,564.2		No
				Sintering	< 200 mg/m ³	200 mg/m ³				
				Steel rolling	< 150 mg/m ³	150 mg/m ³				
	Air pollutants	Oxynitride		167	Coking	< 500 mg/m ³	500 mg/m ³	22,349.6		No
			Sintering	< 300 mg/m ³	300 mg/m ³					
			Steel rolling	< 300 mg/m ³	300 mg/m ³					

Environmental and Social Responsibilities (Continued)

I. MAJOR ENVIRONMENTAL ISSUES (CONTINUED)

(IV) Pollution treatment

During the Reporting Period, the Company implemented 152 ultra-low discharge projects, with a total investment of RMB3.21 billion. The existing pollution control facilities operate stably, allowing for standard discharge of exhaust gases. Chaoyang Iron and Steel and Bayuquan Steel subsidiary have achieved standard discharge of wastewater, and Anshan plant has achieved zero discharge of wastewater during non-rainy periods.

(V) Environmental protection self-monitoring plan

An environmental protection self-monitoring plan was developed and monitoring was organised.

(VI) Emergency plans for environmental pollution accidents

The Company thoroughly identified hazardous substances and assessed environmental risks. In response to the completion and commissioning of the 600 square meters sintering machine project, it revised the emergency plans for environmental pollution accidents and conducted company-level emergency plan drills.

(VII) Investments in environmental governance and protection and the relevant information on environmental protection tax payment

During the Reporting Period, the Company invested a total of RMB3.22 billion in environmental protection projects and paid RMB89 million in environmental protection tax.

Environmental and Social Responsibilities (Continued)

I. MAJOR ENVIRONMENTAL ISSUES (CONTINUED)

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

Ansteel has always aimed to implement the national “dual carbon” strategy and achieve Angang Steel Group’s “dual carbon” goals. By promoting ultimate energy efficiency projects, developing the green energy industry, and focusing on digital and intelligent construction, in 2023, the Company achieved a carbon dioxide emission intensity of 5.54 tons per 10,000 yuan of production value, reducing by 0.03 tons per 10,000 yuan compared to the target value. The Anshan and Chaoyang bases were selected as the second batch of “dual carbon best practice energy efficiency benchmark demonstration plants” pilot cultivation enterprises in August 2023.

1. Greater investment in energy conservation projects. In 2023, the Company approved and implemented 21 energy conservation projects with total investment of RMB106 million, which were expected to reach an annual benefit of RMB63 million, technically save 30,000 tons of standard coal every year, and reduce carbon dioxide emissions by over 78,000 tons every year.
2. Vigorous promotion of “green electricity” generated by clean energy. In 2023, the trading of electricity generated by clean energy reached 2.46 billion kWh, saving electricity costs by RMB160 million and reducing carbon dioxide emissions by 1.4 million tons.
3. Advancement of residual gas utilisation for high-efficiency power generation project The Anshan base 135 MW, Bayuquan base 135 MW, and Chaoyang base 100 MW, comprising four units of comprehensive utilisation of residual gas for high-efficiency power generation projects, are scheduled to be fully completed and put into operation by 2024. Once operational, they are expected to generate an additional 480 million kWh of electricity, reducing carbon emissions by 200,000 tons.
4. Promotion of energy low-carbon transformation and development of green energy and application First is to develop the hydrogen energy industry. The Bayuquan coking oven gas to liquefied natural gas (LNG) and hydrogen production project started construction in May 2023. Second is to advance the new energy power generation project of Chaoyang Iron and Steel. The first phase of the 5.4 MW photovoltaic project has been put into operation, increasing the annual power generation by six million kWh and expected to reduce carbon dioxide emissions by 3,400 tons.

Environmental and Social Responsibilities (Continued)

I. MAJOR ENVIRONMENTAL ISSUES (CONTINUED)

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

5. Stronger efforts in digital and intelligent construction and improvement of management and control. The carbon emissions and product life cycle assessment (LCA) platform was put into operation in August, equipped with the capability for quantitative analysis of the production process. The assessment of the carbon footprint of steel products and the visualisation of corporate carbon emission data have been achieved. Furthermore, the LCA calculations, report preparation, and third-party validation tasks for four types of typical automotive steel products at the Anshan base were completed. Additionally, four Environmental Product Declaration (EPD) reports for automotive use cold-hardened steel strip, hot-rolled steel strip, continuous annealing cold-rolled steel strip, and bell-type annealing cold-rolled steel strip were successfully published on the China Steel Industry EPD platform.
6. Research on a plan to reduce carbon emissions by 30% in automotive steel was completed, and a production process scheme involving a high proportion of scrap steel plus green electricity for blast furnaces and converters was developed. The technical bottleneck of adding 40% scrap steel to the blast furnace-converter process was breached, allowing for the mass, stable production of several automotive steel products with a 30% reduction in carbon emissions. Consequently, the core competitiveness of Ansteel's green, low-carbon products was enhanced.

(IX) 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.

(X) Other environmental information that should be disclosed

Nil.

(XI) Other information of environmental protection

Nil.

Environmental and Social Responsibilities (Continued)

II. SOCIAL RESPONSIBILITIES

The Company faithfully fulfills the social responsibilities and has disclosed the 2023 Social Responsibility and Environmental, Social and Governance Report of Angang Steel Company Limited. The full text is available at the website <http://www.cninfo.com.cn> on 29 March 2023.

III CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS IN POVERTY ALLEVIATION AND RURAL REVITALISATION

The Company earnestly studied and implemented the spirit of General Secretary Xi Jinping's important directives on rural rejuvenation, actively practised social responsibility, adhered to the "four no removals" principle, focused on the "five major revitalisations", and continually planned support work for rural revitalisation in line with the "good" standards. The Company precisely matched the local needs based on the actual conditions of the areas being assisted, fully leveraged the unique resource advantages of these areas, continually enhanced their capabilities as sources of economic growth, and improved their sustainable development abilities. In 2023, the Company invested RMB16,401,000 in gratuitous pair-up assistance projects, promoted seven pair-up assistance projects, and spent RMB26.05 million purchasing agricultural and sideline products from various assistance areas. The Company attracted investments amounting to RMB35.23 million, trained 1,302 individuals consisting of leaders for rural rejuvenation, managers, and grassroots technical staff from Tajik Autonomous County of Taxkorgan. It also helped secure employment for 182 people; both Tajik Autonomous County of Taxkorgan's Langgan Village and Bulebuledie Village completed the construction of demonstration villages for rural revitalisation at the Kashgar regional level, earning a "good" assessment from the Tajik Autonomous County of Taxkorgan Committee for assistance work.

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	Party providing undertaking	Type of undertaking	Details 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</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>	20 May 2007	Long-term effective	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	Party providing undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Period of undertaking	Performance of undertaking
			(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.			
			(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.			

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	Party providing undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Period of undertaking	Performance of undertaking
			<p>(6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first for the opportunity of new business.</p> <p>If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and holding subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.</p> <p>If the Company proposes the purchase requirement in the future, Angang Holding and its wholly-owned and holding subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions.</p>			

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	Party providing undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Period of undertaking	Performance of undertaking
			(7) Other effective measures to avoid and eliminate horizontal competition.			
			The above undertakings do not limit the business of Angang Holding and its wholly owned and holding subsidiaries which do not compete with the Company, especially the business of provision of required materials or services necessary for the operation of the Company.			
			All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible for engaging in business not prohibited by the state.			

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	Party providing undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Period of undertaking	Performance of undertaking
			Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:			
			(1) Angang Holding ceases to be the controlling shareholder of the Company;			
			(2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of the shares of the Company due to any reason).			
			(3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.			

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	Party providing undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Period of undertaking	Performance of undertaking
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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

- (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

Significant Matters (Continued)

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

The Ministry of Finance announced the Interpretation No. 16 of Accounting Standards for Business Enterprises (Caikuai [2022] No. 31, hereinafter referred to as “Interpretation No. 16”) on 30 November 2022. This interpretation stipulates that for single transactions that are not business combinations, that affect neither accounting profit nor taxable income (or deductible losses) at the time the transaction occurs, and where the initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences of equal amounts (including lease transactions in which the lessee recognises the initial lease liability and includes it in the right-of-use asset on the commencement date of the lease term), exemption from initial recognition of deferred income tax liabilities and deferred income tax assets shall not apply. Enterprises shall recognise the corresponding deferred income tax liabilities and deferred income tax assets, respectively, in accordance with No. 18 of the Accounting Standards for Business Enterprises – Income Taxes) when the transaction is effected.

For individual transactions that occurred between the beginning of the earliest period presented in the financial statements and the date of initial application of this provision, as well as lease liabilities and right-of-use assets recognised at the beginning of the earliest period presented in the financial statements due to the application of this provision, which create taxable temporary differences and deductible temporary differences, enterprises shall make adjustments in accordance with this provision.

The Company has applied the provisions since 1 January 2023, and the principal effects of implementing these provisions are as follows:

Unit: RMB million

Financial statements	31 December 2021/2021 fiscal year (Consolidated)			31 December 2021/2021 fiscal year (Parent company)		
	After change	Before change	Impact	After change	Before change	Impact
Deferred income tax assets	830	744	86	757	671	86
Deferred income tax liabilities	329	157	172	293	122	171
Retained earnings	12,093	12,179	-86	16,183	16,268	-85
Income tax expense	2,047	1,961	86	1,424	1,339	85

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)

Unit: RMB million

Financial statements	31 December 2022/2022 fiscal year (Consolidated)			31 December 2022/2022 fiscal year (Parent company)		
	After change	Before change	Impact	After change	Before change	Impact
Deferred income tax assets	1,562	1,506	56	1,500	1,444	56
Deferred income tax liabilities	347	157	190	338	149	189
Retained earnings	10,118	10,252	-134	14,098	14,231	-133
Income tax expense	-407	-455	48	-660	-708	48

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

1. This year, Technology and Development, a wholly-owned subsidiary of the Company, was divided into Materials Technology and Technology and Development. Technology and Development was renamed as Jinsuoju.
2. This year, the Company deregistered Delin Zhilian, a subsidiary of the Company.
3. This year, Chemical Technology, a wholly-owned subsidiary of the Company, established Lùxinding as its new subsidiary.

Significant Matters (Continued)

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

(I) Accounting Firm Currently Engaged by the Company

Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
Remuneration for the domestic accounting firm	RMB5 million
Consecutive years of audit services of the domestic accounting firm	1 year
Name of certified public accountant of the domestic accounting firm	Zhang Junshu and Gu Xin
Consecutive years of audit services of the certified public account(s) from the domestic accounting firm	1 year

(II) Whether Appointed Another Accounting Firm During the Reporting Period

Applicable Not applicable

Whether the accounting firm was replaced during the audit period.

Yes No

Whether the replacement of the accounting firm has fulfilled the review and approval procedures.

Yes No

Significant Matters (Continued)

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM (CONTINUED)

(II) Whether Appointed Another Accounting Firm During the Reporting Period

Detailed explanation for the change or re-appointment of the accounting firm: Considering that the Company's former accounting firm, ShineWing Certified Public Accountants (Special General Partnership), had provided financial final account audit and internal control audit services to the Company for five consecutive years. In accordance with the provisions of the Notice on Issues Concerning Accounting Firms Undertaking the Financial Final Account Audit of Central Enterprises issued by the Ministry of Finance and the State-owned Assets Supervision and Administration Commission of the State Council, the Company appointed the BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the accounting firm for the annual audit of the Company for the fiscal year 2023. The Company conducted preliminary communications regarding the intended change of accounting firms with both ShineWing Certified Public Accountants (Special General Partnership) and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership), with both the former and the newly appointed accounting firms having no objections to this change. On 29 May 2023, the Company's 2022 Annual General Meeting approved the Proposal on the Appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the Company's Auditor in 2023.

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

The Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the internal control and auditing firm of the Company for 2023 and the remuneration was RMB700,000.

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

Considering that the Company's former accounting firm, ShineWing Certified Public Accountants (Special General Partnership), had provided financial final account audit and internal control audit services to the Company for five consecutive years. In accordance with the provisions of the Notice on Issues Concerning Accounting Firms Undertaking the Financial Final Account Audit of Central Enterprises issued by the Ministry of Finance and the State-owned Assets Supervision and Administration Commission of the State Council, the Company appointed the BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the accounting firm for the annual audit of the Company for the fiscal year 2023.

Significant Matters (Continued)

IX. DELISTING RISKS AFTER THE DISCLOSURE OF ANNUAL REPORT

Applicable Not applicable

X. BANKRUPTCY REORGANISATION

Applicable Not applicable

There were no matters related to bankruptcy reorganisation in the Company in the Reporting Period.

XI. MATERIAL LITIGATION AND ARBITRATION

Applicable Not applicable

The Company had no material litigation and arbitration in the Reporting Period.

XII. PENALTIES AND RECTIFICATIONS

Applicable Not applicable

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

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

Applicable Not applicable

Significant Matters (Continued)

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company has complied with the disclosure requirements under Chapter 14A of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for the connected transactions.

(I) Connected transactions related to daily operations

Related Parties	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Price of the connected transaction	Connected transaction amount (RMB million)	As a	Transaction cap (RMB million)	Whether exceed trade credit or not	Settlement method of connected transactions	Market price of similar transactions available
							percentage of the amount of similar transaction (%)				
Ansteel Group Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	16,918	19.76	39,769	No	In cash	-
Shanxi Wuchan International Energy Co., Ltd.	Controlling shareholder Contact person	Purchase goods/ Receive services	Purchase main materials	Market principle	-	2,793	3.26			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,988	2.32			In cash	-
"Ansteel International Trade"	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,596	1.86			In cash	-
Ansteel Cast Steel Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	796	0.93			In cash	-
Bensteel Group Corporation Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	402	0.47			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	402	0.47			In cash	-
Subtotal	-	-	Purchase main materials	-	-	24,895	29.07			-	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

Related Parties	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Price of the connected transaction	Connected transaction amount <i>(RMB million)</i>	As a	Transaction cap <i>(RMB million)</i>	Whether exceed trade credit or not	Settlement method of connected transactions	Market price of similar transactions available
							percentage of the amount of similar transaction <i>(%)</i>				
Pangang Group Company Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	586	1.86	9,357	No	In cash	-
Bensteel Group Corporation Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	396	1.26			In cash	-
Delin Lugang Supply Chain Service Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	362	1.15			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	33	0.10			In cash	-
Subtotal	-	-	Purchase steel products	-	-	1,377	4.37			-	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

Related Parties	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Price of the connected transaction	Connected transaction amount (RMB million)	As a	Transaction cap (RMB million)	Whether exceed trade credit or not	Settlement method of connected transactions	Market price of similar transactions available
							percentage of the amount of similar transaction (%)				
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	-	963	12.86	3,702	No	In cash	-
Angang Refractory Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	714	9.53			In cash	-
Angang Group Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	273	3.64			In cash	-
Angang Group Engineering Technology Co., Ltd.	Associate of controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	243	3.24			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	519	6.93			In cash	-
Subtotal	-	-	Purchase auxiliary materials	-	-	2,712	36.20			-	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	148	12.93	2,011	No	In cash	-
Subtotal	-	-	Procurement of energy and power	-	-	148	12.93			-	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

Related Parties	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Price of the connected transaction	Connected transaction amount <i>(RMB million)</i>	As a percentage of the amount of similar transaction		Whether exceed trade credit or not	Settlement method of connected transactions	Market price of similar transactions available
							(%)	<i>(RMB million)</i>			
Delin Lugang Supply Chain Service Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	1,291	7.54	9,343	No	In cash	-
Angang Group Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	1,253	7.31			In cash	-
Angang Group Engineering Technology Co., Ltd.	Controlling shareholder Contact person	Purchase goods/ Receive services	Receive supporting services	Market principle	-	1,225	7.15			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	1,018	5.94			In cash	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	864	5.04			In cash	-
Angang Group Information Industry Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	449	2.62			In cash	-
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	446	2.60			In cash	-
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	278	1.62			In cash	-
Angang Yingkou Port Services Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	234	1.37			In cash	-
Angang International Trade	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	212	1.24			In cash	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

Related Parties	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Price of the connected transaction	Connected transaction amount (RMB million)	As a percentage of the amount of similar transaction		Whether exceed trade credit or not	Settlement method of connected transactions	Market price of similar transactions available
							Transaction cap (RMB million)	(%)			
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	720	4.20			In cash	-
Subtotal	-	-	Receive supporting services	-	-	7,990	46.63			-	-
Delin Lulang Supply Chain Service Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Selling goods	Market principle	-	6,524	4.22	20,206	No	In cash	-
Angang International Trade	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Selling goods	Market principle	-	623	0.40			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Selling goods	Market principle	-	334	0.22			In cash	-
Anshan Falan Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Selling goods	Market principle	-	277	0.18			In cash	-
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Selling goods	Market principle	-	229	0.15			In cash	-
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Selling goods	Market principle	-	217	0.14			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Selling goods	Market principle	-	528	0.34			In cash	-
Subtotal	-	-	Selling goods	-	-	8,732	5.65			-	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

Related Parties	Connected relationship	Type of the connected transaction	Content of the connected transaction	Pricing principle of the connected transaction	Price of the connected transaction	Connected transaction amount (RMB million)	As a	Transaction cap (RMB million)	Whether exceed trade credit or not	Settlement method of connected transactions	Market price of similar transactions available
							percentage of the amount of similar transaction (%)				
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sell scrap steel material, abandoned material, minus sieve powder	Market principle	-	302	90.42	766	No	In cash	-
Subtotal	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	302	90.42	-	-	-	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	-	406	21.25	1,769	No	In cash	-
Subtotal	-	-	Provide comprehensive services	-	-	406	21.25	-	-	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interests	Market principle	-	43	70.49	100	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	4,895	-	5,000	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	1	0.42	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loans interest	Market principle	-	-	-	100	No	In cash	-
Angang Steel Group Capital Holdings Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring	Market principle	-	-	-	1,000	No	In cash	-
Angang Steel Group Capital Holdings Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring interest	Market principle	-	-	-	50	No	In cash	-

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

Particulars on refund of bulk sale	–
Estimated total amount for continuing connected transactions to be conducted during the Reporting Period and their actual implementation during the Reporting Period	The estimated data of continuing connected transactions of the Company in 2023 was based on the content and estimated caps of transactions set out in the Continuing Connected Transaction Agreements and its supplementary agreements. The total amount of continuing connected transactions of the Company in 2023 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements and its supplementary 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	Production in the iron and steel industry is on a continuous basis. Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary supporting services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

Applicable Not applicable

(III) Connected transactions in relation to joint external investments

Unit: RMB million

Joint investor	Connected relationship	Name of the investee corporate	Principal business of the investee corporate	Registered capital of the investee corporate	Total assets of the investee corporate	Net assets of the investee corporate	Net profit of the investee corporate
Panzhuhua Steel & Vanadium Co., Ltd. of Panzhihua Iron and Steel Group and Pangang Group Xichang Steel and Vanadium Co., Ltd.	Controlled by the same controlling shareholder	Lüxinding (previously proposed to be named Angang Panzhihua Chemical Technology Co., Ltd.)	Coke; production of chemical products (excluding licensed chemical products); manufacturing of special chemical products (excluding hazardous chemicals); manufacturing of graphite and carbon products; sale of fertilisers; research and development of new material technologies; engineering and technical research and experimental development; technical services, technical development, technical consultancy, technical exchange, technology transfer, and technology promotion; sewage treatment and recycling; import and export of goods; import and export of technology.	180	14	14	0
	Progress on the major project under construction of the investee corporate (if any)	-					

Note: In order to promote the industrialisation of chemical technology and fully develop and utilise the coal tar resources of Angang, on 23 August 2023, with the approval at the 17th meeting of the ninth session of the Board of the Company, Chemical Technology entered into a joint venture agreement with Panzhihua Steel & Vanadium Co., Ltd. of Panzhihua Iron and Steel Group and Pangang Group Xichang Steel and Vanadium Co., Ltd., for the purpose of jointly investing in the establishment of Lüxinding (which was previously proposed to be named Angang Panzhihua Chemical Technology Company Limited). Lüxinding's registered capital amounts to RMB180 million. Chemical Technology, Panzhihua Steel & Vanadium Co., Ltd. of Panzhihua Iron and Steel Group and Pangang Group Xichang Steel and Vanadium Co., Ltd. have respectively subscribed for RMB108 million, RMB36 million, and RMB36 million in contributions. As at 31 December 2023, the three parties have respectively paid contributions of RMB14 million, RMB0 million, and RMB0 million.

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(IV) Related party credit and debt transaction

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

Yes No

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

(V) Transactions with connected financial company

Applicable Not applicable

Unit: RMB million

Deposit business

Related parties	Connected relationship	Maximum daily limit of deposits	Interest rate range of deposit	Opening balance	Amount occurred in the period		Closing balance
					Total amount deposited during the period	Total amount withdrawal during the period	
Angang Financial Company	Controlled by the same controlling shareholder	5,000	0.455%-1.9%	4,224	388,478	390,217	2,485

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(V) Transactions with connected financial company (Continued)

Loan business

Related parties	Connected relationship	Loan limit	Range of loan facility interest rate	Opening balance	Amount for the current period		Closing balance
					Total loan amount during the period	Total repayment amount during the period	
Angang Financial Company	Controlled by the same controlling shareholder	5,000	2.07%	-	200	-	200

Credit extension or other financial business

Related parties	Connected relationship	Business Type	Total amount	Actual amount
Angang Financial Company	Controlled by the same controlling shareholder	Credit	5,000	200

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

Applicable Not applicable

(VII) Other major connected transactions

Nil.

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(VIII) Opinions of independent non-executive Directors

(1) The continuing connected transactions of the Company in 2023 were carried out in the ordinary and usual course of business of the Company; (2) The continuing connected transactions of the Company in 2023 were conducted (A) in accordance with the normal commercial terms (with reference to transactions of a similar nature made by similar entities in the PRC); (B) on terms no less favourable than the terms available to or offered by the third parties (if no comparable case is available); and (C) on terms which are fair and reasonable to shareholders of the Company (if no reference is available); (3) The continuing connected transactions of the Company in 2023 were conducted in accordance with the terms set out in the Continuing Connected Transaction Agreements and its supplementary agreements, which is fair and reasonable and in the interests of the Company and its shareholders as a whole; (4) The total amount of continuing connected transactions of the Company in 2023 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreement and its supplementary 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.

(IX) Opinions of auditors

The auditors have reviewed the non-exempt continuing connected transactions of the Company conducted during the year 2023 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:

1. Nothing has come to their attention that causes them to believe that 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, nothing has come to their attention that causes them to believe that the continuing connected transactions were not carried out in accordance with the pricing policies of the Group in all material aspects.
3. Nothing has come to their attention that causes them to believe that the continuing connected transactions were not entered into in accordance with the relevant agreements in all material aspects.

Significant Matters (Continued)

XIV. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(IX) Opinions of auditors (Continued)

- Nothing has come to their attention that causes them to believe that the total amount of each of the continuing connected transactions included in the appendix had exceeded the relevant annual cap set by the Company.

XV. MATERIAL CONTRACT AND THEIR PERFORMANCE

(I) Trust, contractual or lease arrangement.

- Trust arrangement

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

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

- Contracting

The Company had no contracting matters in the Reporting Period.

- Lease arrangement

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the Land Lease Agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, with a total amount of RMB123 million in 2023.

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

Significant Matters (Continued)

XV. MATERIAL CONTRACT AND THEIR PERFORMANCE (CONTINUED)

(II) Material guarantee

Applicable Not applicable

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

The Company did not employ any entrusted financial management services in the Reporting Period.

2. Entrusted loans

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

(IV) Other material contract

The Company had no other material contracts during the Reporting Period.

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

Number	Before the change		Increase/decrease during the period (+/-)				After the change		
	Percentage (%)	Issue of new shares	Bonus shares	Repurchase of shares	Others	Subtotal	Number	Percentage (%)	
I. Shares subject to trading moratorium	50,227,732	0.53	-	-	-	-33,811,793	-33,811,793	16,415,939	0.17
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic share	50,227,732	0.53	-	-	-	-	-	16,415,939	0.17
Including: shares held by domestic legal persons	408,623	0.00	-	-	-	-408,623	-408,623	0	0
shares held by domestic natural persons	49,819,109	0.53	-	-	-	-33,403,170	-33,403,170	16,415,939	0.17
4. Foreign shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas legal person	-	-	-	-	-	-	-	-	-
shares held by overseas natural person	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	9,352,792,719	99.47	-	-	-	+14,643,314	+14,643,314	9,367,436,033	99.83
1. RMB ordinary shares	7,941,252,719	84.45	-	-	-	+14,643,314	+14,643,314	7,955,896,033	84.79
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	1,411,540,000	15.01	-	-	-	-	-	1,411,540,000	15.04
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	9,403,020,451	100.00	-	-	-	-19,168,479	-19,168,479	9,383,851,972	100

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (Continued)

(I) Movement in share capital (Continued)

1. Reasons for movement in share capital

On 10 February 2023, the Company completed the repurchase and cancellation of 2,040,931 restricted shares granted but not yet released from restricted sales to 10 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On 17 April 2023, the Company completed the release of 14,779,050 restricted shares in the first unlocking period of the first-granted portion under the 2020 Restricted Share Incentive Scheme at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. After the release of the above shares from restricted sales, 135,736 of these shares held by directors and executives were converted to management lock-up shares.

On 21 July 2023, the Company completed the repurchase and cancellation of 1,128,370 restricted shares granted but not yet released from restricted sales to 12 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On 21 July 2023, the Company completed the cancellation of the remaining 408,623 treasury shares in the Company's special securities account for repurchase at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On 19 December 2023, the Company completed the Repurchase and Cancellation of 15,590,555 Restricted Shares granted but not yet released from restricted sales to 197 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

The above factors of share changes resulted in changes in the number of shares held by domestic legal persons, shares held by domestic natural persons, other domestic shares among the shares subject to trading moratorium, the number of RMB ordinary shares among the shares not subject to trading moratorium and the total number of shares of the Company.

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (Continued)

(I) Movement in share capital (Continued)

2. Approval of movement in share capital

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

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

On 30 March 2023, the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales, the Proposal on the Cancellation of Residue Inventory Shares in the Special Securities Account for the Company's Repurchase, and the Proposal on the Achievement of Lifting the Restriction Conditions in the First Lifting Restriction Period for the First Grant Portion of the 2020 Restricted Share Incentive Scheme were considered and approved at the 14th meeting of the ninth session of the Board and the seventh meeting of the ninth session of the Supervisory Committee.

On 29 May 2023, the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales was considered and approved at the 2022 annual general meeting of shareholders, the 2023 first domestic shareholders' class meeting and the 2023 first foreign shareholders' class meeting of the Company.

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (Continued)

(I) Movement in share capital (Continued)

2. Approval of movement in share capital (Continued)

On 30 August 2023, the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales was considered and approved at the 19th meeting of the ninth session of the Board and the ninth meeting of the ninth session of the Supervisory Committee.

On 26 October 2023, the Proposal on the Repurchase and Cancellation of Restricted Shares That Have Been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Have Not Yet Been Released from Restricted Sales was considered and approved at the 2023 third extraordinary general meeting, the 2023 second domestic shareholders' class meeting and the 2023 second foreign shareholders' class meeting of the Company.

3. Transfer of movement in share capital

On 10 February 2023, the Company completed the repurchase and cancellation of 2,040,931 restricted shares granted but not yet released from restricted sales to 12 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On 24 July 2023, the Company completed the repurchase and cancellation of 1,128,370 restricted shares granted but not yet released from restricted sales to 12 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On 21 December 2023, the Company completed the Repurchase and Cancellation of 15,590,555 Restricted Shares granted but not yet released from restricted sales to 197 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

(I) Movement in share capital (Continued)

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 centralised 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
- In 2023, the Company's total share capital was reduced from 9,403,020,451 shares to 9,383,851,972 shares. Based on the new share capital of 9,383,851,972 shares, the diluted earnings per share in 2022 was RMB0.012, and net assets per share attributable to ordinary shareholders of the Company amounted to RMB6.18. The movement in share capital did not affect the above financial indicators significantly.
7. Other information deemed necessary by the Company or required by securities regulators to be disclosed
- Applicable Not Applicable

Movement in Share Capital and Shareholders' Profile (Continued)

I. MOVEMENT IN SHARE CAPITAL (CONTINUED)

(II) Changes in shares subject to trading moratorium

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of new restricted shares during the Reporting Period	Number of reduced restricted shares during the Reporting Period	Number of restricted shares at the beginning of the period	Reasons for restriction on sales	Date of being released from restriction
Special repurchase account of the Company	408,623	-	408,623	0	-	-
Wang Yidong	7,459	2,486	-	9,945	100% lock-up of shares held by directors after resignation	-
Zhang Hongjun	400,000	32,000	400,000	32,000	Shares released from restricted sale during the period were partially converted to management lock-up shares	-
Tian Yong	300,000	24,000	198,000	126,000	Shares released from restricted sale during the period were partially converted to management lock-up shares	-
Yang Xu	55,000	41,250	55,000	41,250	Shares released from restricted sale during the period were partially converted to management lock-up shares	-
Meng Jinsong	450,000	36,000	297,000	189,000	Shares released from restricted sale during the period were partially converted to management lock-up shares	-
Other restricted share incentive participants	48,606,650	-	32,588,906	16,017,744	-	-
Total	50,227,732	135,736	33,947,529	16,415,939	-	-

Movement in Share Capital and Shareholders' Profile (Continued)

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities during the Reporting Period

Applicable Not Applicable

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

On 10 February 2023, the Company completed the repurchase and cancellation of 2,040,931 restricted shares granted but not yet released from restricted sales to 10 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On 17 April 2023, the Company completed the release of 14,779,050 restricted shares in the first unlocking period of the first-granted portion under the 2020 Restricted Share Incentive Scheme at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. After the release of the above shares from restricted sales, 135,736 of these shares held by directors and executives were converted to management lock-up shares.

On 21 July 2023, the Company completed the repurchase and cancellation of 1,128,370 restricted shares granted but not yet released from restricted sales to 12 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On 21 July 2023, the Company completed the cancellation of the remaining 408,623 treasury shares in the Company's special securities account for repurchase at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On 19 December 2023, the Company completed the Repurchase and Cancellation of 15,590,555 Restricted Shares granted but not yet released from restricted sales to 197 original incentive participants at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

The above factors of share changes resulted in changes in the number of shares held by domestic legal persons, shares held by domestic natural persons, other domestic shares among the shares subject to trading moratorium, the number of RMB ordinary shares among the shares not subject to trading moratorium and the total number of shares of the Company.

Movement in Share Capital and Shareholders' Profile (Continued)

II. ISSUANCE AND LISTING OF SECURITIES (CONTINUED)

(III) Existing internal staff shares condition

Applicable Not Applicable

(IV) H share convertible bonds

On 25 May 2018, the Company issued HKD1,850,000,000 zero-coupon convertible bonds on the Hong Kong Stock Exchange. The convertible bonds were listed and traded on the Hong Kong Stock Exchange on 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 a principal amount of HKD32,000,000 on 25 May 2021 and the remaining bonds in a principal amount of HKD1,818,000,000 on 25 May 2023, the maturity date of the convertible bonds, and the convertible bonds were fully redeemed. By the maturity date, there has been no conversion of the above bonds.

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 **108,117, of which 453 were holders of H Shares** **The total number of ordinary shareholders of the Company as at the end of February 2024** **106,598, of which 454 were holders of H Shares**

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Details of shareholders with more than 5% of shares or top ten shareholders					
			Number of shares held as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Status of shares	Number of shares pledged or frozen
Anshan Iron & Steel Co., Ltd.	State-owned legal person	53.45%	5,016,111,529	0.00	-	5,016,111,529	-	-
HKSCC (Nominees) Limited	Overseas legal person	14.91%	1,398,808,490	183,955	-	1,398,808,490	-	-
China National Petroleum Corporation	State-owned legal person	9.00%	845,000,000	0.00	-	845,000,000	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	0.89%	83,650,620	0.00	-	83,650,620	-	-
Power Construction Corporation of China	State-owned legal person	0.60%	56,550,580	0.00	-	56,550,580	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.47%	44,230,021	-56,753,724	-	44,230,021	-	-
China Everbright Bank Co., Ltd. - Gfund Quantitative Multi-Strategy Flexible Allocation Hybrid Securities Investment Fund	Others	0.19%	17,856,890	17,740,890	-	17,856,890	-	-
Chen Zhiying	Overseas natural person	0.17%	15,700,000	-1,771,686	-	15,700,000	-	-
Bank of Communications Co., Ltd. - Invesco Great Wall CSI Dividend Low Volatility 100 Exchange Traded Fund	Others	0.16%	15,245,800	14,642,700	-	15,245,800	-	-
Han Ke	Domestic natural person	0.16%	15,061,400	1,989,800	-	15,061,400	-	-

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)

Top 10 holders of shares not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium	Type of shares	
		Type of shares	Number
Anshan Iron & Steel Co., Ltd.	5,016,111,529	RMB ordinary shares	5,016,111,529
HKSCC (Nominees) Limited	1,398,808,490	Overseas-listed foreign shares	1,398,808,490
China National Petroleum Corporation	845,000,000	RMB ordinary shares	845,000,000
Central Huijin Asset Management Ltd.	83,650,620	RMB ordinary shares	83,650,620
Power Construction Corporation of China	56,550,580	RMB ordinary shares	56,550,580
Hong Kong Securities Clearing Company Limited	44,230,021	RMB ordinary shares	44,230,021
China Everbright Bank Co., Ltd. – Gfund Quantitative Multi-Strategy Flexible Allocation Hybrid Securities Investment Fund	17,856,890	RMB ordinary shares	17,856,890
Chen Zhiying	15,700,000	RMB ordinary shares	15,700,000
Bank of Communications Co., Ltd. – Invesco Great Wall CSI Dividend Low Volatility 100 Exchange Traded Fund	15,245,800	RMB ordinary shares	15,245,800
Han Ke	15,061,400	RMB ordinary shares	15,061,400

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

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

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

Among the top 10 shareholders, Chen Zhiyin held 15,700,000 shares through an investor credit securities account.

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)

Details of shareholdings of the top ten Shareholders lent through refinancing

Applicable Not Applicable

Have the Company's top 10 ordinary shareholders, and top 10 ordinary shareholders not subject to trading moratorium, conducted agreed repurchase transactions during the Reporting Period?

Yes No

The top 10 holders of ordinary shares and the top 10 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

Nature of controlling shareholder: Central state-controlled enterprise

Name of Controlling Shareholder	Legal representative	Date of incorporation	Organisation code	Registration capital	Principal scope of operation
Angang Holding	Wang Jun	9 July 1949	912103002414200141	RMB26 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 held 1.87% shares in Liaoning Port Co. Ltd. (Stock code: 601880).

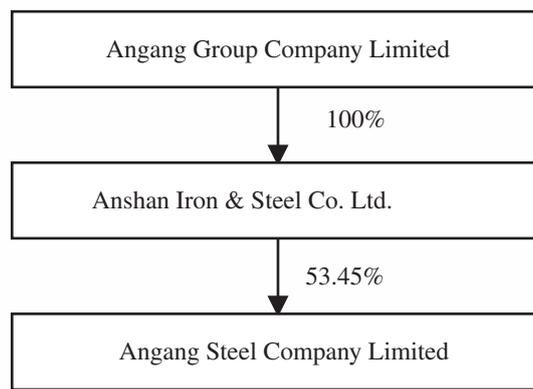
Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

Nature of the de facto controller: Enterprise managed by the State-owned Assets Supervision and Administration Commission of the State Council

Type of the de facto controller: Legal person



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	Organisation code	Principal scope of operation
Angang Group Company Limited	Tan Chengxu	28 July 2010	91210000558190456G	Manufacture of steel, iron, vanadium, titanium, stainless steel and special steel, manufacture of non-ferrous metal, steel rolling and processing, mining and integrated utilisation 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 State-owned Assets Supervision and Administration Commission of the State Council. The following businesses operated by the branches of the Company include: publication of newspaper and magazine, publication printing, packaging decoration and printing of other press work. (for projects subject to approval according to laws, business activities may only be carried out after obtaining approval from relevant authorities).

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

Angang indirectly held 49.67% shares in Pangang Vanadium Titanium (000629.SZ) and indirectly held 76.67% shares in Bengang Steel Plates (000761.SZ).

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

Movement in Share Capital and Shareholders' Profile (Continued)

III. SHAREHOLDERS AND DE FACTO CONTROLLER (CONTINUED)

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

Applicable Not Applicable

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

Save as disclosed below, as at 31 December 2023, 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	53.45% (L)	-	62.92% (L)	Interests of controlled corporation
Anshan Iron & Steel Co., Ltd.	5,016,111,529 (L) A Shares	53.45% (L)	-	62.92% (L)	Beneficial owner
China National Petroleum Corporation	845,000,000 (L) A Shares	9.00% (L)	-	10.60% (L)	Beneficial owner
Brown Brothers Harriman & Co.	106,766,224 (L) 106,766,224 (P) H Shares	1.14% (L) 1.14% (P)	7.56% (L) 7.56% (P)	-	Approved lending agent

Notes:

- (1) (L) – a long position, (S) – a short position, and (P) – a lending pool
- (2) Anshan Iron & Steel Co. Ltd is a wholly-owned subsidiary of Angang Group Company Limited. For the purpose of the SFO, Angang Group Company Limited is therefore deemed to be interested in the A Shares held by Anshan Iron & Steel Co. Ltd., holding 5,016,111,529 A Shares, representing approximately 62.92% of the A Shares and approximately 53.45% 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

Date of disclosing the plan	Shares to be repurchased (shares)	Proportion in total share capita	Amount of repurchase (RMB'0,000)	Repurchase period	Purpose	Shares repurchased (shares)	Proportion of shares repurchased to underlying shares under the share incentive scheme (if any)	Note
23 November 2022	2,040,931	0.0217%	379.22	-	Cancellation of certain restricted shares granted but not released from restricted sales, which are held by original participants who have become unqualified under the scheme	2,040,931	-	The repurchase prices were RMB1.85/share, RMB1.91/share and RMB2.34/share, respectively
30 March 2023	1,128,370	0.0120%	221.69	-	Cancellation of certain restricted shares granted but not released from restricted sales, which are held by original participants who have become unqualified under the scheme	1,128,370	-	The repurchase prices were RMB1.85/share, RMB1.92/share and RMB2.36/share respectively

Movement in Share Capital and Shareholders' Profile (Continued)

IV. IMPLEMENTATION OF THE SHARE REPURCHASE DURING THE REPORTING PERIOD (CONTINUED)

Progress on the implementation of the share repurchase (Continued)

Date of disclosing the plan	Shares to be repurchased (shares)	Proportion in total share capita	Amount of repurchase (RMB'0,000)	Repurchase period	Purpose	Shares repurchased (shares)	Proportion of shares repurchased to underlying shares under the share incentive scheme (if any)	Note
30 August 2023	15,590,555	0.1659%	2,958.07	-	Cancellation of certain restricted shares granted but not released from restricted sales, which are held by original participants who have become unqualified under the scheme and cancellation of restricted shares in the corresponding performance appraisal year as a result of the failure to meet the performance appraisal standards at the Company level for the second unlocking period	15,590,555	-	The repurchase prices were RMB1.85/share, RMB2.31/share and RMB1.96/share, respectively

Note: all of the above repurchases were made by the Company to the participants in accordance with the relevant provisions of the Company's 2020 Restricted Share Incentive Scheme (Draft), which are privately arranged repurchases under the Hong Kong Stock Exchange Listing Rules.

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

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

Unit: RMB million

Bond name	Bond abbreviation	Bond code	Issue date	Value date	Maturity date	Bond balance	Interest rate	Way of principal and interest repayment	Trading place
First issue of Green Medium-Term Notes of the Company in 2022	22 Angang Steel GN001	132280095	26 September 2022	28 September 2022	28 September 2025	299	2.85%	Principal paid in lump sum at maturity, interest paid once every year	Interbank bond
Investor eligibility arrangement (if any)		-							
Applicable trading mechanism		-							
Risk of termination of listing and trading (if any) and countermeasures		-							

Overdue bonds

Applicable Not applicable

Relevant Information on Bonds (Continued)

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

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

Applicable Not applicable

3. Agency

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

Change in the aforesaid agency/agencies during the Reporting Period

Yes No

Relevant Information on Bonds (Continued)

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

4. Use of proceeds

Unit: RMB million

Bond programme name	Total amount of proceeds	Used amount	Unused amount	Operation of the special account for proceeds (if any)	Rectification of rule-violating uses of proceeds (if any)	Consistency with the purpose, plan of use or other covenants promised in the prospectus
First issue of Green Medium-Term Notes of the Company in 2022	300.00	237.97	62.03	The special account for proceeds was under the special supervision of the bank and was legal and compliant, and the use and management of proceeds were transparent and conformed to regulations.	-	Yes

Use of proceeds for construction projects

Applicable Not applicable

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

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

Applicable Not applicable

5. Credit rating result adjustments during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

Relevant Information on Bonds (Continued)

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 HKD1,850,000,000 zero-coupon convertible bonds on the Hong Kong Stock Exchange. The convertible bonds were listed and traded on the Hong Kong Stock Exchange on 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 a principal amount of HKD32,000,000 on 25 May 2021 and the remaining bonds in a principal amount of HKD1,818,000,000 on 25 May 2023, the maturity date of the convertible bonds, and the convertible bonds were fully redeemed. By the maturity date, there has been no conversion of the above bonds.

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

Yes No

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

Unit: RMB million

Item	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared with the end of the previous year
Current ratio	0.77	0.81	-4.94%
Gearing ratio	42.90%	39.52%	Increased by 3.38 percentage points
Quick ratio	0.30	0.43	-30.23%

	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 after deduction of non-recurring profit and loss items	-3,315	-37	-8,859.46%
EBITDA to total debts ratio	-0.21%	10.33%	Decreased by 10.54 percentage points
Interest coverage ratio	-12.94	0.29	-4,562.07%
Cash interest coverage ratio	5.89	14.98	-60.68%
EBITDA interest coverage ratio	-0.30	9.25	-103.24%
Loan payment ratio	100%	100%	-
Interest payment ratio	100%	100%	-

Annual General Meeting

The 2023 annual general meeting will be held on Wednesday, 29 May 2024, details of which and the proposed resolutions are set out in the accompanying notice of annual general meeting of the Company.

Auditor's Report

Xin Kuai Shi Bao Zi [2024]No.ZG10507

To the Shareholders of Angang Steel Company Limited:

Opinion

We have audited the accompanying financial statements of Angang Steel Company Limited (“**Company**”), which comprise the consolidated and company’s balance sheets as at December 31, 2023, the consolidated and company’s income statements, the consolidated and company’s statements of cash flows, and the consolidated and company’s statements of changes in owners’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company’s financial position as at December 31, 2023 and the consolidated and company’s financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Basis for Our Opinion

We conducted our audit in accordance with China Standards on Auditing (“**CSAs**”). Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“**CICPA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 provide a separate opinion on these matters.

Auditor's Report (Continued)

Key Audit Matters (Continued)

We identified the following key audit matters in our audit.

Key Audit Matters	How these matters were addressed in the audit
<p>1. Revenue recognition</p> <p>Please consult the notes to the financial statements under “IV. Significant accounting policies and estimates” section 19, Revenue Accounting Policies, and “VI. Notes to consolidated financial statements” section 42, Operating revenue and operating cost.</p> <p>In the fiscal year 2023, the recognized operating income in the Company’s consolidated financial statements stands at 113,502 million, representing a 13.40% decrease compared to the previous year’s figure.</p> <p>As revenue is a critical indicator of the company’s performance, the management of the Company may be exposed to a significant risk of misstatement in revenue recognition. Therefore, we have identified this as a key audit matter.</p>	<p>Audit procedures performed for revenue recognition mainly include:</p> <ol style="list-style-type: none"><li data-bbox="805 786 1356 937">1. Understanding and assessing the effectiveness of management’s design and execution of key internal controls related to the revenue recognition.<li data-bbox="805 970 1356 1261">2. Selecting samples to examine the sales contracts, identifying the contract terms and conditions associated with the transfer of commodity control, and assessing whether the company’s revenue recognition time adheres to the requirements of the accounting standards for enterprises.<li data-bbox="805 1304 1356 1675">3. Acquiring the sales details for the current year, selecting samples of the revenue transactions recorded in the current year, examining the supportive documents such as sales contracts, invoices, warehouse receipts, and customs declaration forms, and assessing whether the pertinent revenue recognition adheres to the company’s accounting policies.

Auditor's Report (Continued)

Key Audit Matters (Continued)

We identified the following key audit matters in our audit. (Continued)

Key Audit Matters	How these matters were addressed in the audit
1. Revenue recognition (Continued)	<ol style="list-style-type: none"><li data-bbox="810 655 1359 836">4. In conjunction with the accounts receivable audit procedures, conducting confirmation procedures by sampling customers regarding the sales revenue during the reporting period.<li data-bbox="810 879 1359 987">5. Examining sales to related parties and reviewing the fairness of the related party transaction prices.<li data-bbox="810 1030 1359 1289">6. Selecting samples of revenue recognition transactions before and after the balance sheet date, examining the original documents related to revenue recognition, and assessing whether the revenue is recorded in the appropriate accounting period.<li data-bbox="810 1332 1359 1468">7. We have verified whether the information related to operating revenue has been properly presented in the financial statements.

Auditor's Report (Continued)

Key Audit Matters (Continued)

We identified the following key audit matters in our audit. (Continued)

Key Audit Matters	How these matters were addressed in the audit
2. Provision for Inventory falling Price Reserves	
<p>Please consult the notes to the financial statements, "IV. Significant accounting policies and estimates" section 10, Policies Relating to Inventories and "VI. Notes to consolidated financial statements", section 8, Inventories.</p>	<p>Audit procedures performed for Inventory falling Price Reserves mainly include:</p>
<p>As of December 31, 2023, the recorded balance of inventory in the Company's consolidated financial statements amounts to 16,797 million, Inventory falling Price Reserves of 232 million, thus yielding a book value of 16,565 million.</p>	<p>1. Understanding and assessing the effectiveness of the design and operation of the internal control related to the provision of inventory depreciation reserve by the management.</p>
<p>The company assesses its inventory using the lower of cost and net realizable value. The net realizable value is calculated by subtracting the estimated selling expenses and associated taxes from the projected selling price of the inventory.</p>	<p>2. To verify the changes in the prices of major raw materials, products in production and inventory goods to judge the risk of inventory depreciation.</p>
<p>Management determines the projected selling price of the inventory based on the current inventory conditions, requiring significant judgment during the estimation process.</p>	<p>3. To obtain the calculation table of inventory depreciation reserve, review the calculation process and results of inventory depreciation reserve, check whether it is implemented in accordance with relevant accounting policies, and analyze whether the provision of inventory depreciation reserve is sufficient.</p>
<p>Due to the substantial book value of inventory, the sufficiency of the depreciation reserve has a considerable impact on the financial statements, involving the estimation of net realizable value. Therefore, we identify this as a key audit issue.</p>	<p>4. To evaluate the reasonability of the management's estimate of the costs, selling expenses and related taxes that will occur from inventory to completion.</p>
	<p>5. To test whether the management's calculation of net realizable value of inventory is accurate.</p>
	<p>6. To check whether the information related to net realizable value of inventory has been properly presented in the financial statements.</p>

Auditor's Report (Continued)

Other Information

Management of the Company ("**Management**") is responsible for the other information. The other information comprises all of the information included in the 2023 annual report of the Company, other than 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Report (Continued)

Auditor'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 CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. 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 understand of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and contents 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were 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 auditors' 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.

BDO CHINA Shu Lun Pan Certified
Public Accountants LLP

Certified Public Accountant of China: Zhang Junshu
(Engagement partner)

Certified Public Accountant of China: Gu Xi

Shanghai, China

March 28, 2024

Consolidated Balance Sheet

As at 31 December, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	31 December 2023	31 December 2022
Current assets:			
Cash and cash equivalents	VI.1	3,221	5,093
Derivative financial assets	VI.2	3	37
Notes receivable	VI.3	81	173
Accounts receivable	VI.4	1,693	2,838
Receivables financing	VI.5	1,618	1,824
Prepayments	VI.6	2,967	5,113
Other receivables	VI.7	68	27
Including: Interests receivable			
Dividends receivable	VI.7	27	
Inventories	VI.8	16,565	13,575
Other current assets	VI.9	903	552
Total current assets		27,119	29,232
Non-current assets:			
Long-term equity investments	VI.10	3,486	3,169
Other equity instrument investments	VI.11	672	641
Other non-current financial assets	VI.12	91	33
Fixed assets	VI.13	48,692	46,985
Construction in progress	VI.14	6,887	6,732
Right-of-use assets	VI.15	7	761
Intangible assets	VI.16	6,820	6,553
Deferred income tax assets	VI.17	2,261	1,562
Other non-current assets	VI.18	979	1,323
Total non-current assets		69,895	67,759
Total assets		97,014	96,991

Consolidated Balance Sheet (Continued)

As at 31 December, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	31 December 2023	31 December 2022
Current liabilities:			
Short-term loans	VI.19	1,330	1,579
Derivative financial liabilities	VI.20	6	41
Notes payable	VI.21	17,560	11,743
Accounts payable	VI.22	6,924	8,854
Contract liabilities	VI.23	5,186	6,393
Staff remuneration payable	VI.24	83	158
Tax payable	VI.25	141	255
Other payables	VI.26	3,421	2,871
Including: Interests payable	VI.26	6	6
Dividends payable	VI.26		3
Non-current liabilities due within one year	VI.27		4,260
Other current liabilities	VI.28	537	
Total current liabilities		35,188	36,154
Non-current liabilities:			
Long-term loans	VI.29	5,199	600
Bonds payable	VI.30	299	299
Lease liability	VI.31	2	226
Long-term payables	VI.32	135	119
Long-term employee benefits payable	VI.33	44	60
Deferred income	VI.34	650	523
Deferred income tax liabilities	VI.17	106	347
Total non-current liabilities		6,435	2,174
Total liabilities		41,623	38,328

Consolidated Balance Sheet (Continued)

As at 31 December, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	31 December 2023	31 December 2022
Shareholders' equity:			
Share capital	VI.35	9,384	9,403
Capital reserve	VI.36	33,853	33,879
Less: Treasury shares	VI.37	32	96
Other comprehensive income	VI.38	176	152
Special reserve	VI.39	69	93
Surplus reserve	VI.40	4,457	4,457
Retained earnings	VI.41	6,797	10,118
Subtotal of Shareholders' equity attributable to shareholders of parent company		54,704	58,006
Minority interests		687	657
Total shareholders' equity		55,391	58,663
Total liabilities and shareholders' equity		97,014	96,991

Legal representative:
Wang Jun

Financial controller:
Wang Baojun

Person in charge of accounting
department:
You Yu

Consolidated Income Statement

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
I. Total operating revenue		113,502	131,072
Including: Operating revenue	VI.42	113,502	131,072
II. Total operating cost		117,950	132,217
Including: Operating cost	VI.42	114,037	128,022
Taxes and surcharges	VI.43	846	1,083
Selling expenses	VI.44	628	600
Administrative expenses	VI.45	1,689	1,298
Research and development expenses	VI.46	492	727
Finance expenses	VI.47	258	487
Including: Interest expenses		285	391
Interest income		69	68
Add: Other incomes	VI.48	52	87
Investment income (Loss is listed with "-")	VI.49	317	237
Including: Investment incomes in associates and joint ventures		338	235
Gain from fair-value changes (Loss is listed with "-")	VI.50	45	185
Credit impairment losses (Loss is listed with "-")	VI.51	15	65
Impairment on assets (Loss is listed with "-")	VI.52	(131)	337
Gains on disposal of assets (Loss is listed with "-")	VI.53	1	16
III. Operating profit (Loss is listed with "-")		(4,149)	(218)
Add: Non-operating income	VI.54	54	59
Less: Non-operating expenses	VI.55	47	110
IV. Profit before tax (Loss is listed with "-")		(4,142)	(269)
Less: Income tax expenses	VI.56	(919)	(407)

Consolidated Income Statement (Continued)

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
V. Net profit (Loss is listed with "-")		(3,223)	138
(I) Classification of business operation			
1. Continuous operation profit (Loss is listed with "-")		(3,223)	138
2. Termination of business operating profit (Loss is listed with "-")			
(II) Classification of ownership			
1. Net income attributable to the Company owners		(3,257)	108
2. Net income attributable to minority shareholders		34	30
VI. Other comprehensive income after tax	VI.57	24	108
Other comprehensive income after tax attributable to parent company owners		24	108
(I) Other comprehensive income which cannot be reclassified subsequently to profit or loss		24	108
1. Net gain on other equity instruments at fair value through other comprehensive income		24	108
(II) Other comprehensive income which will be reclassified subsequently to profit or loss			
1. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			
Other comprehensive income after tax attributable to minority shareholders			

Consolidated Income Statement (Continued)

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
VII. Total comprehensive income		(3,199)	246
Total comprehensive income attributed to the Company owners		(3,233)	216
Total comprehensive income attributable to minority shareholders		34	30
VIII. Earnings per share			
Basic earnings per share (RMB/share)	XXI	(0.347)	0.011
Diluted earnings per share (RMB/share)	XXI	(0.347)	0.011

Legal representative:
Wang Jun

Financial controller:
Wang Baojun

Person in charge of accounting
department:
You Yu

Consolidated Cash Flow Statement

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
I. Cash Flows from Operating Activities:			
Cash received from sales and services		114,717	132,596
Taxes and surcharges refunds		38	305
Other cash receipts related to operating activities	VI.58	422	292
Sub-total of cash inflows from operating activities		115,177	133,193
Cash payments for goods purchased and services received		105,411	117,323
Cash payments to and on behalf of employees		4,755	5,157
Payments of taxes and surcharges		1,351	3,191
Other cash payments relating to operating activities	VI.58	2,081	1,383
Sub-total of cash outflows from operating activities		113,598	127,054
Net Cash Flows from Operating Activities		1,579	6,139
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and returns of investments			239
Cash receipts from returns on investments		205	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		16	21
Other cash receipts relating to investing activities	VI.58	106	149
Sub-total of cash inflows from investing activities		327	409

Consolidated Cash Flow Statement (Continued)

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		3,059	4,249
Cash payments to acquire investments		150	100
Other cash payments relating to investing activities	VI.58	68	29
Sub-total of cash outflows from investing activities		3,277	4,378
Net Cash Flows from Investing Activities		(2,950)	(3,969)
III. Cash Flows from Financing Activities:			
Cash received from investments		14	126
Including: cash receipts from minorities making investment in subsidiaries		14	126
Cash receipts from borrowings		10,180	3,038
Other cash receipts relating to financing activities			10
Sub-total of cash inflows from financing activities		10,194	3,174
Cash repayments of amounts borrowed		10,063	2,861
Cash payments for distribution of dividends or profit or interest expenses		276	2,426
Including: payments for distribution of dividends or profit to minorities of subsidiaries			24
Other cash payments relating to financing activities	VI.58	389	362
Sub-total of cash outflows from financing activities		10,728	5,649
Net Cash Flows from Financing Activities		(534)	(2,475)

Consolidated Cash Flow Statement (Continued)

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		33	
V. Net Increase in Cash and Cash Equivalents	VI.59	(1,872)	(305)
Add: Opening balance of Cash and Cash Equivalents	VI.59	5,093	5,398
VI. Closing Balance of Cash and Cash Equivalents	VI.59	3,221	5,093

Legal representative:
Wang Jun

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Consolidated Statement of Changes in Shareholders' Equity

As at 31 December, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Year 2023									
	Equity attributable to parent company									
	Share Capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total Shareholders' equity
I. Balance at the end of prior year	9,403	33,879	96	152	93	4,457		10,118	657	58,663
Add: Changes in accounting policies										
Merger of enterprises under the same control										
Others										
II. Balance at the beginning of current year	9,403	33,879	96	152	93	4,457		10,118	657	58,663
III. Current period increase (or less: decrease)	(19)	(26)	(64)	24	(24)			(3,321)	30	(3,272)
(I) Total comprehensive income				24				(3,257)	34	(3,199)
(II) Capital contributed or withdrew by owners	(19)	(26)	(64)						8	27
1. Ordinary shares contributed by owners	(19)	(17)	(64)						14	42
2. Amount of share-based payment included		(9)								(9)
3. Others									(6)	(6)
(III) Profit Distribution								(64)	(14)	(78)
1. Withdrawal surplus reserves										
2. Distribution to shareholders								(64)	(14)	(78)
3. Others										
(IV) Internal carryforward of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve to cover losses										
4. Other comprehensive income carried forward to retained earnings										
5. Others										
(V) Special Reserve					(24)				2	(22)
1. Current withdrawal					209				5	214
2. Current use					(233)				(3)	(236)
IV. Balance as at 31 December, 2023	9,384	33,853	32	176	69	4,457		6,797	687	55,391

Legal representative:
Wang Jun

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Consolidated Statement of Changes in Shareholders' Equity (Continued)

As at 31 December, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Year 2022									
	Equity attributable to parent company									Total Shareholders' equity
	Share Capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	
I. Balance at the end of prior year	9,405	33,604	100	44	82	4,452		12,179	526	60,192
Add: Changes in accounting policies								(86)		(86)
Merger of enterprises under the same control		1,020			25					1,045
Others										
II. Balance at the beginning of current year	9,405	34,624	100	44	107	4,452		12,093	526	61,151
III. Current period increase (or less: decrease)	(2)	(745)	(4)	108	(14)	5		(1,975)	131	(2,488)
(I) Total comprehensive income				108				108	30	246
(II) Capital contributed or withdrew by owners	(2)	(745)	(4)						126	(617)
1. Ordinary shares contributed by owners	(2)	(2)	(4)						126	126
2. Amount of share-based payment included		10								10
3. Others		(753)								(753)
(III) Profit Distribution						5		(2,083)	(27)	(2,105)
1. Withdrawal surplus reserves						5		(5)		
2. Distribution to shareholders								(2,078)	(27)	(2,105)
3. Others										
(IV) Internal carryforward of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve to cover losses										
4. Other comprehensive income carried forward to retained earnings										
5. Others										
(V) Special Reserve					(14)				2	(12)
1. Current withdrawal					161				5	166
2. Current use					(175)				(3)	(178)
IV. Balance as at 31 December, 2022	9,403	33,879	96	152	93	4,457		10,118	657	58,663

Legal representative:
Wang Jun

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Balance Sheet

As at 31 December, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	31 December 2023	31 December 2022
Current assets:			
Cash and cash equivalents		1,259	2,089
Derivative financial assets		3	37
Notes receivable		70	34
Accounts receivable	XVIII.1	1,821	2,693
Receivables financing		1,092	1,499
Prepayments		2,431	4,585
Other receivables	XVIII.2	88	64
Including: Interests receivable			
Dividends receivable		27	17
Inventories		13,210	10,303
Other current assets		608	411
Total current assets		20,582	21,715
Non-current assets:			
Long-term equity investments	XVIII.3	13,901	13,633
Other equity instrument investments		672	641
Other non-current financial assets		91	33
Fixed assets		41,450	39,952
Construction in progress		5,995	6,141
Right-of-use assets			755
Intangible assets		6,062	5,771
Deferred income tax assets		2,203	1,500
Other non-current assets		902	1,300
Total non-current assets		71,276	69,726
Total assets		91,858	91,441

Balance Sheet (Continued)

As at 31 December, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	31 December 2023	31 December 2022
Current liabilities:			
Short-term loans		1,250	1,399
Derivative financial liabilities		6	41
Notes payable		16,789	11,172
Accounts payable		5,439	7,333
Contract liabilities		4,753	5,726
Staff remuneration payable		75	135
Tax payable		92	119
Other payables		4,802	4,304
Including: Interests payable		8	6
Dividends payable			
Non-current liabilities due within one year			4,211
Other current liabilities		146	
Total current liabilities		33,352	34,440
Non-current liabilities:			
Long-term loans		5,089	600
Bonds payable		299	299
Lease liability			223
Long-term payables		135	119
Long-term employee benefits payable		41	58
Deferred income		511	395
Deferred income tax liabilities		101	338
Total non-current liabilities		6,176	2,032
Total liabilities		39,528	36,472

Balance Sheet (Continued)

As at 31 December, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	31 December 2023	31 December 2022
Shareholders' equity:			
Share capital		9,384	9,403
Capital reserve		26,895	26,921
Less: Treasury shares		32	96
Other comprehensive income		176	152
Special reserve		38	44
Surplus reserve		4,447	4,447
Retained earnings		11,422	14,098
Total shareholders' equity		52,330	54,969
Total liabilities and shareholders' equity		91,858	91,441

Legal representative:

Wang June

Financial controller:

Wang Baojun

Person in charge of
accounting department:

You Yu

Income Statement

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
I. Total operating revenue		99,476	113,408
Including: Operating revenue	XVIII.4	99,476	113,408
II. Total operating cost		103,896	115,865
Including: Operating cost	XVIII.4	100,551	112,060
Taxes and surcharges		691	907
Selling expenses		563	611
Administrative expenses		1,345	1,088
Research and development expenses		421	660
Finance expenses		325	539
Including: Interest expenses		317	418
Interest income		34	40
Add: Other incomes		44	79
Investment income (Loss is listed with "-")	XVIII.5	889	1,134
Including: Investment incomes in associates and joint ventures		357	234
Gain from fair-value changes (Loss is listed with "-")		45	184
Credit impairment losses (Loss is listed with "-")		15	64
Impairment on assets (Loss is listed with "-")		(111)	367
Gains on disposal of assets (Loss is listed with "-")		1	16
III. Operating profit (Loss is listed with "-")		(3,537)	(613)
Add: Non-operating income		23	54
Less: Non-operating expenses		47	103
IV. Profit before tax (Loss is listed with "-")		(3,561)	(662)
Less: Income tax expenses		(949)	(660)

Income Statement (Continued)

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
V. Net profit (Loss is listed with “-”)		(2,612)	(2)
(I) Classification of business operation			
1. Continuous operation profit (Loss is listed with “-”)		(2,612)	(2)
2. Termination of business operating profit (Loss is listed with “-”)			
(II) Classification of ownership			
1. Net income attributable to the Company owners		(2,612)	(2)
2. Net income attributable to minority shareholders			
VI. Other comprehensive income after tax		24	108
Other comprehensive income after tax attributable to parent company owners		24	108
(I) Other comprehensive income which cannot be reclassified subsequently to profit or loss		24	108
1. Net gain on other equity instruments at fair value through other comprehensive income		24	108
(II) Other comprehensive income which will be reclassified subsequently to profit or loss			
1. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			
Other comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		(2,588)	106
Total comprehensive income attributed to the Company owners		(2,588)	106
Total comprehensive income attributable to minority shareholders			

Legal representative:
Wang June

Financial controller:
Wang Baojun

Person-in-charge of
accounting department:
You Yu

Cash Flow Statement

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
I. Cash Flows from Operating Activities:			
Cash received from sales and services		101,181	115,010
Taxes and surcharges refunds			31
Other cash receipts related to operating activities		394	261
Sub-total of cash inflows from operating activities		101,575	115,302
Cash payments for goods purchased and services received		93,649	103,345
Cash payments to and on behalf of employees		4,024	4,354
Payments of taxes and surcharges		760	2,268
Other cash payments relating to operating activities		1,787	1,220
Sub-total of cash outflows from operating activities		100,220	111,187
Net Cash Flows from Operating Activities		1,355	4,115

Cash Flow Statement (Continued)

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and returns of investments		55	50
Cash receipts from returns on investments		769	879
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		68	64
Other cash receipts relating to investing activities		72	135
Sub-total of cash inflows from investing activities		964	1,128
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		2,681	3,879
Cash payments to acquire investments		150	757
Other cash payments relating to investing activities		68	29
Sub-total of cash outflows from investing activities		2,899	4,665
Net Cash Flows from Investing Activities		(1,935)	(3,537)

Cash Flow Statement (Continued)

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to December 2023	January to December 2022
III. Cash Flows from Financing Activities:			
Cash received from investments			
Cash receipts from borrowings		9,970	2,798
Other cash receipts relating to financing activities		1,261	1,780
Sub-total of cash inflows from financing activities		11,231	4,578
Cash repayments of amounts borrowed		9,813	2,750
Cash payments for distribution of dividends or profit or interest expenses		258	2,373
Including: payments for distribution of dividends or profit to minorities of subsidiaries			
Other cash payments relating to financing activities		1,443	816
Sub-total of cash outflows from financing activities		11,514	5,939
Net Cash Flows from Financing Activities		(283)	(1,361)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		33	
V. Net Increase in Cash and Cash Equivalents			
		(830)	(783)
Add: Opening balance of Cash and Cash Equivalents		2,089	2,872
VI. Closing Balance of Cash and Cash Equivalents			
		1,259	2,089

Legal representative:
Wang Jun

Financial controller:
Wang Baojun

Person in charge of accounting
department:
You Yu

Statement of Changes in Shareholders' Equity

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Year 2023									
	Equity attributable to parent company									Total Shareholders' equity
	Share Capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	
I. Balance at the end of prior year	9,403	26,921	96	152	44	4,447		14,098		54,969
Add: Changes in accounting policies Others										
II. Balance at the beginning of current year	9,403	26,921	96	152	44	4,447		14,098		54,969
III. Current period increase (or less: decrease)	(19)	(26)	(64)	24	(6)			(2,676)		(2,639)
(I) Total comprehensive income				24				(2,612)		(2,588)
(II) Capital contributed or withdrew by owners	(19)	(26)	(64)							19
1. Ordinary shares contributed by owners	(19)	(17)	(64)							28
2. Amount of share-based payment included		(9)								(9)
3. Others										
(III) Profit Distribution								(64)		(64)
1. Withdrawal surplus reserves										
2. Distribution to shareholders								(64)		(64)
3. Others										
(IV) Internal carryforward of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve to cover losses										
4. Other comprehensive income carried forward to retained earnings										
5. Others										
(V) Special Reserve					(6)					(6)
1. Current withdrawal					155					155
2. Current use					(161)					(161)
IV. Balance as at 31 December, 2023	9,384	26,895	32	176	38	4,447		11,422		52,330

Legal representative:
Wang Jun

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Statement of Changes in Shareholders' Equity (Continued)

For the twelve months ended 31 December 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Year 2022									
	Equity attributable to parent company									Total Shareholders' equity
	Share Capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	
I. Balance at the end of prior year	9,405	26,646	100	44	43	4,442		16,268		56,748
Add: Changes in accounting policies								(85)		(85)
Others										
II. Balance at the beginning of current year	9,405	26,646	100	44	43	4,442		16,183		56,663
III. Current period increase (or less: decrease)	(2)	275	(4)	108	1	5		(2,085)		(1,694)
(I) Total comprehensive income				108				(2)		106
(II) Capital contributed or withdrew by owners	(2)	275	(4)		25					302
1. Ordinary shares contributed by owners	(2)	(2)	(4)							
2. Amount of share-based payment included		10								10
3. Others		267			25					292
(III) Profit Distribution						5		(2,083)		(2,078)
1. Withdrawal surplus reserves						5		(5)		
2. Distribution to shareholders								(2,078)		(2,078)
3. Others										
(IV) Internal carryforward of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve to cover losses										
4. Other comprehensive income carried forward to retained earnings										
5. Others										
(V) Special Reserve					(24)					(24)
1. Current withdrawal					105					105
2. Current use					(129)					(129)
IV. Balance as at 31 December, 2022	9,403	26,921	96	152	44	4,447		14,098		54,969

Legal representative:
Wang Jun

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Notes to the financial statements

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

I. CORPORATE PROFILE

Angang steel company limited (Hereinafter referred to as “**the company**”) is a joint stock limited company established on 8 May 1997 · Currently headquartered in Anshan Iron and Steel Factory, Tiexi District, Anshan City, Liaoning Province, China.

This financial statement was approved and presented by the board of directors of the company on March 28, 2024.

As of the end of this period, the subsidiary companies included in the consolidation scope of the company are detailed in Note IX “ Interests in other entities”. The Company added 1 subsidiary through a spin-off, reduced 1 subsidiary in the current period, please refer to Note VIII “Changes in Consolidation Scope” for details.

The main business of our company and its subsidiaries (hereinafter referred to as “**the Group**”) is ferrous metal smelting and steel rolling processing.

II. Preparation basis of the financial statements

The Group has evaluated the continuous operations ability for the 12 months from December 31, 2023, 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 2023, Preparation of applicable disclosure provisions for securities listing rules issued by the Stock Exchange of Hong Kong Ltd.

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 the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

III. Statements on compliance with the enterprise accounting standards

The Group declares that the Financial Report prepared by the Group is in compliance with requirements of Accounting Standards for Business Enterprises. These financial statements present truly, accurately and completely the financial position of the Group as of 31 December 2023, the financial performance and cash flow of the Group for the twelve months ended 31 December 2023. 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 2023, the relevant disclosure provisions of the Listing Rules of the Stock Exchange of Hong Kong Limited, and the applicable disclosure provisions under the Hong Kong Companies Ordinance.

IV. Significant accounting policies and estimates

As for the statements of significant accounting judgments and estimates made by the management, please refer to Note IV.28 “Significant accounting judgments and estimates.

1. Accounting period

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

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.

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. 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 the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

4. Accounting treatment of business combinations (Continued)

(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.

(2) The business combinations not under common control

Enterprises participating in a merger that are not ultimately controlled by the same party or multiple parties before and after the merger are not under the same control. For a merger of enterprises not under the same control, the party that obtains control over other participating enterprises on the acquisition date is the purchaser, and the other participating enterprises are the acquiree. The purchase date refers to the date on which the purchaser actually obtains control over the acquired party.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

4. Accounting treatment of business combinations (Continued)

(2) The business combinations not under common control (Continued)

For business combinations not under the same control, the merger cost includes the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued by the acquirer to obtain control over the acquiree on the acquisition date. The intermediary fees for auditing, legal services, evaluation and consulting, as well as other management expenses incurred for the business combination, are included in the current profit and loss when incurred. The transaction costs of equity or debt securities issued by the purchaser as consideration for the merger are included in the initial recognition amount of the equity or debt securities. The contingent consideration involved shall be included in the merger cost based on its fair value on the purchase date. If there is new or further evidence of the existing situation on the purchase date within 12 months after the purchase date that requires adjustment of the contingent consideration, the merged goodwill shall be adjusted accordingly.

The merger costs incurred by the purchaser and the identifiable net assets obtained during the merger are measured at their fair value on the acquisition date. The difference between the merger cost and the fair value of the identifiable net assets obtained from the acquiree on the acquisition date is recognized as goodwill. If the merger cost is less than the fair value share of the identifiable net assets obtained from the acquiree in the merger, the fair values of the identifiable assets, liabilities, and contingent liabilities obtained from the acquiree, as well as the measurement of the merger cost, are first reviewed. If the merger cost is still less than the fair value share of the identifiable net assets obtained from the acquiree in the merger, the difference is recorded in the current profit and loss.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

5. Methods for preparation of consolidated financial statements

(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.

(2) Methods for preparation of consolidated financial statements

From the date of obtaining actual control over the net assets and production and operation decisions of the subsidiary, the company begins to include it in the scope of consolidation; From the date of losing actual control, it shall cease to be included in the merger scope. For the disposed subsidiaries, the operating results and cash flows prior to the disposal date have been appropriately included in the consolidated income statement and consolidated cash flow statement; For subsidiaries disposed of in the current period, the opening balance of the consolidated balance sheet will not be adjusted. For subsidiaries that are not under the same control and are added through business combinations, their operating results and cash flows after the purchase date have been appropriately included in the consolidated income statement and consolidated cash flow statement, and the opening and comparative amounts of the consolidated financial statements are not adjusted. The operating results and cash flows of subsidiaries and merged parties under the same control from the beginning of the merger period to the merger date have been appropriately included in the consolidated income statement and consolidated cash flow statement, and the comparative amount of the consolidated financial statements has been adjusted at the same time.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

5. Methods for preparation of consolidated financial statements (Continued)

(2) Methods for preparation of consolidated financial statements (Continued)

When preparing consolidated financial statements, if the accounting policies or accounting periods adopted by the subsidiary and the company are inconsistent, necessary adjustments shall be made to the subsidiary's financial statements in accordance with the company's accounting policies and accounting periods. For subsidiaries obtained through business combinations not under the same control, adjustments to their financial statements are made based on the fair value of identifiable net assets on the purchase date.

All significant transaction balances, transactions, and unrealized profits within the company are offset during the preparation of the consolidated financial statements.

The shareholders' equity and current net profit and loss of subsidiaries that are not owned by the company are separately presented as minority shareholders' equity and minority shareholders' profit and loss in the consolidated financial statements under shareholders' equity and net profit. The portion of the subsidiary's current net profit and loss that belongs to minority shareholders' equity is presented under the "Minority Shareholders' Profit and Loss" item in the consolidated income statement. If the losses shared by minority shareholders in the subsidiary exceed the minority shareholders' share in the initial shareholders' equity of the subsidiary, the minority shareholders' equity will still be offset.

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 IV.11.2.2 Long-term equity investments accounted by equity method.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

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.

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.

8. Foreign currency transactions and the translation of foreign currency financial statement

(1) Foreign currency transactions

Foreign currency transactions occurring in the Group are initially recognized at the spot exchange rate (usually the midpoint of the foreign exchange rate published by the People's Bank of China on the day of the transaction, the same below) and converted into the amount of the bookkeeping base currency. However, foreign currency exchange transactions or transactions involving foreign currency exchange are converted into the amount of the bookkeeping base currency at the actual exchange rate used.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

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

- (2) Translation method for foreign currency monetary items and foreign currency non monetary items

On the balance sheet date, foreign currency monetary items are translated using the spot exchange rate on the balance sheet date. The resulting exchange differences, except for those arising from foreign currency specialized loans related to the acquisition and construction of assets that meet capitalization conditions, are treated according to the principle of capitalization of borrowing costs; Foreign currency monetary items invested in other equity instruments, except for amortized costs, are recognized in the current period's profit or loss for exchange differences arising from changes in their book balances, which are recognized in other comprehensive income.

Foreign currency non monetary items measured at historical cost are still measured using the recording currency amount converted at the spot exchange rate on the transaction date. Foreign currency non monetary items measured at fair value are translated using the spot exchange rate on the date of fair value determination. The difference between the converted amount in the recording currency and the original amount in the recording currency is treated as changes in fair value (including exchange rate changes) and recorded in current profit or loss or recognized as other comprehensive income.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities

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

(1) Financial assets

1) Classification, confirmation basis and measurement method of financial assets

The Group classifies financial assets into financial assets measured at amortized cost, financial assets measured at fair value with changes recognized in other comprehensive income, and financial assets measured at fair value with changes recognized in current profit or loss based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets.

The Group classifies financial assets that meet the following conditions as financial assets measured at amortized cost: ① The business model for managing these financial assets is to collect contract cash flows as the goal. ② The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount; Subsequent measurement is carried out at amortized cost. Except for those designated as hedged items, the difference between the initial amount and the maturity amount shall be amortized using the effective interest rate method. The amortization, impairment, exchange gains and losses, as well as gains or losses arising from derecognition, shall be recognized in the current period's profit and loss.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

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

The Group classifies financial assets that meet the following conditions as financial assets measured at fair value with changes recognized in other comprehensive income: ① The business model for managing such financial assets is aimed at both receiving contractual cash flows and selling such financial assets. ② The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount. These 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, other gains or losses arising from such financial assets, except for credit impairment losses or gains, exchange gains and losses, and interest calculated using the effective interest rate method, are recognized in other comprehensive income; When a financial asset is derecognized, the accumulated gains or losses previously recognized in other comprehensive income shall be transferred out of other comprehensive income and included in the current profit or loss.

The Group designates non trading equity instrument investments as financial assets measured at fair value with changes recognized in other comprehensive income. Once the designation is made, it cannot be revoked. Non trading equity instrument investments designated by the Group to be measured at fair value with changes recognized in other comprehensive income are initially measured at fair value, and related transaction costs are included in the initial recognition amount; Except for dividends received (excluding those that belong to the recovery of investment costs), other related gains and losses (including exchange gains and losses) are included in other comprehensive income and shall not be subsequently transferred to the current period's profit and loss. When it is derecognized, the accumulated gains or losses previously recognized in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

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

Financial assets other than those classified as financial assets measured at amortized cost and those classified as financial assets measured at fair value with changes recognized in other comprehensive income. The Group classifies it as a financial asset measured at fair value through profit or loss for the current period. This type of financial asset is initially measured at fair value, and related transaction costs are directly included in the current profit or loss. The gains or losses of such financial assets are recognized in the current profit or loss.

If the contingent consideration recognized by the Group in a business merger not under the same control constitutes a financial asset, the financial asset is classified as a financial asset measured at fair value with changes recognized in the current period's profit or loss.

At initial recognition, if accounting mismatches can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should have been measured at amortized cost or at fair value with changes recognized in other comprehensive income as financial assets measured at fair value with changes recognized in current profit or loss.

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

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

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

The Group recognizes interest income using the effective interest rate method. Interest income is calculated and determined based on the book balance of financial assets multiplied by the actual interest rate, except for the following situations: ① For financial assets that have been purchased or generated with credit impairment, interest income is calculated and determined based on the amortized cost of the financial asset and the actual interest rate adjusted by credit from initial recognition. ② For financial assets purchased or generated without credit impairment but that have become credit impaired in subsequent periods, interest income is calculated and determined based on the amortized cost and effective interest rate of the financial asset in subsequent periods.

- 2) Confirmation basis and measurement method of financial asset transfer.

The group will terminate the recognition of financial assets that meet one of the following conditions: ① the contractual right to receive cash flow from the financial assets is terminated; ② Financial assets have been transferred, and the group has transferred almost all risks and rewards in the ownership of financial assets; ③ When a financial asset is transferred, the group neither transfers nor retains almost all the risks and rewards of ownership of the financial asset, nor retains control over the financial asset.

If the overall transfer of financial assets meets the conditions for termination of recognition, the book value of the transferred financial assets shall be, The difference between the sum of the consideration received due to the transfer and the amount of the corresponding derecognized part of the cumulative amount of fair value changes originally directly included in other comprehensive income (the contract terms involving the transferred financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount) is included in the current profit and loss.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

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

If the partial transfer of financial assets meets the conditions for termination of recognition, the overall book value of the transferred financial assets shall be apportioned between the part whose recognition is terminated and the part whose recognition is not terminated according to their respective relative fair values. And the sum of the consideration received due to the transfer and the amount corresponding to the derecognized part of the cumulative amount of changes in fair value originally included in other comprehensive income that should be apportioned to the derecognized part (the contract terms involving the transferred financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount), The difference with the overall book value of the aforementioned financial assets shall be included in the current profit and loss.

3) Impairment of financial instruments

On the basis of expected credit losses, the group carries out impairment accounting for the following items and recognizes loss reserves: ① creditor's rights investment; ② Lease receivables; ③ Contract assets; ④ Accounts receivable; ⑤ Financial guarantee contract.

Expected credit losses refer to the weighted average value of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contract cash flows receivable under the contract and all cash flows expected to be received by the group discounted at the original effective interest rate, that is, the present value of all cash shortages.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instruments (Continued)

For the following projects, the group always measures its loss reserve at an amount equivalent to the expected credit loss during the whole duration: ① provision for loss of receivables or contract assets formed by transactions regulated by the accounting standards for enterprises No.14 – income standards, regardless of whether the project contains significant financing components. ② Finance lease receivables; ③ Operating lease receivables.

In addition to the above items, for other items, the group measures the loss reserve according to the following circumstances: ① for financial assets whose credit risk has not increased significantly since initial recognition, the group measures the loss reserve according to the amount of expected credit loss in the next 12 months; ② For financial assets whose credit risk has increased significantly since initial recognition, the group measures the loss reserve according to the amount equivalent to the expected credit loss of the financial instrument throughout its life; ③ For financial assets purchased or derived from which credit impairment has occurred, the group measures the provision for loss at an amount equivalent to the expected credit loss for the entire duration.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instruments (Continued)

Judgment on whether credit risk has increased significantly since initial recognition. By comparing the risk of default of financial instruments on the balance sheet date with the risk of default on the initial recognition date, the Group determines the relative change in the risk of default during the expected duration of financial instruments to assess whether the credit risk of financial instruments has increased significantly since 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 initial recognition. Generally, if it is overdue for more than 30 days, it indicates that the credit risk of financial instruments has increased significantly. Unless the group can obtain reasonable and substantiated information without unnecessary additional cost or effort to demonstrate that credit risk has not increased significantly since initial recognition even if it is more than 30 days overdue. In determining whether credit risk has increased significantly since initial recognition, the group considers reasonable and substantiated information, including forward-looking information, that can be obtained without unnecessary additional cost or effort. The information considered by the group includes: ① the failure of the debtor to pay the principal and interest on the due date of the contract; ② Serious deterioration of the external or internal credit rating (if any) of the financial instruments that have occurred or are expected to occur; ③ Serious deterioration of the debtor's operating results that has occurred or is expected; ④ Changes in the existing or expected technical, market, economic or legal environment will have a significant adverse impact on the debtor's ability to repay.

The Group assesses whether credit risk has increased significantly on the basis of a single financial instrument or a combination of financial instruments. When assessing on the basis of a portfolio of financial instruments, the group may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings of different customers.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

4) Presentation of provision for expected credit losses

In order to reflect the changes in the credit risk of financial instruments since initial recognition, the group remeasures the expected credit loss on each balance sheet date, and the increase or reversal of the loss provision thus formed shall be included in the current profit and loss as an impairment loss or gain. For financial assets measured at amortized cost, the loss reserve shall be set off against the book value of the financial assets listed in the balance sheet.

5) Write off

If the group no longer reasonably expects the contract cash flow of a financial asset to be recovered in whole or in part, the book balance of the financial asset is directly written down. Such write downs constitute the derecognition of the relevant financial assets. This usually occurs when the Group determines that the debtor has no assets or sources of income to generate sufficient cash flow to repay the amount to be written down. However, in accordance with the group's procedures for recovering payments due, the written down financial assets may still be affected by the execution activities. If the written down financial assets are recovered later, they shall be included in the profits and losses of the current period as a reversal of impairment losses.

(2) Financial liabilities

1) Classification, recognition basis and measurement method of financial liabilities

The group's financial liabilities are classified as financial liabilities measured at fair value through profit or loss and other financial liabilities at initial recognition.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

(2) Financial liabilities (Continued)

1) Classification, recognition basis and measurement method of financial liabilities (Continued)

Financial liabilities measured at fair value with changes included in the current profit and loss, including trading financial liabilities and financial liabilities designated at fair value with changes included in the current profit and loss at initial recognition (the relevant classification basis is disclosed with reference to the classification basis of financial assets). Subsequent measurements are made at fair value, and gains or losses arising from changes in fair value and dividends and interest expenses related to the financial liabilities are included in current profits and losses.

Other financial liabilities (Disclosure of specific financial liabilities according to the actual situation). The effective interest rate method is adopted for subsequent measurement according to the amortized cost. In addition to the following items, the Group classifies financial liabilities as financial liabilities measured at amortized cost: ① financial liabilities measured at fair value with changes included in current profit and loss, including trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated at fair value with changes included in current profit and loss. ② Financial liabilities formed by the transfer of financial assets that do not meet the conditions for termination of recognition or continue to be involved in the transferred financial assets. ③ Financial guarantee contracts that do not fall under the circumstances of ① or ② above, and loan commitments that do not fall under the circumstances of ① above and loans at lower market interest rates.

If the group forms financial liabilities as contingent consideration recognized as the acquirer in business combinations not under the same control, it shall be accounted for at fair value and the changes shall be included in the current profit and loss.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

(2) Financial liabilities (Continued)

2) Conditions for termination of recognition of financial liabilities

When the current obligation of a financial liability has been discharged in whole or in part, the recognition of the discharged part of the financial liability or obligation shall be terminated. If the group enters into an agreement with creditors to replace existing financial liabilities by assuming new financial liabilities, and the contract terms of new financial liabilities and existing financial liabilities are substantially different, the recognition of existing financial liabilities shall be terminated and new financial liabilities shall be recognized at the same time. If the group makes substantial amendments to the contract terms of all or part of the existing financial liabilities, it shall terminate the recognition of the existing financial liabilities or part of them, and recognize the financial liabilities after the amendment as a new financial liability. The difference between the book value of the derecognized part and the consideration paid shall be included in the current profit and loss.

(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 price of the main market. If there is no main market, the fair value of financial assets and financial liabilities is measured at the price of the most favorable market, and the valuation technology applicable at that time and supported by sufficient available data and other information is adopted. The input value used in fair value measurement is divided into three levels, that is, the input value of the first level is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market; The second level input value is the directly or indirectly observable input value of related assets or liabilities in addition to the first level input value; The third level of input value is the unobservable input value of related assets or liabilities. The group gives priority to the first level of input values, and finally uses the third level of input values.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

- (3) Method for determining the fair value of financial assets and financial liabilities (Continued)

The group's investment in equity instruments is measured at fair value. However, in limited circumstances, if the recent information used to determine fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value within that range, the cost can represent its appropriate estimate of fair value within that distribution

- (4) Offsetting financial assets and liabilities

The financial assets and financial liabilities of the group are presented separately in the balance sheet and are not offset against each other. However, when the following conditions are met at the same time, the net amount after mutual offset is listed in the balance sheet: ① the group has the legal right to offset the recognized amount, and such legal right is currently enforceable; ② The group plans to settle on a net basis, or to realize the financial asset and settle the financial liability at the same time.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

- (5) Distinction between financial liabilities and equity instruments and related treatment methods

The group distinguishes between financial liabilities and equity instruments according to the following principles: ① if the group cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation conforms to the definition of financial liabilities. Although some financial instruments do not explicitly contain the terms and conditions of the obligation to deliver cash or other financial assets, they may indirectly form contractual obligations through other terms and conditions. (2) If a financial instrument is required or can be settled by the group's own equity instruments, it is necessary to consider whether the group's own equity instruments used to settle the instrument are used as a substitute for cash or other financial assets, or to enable the holder of the instrument to enjoy the remaining equity in the assets of the issuer after deducting all liabilities. If the former, the instrument is the financial liability of the issuer; If the latter, the instrument is an equity instrument of the issuer. In some cases, a financial instrument contract provides that the group is required or available to settle the financial instrument with its own equity instruments, where the amount of the contractual rights or contractual obligations is equal to the number of its own equity instruments available or to be delivered multiplied by its fair value at settlement, whether the amount of the contractual rights or obligations is fixed, Or changes based entirely or in part on changes in variables other than the market price of the group's own equity instruments (such as interest rates, the price of a commodity or the price of a financial instrument), which are classified as financial liabilities.

In classifying financial instruments (or components thereof) in the consolidated statements, the group takes into account all terms and conditions agreed between members of the group and holders of financial instruments. If the group as a whole is obligated to deliver cash, other financial assets or settle in other ways that result in the instrument becoming a financial liability as a result of the instrument, the instrument should be classified as a financial liability.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

9. Financial assets and liabilities (Continued)

- (5) Distinction between financial liabilities and equity instruments and related treatment methods (Continued)

If a financial instrument or its components belong to a financial liability, the group shall record the relevant interest, dividend (or dividend), gain or loss, and the gain or loss arising from redemption or refinancing in the current profit or loss.

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

10. Inventories

- (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.

- (2) Pricing of inventories

Inventory is valued at actual cost upon acquisition, including procurement costs, processing costs, and other costs. Valuation shall be based on weighted average method and individual valuation method when receiving and sending out.

- (3) Measurement of net realizable, value of inventory and measurement of provision for impairment of inventories

Net realizable value refers to the estimated selling price of inventory in daily activities, minus the estimated costs to be incurred until completion, estimated sales expenses, and related taxes. When determining the net realizable value of inventory, it is based on conclusive evidence obtained, while considering the purpose of holding inventory and the impact of events after the balance sheet date.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

10. Inventories (Continued)

- (3) Measurement of net realizable value of inventory and measurement of provision for impairment of inventories (Continued)

On the balance sheet date, inventory is measured at the lower of cost or net realizable value. When its net realizable value is lower than cost, a provision for inventory depreciation is withdrawn. Inventory depreciation reserves are calculated for each individual inventory item, except for spare parts. Spare parts shall be subject to inventory depreciation reserves based on their actual condition and management's estimation.

After the provision for inventory depreciation is made, if the influencing factors of the previous reduction in inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its book value, it shall be reversed within the original provision for inventory depreciation, and the reversed amount shall be included in the current profit and loss.

- (4) Physical inventory at fixed period is taken under perpetual inventory system.
- (5) Amortization of reusable materials

Turnover materials include low-value consumables, packaging materials, and other turnover materials, which are amortized using the one-time amortization method, workload method, and installment amortization method according to their different properties, and are included in the cost of relevant assets or current profit and loss.

11. Long-term equity investment

The long-term equity investment referred to in this section refers to the long-term equity investment that the company has control, joint control, or significant influence over the invested entity. The long-term equity investments of the company that do not have control, joint control, or significant influence over the invested entity are treated as other equity instrument investments and transactional financial assets. The accounting policies are detailed in Note IV, 9 "Financial Assets and Financial Liabilities".

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

11. Long-term equity investment (Continued)

Joint control refers to the common control that the company has over a certain arrangement in accordance with relevant agreements, and the relevant activities of the arrangement must be unanimously agreed upon by the participants who share control before making decisions. Significant impact refers to the company having the power to participate in decision-making on the financial and operational policies of the invested entity, but not being able to control or jointly control the formulation of these policies with other parties.

(1) Determination of investment costs

For long-term equity investments obtained through the merger of enterprises under the same control, the initial investment cost of the long-term equity investment shall be determined based on the share of the book value of the merged party's shareholders' equity in the final controlling party's consolidated financial statements on the merger date. The difference between the initial investment cost of long-term equity investment and the cash paid, non cash assets transferred, and the book value of the assumed debts shall be adjusted to the capital reserve; If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If equity securities are issued as the merger consideration, the initial investment cost of the long-term equity investment shall be based on the share of the book value of the merged party's shareholders' equity in the final controlling party's consolidated financial statements on the merger date, and the total face value of the issued shares shall be used as the share capital. The difference between the initial investment cost of the long-term equity investment and the total face value of the issued shares shall be adjusted to the capital reserve; If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

For long-term equity investments obtained through business combinations not under the same control, the initial investment cost of the long-term equity investment is recognized at the merger cost on the acquisition date. The merger cost includes the sum of the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued by the purchaser. The intermediary fees for auditing, legal services, evaluation and consultation, as well as other related management expenses incurred by the merging party or purchaser for the merger of the enterprise, are recognized in the current profit and loss at the time of occurrence.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

11. Long-term equity investment (Continued)

(1) Determination of investment costs (Continued)

Other equity investments, except for long-term equity investments formed by business mergers, are initially measured at cost. This cost is determined by the actual cash purchase price paid by the company, the fair value of equity securities issued by the company, the value agreed upon in the investment contract or agreement, the fair value or original book value of assets surrendered in non monetary asset exchange transactions, depending on the method of obtaining long-term equity investments. The fair value of the long-term equity investment itself is determined through other methods. The expenses, taxes, and other necessary expenses directly related to obtaining long-term equity investments are also included in the investment cost.

(2) Subsequent measurement and profit and loss recognition method

Long term equity investments that have joint control over or significant impact on the invested entity (excluding those forming joint operators) shall be accounted for using the equity method. In addition, the company's financial statements use the cost method to calculate long-term equity investments that can exercise control over the invested entity.

1) Long term equity investments accounted for using the cost method

When using the cost method for accounting, long-term equity investments are valued at the initial investment cost, and the cost of long-term equity investments is adjusted by adding or recovering investments. Except for the actual payment of the investment or the cash dividends or profits declared but not yet distributed included in the consideration, the current investment income is recognized based on the cash dividends or profits declared to be distributed by the invested entity.

2) Long term equity investments accounted for using the equity method

When using the equity method for accounting, if the initial investment cost of a long-term equity investment is greater than the fair value share of the identifiable net assets of the invested entity that should be enjoyed at the time of investment, the initial investment cost of the long-term equity investment will not be adjusted; If the initial investment cost is less than the fair value share of the identifiable net assets of the invested entity that should be enjoyed at the time of investment, the difference is included in the current profit and loss, and the cost of long-term equity investment is adjusted.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

11. Long-term equity investment (Continued)

- (2) Subsequent measurement and profit and loss recognition method (Continued)
 - 2) Long term equity investments accounted for using the equity method (Continued)

When using the equity method for accounting, investment income and other comprehensive income are recognized separately based on the share of net profit or loss and other comprehensive income that should be enjoyed or shared by the invested entity, while adjusting the book value of long-term equity investments; Calculate the portion that should be enjoyed based on the profits or cash dividends declared to be distributed by the invested entity, and correspondingly reduce the book value of long-term equity investments; For changes in shareholders' equity of the invested entity other than net profit and loss, other comprehensive income, and profit distribution, the book value of long-term equity investments shall be adjusted and included in the capital reserve. When recognizing the share of the net profit and loss of the invested entity that should be enjoyed, the fair value of the identifiable assets of the invested entity at the time of acquisition of the investment is used as the basis for adjusting the net profit of the invested entity before recognition. If the accounting policies and accounting periods adopted by the invested entity are inconsistent with those of the company, the financial statements of the invested entity shall be adjusted in accordance with the company's accounting policies and accounting periods, and investment income and other comprehensive income shall be recognized accordingly. For transactions between the company and affiliated enterprises and joint ventures, if the assets invested or sold do not constitute a business, the unrealized internal transaction gains and losses shall be offset by the portion attributable to the company calculated in proportion to the ownership, and investment gains and losses shall be recognized on this basis. However, if the unrealized internal transaction losses between the company and the invested entity belong to the impairment losses of the transferred assets, they will not be offset.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

11. Long-term equity investment (Continued)

(2) Subsequent measurement and profit and loss recognition method (Continued)

2) Long term equity investments accounted for using the equity method (Continued)

When confirming the net loss incurred by the invested entity that should be shared, the book value of long-term equity investments and other long-term equity that essentially constitute the net investment in the invested entity shall be reduced to zero. In addition, if the company has an obligation to bear additional losses to the invested entity, the estimated liabilities shall be recognized based on the expected obligations and included in the current investment losses. If the invested unit realizes net profit in the future period, the company will restore the recognition of the profit sharing amount after the profit sharing amount compensates for the unrecognized loss sharing amount.

3) Acquisition of minority interests

When preparing consolidated financial statements, the difference between the newly added long-term equity investment due to the purchase of minority equity and the net asset share of the subsidiary calculated continuously from the purchase date (or merger date) based on the newly added shareholding ratio shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

4) Disposal of long-term equity investments

In the consolidated financial statements, the parent company partially disposes of its long-term equity investments in its subsidiaries without losing control. The difference between the disposal price and the net assets of the subsidiary corresponding to the disposal of the long-term equity investment is recognized in shareholders' equity; If the parent company partially disposes of its long-term equity investment in a subsidiary, resulting in the loss of control over the subsidiary, the relevant accounting policies described in Note IV, 5 (2) "Methods for Preparing Consolidated Financial Statements" shall be followed.

In other cases, for the disposal of long-term equity investments, the difference between the book value of the disposed equity and the actual acquisition price shall be recorded in the current profit and loss.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

11. Long-term equity investment (Continued)

- (2) Subsequent measurement and profit and loss recognition method (Continued)
- 4) Disposal of long-term equity investments (Continued)

For long-term equity investments accounted for using the equity method, if the remaining equity after disposal is still accounted for using the equity method, the other comprehensive income originally included in shareholders' equity shall be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the invested entity in the corresponding proportion at the time of disposal. The owner's equity recognized due to changes in shareholders' equity of the invested party other than net profit and loss, other comprehensive income, and profit distribution shall be carried forward proportionally to the current profit and loss.

For long-term equity investments accounted for using the cost method, if the remaining equity is still accounted for using the cost method after disposal, the other comprehensive income recognized by using the equity method or financial instrument recognition and measurement standards before obtaining control over the invested entity shall be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the invested entity, and shall be carried forward proportionally to the current profit and loss; The changes in shareholders' equity recognized in the net assets of the invested entity using the equity method, excluding net profit and loss, other comprehensive income, and profit distribution, are carried forward proportionally to the current profit and loss.

12. Fixed Assets

- (1) Recognition

Fixed assets refer to tangible assets held for the purpose of producing goods, providing services, renting or operating management, with a useful life exceeding one accounting year. Fixed assets are only recognized when the economic benefits related to them are likely to flow into the group and their costs can be reliably measured. Fixed assets are initially measured at cost and considering the impact of expected disposal costs.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

12. Fixed Assets (Continued)

(2) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method over their useful life starting from the month after they reach their intended usable state. The service life and estimated net residual value of various fixed assets are as follows:

Category of fixed assets	Useful lives	Estimate residual rate (%)	Annual 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

Expected net residual value refers to the amount obtained by the Group from the disposal of a fixed asset, after deducting the expected disposal expenses, assuming that the expected useful life of the asset has expired and is in the expected state at the end of its useful life.

(3) The impairment testing method and impairment provision method for fixed assets

The impairment testing method and impairment provision method for fixed assets are detailed in Note IV, 16, Long term Asset Impairment.

(4) Other instructions

Subsequent expenses related to fixed assets, if the economic benefits related to the fixed asset are likely to flow in and its cost can be reliably measured, are included in the cost of the fixed asset and the book value of the replaced part is derecognized. Other subsequent expenses shall be included in the current profit and loss when incurred.

The difference between the disposal income from the sale, transfer, scrapping, or damage of fixed assets after deducting their book value and relevant taxes and fees is recognized in the current profit and loss.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

12. Fixed Assets (Continued)

(4) Other instructions (Continued)

The Group regularly reviews the service life, estimated net residual value, and depreciation method of fixed assets, and any changes are treated as changes in accounting estimates.

13. Construction in progress

The cost of construction in progress is determined based on actual project expenditures, including various project expenditures incurred during the construction period, capitalized borrowing costs before the project reaches its intended usable state, and other related expenses. Construction in progress is carried forward as fixed assets after reaching its intended usable state.

The impairment testing method and impairment provision method for construction in progress are detailed in Note IV, 16, Long term Asset Impairment.

14. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, auxiliary expenses, and exchange differences arising from foreign currency borrowings. The borrowing costs that can be directly attributed to the acquisition, construction, or production of assets that meet the capitalization conditions begin capitalization when the asset expenditure has already occurred, the borrowing costs have already occurred, and the necessary acquisition, construction, or production activities to bring the assets to their intended usable or saleable state have begun; When the assets that meet the capitalization conditions for acquisition, construction or production reach their intended usable or saleable state, capitalization shall cease. The remaining borrowing costs are recognized as expenses in the current period.

The actual interest expenses incurred in the current period of specialized borrowing, minus the interest income obtained from unused borrowing funds deposited in banks or investment income obtained from temporary investments, are capitalized; The capitalization amount of general borrowing is determined by multiplying the weighted average of the accumulated asset expenses that exceed the specialized borrowing by the capitalization rate of the general borrowing used. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

14. Borrowing costs (Continued)

During the capitalization period, all exchange differences on foreign currency specialized loans shall be capitalized; The exchange difference of foreign currency general loans is recognized in the current profit and loss.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventories and other assets that require a considerable period of time for acquisition and construction or production activities to reach their intended serviceable or marketable status.

If an asset that meets the capitalization conditions undergoes an abnormal interruption during the acquisition, construction, or production process, and the interruption lasts for more than 3 consecutive months, the capitalization of borrowing costs shall be suspended until the acquisition, construction, or production activities of the asset restart.

15. Intangible assets

(1) Intangible assets

Intangible assets refer to identifiable non monetary assets that are owned or controlled by the Group and do not have physical form.

Intangible assets are initially measured at cost. Expenditures related to intangible assets are recognized as intangible asset costs if the relevant economic benefits are likely to flow into the group and their costs can be reliably measured. Expenditures for other items other than this are recognized in the current period's profit and loss when incurred.

The land use rights obtained are usually accounted for as intangible assets. Self developed and constructed buildings such as factories, and related land use rights expenses and building construction costs are accounted for as intangible assets and fixed assets, respectively. If it is a purchased house or building, the relevant price will be distributed between the land use right and the building. If it is difficult to allocate it reasonably, all will be treated as fixed assets.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

15. Intangible assets (Continued)

(1) Intangible assets (Continued)

Intangible assets with limited useful lives are amortized on a straight-line basis over their expected useful lives by subtracting their original value from their expected net residual value and the accumulated amount of impairment provisions that have been made. Intangible assets with uncertain useful lives are not amortized.

The Group regularly reviews the service life and amortization method of intangible assets with limited service lives, and if there are changes, they are treated as changes in accounting estimates. In addition, the service life of intangible assets with uncertain service lives is also reviewed. If there is evidence that the period during which the intangible asset brings economic benefits to the enterprise is foreseeable, its service life is estimated and amortized according to the amortization policy for intangible assets with limited service lives.

(2) Research and development expenditure

The expenditure for internal research and development projects of our group is divided into research stage expenditure and development stage expenditure.

The expenses incurred during the research phase are recognized in the current period's profit and loss when incurred.

Expenditures during the development stage that meet the following conditions simultaneously are recognized as intangible assets, while expenditures during the development stage that cannot meet the following conditions are included in the current profit and loss:

- ① It is technically feasible to complete the intangible asset so that it can be used or sold;
- ② Having the intention to complete the intangible asset and use or sell it;

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

15. Intangible assets (Continued)

(2) Research and development expenditure (Continued)

- ③ The ways in which intangible assets generate economic benefits, including the ability to prove the existence of a market for the products produced using the intangible assets or the existence of a market for the intangible assets themselves, and the usefulness of intangible assets that will be used internally;
- ④ Having sufficient technical, financial, and other resources to support the development of the intangible asset and the ability to use or sell the intangible asset;
- ⑤ The expenses attributable to the development stage of the intangible asset can be reliably measured.

If it is impossible to distinguish between research stage expenditure and development stage expenditure, all R&D expenses incurred shall be included in the current profit and loss.

(3) The impairment testing method and impairment provision method for intangible assets

The impairment testing method and impairment provision method for intangible assets are detailed in Note IV, 16, Long term Asset Impairment.

16. Impairment of long-term assets

For non current non-financial assets such as fixed assets, construction in progress, intangible assets with limited service life, and long-term equity investments in subsidiaries, joint ventures, and associated enterprises, the Group determines whether there is any indication of impairment on the balance sheet date. If there are signs of impairment, the recoverable amount is estimated and impairment testing is conducted. Intangible assets with uncertain useful lives and intangible assets that have not yet reached their usable state, regardless of whether there are signs of impairment, are subject to impairment testing annually.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

16. Impairment of long-term assets (Continued)

If the impairment test results indicate that the recoverable amount of an asset is lower than its carrying amount, an impairment provision shall be made based on the difference and included in the impairment loss. The recoverable amount is the higher of the net amount of the fair value of the asset minus disposal expenses and the present value of the expected future cash flow of the asset. The fair value of assets is determined based on the sales agreement price in fair trade; If there is no sales agreement but an active market for the asset, the fair value shall be determined based on the buyer's bid for the asset; If there is no sales agreement or active asset market, the fair value of the asset is estimated based on the best available information. Disposal costs include legal fees related to asset disposal, relevant taxes, handling fees, and direct expenses incurred to bring the asset into a sellable state. The present value of the expected future cash flow of an asset is determined by discounting it at an appropriate discount rate based on the expected future cash flow generated during its continuous use and final disposal. The provision for asset impairment is calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is the smallest combination of assets that can independently generate cash inflows.

Once the impairment loss of the above-mentioned assets is confirmed, the portion that is worth recovering will not be reversed in the future.

17. Estimated liabilities

When obligations related to contingencies meet the following conditions simultaneously, they are recognized as estimated liabilities: ① the obligation is a current obligation undertaken by the group; ② Fulfilling this obligation is likely to result in an outflow of economic benefits; ③ The amount of this obligation can be reliably measured.

On the balance sheet date, considering factors such as risks, uncertainties, and time value of currency related to contingencies, the estimated liabilities are measured based on the best estimate of the expenses required to fulfill the relevant current obligations.

If all or part of the expenses required to settle the estimated liability are expected to be compensated by a third party, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received, and the recognized compensation amount shall not exceed the book value of the estimated liability.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

18. Share-based payment

The share based payment of the Group is a transaction that grants equity instruments or assumes liabilities based on equity instruments to obtain services provided by employees. The group's share-based payments are equity settled share-based payments.

(1) Equity settled share-based payments

For equity settled share-based payments in exchange for services provided by employees, the Group measures them at the fair value of the equity instruments granted to employees on the grant date. The amount of this fair value is calculated and included in relevant costs or expenses using the straight-line method based on the best estimate of the number of exercisable equity instruments during the waiting period, with a corresponding increase in capital reserve. On each balance sheet date during the waiting period, the Group makes the best estimate based on the latest changes in the number of employees with exercisable rights and other subsequent information, and corrects the estimated number of exercisable equity instruments. 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.

(2) Implement, modify, and terminate the share-based payment plan

When the Group modifies the share-based payment plan, if the modification increases the fair value of the granted equity instruments, the increase in services obtained shall be recognized accordingly based on the increase in fair value of the equity instruments; If the modification increases the number of granted equity instruments, the fair value of the increased equity instruments will be recognized as an increase in the acquisition of services accordingly. The increase in fair value of equity instruments refers to the difference between the fair value of equity instruments before and after modification on the modification date. If the modification reduces the total fair value of the share-based payment plan or adopts other unfavorable methods to modify the terms and conditions of the share-based payment plan, the accounting treatment of the obtained services will continue, and it will be deemed that the change has never occurred, unless the Group cancels some or all of the granted equity instruments.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

18. Share-based payment (Continued)

(3) Other

If the restricted stock subscription payment paid by the incentive object does not meet the unlocking conditions, the subscription payment will be returned to the incentive object. When the Group obtains the payment, it recognizes the share capital and capital reserve (capital premium) based on the acquired subscription funds, and at the same time, fully recognizes a liability for repurchase obligations and recognizes treasury shares.

19. Revenue

The Group recognizes revenue when it fulfills its contractual obligations, that is, when a customer obtains control of the relevant goods or services.

If a contract contains two or more performance obligations, the Group shall, at the beginning of the contract, allocate the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation, and measure income based on the transaction price allocated to each individual performance obligation.

The transaction price refers to the amount of consideration that the Group is expected to be entitled to receive for the transfer of goods or services to customers, excluding payments received on behalf of third parties. The transaction price confirmed by the Group does not exceed the amount that is highly unlikely to result in a significant reversal of the cumulative recognized income when the relevant uncertainty is eliminated. The expected refund to the customer is not included in the transaction price as a liability. If there is a significant financing element in the contract, the Group determines the transaction price based on the assumed amount payable in cash when the customer obtains control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized using the effective interest rate method during the contract period. On the commencement date of the contract, if the Group expects that the interval between the customer's acquisition of control over the goods or services and the customer's payment of the price does not exceed one year, the significant financing components present in the contract will not be considered.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

19. Revenue (Continued)

If one of the following conditions is met, the Group shall fulfill its performance obligations within a certain period of time; Otherwise, it belongs to fulfilling the performance obligation at a certain point in time:

- ① Customers obtain and consume the economic benefits brought by the Group's performance at the same time as the Group's performance;
- ② Customers are able to control the goods under construction during the performance process of the group;
- ③ The goods produced during the performance process of the Group have irreplaceable uses, and the Group has the right to collect payments for the cumulative performance portion completed to date throughout the entire contract period.

For performance obligations performed within a certain period of time, the Group recognizes revenue based on the progress of performance during that period. When the progress of performance cannot be reasonably determined, if the cost incurred by the group is expected to be compensated, revenue shall be recognized based on the amount of cost incurred until the progress of performance can be reasonably determined.

For performance obligations performed at a certain point in time, the Group recognizes revenue at the point when the customer obtains control of the relevant goods or services. When determining whether a customer has obtained control over goods or services, the Group considers the following indications:

- ① The Group has the current right to receive payment for the goods or services;
- ② The group has transferred the legal ownership of the product to the customer;
- ③ The group has transferred the physical item of the product to the customer;
- ④ The group has transferred the main risks and rewards of ownership of the goods to customers;
- ⑤ The customer has accepted the product or service, etc.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

19. Revenue (Continued)

The Group has transferred goods or services to customers and has the right to receive consideration (and this right depends on factors other than the passage of time) as contract assets, which are depreciated based on expected credit losses. The right of the Group to receive consideration from customers unconditionally (only depending on the passage of time) is listed as receivables. The obligation of the Group to transfer goods or services to customers for consideration received or receivable from customers is presented as a contractual liability.

20. Government grants

Government subsidies refer to the group's free acquisition of monetary and non monetary assets from the government, excluding capital invested by the government as an owner. Government subsidies are divided into asset related government subsidies and income related government subsidies.

The Group defines government subsidies obtained for the purchase, construction or other forms of long-term assets as government subsidies related to assets; Other government subsidies are defined as government subsidies related to income. If the government documents do not specify the subsidy target, the subsidy will be divided into government subsidies related to income and government subsidies related to assets in the following way: ① If the government documents specify the specific project targeted by the subsidy, the subsidy will be divided based on the relative proportion of the expenditure amount formed in the asset and the expenditure amount included in the expense in the budget of the specific project. The division proportion needs to be reviewed on each balance sheet date, Make necessary changes; ② The government documents only provide general descriptions of the purpose and do not specify specific projects as government subsidies related to income.

Government subsidies that are monetary assets are measured at the amount received or receivable. If government subsidies are non monetary assets, they shall be measured at fair value; If the fair value cannot be reliably obtained, it shall be measured at its nominal amount. Government subsidies measured at nominal amounts are directly recognized in the current period's profits and losses.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

20. Government grants (Continued)

The Group usually recognizes and measures government subsidies based on the actual amount received when they are actually received. However, for those who have conclusive evidence at the end of the period indicating that they can meet the relevant conditions stipulated in the financial support policies and are expected to receive financial support funds, they shall be measured at the amount receivable. Government subsidies measured according to the receivable amount should simultaneously meet the following conditions: ① the amount of the receivable subsidy has been confirmed by the authorized government department through a document, or can be reasonably calculated according to the relevant provisions of the officially issued financial fund management measures, and the expected amount is not subject to significant uncertainty; ② The basis is the financial support projects and their financial fund management measures officially released by the local financial department and actively disclosed in accordance with the provisions of the "Regulations on Government Information Disclosure", and the management measures should be inclusive (any enterprise that meets the prescribed conditions can apply), rather than specifically formulated for specific enterprises; ③ The relevant subsidy approval documents have clearly promised the payment deadline, and the allocation of this amount is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed to be received within the specified period.

Government subsidies related to assets are recognized as deferred income and are evenly distributed throughout the useful life of the relevant assets and included in the current profit and loss. Government subsidies related to income, which are used to compensate for related expenses and losses in the future period, are recognized as deferred income and included in the current profit and loss or offset against related costs during the period when the relevant expenses are recognized; Those used to compensate for related expenses and losses that have already occurred shall be included in the current profit and loss or offset against related costs.

Government subsidies related to the daily activities of the Group are recognized in other income or offset against related costs and expenses based on the essence of economic business; Government subsidies unrelated to daily activities are included in non operating income.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

20. Government grants (Continued)

When confirmed government subsidies need to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess shall be included in the current profit and loss; If there is no relevant deferred income, it shall be directly included in the current profit and loss.

21. Deferred income tax asset and liability

(1) Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and previous periods are measured at the expected amount of income tax payable (or refunded) calculated in accordance with tax laws. The taxable income amount based on which the current income tax expenses are calculated is calculated after making corresponding adjustments to the pre tax accounting profit of the current period in accordance with relevant tax laws and regulations.

(2) Deferred income tax assets and deferred income tax liabilities

The temporary differences arising from the difference between the book value of certain asset and liability items and their tax basis, as well as the difference between the book value and tax basis of items that are not recognized as assets and liabilities but can be determined according to tax laws, are recognized using the balance sheet liability method for deferred income tax assets and deferred income tax liabilities.

Taxable temporary differences related to the initial recognition of goodwill, as well as the initial recognition of assets or liabilities arising from transactions that are not business combinations and do not affect accounting profits and taxable income (or deductible losses), shall not be recognized as deferred income tax liabilities. In addition, for taxable temporary differences related to investments in subsidiaries, associates, and joint ventures, if the Group can control the timing of the reversal of temporary differences and the temporary differences are likely not to be reversed in the foreseeable future, the relevant deferred income tax liabilities will not be recognized. Except for the above exceptions, the Group recognizes deferred income tax liabilities arising from all other taxable temporary differences.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

21. Deferred income tax asset and liability (Continued)

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

Deductible temporary differences related to the initial recognition of assets or liabilities arising from transactions that are neither business combinations nor affect accounting profits and taxable income (or deductible losses) shall not be recognized as deferred income tax assets. In addition, for deductible temporary differences related to investments in subsidiaries, associates, and joint ventures, if the temporary differences are not likely to be reversed in the foreseeable future, or if it is not likely to obtain taxable income to offset the deductible temporary differences in the future, the relevant deferred income tax assets will not be recognized. Except for the above exceptions, the Group recognizes deferred income tax assets arising from other deductible temporary differences to the extent that it is likely to obtain taxable income to offset the deductible temporary differences.

For deductible losses and tax deductions that can be carried forward to future years, the corresponding deferred income tax assets are recognized to the extent that it is likely to obtain future taxable income to offset the deductible losses and tax deductions.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the expected period of asset recovery or liability settlement in accordance with tax laws.

On the balance sheet date, the book value of deferred income tax assets is reviewed. If it is likely that sufficient taxable income will not be available in the future to offset the benefits of deferred income tax assets, the book value of deferred income tax assets is written down. When it is highly possible to obtain sufficient taxable income, the amount written down shall be reversed.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

21. Deferred income tax asset and liability (Continued)

(3) Income tax expenses

Income tax expenses include current income tax and deferred income tax.

Except for the current period income tax and deferred income tax related to transactions and events recognized as other comprehensive income or directly recognized in shareholders' equity, as well as the book value of goodwill adjusted for deferred income tax generated from business mergers, other current period income tax and deferred income tax expenses or gains are recognized in current profit and loss.

22. Leases

On the commencement date of the contract, the Group evaluates whether the contract is a lease or includes a lease. If one party in the contract 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 a lease or includes a lease. To determine whether the contract transfers the right to control the use of identified assets for a certain period of time, the Group evaluates whether customers in the contract have the right to obtain almost all economic benefits arising from the use of identified assets during the use period, and have the right to dominate the use of identified assets during that use period.

If multiple separate leases are included in the contract, the group will split the contract and accounting for each separate lease separately. If the following conditions are met simultaneously, the right to use the identified asset constitutes a separate lease in the contract: ① the lessee can profit from using the asset alone or using it together with other readily available resources; ② This asset does not have a high degree of dependence or correlation with other assets in the contract.

If both the leasing and non leasing parts are included in the contract, the Group, as the lessor and lessee, will split the leasing and non leasing parts for accounting treatment.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

22. Leases (Continued)

- (1) The Group records leasing business as a lessee

The asset categories of the Group's use rights mainly include leased houses and buildings, machinery and equipment, other equipment, and land use rights.

- 1) Initial measurement

On the lease commencement date, the Group recognizes its right to use the leased asset during the lease term as a right to use asset, and recognizes the present value of unpaid lease payments as a lease liability, except for short-term leases and low value asset leases. When calculating the present value of lease payments, the Group uses the implicit interest rate of the lease as the discount rate; If the implicit interest rate of the lease cannot be determined, the lessee's incremental borrowing rate shall be used as the discount rate.

- 2) Subsequent measurement

In the subsequent measurement, if it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, the Group shall accrue depreciation within the remaining useful life of the leased asset. If it is impossible to reasonably determine that ownership of the leased asset can be obtained at the end of the lease term, the Group shall accrue depreciation during the shorter of the lease term or the remaining useful life of the leased asset.

The Group calculates the interest expense of lease liabilities for each period of the lease term at a fixed periodic interest rate and includes it in the current profit and loss.

The variable lease payments that are not included in the measurement of lease liabilities are recognized in the current profit and loss when they are actually incurred.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

22. Leases (Continued)

- (1) The Group records leasing business as a lessee (Continued)
- 2) Subsequent measurement (Continued)

After the start date of the lease term, when there is a change in the actual fixed payment amount, a change in the expected payable amount of the guarantee residual value, a change in the index or ratio used to determine the lease payment amount, a change in the evaluation results or actual exercise of the purchase option, renewal option, or termination option, the Group remeasures the lease liability based on the present value of the changed lease payment amount, And adjust the book value of the right to use assets accordingly. If the book value of the right to use asset has been reduced to zero, but the lease liability still needs to be further reduced, the group will include the remaining amount in the current profit and loss.

- 3) Lease Change

Lease changes refer to changes in the lease scope, lease consideration, and lease term beyond the original contract terms, including adding or terminating the right to use one or more leased assets, extending or shortening the lease term specified in the contract, etc.

If a lease undergoes a change and simultaneously meets the following conditions, the Group will treat the lease change as a separate lease for accounting purposes: ① the lease change expands the lease scope by increasing the right to use one or more leased assets; ② The increased consideration is equivalent to the individual price for the majority of the expansion of the lease scope adjusted according to the contract situation.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

22. Leases (Continued)

- (1) The Group records leasing business as a lessee (Continued)
- 3) Lease Change (Continued)

If the lease change is not accounted for as a separate lease, the Group will re-determine the lease term on the effective date of the lease change and use the revised discount rate to discount the changed lease payment amount to remeasure the lease liability. When calculating the present value of lease payments after changes, the Group adopts the implicit interest rate of the remaining lease period as the discount rate; If the implicit interest rate of the remaining lease period cannot be determined, the discount rate shall be the incremental borrowing rate of the Group on the effective date of the lease change.

Regarding the impact of the above lease liability adjustment, the Group distinguishes the following situations for accounting treatment: ① If the lease change results in a reduction in the lease scope or lease term, the Group adjusts the book value of the right to use assets to reflect partial or complete termination of the lease. The Group will record the gains and losses related to partial or complete termination of leases in the current profit and loss. For other lease changes, the Group will adjust the book value of the right to use assets accordingly.

- 4) Short term leasing and low value asset leasing

The Group chooses not to recognize right of use assets and lease liabilities for short-term leases and low value asset leases. During each period of the lease term, the relevant asset costs or current profit and loss are recognized using the straight-line method, and contingent rents are recognized in the current profit and loss when actually incurred.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

22. Leases (Continued)

- (2) The Group, as the lessor, records operating lease business

The rental income from operating leases is recognized as current profit or loss on a straight-line basis during each period of the lease term. The initial direct expenses with a large amount shall be capitalized when incurred, and shall be recognized in the current profit and loss in installments throughout the entire lease period on the same basis as the recognition of rental income; Other initial direct expenses with smaller amounts are recognized in the current profit and loss when incurred. Contingent rent is recognized in the current profit and loss when it is actually incurred.

- (3) The Group, as the lessor, records financial leasing business

On the commencement date of the lease term, the sum of the minimum lease receipt amount on the lease commencement date and the initial direct expenses shall be recognized as the entry value of the receivable financing lease payments, while recording the unguaranteed residual value; The difference between the sum of the minimum lease receipt amount, initial direct expenses, and unguaranteed residual value and their present value is recognized as unrealized financing income. The balance of receivable financing lease payments after deducting unrealized financing income is presented separately as long-term debt and long-term debt due within one year.

Unrealized financing income is calculated and recognized as current financing income using the effective interest rate method during the lease term. Contingent rent is recognized in the current profit and loss when it is actually incurred.

- (4) Sale and leaseback transactions

As a lessee, the transfer of assets in the sale and leaseback transaction belongs to sales. The Group, as a lessee, measures the use rights assets formed by the sale and leaseback based on the portion of the original asset book value related to the leaseback obtained, and only recognizes the relevant gains or losses based on the rights transferred to the lessor; If the asset transfer in a sale and leaseback transaction does not belong to sales, the Group, as the lessee, continues to recognize the transferred asset and recognizes a financial liability equal to the transfer income.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

22. Leases (Continued)

(4) Sale and leaseback transactions (Continued)

When acting as a lessor, asset transfer in a sale and leaseback transaction belongs to sales. The Group, as the lessor, conducts accounting treatment for asset purchases and leases assets in accordance with the aforementioned regulations; The transfer of assets in a sale and leaseback transaction does not belong to sales, and the Group, as the lessor, does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income.

23. Contract liabilities

Contractual liabilities reflect the obligation of the Group to transfer goods to customers for consideration received or receivable from customers. If the customer has already paid the contract consideration or the group has obtained the unconditional right to receive the contract consideration before transferring the goods to the customer, the contract liability shall be recognized based on the received or receivable amount at the earlier of the actual payment by the customer or the due payment

24. Employee benefits

The employee compensation of the Group mainly includes short-term employee compensation, post employment benefits, termination benefits, and other long-term employee benefits. Among them:

Short term compensation mainly includes wages, bonuses, allowances and subsidies, employee welfare expenses, medical insurance premiums, maternity insurance premiums, work-related injury insurance premiums, housing provident fund, labor union funds and employee education expenses, non monetary benefits, etc. The Group recognizes the actual short-term employee compensation incurred during the accounting period when employees provide services to the Group as a liability and includes it in the current profit and loss or related asset costs. Non monetary benefits are measured at fair value.

Post employment benefits mainly include defined contribution plans. The designated contribution plan mainly includes basic pension insurance, unemployment insurance, and annuity, and the corresponding payable amount is included in the relevant asset cost or current profit and loss when incurred.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

24. Employee benefits (Continued)

If the employment relationship with the employee is terminated before the expiration of the employment contract, or if compensation is proposed to encourage the employee to voluntarily accept layoffs, and the Group cannot unilaterally withdraw the termination benefits provided due to the termination of the employment relationship plan or layoff proposal, or if the Group recognizes the costs related to the restructuring involving the payment of termination benefits, whichever is earlier, the employee compensation liability arising from the termination benefits shall be recognized and included in the current profit and loss. However, if the expected termination benefits cannot be fully paid within twelve months after the end of the annual reporting period, they will be treated as other long-term employee compensation.

The internal retirement plan for employees adopts the same principle as the aforementioned dismissal benefits. The Group will include the salaries and social insurance premiums to be paid for early retirees during the period from the date when employees cease providing services to the normal retirement date, in the current profit and loss (termination benefits) when they meet the recognition criteria for expected liabilities.

25. Segmental reporting

The Group determines operating segments on the basis of its internal organizational structure, management requirements and internal reporting system, and determines reporting segments and discloses segment information on the basis of operating segments.

Operating segment refers to a component of the Group that simultaneously meets the following conditions: (1) The component can generate revenue and incur expenses in its daily activities; (2) The management of the Group is able to evaluate the operating results of the component on a regular basis to determine the allocation of resources to it and evaluate its performance; (3) The Group is able to obtain accounting information regarding the financial position, operating results and cash flows of the component. If two or more operating segments have similar economic characteristics and meet certain conditions, they may be combined into one operating segment.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

26. Methods and selection basis for determining significance criteria

Monetary unit: RMB million

Items	Standard
The important Construction in progress	50
Significant account payable aging over 1 year	5
Significant balances of other payables aging over 1 year	100
The important joint ventures	600
The important association	1,000

27. Corrections of prior period errors

There are no corrections of prior year errors for the period.

28. Significant accounting judgments and estimates

In the process of applying accounting policies, due to the inherent uncertainty of operating activities, the Group needs to make judgments, estimates, and assumptions about the book value of statement items that cannot be accurately measured. These judgments, estimates, and assumptions are based on the past historical experience of the management of the group, and are made taking into account other relevant factors. These judgments, estimates, and assumptions will affect the reported amounts of income, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities on the balance sheet date. However, the uncertainty of these estimates may result in significant adjustments to the carrying amount of future affected assets or liabilities.

The Group conducts regular reviews of the aforementioned judgments, estimates, and assumptions on a going concern basis. If changes in accounting estimates only affect the current period of the change, their impact will be recognized in the current period of the change; If it affects both the current and future periods of the change, the impact amount shall be recognized in the current and future periods of the change.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

28. Significant accounting judgments and estimates (Continued)

On the balance sheet date, the important areas in which the Group needs to make judgments, estimates, and assumptions about the amounts of financial statement items are as follows:

(1) Inventory depreciation reserves

According to the inventory accounting policy, the Group measures inventory at the lower of cost and net realizable value. For inventory with costs higher than net realizable value, as well as obsolete and unsold inventory, a provision for inventory depreciation is made. The impairment of inventory to net realizable value is based on the evaluation of its marketability and net realizable value. Identifying inventory impairment requires management to make judgments and estimates based on obtaining conclusive evidence and considering factors such as the purpose of holding inventory and the impact of events after the balance sheet date. The difference between the actual results and the original estimate will affect the book value of inventory and the provision or reversal of inventory depreciation reserves during the period when the estimate is changed.

(2) Provision for impairment of non current assets

On the balance sheet date, the Group assesses whether there are any signs of possible impairment of non current assets other than financial assets. For intangible assets with uncertain useful lives, in addition to annual impairment tests, impairment tests are also conducted when there are signs of impairment. Other non current assets, other than financial assets, are tested for impairment when there are signs that their carrying amount is not recoverable.

When the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of the net amount of fair value minus disposal expenses and the present value of expected future cash flows, it indicates impairment.

The net amount of fair value minus disposal expenses is determined by referring to the sales agreement price or observable market price of similar assets in fair trade, minus the incremental costs directly attributable to the disposal of the asset.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

28. Significant accounting judgments and estimates (Continued)

(2) Provision for impairment of non current assets (Continued)

When estimating the present value of future cash flows, significant judgments need to be made regarding the output, selling price, related operating costs, and discount rate used in calculating the present value of the asset (or asset group). The Group will use all available relevant information when estimating the recoverable amount, including predictions based on reasonable and supported assumptions regarding production, selling prices, and related operating costs.

(3) Depreciation and amortization

The Group calculates depreciation and amortization of fixed assets and intangible assets on a straight-line basis over their useful lives, taking into account their residual values. The Group regularly reviews the service life to determine the amount of depreciation and amortization expenses to be included in each reporting period. The service life is determined by the Group based on past experience with similar assets and in combination with expected technological updates. If there is a significant change in previous estimates, depreciation and amortization expenses will be adjusted in future periods.

(4) Deferred income tax assets

To the extent that there is a high likelihood of sufficient taxable income to offset losses, the Group recognizes deferred income tax assets for unused tax losses. This requires the management of the group to use judgment to estimate the time and amount of future taxable income, and combine it with tax planning strategies to determine the amount of deferred income tax assets that should be recognized.

(5) Income tax

In the normal business activities of the Group, there is some uncertainty in the final tax treatment and calculation of certain transactions. Whether some projects can be disbursed before tax requires approval from the tax authorities. If there is a difference between the final recognition results of these tax matters and the initial estimated amount, the difference will have an impact on the current income tax and deferred income tax during the final recognition period.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

28. Significant accounting judgments and estimates (Continued)

- (6) Internal retirement benefits and supplementary retirement benefits

The amount of expenses and liabilities for retirement benefits and supplementary retirement benefits within the group is determined based on various assumptions. These assumptions include discount rates, average medical expense growth rates, subsidy growth rates for early retirees and retirees, and other factors. The difference between the actual results and assumptions will be immediately recognized and included in the current year's expenses upon occurrence. Although the management believes that reasonable assumptions have been adopted, changes in actual experience values and assumptions will still affect the expenses and liability balances of retirement benefits and supplementary retirement benefits within the group.

- (7) Impairment of financial instruments

The Group adopts the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgment and estimation, taking into account all reasonable and evidence-based information, including forward-looking information. When making such judgments and estimates, the Group infers expected changes in the debtor's credit risk based on historical repayment data, combined with economic policies, macroeconomic indicators, industry risks, significant changes in the debtor, warning customer lists, collateral, and other factors.

29. Changes of significant accounting policies and estimates

- (1) There are changes in accounting policies for the period

The implementation of interpretation No. 16 of the Accounting Standards for Business Enterprises, which pertains to the accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction, does not apply to the initial recognition exemption.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

29. Changes of significant accounting policies and estimates (Continued)

- (1) There are changes in accounting policies for the period (Continued)

The Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 16 (Accounting (2022) No. 31, hereinafter referred to as “**interpretation No. 16**”) on November 30, 2022. It is stipulated that for a single transaction (including the lease transaction in which the lessee initially recognizes the lease liability and includes it into the right-of-use asset) that is not a business merger, does not affect either the accounting profit or the taxable income amount (or deductible loss) when the transaction occurs, and the initial recognition of assets and liabilities leads to the generation of equal taxable temporary differences and deductible temporary differences (including the lease transaction in which the lessee initially recognizes the lease liability and includes it into the right-of-use asset at the beginning of the lease term), the provisions of exemption from initial recognition of deferred income tax liabilities and deferred income tax assets are not applicable. The enterprise shall recognize the corresponding deferred income tax liabilities and deferred income tax assets respectively in accordance with the Accounting Standards for Business Enterprises No. 18 – Income tax and other relevant provisions when the transaction occurs. For the single transaction applicable to the provisions occurring between the beginning of the earliest period of financial statement presentation and the implementation date, and the lease liability and use-right assets recognized at the beginning of the earliest period of financial statement presentation due to the single transaction applicable to the provisions, the enterprise shall make adjustments in accordance with the provisions.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IV. Significant accounting policies and estimates (Continued)

29. Changes of significant accounting policies and estimates (Continued)

- (1) There are changes in accounting policies for the period (Continued)

The Group has implemented the provisions since January 1, 2023, and the main effects of the implementation of the provisions are as follows:

Items	31 December 2021/ Year 2021 (Consolidated)			31 December 2021/ Year 2021 (Parent company)		
	After	Before	Changes	After	Before	Changes
Deferred income tax assets	830	744	86	757	671	86
Deferred income tax liabilities	329	157	172	293	122	171
Retained earnings	12,093	12,179	(86)	16,183	16,268	(85)
Income tax expenses	2,047	1,961	86	1,424	1,339	85

Items	31 December 2022 /Year 2022(Consolidated)			31 December 2022 /Year 2022(Parent company)		
	After	Before	changes	After	Before	changes
Deferred income tax assets	1,562	1,506	56	1,500	1,444	56
Deferred income tax liabilities	347	157	190	338	149	189
Retained earnings	10,118	10,252	(134)	14,098	14,231	(133)
Income tax expenses	(407)	(455)	48	(660)	(708)	48

- (2) There are no significant changes in accounting estimates for the period

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

V. 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, Applicable tax rates include 13% , 9%, 6%.
City construction and Education surtax	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 15%, 25%
Environmental protection tax	Atmospheric pollutant: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.2 or 2.4. Water pollutants: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.4. Solid wastes: Multiply the emission of solid wastes by 25. Noise: Multiply the noise coefficient of exceeding standards by 350, 700, 2800 or 1400.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements

Unless otherwise specified, the current period refers to the 12-month period ending on December 31, 2023, and the previous period refers to the 12-month period ending on December 31, 2022.

1. Cash and cash equivalents

Item	31 December 2023	31 December 2022
Cash		
Bank deposits (Note 1)	2,824	4,738
Other cash and cash equivalents (Note 2)	397	355
Total	3,221	5,093

Note 1: For details of the funds deposited by the Group in Angang Finance, please refer to Note XIII.5.4

Note 2: Other cash and cash equivalents are mainly futures margin.

2. Derivative financial assets

Item	31 December 2023	31 December 2022
Futures contract	3	13
Foreign exchange swap contract		24
Total	3	37

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

3. Notes receivable

- (1) Classification of notes receivable

Items	31 December 2023			31 December 2022		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank acceptance notes	81		81	173		173
Commercial acceptance notes						
Total	81		81	173		173

- (2) Notes receivable transferred to accounts receivable due to insolvency of the issuer as of 31 December 2023

Items	Amount transferred to accounts receivable at the end of the period
Bank acceptance notes	594
Commercial acceptance notes	
Total	594

- (3) Aging of notes receivable at the end of the period

The age of the accounts receivable of the group at the end of the period mentioned above is within 1 year.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

4. Accounts receivable

(1) Classification of accounts receivable

Items	31 December 2023				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	676	30.07	549	81.21	127
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	1,572	69.93	6	0.38	1,566
Risk group combination on the basis of aging-matrix	771	34.30			771
	801	35.63	6	0.75	795
Total	2,248	100.00	555	24.69	1,693

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

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

4. Accounts receivable (Continued)

- (2) Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2022		31 December 2023			Reason
	Book Value	Bad Debt Provision	Book Value	Bad Debt Provision	Percentage (%)	
Tianjin Property Group Finance Co., Ltd.	586	463	566	442	78.09	Notes overdue
Anshan Zhongyou Tianbao Steel Pipe Co., Ltd.	67	66	67	67	100.00	Business is in trouble. It does not have repayment ability
Chongqing Lifan Finance Co., Ltd.	50	43	28	25	89.28	Notes overdue
Dongbei Special Steel Group Dalian material trading Co., Ltd.	15	15	15	15	100.00	Estimated uncollectible
HNA Group Finance Co., Ltd.	201	179				
Total	919	766	676	549		

- (3) Accounts receivable classified by aging

Aging	31 December 2023	31 December 2022
Within 1 year	1,550	2,679
1 to 2 years	18	11
2 to 3 years		
3 to 4 years		832
4 to 5 years	594	
Over 5 years	86	86
Total	2,248	3,608

Note: In the above analysis, the aging of accounts receivable transferred from overdue notes receivable is calculated on the transfer date. The amount of accounts receivable due in 4-5 years is RMB 594 million. Meanwhile, the rest of the accounts receivable are based on the invoice date.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

4. Accounts receivable (Continued)

- (4) Bad debt provision at the end of the period

Type	31 December 2022	Increase/Decrease			31 December 2023
		Bad debt provision	Reverse	Resale or verification Others	
Accounts receivable	770	(16)		(199)	555

- (5) Accounts receivable written off this period

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

- (6) The condition of accounts receivable of the top five debtors by the balances as of 31 December 2023

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB1,560 million as of 31 December 2023, which accounted for 69.40% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB442 million as of 31 December 2023.

- (7) Accounts receivable derecognized resulting from transfer of financial assets

The Group transferred accounts receivable on a non-recourse basis of RMB3,251 million and incurred costs related to derecognition of RMB43 million during the period.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

5. Receivables financing

- (1) Classification of receivables financing

Items	31 December 2023			31 December 2022		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank acceptance notes	1,618		1,618	1,824		1,824
Commercial acceptance notes						
Total	1,618		1,618	1,824		1,824

- (2) Receivable financing that have been endorsed or discounted as of December 31, 2023 and have not yet matured on the balance sheet date

Items	Amount of termination confirmation	Amount of Non-termination confirmation
Bank acceptance notes	16,689	
Commercial acceptance notes		
Total	16,689	

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

6. Prepayments

(1) Prepayments classified by aging

Items	31 December 2023		31 December 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	2,818	94.98	5,040	98.57
1 to 2 years	145	4.88	65	1.27
2 to 3 years	2	0.07	6	0.12
Over 3 years	2	0.07	2	0.04
Total	2,967	100.00	5,113	100.00

(2) The top five prepayments with outstanding balance as of December 31, 2023

The total amount of the top five prepayments collected by the group as of December 31, 2023 based on the prepayments is 1,870 million, accounting for 63.03% of the total balance of prepayments as of December 31, 2023.

7. Other receivables

Items	31 December 2023	31 December 2022
Dividends receivable	27	
Other receivables	41	27
Total	68	27

7.1 Dividends receivable

The Invested Entity	31 December 2023	31 December 2022
WISDRI Engineering & Research Incorporation Limited Company (hereinafter referred to as "WISDRI")	27	
Total	27	

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

7. Other receivables (Continued)

7.2 The condition of other receivables

(1) Classification of other receivables

Items	31 December 2023				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	17.31	9	100.00	
Other receivables for which bad debt is prepared based on group combination	43	82.69	2	4.65	41
Including: Risk-free group combination	2	3.85			2
Risk group combination on the basis of aging-matrix	41	78.85	2	4.88	39
Total	52	100.00	11	21.15	41

Items	31 December 2022				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	24.32	9	100.00	
Other receivables for which bad debt is prepared based on group combination	28	75.68	1	3.57	27
Including: Risk-free group combination	2	5.41			2
Risk group combination on the basis of aging-matrix	26	70.27	1	3.85	25
Total	37	100.00	10	27.03	27

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

7. Other receivables (Continued)

7.2 The condition of other receivables (Continued)

(2) Other receivables classified by the nature

Item	31 December 2023	31 December 2022
The service fee of land acquisition	9	9
Petty cash		4
Industrial injury loan	6	7
Bid security	7	6
Others	30	11
Total	52	37

(3) Other receivables classified by aging

Aging	31 December 2023	31 December 2022
Within 1 year	36	21
1 to 2 years	4	5
2 to 3 years	1	1
3 to 4 years	1	1
4 to 5 years	1	
Over 5 years	9	9
Total	52	37

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

7. Other receivables (Continued)

7.2 The condition of other receivables (Continued)

(4) The accrual condition of bad debt provision

Bad debt provision	The first stage	The second stage	The third stage	Total
	Expected credit losses within the next 12 months	Expected credit losses for the entire duration of the period (no credit impairment)	Expected credit losses for the entire duration of the period (credit impairment has occurred)	
Balance at 1 January 2023		1	9	10
Bad debt provision	2	(1)		1
Reverse				
Resale or verification				
Write of				
Other changes				
Balance at 31 December 2023	2		9	11

(5) Bad debt provision at the end of the period

Type	31 December 2022	Change in this period		31 December 2023
		Bad debt provision	Resale or verification	
Other receivables	10	1		11

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

7. Other receivables (Continued)

7.2 The condition of other receivables (Continued)

- (6) Other receivables subject to separate assessment for bad debts provision

Name	31 December 2022		31 December 2023			Reason
	Book Value	Bad Debt Provision	Book Value	Bad Debt Provision	Percentage (%)	
Land acquisition service station of Chaoyang City	9	9	9	9	100	Not expected to be recovered
Total	9	9	9	9	-	

- (7) Other receivables with the top five balances as of December 31, 2023

The summary amount of the top five other accounts receivable as of December 31, 2023 collected by the debtor in this period is 30 million, accounting for 57.69% of the total balance of other accounts receivable as of December 31, 2023. The corresponding provision for bad debts as of December 31, 2023 is 9 million.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

8. Inventories

(1) Classification of Inventory

Items	31 December 2023		
	Book Value	Inventory falling Price Reserves	Carrying Value
Raw materials	7,223	116	7,107
Work in progress	4,794	74	4,720
Finished goods	3,021	19	3,002
Revolving materials	544	1	543
Spare parts	822	22	800
Materials in transit	393		393
Total	16,797	232	16,565

Items	31 December 2022		
	Book Value	Inventory falling Price Reserves	Carrying Value
Raw materials	5,981	28	5,953
Work in progress	3,188	60	3,128
Finished goods	2,910	17	2,893
Revolving materials	570	1	569
Spare parts	869	28	841
Materials in transit	191		191
Total	13,709	134	13,575

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

8. Inventories (Continued)

(2) Inventory falling price reserves

Items	31 December	Increase	Decrease	31 December
	2022	Provision	Written Back	2023
Raw materials	28	120	32	116
Work in progress	60	92	78	74
Finished goods	17	19	17	19
Revolving materials	1			1
Spare parts	28		1	22
Total	134	231	128	232

Note: The net realizable value for finished goods and the relevant raw materials is lower than the cost, therefore, provision for inventory was accrued this period. Meanwhile, due to market price recovery or product cost decline, part of inventory's net realized value is higher than its book value, therefore, the provision is reversed within the amount of its original provision.

9. Other current assets

Item	31 December 2023	31 December 2022
Tax retained	755	194
Prepayment of enterprise income tax	148	358
Total	903	552

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

10. Long-term equity investments

Details of long-term equity investments

The invested entity	31 December 2022	Increase/Decrease		Investment income under the equity method	Other comprehensive income
		Increase	Decrease		
Jointly venture					
TKAS Auto Steel Company Limited ("ANSC-TKS")	625			218	
The iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC – Dachuan")	149			(36)	
Ansteel Guangzhou Automobile Steel Co., Ltd. ("Guangzhou Automobile Steel")	387	150		56	
Angang CIMC (Yingkou) New Energy Technology Co., Ltd. ("Angang CIMC")	100				
Sub-total	1,261	150		238	
Associated venture					
Angang Group Finance Co., Ltd. ("Angang Finance")	1,528			87	
Anshan Anshan Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder Company")	18				
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	65			(5)	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	117			4	
Guangzhou GAC Baoshang Steel Processing Co., Ltd. ("GAC Baoshang")	108			13	
Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company")	38				
ChaoyangZhong'an Water Co., Ltd. ("Zhong'an Water")	34			1	
Sub-total	1,908			100	
Total	3,169	150		338	

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

10. Long-term equity investments (Continued)

The Invested Entity	Increase/Decrease				31 December 2023	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		136		15	722	
ANSC – Dachuan					113	
Guangzhou Automobile Steel		38		5	560	
Angang CIMC					100	
Sub-total		174		20	1,495	
Associated venture						
Angang Finance					1,615	
Iron Oxide Powder Company					18	
Nansha Logistical					60	
AISSG		5			116	
GAC Baoshang		10			111	
Meizhou Motor Company					38	
Zhong'an Water		2			33	
Sub-total		17			1,991	
Total		191		20	3,486	

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

11. Other equity instrument investments

(1) Changes of other equity instrument investments

Items	31 December 2023	31 December 2022	Gains included in other comprehensive income this period	Losses included in other comprehensive income this period
WISDRI	533	513	20	
Heilongjiang Longmay Mining Group Co., Ltd. ("Longmay Group")	89	68	21	
Anshan Falan Packing Material Co. Ltd. ("Falan Packing")	26	26		
Changsha Bao steel steel processing & Distribution Co., Ltd. ("Changsha steel")	11	10	1	
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd. ("China Shipbuilding")	6	16		(10)
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. ("Guoqi Lightweight")	3	3		
Shanghai HGB Digital Technology CO.,LTD. ("Shanghai HGB")	4	5		(1)
Jindian (Hangzhou) Technology Co., Ltd. ("Jindian")				
Total	672	641	42	(11)

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

11. Other equity instrument investments (Continued)

(1) Changes of other equity instrument investments (Continued)

Items	Accumulated gains included in other comprehensive income at the end of this period	Accumulated losses included in other comprehensive income at the end of this period	Recognized dividend income current period	Designation Reason
				(measured at fair value and the changes of their value are recorded in other comprehensive income.)
WISDRI	394		39	
Longmay Group		(154)		
Falan Packing	5		2	
Changsha steel		(6)		
China Shipbuilding		(4)		
Guoqi Lightweight				
Shanghai HGB	2			
Jindian		(2)		
Total	401	(166)	41	

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

11. Other equity instrument investments (Continued)

(2) Non-tradable investments in equity instruments current period

Items	Recognized dividend income current period	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	39	394				
Longmay Group			(154)			
Falan Packing	2	5				
Changsha steel			(6)			
China Shipbuilding			(4)			
Guoqi Lightweight						
Shanghai HGB		2				
Jindian			(2)			
Total	41	401	(166)			

Note: The equity instrument investments that the Group does not offer in the open market are investments that the Group plans to hold for the long term. Therefore, the Group designates them as financial assets measured at fair value with changes recognized in other comprehensive income.

12. Other non-current financial assets

The Invested Entity	Book Value	
	31 December 2023	31 December 2022
Zhuzhou Smelter Group Co., Ltd. (“ZhuYe Group”)	39	33
HNA bankruptcy reorganization special service trust	47	
Caidie NO. 5 property rights trust plan	5	
Total	91	33

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

13. Fixed assets

(1) Analysis of fixed assets

Items	Houses and Buildings	Machinery	Others	Total
① Original Cost				
31 December 2022	35,538	86,816	6,090	128,444
Increase in the period	942	4,069	300	5,311
(1) Purchase		2	4	6
(2) Transform from project under construction	766	3,125	174	4,065
(3) Increase from combination				
(4) Others	176	942	122	1,240
Decrease in the period	5	502	27	534
(1) Disposal or scrap	5	500	27	532
(2) Others		2		2
31 December 2023	36,475	90,383	6,363	133,221
② Accumulated depreciation				
31 December 2022	15,640	57,525	4,811	77,976
Increase in the period	857	2,446	248	3,551
(1) Depreciation	804	2,312	222	3,338
(2) Increase from combination				
(3) Others	53	134	26	213
Decrease in the period	2	457	24	483
(1) Disposal or scrap	2	455	24	481
(2) Others		2		2
31 December 2023	16,495	59,514	5,035	81,044
③ Provision for impairment				
31 December 2022	605	2,739	139	3,483
Increase in the period		5		5
(1) Provision				
(2) Others		5		5
Decrease in the period		3		3
(1) Disposal or scrap		3		3
(2) Others				
31 December 2023	605	2,741	139	3,485
④ Book Value				
31 December 2023	19,375	28,128	1,189	48,692
31 December 2022	19,293	26,552	1,140	46,985

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

13. Fixed assets (Continued)

(2) Fixed assets leased out by operating lease

Type	31 December 2023	31 December 2022
Houses and buildings	15	15
Machinery	36	7
Total	51	22

14. Construction in progress

Item	31 December 2023	31 December 2022
Construction in progress	6,886	6,711
Construction materials	1	21
Total	6,887	6,732

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

14. Construction in progress (Continued)

14.1 Construction in progress

(1) Details of constructions in progress

Items	31 December 2023			31 December 2022		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
The environmental protection upgrading and transformation project of the sintering machine of the iron-making general plant	968		968	876		876
21 to 096B iron making – Bayuquan raw material yard shed closed project	323		323	424		424
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	197		197	146		146
Project for the construction and production of the raw material system of the 265m ² sintering machine in the iron smelting general plant	144		144	143		143
3# blast furnace overhaul project	100		100	148		148
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant	92		92	85		85
Upgrading and reconstruction project of seamless 177 production line of large-scale general factor	29		29	247		247
Large scale continuous rolling line upgrading and renovation project	18		18	182		182
Large factory universal line quality improvement and renovation project	7		7	190		190
Ironmaking Center Blast Furnace Centralized Control Phase I Project				66		66
Others	5,014	6	5,008	4,210	6	4,204
Total	6,892	6	6,886	6,717	6	6,711

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

14. Construction in progress (Continued)

14.1 Construction in progress (Continued)

(2) Changes in major constructions in progress

Items	Budget	31 December 2022	Increase of the period	Transferred into fixed assets	Other decrease	31 December 2023
Environmental Protection Upgrading and Renovation Project of Sintering Machine in Ironmaking Plant	1,020	876	92			968
21 to 096B iron making – Bayuquan raw material yard shed closed project	492	424	65	166		323
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	193	146	51			197
Project for the construction and production of the raw material system of the 265m ² sintering machine in the iron smelting general plant	156	143	1			144
3# blast furnace overhaul project	178	148	2	50		100
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant	135	85	7			92
Upgrading and reconstruction project of seamless 177 production line of large-scale general factor	260	247	11	229		29
Large scale continuous rolling line upgrading and renovation project	185	182	2	166		18
Large factory universal line quality improvement and renovation project	200	190	7	190		7
Ironmaking Center Blast Furnace Centralized Control Phase I Project	67	66		66		
Others	16,854	4,210	4,537	3,198	535	5,014
Total		6,717	4,775	4,065	535	6,892

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

14. Construction in progress (Continued)

14.1 Construction in progress (Continued)

(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
Environmental Protection Upgrading and Renovation Project of Sintering Machine in Ironmaking Plant	24	5	2.90	95	95	Self-financing
21 to 096B iron making – Bayuquan raw material yard shed closed project				99	99	Self-financing
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	8	2	2.90	100	99	Self-financing
Project for the construction and production of the raw material system of the 265m ² sintering machine in the iron smelting general plant	4	1	2.90	92	92	Self-financing
3# blast furnace overhaul project				84	84	Self-financing
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant				95	95	Self-financing
Upgrading and reconstruction project of seamless 177 production line of large-scale general factor	1			99	99	Self-financing
Large scale continuous rolling line upgrading and renovation project				99	99	Self-financing
Large factory universal line quality improvement and renovation project	1			99	99	Self-financing
Ironmaking Center Blast Furnace Centralized Control Phase I Project				98	98	Self-financing
Others	7	5	2.90	73	73	Self-financing
Total	45	13				

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

14. Construction in progress (Continued)

14.1 Construction in progress (Continued)

(3) Provision of Impairment

Items	31 December 2022	Increase in Current Period Provision	Decrease in Current Period Reversal	31 December 2023
Hot-rolled pickling plate production line project	6			6
Total	6			6

14.2 Construction materials

Item	31 December 2023	31 December 2022
Special equipment	1	21
Total	1	21

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

15. Right-of-use assets

Item	Houses and buildings	Land Use Right	Machinery	Total
Original Cost				
1. 31 December 2022		235	781	1,016
2. Increase in the period	1			1
(1) Lease	1			1
(2) Increase from business combination				
(3) Others				
3. Decrease in the period		235	774	1,009
(1) Disposal				
(2) Transferred out to fixed assets			774	774
(3) Decrease from business combination				
(4) Others		235		235
4 31 December 2023	1		7	8
Accumulated depreciation				
1. 31 December 2022		117	138	255
2. Increase in the period		118	46	164
(1) Depreciation		118	46	164
(2) Increase from business combination				
3. Decrease in the period		235	183	418
(1) Disposal				
(2) Transferred out to fixed assets			183	183
(3) Decrease from business combination				
(4) Others		235		235
4 31 December 2023			1	1
Provision for impairment				
1. 31 December 2022				
2. Increase in the period				
(1) Provision				
3. Decrease in the period				
(1) Disposal				
4 31 December 2023				
Book Value				
31 December 2023	1		6	7
31 December 2022		118	643	761

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

16. Intangible assets

Items	Land Use Right	Non- Patented Technology	Software	Patent	Steel Capacity Indicators	Total
Original Cost						
1. 31 December 2022	8,943	47	194		248	9,432
2. Increase in the period	3	5	534	5		547
(1) Purchase	3	5	534	5		547
(2) Internal R&D						
(3) Enterprise merger						
(4) Others						
3. Decrease in the period	14		1			15
(1) Disposal	14		1			15
(2) Decrease from business combination						
4. 31 December 2023	8,932	52	727	5	248	9,964
Accumulative amortization						
1. 31 December 2022	2,692	47	140			2,879
2. Increase in the period	183		84			267
(1) Counting	183		84			267
(2) Enterprise merger						
(3) Others						
3. Decrease in the period	1		1			2
(1) Disposition	1		1			2
(2) Decrease from business combination						
(3) Others						
4. 31 December 2023	2,874	47	223			3,144
Provision for impairment						
1. 31 December 2022						
2. Increase in the period						
(1) Counting						
3. Decrease in the period						
(1) Disposal						
4. 31 December 2023						
Book Value						
31 December 2023	6,058	5	504	5	248	6,820
31 December 2022	6,251		54		248	6,553

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

17. Deferred income tax assets and deferred income tax liabilities

(1) Recognized deferred income tax assets

Items	31 December 2023		31 December 2022	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment	320	1,280	339	1,356
Deductible loss	1,703	6,812	926	3,704
Dismissal welfare	22	88	31	124
Accumulated depreciation of fixed assets	33	132	31	124
Lease			56	224
Employee training expenses	8	32	22	88
Deferred income	129	516	99	396
Changes in the fair value of other equity instrument investments	42	168	46	184
Changes in fair value of trading financial assets			1	4
Others	4	16	11	44
Total	2,261	9,044	1,562	6,248

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

17. Deferred income tax assets and deferred income tax liabilities (Continued)

(2) Recognized deferred income tax liabilities

Items	31 December 2023		31 December 2022	
	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference
Valuation of trading financial instruments and derivative financial instrument conversion of equity			52	208
Changes in the fair value of other equity instrument investments	100	400	97	388
Unrealized profit within the group	4	16	8	32
Lease	2	8	190	760
Total	106	424	347	1,388

(3) Unrecognized deferred income tax assets

Items	31 December 2023	31 December 2022
Deductible temporary difference-provision for impairment	1,928	2,078
Deductible temporary difference-deductible losses	2,055	
Total	3,983	2,078

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

17. Deferred income tax assets and deferred income tax liabilities (Continued)

- (4) The deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	31 December 2023	31 December 2022
2028	2,055	
Total	2,055	

18. Other non-current assets

Items	31 December 2023	31 December 2022
Prepayment for Construction Projects	966	1,323
Prepayment for Land	13	
Total	979	1,323

19. Short-term loans

Items	31 December 2023	31 December 2022
Pledged loans		399
Credit loans	1,330	1,180
Total	1,330	1,579

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

20. Derivative financial liabilities

Items	31 December 2023	31 December 2022
Future contracts	6	
Foreign exchange swap contracts		41
Total	6	41

21. Notes payable

Items	31 December 2023	31 December 2022
Bank acceptance notes	17,385	11,624
Commercial acceptance notes	175	119
Total	17,560	11,743

Note: As of December 31, 2023, there are no matured but unpaid notes payable. The age of the accounts payable of the group at the end of the period mentioned above is within 1 year.

22. Accounts payable

(1) Aging of accounts payable

Items	31 December 2023		31 December 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	6,812	98.38	8,721	98.50
1 to 2 years	26	0.38	74	0.84
2 to 3 years	49	0.71	31	0.35
Over 3 years	37	0.53	28	0.31
Total	6,924	100.00	8,854	100.00

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

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

22. Accounts payable (Continued)

(2) Significant account payable aging over 1 year

Creditors	Balance	Aging
Angang Construction Group Co., Ltd.	9	1 to 5 years, over 5 years
Angang Metal Structure Co., Ltd.	6	1 to 5 years, over 5 years
Anshan Metallurgical Group Industrial Engineering Co., Ltd.	5	1 to 5 years, over 5 years
Angang Mine Construction Co., Ltd.	5	1 to 5 years, over 5 years
Anshan Metallurgical Group Construction Installation Co., Ltd.	5	1 to 5 years, over 5 years
Total	30	

23. Contract liabilities

Items	31 December 2023	31 December 2022
Products selling	5,141	6,361
Others	45	32
Total	5,186	6,393

24. Staff remuneration payable

(1) Analysis of employee benefits payable

Items	31 December 2022	Increase	Decrease	31 December 2023
Short-term remuneration	95	3,979	4,034	40
After-service benefits defined contribution plans		557	557	
Termination benefits	63	203	223	43
Total	158	4,739	4,814	83

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

24. Staff remuneration payable (Continued)

(2) Short-term compensation

Items	31 December 2022	Increase	Decrease	31 December 2023
1. Salaries, bonus and allowance		2,823	2,823	
2. Staff welfare		349	349	
3. Social insurance		318	318	
Including: Medical insurance		264	264	
Staff and workers' injury insurance		53	53	
Maternity insurance				
Others		1	1	
4. Housing fund		337	337	
5. Labor union fee and staff training fee	95	97	152	40
6. Short paid absences				
7. The short-term profit sharing plan				
8. Others		55	55	
Total	95	3,979	4,034	40

(3) Defined Contribution Plans

Items	31 December 2022	Increase	Decrease	31 December 2023
1. Basic pension insurance		448	448	
2. Unemployment insurance		14	14	
3. Occupational pension		95	95	
Total		557	557	

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

25. Tax payable

Items	31 December 2023	31 December 2022
VAT	29	66
Environmental protection tax	19	25
Resource tax	1	1
Corporate income tax	10	64
City maintenance and construction tax	1	6
Property tax	15	15
Land use tax	38	38
Individual income tax	5	9
Educational surcharges		4
Stamp tax	23	27
Total	141	255

26. Other payables

Items	31 December 2023	31 December 2022
Interests payable	6	6
Dividends payable		3
Other payables	3,415	2,862
Total	3,421	2,871

26.1 Interests payable

Items	31 December 2023	31 December 2022
Staging interest maturity of long-term borrowings	4	4
Corporate bond interest	2	2
Total	6	6

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

26. Other payables (Continued)

26.2 Dividends payable

Items	31 December 2023	31 December 2022
FAW Jiefang Automobile Co., Ltd		3
Total		3

26.3 Other payables

(1) Classification of other payables by nature

Items	31 December 2023	31 December 2022
Construction payable	1,900	1,394
Retention Money	644	581
Margin	446	446
Administrative Fund	10	48
Restricted stock repurchases obligations	31	94
Others	384	299
Total	3,415	2,862

(2) Significant balances of other payables aging over 1 year

Creditors	Balance	Reason	Whether paid after 31 December 2023
Angang steel Group Engineering Technology Co., Ltd	271	Quality guarantee, Project payment	No
Total	271		

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

27. Non-current liabilities due within 1 year

Items	31 December 2023	31 December 2022
Long-term loans due within 1 year (Note VI.29)		2,600
Bonds payable due within 1 year (Note VI.30)		1,660
Total		4,260

28. Other current liabilities

Items	31 December 2023	31 December 2022
Contract liabilities pending write-off tax	537	
Total	537	

29. Long-term loans

(1) Classification of long-term loans

Items	31 December 2023	31 December 2022
Credit loans	5,199	3,200
Subtotal	5,199	3,200
Less: long-term loans due within 1 year (Note VI.27)		2,600
Total	5,199	600

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

29. Long-term loans (Continued)

(2) Classification of long-term loans by the maturity date

Items	31 December 2023	31 December 2022
Within 1 year		2,600
1 year to 2 year (including 2 year)		600
2 year to 3 year (including 3 year)	5,199	
3 year to 5 year (including 5 year)		
Total	5,199	3,200

30. Bonds payable

(1) Bonds payable

Items	31 December 2023	31 December 2022
Convertible bond		1,660
22 Angang stock GN001	299	299
Less: bonds payable due within 1 year (Note VI.27)		1,660
Total	299	299

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

30. Bonds payable (Continued)

(2) Increase or decrease in bonds payable

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	31 December 2022
Convertible bonds in 2018 (Note 1)	1,512	May 25, 2018	5 years	1,299	1,660
22 Angang stock GN001 (Note 2)	300	September 28, 2022	3 years	300	299
Less: bonds payable due within 1 year (Note VI.27)					1,660
Total	1,812			1,599	299

Type of bonds	Current issue	Accruing interest at face value	Amortization of discounts and premiums (positive increase, negative decrease)	Exchange conversion (positive increase, negative decrease)	Current repayment	31 December 2023
Convertible bonds in 2018			23	10	1,693	
22 Angang stock GN001						299
Less: bonds payable due within 1 year (Note VI.27)			23	10	1,693	
Total						299

Note 1: Our company issued a five-year zero interest rate convertible bond overseas on May 25, 2018, and the convertible bond was fully redeemed by the company on May 25, 2023.

Note 2: On September 28, 2022, our company issued the first phase of green medium-term notes for the year 2022. The principal of the medium-term notes issued this time was RMB 300 million, issued at par, with a unit face value of RMB 100 and a coupon rate of 2.85%. The term was 3 years, with annual interest payment and one-time principal repayment. The value date was September 28, 2022, and the principal repayment date was September 28, 2025.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

30. Bonds payable (Continued)

(3) Classification of bonds payable by the maturity date

Items	31 December 2023	31 December 2022
Within 1 year		1,660
1 year to 2 year (including 2 year)	299	
2 year to 3 year (including 3 year)		299
3 year to 5 year (including 5 year)		
Total	299	1,959

31. Lease liability

Items	31 December 2023	31 December 2022
lease payments	2	230
Less: Unrecognized financing expenses		4
Total	2	226

32. Long-term payables

Items	31 December 2023	31 December 2022
Long-term payables		
Special payables	135	119
Total	135	119

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

32. Long-term payables (Continued)

32.1 Special payables

Items	31 December		31 December		Reason
	2022	Increase	Decrease	2023	
The special funds paid by Anshan Iron and Steel Group Co., Ltd. (hereinafter referred to as "Anshan Iron and Steel")	119	16		135	Special funds
Total	119	16		135	

33. Long-term employee benefits payable

Items	31 December	31 December
	2023	2022
Termination benefits	44	60
Total	44	60

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

34. Deferred income

Items	31 December		31 December		Reason
	2022	Increase	Decrease	2023	
Government grants	523	176	49	650	Government grants
Total	523	176	49	650	

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

Items	31 December		Belong	Belong	Other	31 December	Associated with
	2022	Increase	to Non- business income	to Other income	decrease	2023	
The government grants related to environmental protection	63	97		12		148	Related to assets
The government grant related to scientific research	320	24		15		329	Related to assets/ income
Others	140	63	8	22		173	Related to assets/ income
Total	523	184	8	49		650	

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

35. Share capital

Items	31 December 2022		Increase/Decrease				31 December 2023		
	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				15	15	7,957	85
2. Foreign shares listed overseas	1,411	15						1,411	15
Restricted shares									
1. Ordinary A shares	50	1				(34)	(34)	16	
Total	9,403	100				(19)	(19)	9,384	100

Note 1: According to the resolution of the shareholders' meeting on December 19, 2022, the company repurchased and cancelled 2 million restricted shares.

Note 2: On April 18, 2023, the company's 2020 restricted stock incentive plan granted the first partial lifting of restrictions during the first lifting period. The lifting of restrictions has been achieved, The number of restricted stocks that can be lifted is 15 million.

Note 3: According to the resolution of the shareholders' meeting on May 29, 2023, the company repurchased and cancelled 1 million restricted shares.

Note 4: According to the resolution of the shareholders' meeting on October 26, 2023, the company repurchased and cancelled 16 million restricted shares.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

36. Capital reserve

Items	31 December		31 December	
	2022	Increase	Decrease	2023
Share premium	32,968		26	32,942
Other capital reserve	911			911
Total	33,879		26	33,853

Note 1: The company reduces capital premium by 17 million due to the repurchase and cancellation of part of the restricted shares.

Note 2: The company reduces capital premium by 9 million due to the allocation of equity incentive expenses.

37. Treasury shares

Items	31 December		31 December	
	2022	Increase	Decrease	2023
Stock incentive plan (<i>Note XIV</i>)	96		64	32

Note 1: The cancellation of restricted stocks through repurchase in this period resulted in a decrease of 36 million in treasury stocks.

Note 2: The company reduces inventory shares by 28 million due to the lifting of restrictions on part of the restricted shares.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

38. Other comprehensive income

Items	31 December 2022	The amount of this period				31 December 2023
		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	152	31		7	24	176
Profit or loss arising from fair value changes of other investments in equity instruments	152	31		7	24	176
Total	152	31		7	24	176

39. Special reserve

Items	31 December 2022	Increase	Decrease	31 December 2023
Safety production Expenses	93	209	233	69
Total	93	209	233	69

40. Surplus reserve

Items	31 December 2022	Increase	Decrease	31 December 2023
Statutory surplus reserve	4,457			4,457
Total	4,457			4,457

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

41. Retained earnings

Items	This period
Balance as of 31 Dec. 2022	10,118
Changes in accounting policies	
Business combination under common control	
Balance as of 1 Jan. 2023	10,118
Increase in 2023	(3,257)
Including: Net profit transferred this period	(3,257)
Other adjustment factors	
Decrease in 2023	64
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions in this period	
Distribution of cash dividend this period (Note)	64
Conversed capital	
Other decreases	
Balance as of 31 December. 2023	6,797

Note: According to the resolution of the 2022 Annual General Meeting of Shareholders held on May 29, 2023, the Company distributed cash dividends to all shareholders at RMB0.068 (tax included) every 10 shares. Calculated based on the total number of shares entitled to distribution rights of 9,400,570,897 shares, a total distributed profit of RMB64 million.

42. Operating revenue and operating cost

(1) Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	113,311	113,874	130,769	127,727
Other operating (Note 2)	191	163	303	295
Total	113,502	114,037	131,072	128,022

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

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

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

42. Operating revenue and operating cost (Continued)

- (2) The net profit before and after deduction of non-recurring gains and losses audited is negative.

Items	This period	Specific deduction situation	Last period	Specific deduction situation
Operating revenue	113,502		131,072	
The total amount of deductions for operating revenue	191	Generated from materials sales, waste materials sales, etc.	303	Generated from materials sales, waste materials sales, etc.
The proportion of total deductions for operating revenue to operating revenue	0.17%		0.23%	
1. Unrelated Revenue to the main business	191		303	
Other revenue outside normal operations	191	Generated from materials sales, waste materials sales, etc.	303	Generated from materials sales, waste materials sales, etc.
2. revenue without commercial substance				
3. Other revenue unrelated to the main business or without commercial substance				
The amount of operating revenue after deduction	113,311		130,769	

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

42. Operating revenue and operating cost (Continued)

(3) Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	106,342	125,013
Foreign exchange income from outside borders	7,160	6,059
Total	113,502	131,072

(4) Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	113,502	131,072
Total	113,502	131,072

43. Taxes and surcharges

Items	This period	Last period
City maintenance and construction tax	25	138
Educational surcharge and local educational surcharge	18	98
Land use tax	438	438
Property tax	169	182
Stamp tax	110	128
Resources tax	3	3
Environmental protection tax	83	96
Total	846	1,083

Note: Please refer to Note V "Taxation" for details of various taxes and surcharges payment standards

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

44. Selling expenses

Items	This period	Last period
Employee benefits	261	287
Warehouse storage expense	105	110
Handling charge	42	39
Agency fee for commissioned sales	34	24
Sales and service expense	30	10
Packing expense	35	26
Operating expenses	21	11
Others	100	93
Total	628	600

45. Administrative expenses

Items	This period	Last period
Employee benefits	814	561
Depreciation	156	152
Amortization of intangible asset	86	34
Agency fee	39	28
Including: remuneration to auditors of annual report	5	5
Fee for the exploitation of patent	19	23
Information system maintenance expense	49	25
Sewage charges	27	27
Greening fee	25	22
Cost of repairs	25	23
Others	449	403
Total	1,689	1,298

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

46. Research and development expenses

Items	This period	Last period
Raw material consumption fee	208	196
Labor cost	189	208
Depreciation	24	27
Outsourcing expenses	42	103
Travel expenses	8	3
Others	21	190
Total	492	727

47. Finance expenses

Items	This period	Last period
Interest expense	298	428
Including: Interests expense from the long-term loans and long-term bonds	145	171
Interests expense from the short-term loans and letters of credit	49	120
Other interest expenditures	104	137
Less: Interest income	69	68
Less: Capitalized interest expense	13	37
Exchange gain or loss	(27)	135
Less: Capitalized exchange gain or loss		
Others	69	29
Total	258	487

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

48. Other incomes

Items	This period	Last period	Recorded into Extraordinary gains and losses
The government grants related to environment protection	12	14	12
The government grants related to scientific research	15	63	15
Other government grants	22	8	22
Others	3	2	3
Total	52	87	52

49. Investment income

Items	This period	Last period
Long-term equity income under the equity method	338	235
Investment income of other investments in equity instruments invested in the holding period	41	2
Others	(62)	
Total	317	237

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

50. Gain from fair-value changes

Items	This period	Last period
Changes in fair value of derivative financial assets	22	108
Changes in fair value of other non-current financial assets	6	(10)
Changes in fair value of derivative financial liabilities	17	48
Changes in fair value of embedded derivative financial instruments		39
Total	45	185

51. Credit impairment losses

Items	This period	Last period
Accounts receivable	16	62
Other receivables	(1)	3
Total	15	65

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

52. Impairment on assets

Items	This period	Last period
inventory falling price loss	(131)	337
Total	(131)	337

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

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

53. Gains on disposal of assets

Items	This period	Last period
Intangible assets disposal income	1	16
Total	1	16

54. Non-operating income

Items	This period	Last period	Recorded into extraordinary gains and losses
Gains from scrap of non-current assets	8	46	8
Government grant	8	2	8
Donations	9		9
Liquidated damages	23	8	23
Payable that can not be paid	1	1	1
Others	5	2	5
Total	54	59	54

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	8	2	Income related	No
Total	8	2		

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

55. Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
The loss on scrap of non-current assets	31	87	31
External donation	16	17	16
Compensation and liquidated damages		6	
Total	47	110	47

56. Income tax expenses

(1) Income tax expenses

Items	This period	Last period
Income tax during this period	27	379
Changes on deferred income tax expenses	(946)	(786)
Total	(919)	(407)

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

56. Income tax expenses (Continued)

(2) The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	(4,142)
Income tax expenses calculated at statutory/applicable tax rates	(1,035)
Effect of different tax rates applied by subsidiary companies	(8)
Effect of adjustments for income tax for prior period	115
Effect of deductible loss of deferred income tax assets not recognized in prior periods	(38)
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets	132
Others	(85)
Income tax expenses	(919)

57. The other comprehensive income

Please refer to Note VI.38

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

58. Items on statements of cash flow

- (1) Other cash receipts related to operating activities

Items	This period	Last period
Deposit income	164	139
Government grants	191	80
Others	67	73
Total	422	292

- (2) Other cash payments relating to operating activities

Items	This period	Last period
Air pollution fee	319	222
Miscellaneous expenses for procurement and sales business	231	76
Renewable Energy development Fund	230	192
Environmental monitoring fee	193	126
Research and development expenses	184	178
Insurance fee	42	63
Transportation charges	88	
Collecting and paying retirement wages	62	63
Party affairs activity expenses	25	29
Travel expenses	47	20
Rental fee	23	19
Donation expenditure	16	16
Hazardous materials disposal fee	8	8
Other operating expenses	613	371
Total	2,081	1,383

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

58. Items on statements of cash flow (Continued)

(3) Other cash receipts relating to investing activities

Items	This period	Last period
Interest revenue	60	73
Future contract income	46	76
Total	106	149

(4) Other cash payments relating to investing activities

Items	This period	Last period
Futures contract losses	8	29
Swap fees	55	
Restricted stock repurchases	5	
Total	68	29

(5) Other cash receipts relating to financing activities

Items	This period	Last period
Loan		10
Total		10

(6) Other cash payments relating to financing activities

Items	This period	Last period
Pay rental fees	235	331
Agency fee	59	23
Payment for share repurchase	30	4
Convertible corporate bond expenses	60	
Others	5	4
Total	389	362

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

59. Supplement of cash flow statement

(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	(3,223)	138
Add: Provision for impairment on asset	131	(337)
Provision for impairment on credit	(15)	(65)
Depreciation of fixed assets	3,338	3,462
Depreciation of right-of-use asset	164	163
Amortization of intangible assets	267	214
Loss on disposal of fixed assets, Intangible assets and other non-current assets (“-” for gains)	(1)	(16)
Loss on scrap of fixed assets (“-” for gains)	23	41
Loss on the change of fair value (“-” for gains)	(45)	(185)
Financial expenses (“-” for gains)	187	457
Investment loss (“-” for gains)	(317)	(237)
Decrease in deferred tax assets (“-” for increase)	(703)	(835)
Increase in deferred tax liabilities (“-” for decrease)	(244)	171
Decrease in inventories (“-” for increase)	(3,127)	5,833
Decrease in operating receivables (“-” for increase)	3,325	(3,363)
Increase in operating payable (“-” for decrease)	1,863	687
Others	(44)	11
Net cash flow from operating activities	1,579	6,139
2. Change in cash and cash equivalents		
Cash at the end of the period	3,221	5,093
Less: cash at the beginning of the period	5,093	5,398
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	(1,872)	(305)

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VI. Notes to consolidated financial statements (Continued)

59. Supplement of cash flow statement (Continued)

(2) Composition of cash and cash equivalent

Items	31 December 2023	31 December 2022
1. Cash at bank and on hands	3,221	5,093
Of which: Cash		
Bank deposits available	2,824	4,738
Other cash and cash equivalents available	397	355
2. Cash equivalents		
Of which: Bonds due within 3 months		
3. Closing balance of cash and cash equivalents	3,221	5,093

VII. Research and development expenditure

1. Research and development expenditure

Items	This period	Last period
Raw material consumption fee	208	196
Labor cost	189	208
Depreciation	24	27
Outsourcing expenses	42	103
Travel expenses	8	3
Others	21	190
Total	492	727
Including: Expensing	492	727
Capitalization		

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

VIII. Changes in consolidation scope

1. Angang Steel Technology and Development Co., Ltd. (“**Technology and Development**”), a wholly-owned subsidiary of the Company, was divided into Anshan Steel (Liaoning) Material Technology Co., LTD (“**Material Technology**”) and Technology and Development. Technology and Development was renamed Liaoning Jinsuoju Material Technology Co., Ltd (“**Jinsuoju**”).
2. One subsidiary is cancelled in the current period: Delin Zhilian (Anshan) Co., Ltd.
3. Angang Chemical Technology Co.,Ltd. (“**Chemical Technology**”) establish Sichuan Lüxinding Carbon industry Co.,Ltd. (“**Lüxinding**”).

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IX. Interests in other entities

1. The constitution of the enterprise group

(1) The constitution of the enterprise group

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Holding (%)		Acquisition	Nature of Subsidiaries
					Direct	Indirect		
Angang Steel Distribution (Wuhan) Co., Ltd. ("Angang Wuhan")	Wuhan	Wuhan	237	Steel processing and distribution	100		Establishment	Wholly-owned
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Hefei	Hefei	281	Steel processing and distribution	100		Establishment	Wholly-owned
Shenyang Angang steel International Trade Co., Ltd. ("Shenyang International Trade")	Shenyang	Shenyang	300	Sales of metal materials and products, building materials, etc	100		Combination under common control	Wholly-owned
Shanghai Anshan Iron and Steel International Trade Co., Ltd. ("Shanghai Trade")	Shanghai	Shanghai	300	Wholesale and retail purchasing services	100		Combination under Common control	Wholly-owned
Tianjin Anshan Iron and Steel International Trade Co., Ltd. ("Tianjin Trade")	Tianjin	Tianjin	200	Purchase and sale of metal and other materials	100		Combination under common control	Wholly-owned
Guangzhou Anshan Iron and Steel International Trade Co., Ltd. ("Guangzhou Trade")	Guangzhou	Guangzhou	300	Wholesale of steel, sales of steel, import and export of goods	100		Combination under common control	Wholly-owned
Shenyang Anshan Iron and Steel Processing and Distribution Co., Ltd. ("Angang Shenyang")	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	229	Steel processing and distribution	100		Establishment	Wholly-owned
Anshan Iron and Steel Processing and Distribution Guangzhou Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	120	Steel processing and distribution	75		Establishment	Joint venture
Anshan Iron and Steel Processing and Distribution (Tianjin) Co., Ltd. ("Angang Tianjin")	Tianjin	Tianjin	43	Steel processing and distribution	51		Combination under common control	Joint venture
Kobelco Angang Auto Steel Co Ltd. ("Angang Kobelco")	Anshan	Anshan	700	Steel calendaring and sales	51		Establishment	Sino-Japanese joint venture
Angang Steel Processing and Distribution (Changchun) Co., Ltd. ("ASPD-CC")	Changchun	Changchun	427	Research and development of sales and logistics distribution technology of self-produced products	100		Combination not under common control	Wholly-owned

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IX. Interests in other entities (Continued)

1. The constitution of the enterprise group (Continued)

(1) The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Holding (%)		Acquisition	Nature of Subsidiaries
					Direct	Indirect		
Jinsuoju	Anshan	Anshan	60	Sales of metal ropes and production	71.62		Establishment	Joint venture
Chemical Technology	Anshan	Anshan	2,500	Coking gas purification, coal chemical products processing and production	100		Establishment	Wholly-owned
Lüxinding	Panzhuhua	Panzhuhua	180	Coking and chemical products processing and production	60		Establishment	Joint venture
Angang Energy and Technology Co., Ltd. Co., Ltd. ("Energy and Technology")	Anshan	Anshan	201	Dissolved acetylene manufacturing; Distribution of compressed and liquefied gases	60		Combination under common control	Joint venture
Changchun FAW Angang Steel Processing and Distribution Co., Ltd. ("FAW Angang")	Changchun	Changchun	90	Steel processing and distribution	60		Combination not under common control	Joint venture
Angang steel Group Chaoyang Iron and Steel Co., Ltd. ("Chaoyang Iron and Steel")	Chaoyang	Chaoyang	8,000	Steel calendaring and sales	100		Combination under common control	Wholly-owned
Angang (Hangzhou) Automobile Material Technology Co., Ltd. ("Hangzhou Auto Material")	Hangzhou	Hangzhou	118	Steel, steel coil processing and sales, distribution	51	49	Establishment	Wholly-owned
Xinneng Air Products (Liaoning) Co., Ltd. ("Xinneng Air")	Anshan	Anshan	100	Sales of gas and liquid separation and purification equipment		51	Establishment	Joint venture
Beijing Angang Trade Co., Ltd. ("Beijing International Trade")	Beijing	Beijing	198	Sales of metal materials and products, building materials, etc	100		Establishment	Wholly-owned
Delin Industrial Product Co., Ltd. ("Delin Industrial Products")	Anshan	Anshan	180	Purchasing and consulting services for industrial products such as equipment and materials; E-commerce transactions of industrial products and supply chain financial services	91		Establishment	Joint venture
Material Technology	Anshan	Anshan	20.49	Sales of metal materials and production	100		Establishment	Wholly-owned

Note 1: The above-mentioned subsidiaries are all registered and established in accordance with Chinese laws, and the legal entity category is limited liability company.

Note 2: Lüxinding registered capital of RM180 million, Chemical Technology subscribe RMB108 million, Pangang Group Xichang Steel&Vanadium Co., Ltd subscribe RMB 36 million, Panzhuhua Steel&Vanadium Co., Ltd subscribe RMB 36 million. As of December 31, 2023, Chemical Technology has paid RMB14 million, Pangang Group Xichang Steel&Vanadium Co., Ltd has paid RMB 0 million, Panzhuhua Steel&Vanadium Co., Ltd has paid RMB 0 million.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IX. Interests in other entities (Continued)

1. The constitution of the enterprise group (Continued)

(2) As of December 31, 2023, none of our subsidiaries issued share capital or debt securities.

2. Interests in joint ventures or associates

(1) The joint ventures or associates

The name of the joint venture or associated enterprise	Principal place of business	Registration place	Nature of the business	Direct shareholding ratio (%)	Accounting Treatment
ANSC-TKS	Dalian	Dalian	Galvanized and alloyed steel Board production and sales	50	Equity method
ANSC - Dachuan	Dalian	Dalian	Steel processing and selling	50	Equity method
Guangzhou Automobile Steel	Guangzhou	Guangzhou	Manufacturing Steel products	50	Equity method
Angang CIMC	Yingkou	Yingkou	Hazardous chemicals	50	Equity method
Angang Finance	Anshan	Anshan	Deposits and loans and financing	20	Equity method
Iron Oxide Powder Company	Anshan	Anshan	Iron powder processing	35.29	Equity method
Nansha Logistical	Guangzhou	Guangzhou	Freight Forwarding, steel packaging,	49.8	Equity method
AISSG	Hangzhou	Hangzhou	Trade, warehousing services	49	Equity method
GAC Baoshang	Guangzhou	Guangzhou	Steel Processing and Distribution	30	Equity method
Meizhou Motor Company	Meizhou	Meizhou	Automobile parts	25	Equity method
Zhong'an Water	Chaoyang	Chaoyang	Water production and supply	45	Equity method

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IX. Interests in other entities (Continued)

2. Interests in joint ventures or associates (Continued)

(2) The accounting information of the important joint ventures

Items	ANSC-TKS	
	31 December 2023/ This period	31 December 2022/ Last period
Current assets	2,744	2,826
Including: Cash and cash equivalents	1,720	1,438
Non-Current assets	830	724
Total Assets	3,574	3,550
Current liabilities	2,041	2,182
Non-Current liabilities	3	4
Total Liabilities	2,044	2,186
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent Company	1,530 765	1,364 682
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group	(43)	(57)
– others		
The book value of equity investments in joint ventures	722	625
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	5,396	6,030
Finance costs	(21)	(2)
Income tax expenses	70	29
Net profit	436	272
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	436	272
Dividends received from joint ventures this period	136	204

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IX. Interests in other entities (Continued)

2. Interests in joint ventures or associates (Continued)

(3) The accounting information of the important association

Items	Angang Finance	
	31 December 2023/ This period	31 December 2022/ Last period
Current assets	15,168	13,723
Including: Cash and cash equivalents	13,422	13,403
Non-Current assets	22,826	22,203
Total Assets	37,994	35,926
Current liabilities	29,915	28,280
Non-Current liabilities	5	6
Total Liabilities	29,920	28,286
Minority interests		
Subtotal of Shareholders' equity	8,074	7,640
attributable to shareholders of parent Company	1,615	1,528
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group		
– others		
The book value of equity investments in joint ventures	1,615	1,528
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	1,016	1,119
Finance costs		
Income tax expenses	142	140
Net profit	435	428
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	435	428
Dividends received from joint ventures this period		

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

IX. Interests in other entities (Continued)

2. Interests in joint ventures or associates (Continued)

- (4) The accounting information of the unimportant joint ventures and associations

Items	31 December 2023/ This period	31 December 2022/ Last period
Associations:		
The book value of equity investments	773	636
The followings are calculated by shares		
– Net profit	20	(5)
– Other comprehensive income		
– The total of comprehensive income	20	(5)
Joint ventures:		
The book value of equity investments	376	380
The followings are calculated by shares		
– Net profit	13	18
– Other comprehensive income		
– The total of comprehensive income	13	18

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

X. Government grants

1. The basic situation of government grants

(1) Government grants included in the profit or loss

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	97	Deferred income /other income	12
The government grants related to scientific research	24	Deferred income /other income	15
Others	55	Deferred income /other income	22
Others	8	Non-operating income	8
Total	184		57

(2) Debt projects involved the government grants

Items	31 December 2022	Increase	Belong to Non-business income	Belong to other income	Offset cost expenses	31 December 2023	Related to assets/ income
Deferred income	523	184	8	49		650	Related to assets/ income

2. Return of government grants

There is no return of government grants in the current period.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XI. Risk associated with financial instruments

1. Market risk

(1) Exchange risk

Foreign exchange risk refers to the risk of losses arising from changes in exchange rates. The foreign exchange risk borne by the Group is mainly related to the US dollar and Hong Kong dollar. As of December 31, 2023, except for the assets or liabilities mentioned in the table below which are in US dollars and Hong Kong dollars, the assets and liabilities of the Group are all in RMB balance.

Unit: Yuan

Items	31 December 2023	31 December 2022
Bank deposits (USD)	100,304.74	100,253.90
Bank deposits (HKD)	1,884.09	9.09
Bond Payable (HKD)		1,859,214,999.70
Other non-current liabilities (HKD)		40,000.00

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 (“Angang International Trade “). The foreign exchange risk is mainly reflected in the impact of exchange rate changes on sales and purchase costs during agency settlement.

- A. The foreign exchange risk exposure of various foreign currency asset liability items listed in the local currency by the Group as of December 31, 2023 is set out in Note VI.1.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XI. Risk associated with financial instruments (Continued)

1. Market risk (Continued)

(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	7.0423	6.7208	7.0827	6.9646
H.K. dollar	0.8996	0.8583	0.9062	0.8933

C. Sensitivity analysis

The increase of one percentage point in the exchange rate between the US dollar and Hong Kong dollar to the Chinese yuan on December 31, 2023, will result in an increase (decrease) in the group's shareholders' equity and net profit as follows:

Unit: Million

Date	Item	The impact on net profit	The impact on shareholders' equity
31 December 2023	U.S. dollar		
	H.K. dollar		
31 December 2022	U.S. dollar		
	H.K. dollar	(12)	(12)

As of December 31, 2023, assuming other variables remain unchanged, a decrease of one percentage point in the exchange rate between the US dollar and Hong Kong dollar against the Chinese yuan will result in changes in shareholder equity and profit and loss, which are the same as the amounts listed in the table above but in the opposite direction.

The above sensitivity analysis is based on the assumption that there is a change in exchange rate on the balance sheet date, and this change applies to all derivative and non derivative financial instruments of the group. The change of one percentage point is based on the Group's reasonable expectation of exchange rate changes from the balance sheet date to the next balance sheet date. The previous analysis was also based on this assumption.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XI. Risk associated with financial instruments (Continued)

1. Market risk (Continued)

(2) Interest rate risk

The interest bearing financial instruments held by the Group as of December 31, 2023 are listed in Notes VI 1, 19, 27, 29, and 30. (Monetary funds, short-term loans, non current liabilities due within one year, long-term loans, bonds payable)

Sensitivity analysis:

The principle of managing interest rate risk for the Group is to reduce the impact of short-term fluctuations on the Group's profits. However, in the long run, permanent changes in interest rates will have an impact on profits.

As of December 31, 2023, assuming other variables remain unchanged, an increase of one percentage point in the interest rates of bank deposits, short-term loans, non current liabilities due within one year, short-term financing bonds, long-term loans, and bonds payable will result in a decrease of RMB 30 million in the net profit and shareholder's equity of the group (December 31, 2022: RMB 15 million).

The above sensitivity analysis is based on the assumption that there is a change in interest rates on the balance sheet date, and this change applies to all derivative and non derivative financial instruments of the group. The change of one percentage point is based on the reasonable expectation of the Group's interest rate changes from the balance sheet date to the next balance sheet date. The previous analysis was also based on this assumption.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XI. Risk associated with financial instruments (Continued)

2. Credit risk

Credit risk refers to the risk that one party to a financial instrument cannot fulfill its obligations, resulting in financial losses for the other party. The credit risk of the group mainly comes from accounts receivable. The management will continuously check the exposure of these credit risks.

For accounts receivable, the group has formulated credit policies based on actual situations, and conducted credit assessments on customers to determine the credit sales limit. Our group requires most customers to prepay the full amount of the goods in cash or bills before shipping them. The accounts receivable related to credit customers expire within 1-4 months from the date of issuance of the invoice. Debtors who are overdue for more than a month will be required to settle all outstanding balances before obtaining further credit limits. In general, the Group does not require customers to provide collateral.

The vast majority of our clients have had years of business dealings with our group and rarely experience credit losses. To monitor the credit risk of the Group, the Group analyzes its customer information based on factors such as aging and maturity.

As of December 31, 2023, the Group has no significant impairment of other accounts receivable except for accounts receivable transferred from overdue notes receivable with an impairment provision of RMB 594 million.

On the balance sheet date, due to the fact that the accounts receivable of the top five customers of the group accounted for 68% of the total accounts receivable and other receivables of the group (at the beginning of the period: 61%), the group experienced a certain degree of concentration of credit risk.

The maximum credit risk exposure that the group is exposed to is the carrying amount of each financial asset on the balance sheet. The Group has not provided any other guarantees that may expose the Group to credit risk.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XI. Risk associated with financial instruments (Continued)

3. Liquidity risk

The group is responsible for its own cash management work, including short-term investments in cash surplus and borrowing loans to meet expected cash needs. The policy of the Group is to regularly monitor short-term and long-term liquidity needs, as well as compliance with loan agreements, to ensure the maintenance of sufficient cash reserves and marketable securities available for immediate realization, while obtaining commitments from major financial institutions to provide sufficient backup funds to meet short-term and longer-term liquidity needs.

The analysis of the repayment period of the Group's long-term debts is set out in Notes VI, 29, and 30 (long-term loans, bonds payable).

The group's various financial liabilities are listed as follows based on the undiscounted contractual cash flow based on the maturity date:

Items	31 December 2023				Total undiscounted contract amounts	Book value
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Short-term loans	1,330				1,330	1,330
Derivative financial liabilities	6				6	6
Notes payable	17,560				17,560	17,560
Accounts payable	6,924				6,924	6,924
Other payable	3,421				3,421	3,421
Non-current liabilities due within 1 year						
Long-term loans			5,199		5,199	5,199
Bonds payable		299			299	299
Interest	165	142	76		383	
Lease liability		2			2	2

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XI. Risk associated with financial instruments (Continued)

3. Liquidity risk (Continued)

Items	31 December 2022					Total undiscounted contract amounts	Book value
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years			
Short-term loans	1,579					1,579	1,579
Derivative financial liabilities	41					41	41
Notes payable	11,743					11,743	11,743
Accounts payable	8,854					8,854	8,854
Other payable	2,871					2,871	2,871
Non-current liabilities due within 1 year	4,260					4,260	4,260
Long-term loans		600				600	600
Bonds payable			299			299	299
Interest	80	35	9			124	
Lease liability	229	1				230	226

4. Transfer of financial assets

On December 31, 2023, the group has endorsed a bank acceptance bill of 11,316 million to suppliers for settlement of accounts payable, and a commercial acceptance bill of 0 million; The amount of bank acceptance bills discounted to financial institutions is 5,373 million, while the amount of commercial acceptance bills is 0 million. On December 31, 2023, its expiration date is 1 to 12 months. According to the relevant provisions of the Negotiable Instruments Law, if the issuer refuses to make payment, its holder has the right to pursue compensation from the Group. The Group believes that almost all of its risks and rewards have been transferred, therefore, the book value of its and related settled accounts payable has been derecognized.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XII. Disclosure of the fair value

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: In puts 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 2023			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		1,618		1,618
Other investments in equity instruments			672	672
Other non-current financial assets	39		52	91
Derivative financial liabilities	6			6

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XII. Disclosure of the fair value (Continued)

1. The amount of asset and liability measured at fair value and the measurement hierarchies (Continued)

Items	The Fair Value on 31 December 2022			Total
	The Fair Value Measured at First Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
Continues fair value measurement:				
Derivative financial assets	37			37
Receivables financing		1,824		1,824
Other investments in equity instruments			641	641
Other non-current financial assets	33			33
Derivative financial liabilities	41			41

2. The qualitative and quantitative information of the valuation techniques and significant parameters used for the continuous and non-continuous third-level fair value measurement projects.

The determination of fair value relies on the third tier input value. For other equity instrument investments, the net assets at the end of the investment entity's period serve as a crucial reference point for assessing its fair value. If the net assets at the end of the period can essentially mirror its fair value, these net assets should be utilized as the foundation for evaluating its fair value.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XII. Disclosure of the fair value (Continued)

3. Adjustment information between the book value of the continuous third-level fair value measurement project

	Other investments in equity instruments	Other non-current financial assets
Balance at 1 January 2023	641	
Additional investment		52
Changes in fair value (included in other comprehensive income)	31	
Changes in fair value (included in current profit and loss)		
Balance at 31 December 2023	672	52

XIII. Related parties and related party transactions

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	53.45	53.45

Note: Angang Group Co., Ltd. is the ultimate controlling party.

2. Information on the subsidiaries of the parent company

Please refer to Note IX.1 The constitution of the enterprise group.

3. Information on the joint ventures and associates of the group

Please refer to Note IX.2 Interests in joint ventures or associates.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

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
Angang CIMC	Joint venture
AISSG	Associate
Nansha Logistical	Associate
Zhong'an Water	Associate
GAC Baoshang	Associate
Meizhou Motor Company	Associate
Iron Oxide Powder 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 Refractory Materials Co., Ltd	Fellow subsidiary
Ansteel Automobile Transportation Co., Ltd	Fellow subsidiary
Ansteel Group Railway transport branch	Fellow subsidiary
Ansteel Group Engineering Quality Production Monitoring Management Center	Fellow subsidiary
Ansteel Cold Rolled Steel Plate (Putian) Co., Ltd	Fellow subsidiary
Ansteel Group Real Estate Property Co., Ltd	Fellow subsidiary
Anshan Iron and Steel Labor Research Institute Technology Co., Ltd	Fellow subsidiary
Delin Land Port Supply Chain Service Co., Ltd	Fellow subsidiary
Anshan Iron and Steel Metallurgical Furnace Materials Technology Co., Ltd	Fellow subsidiary
Ansteel Group Information Industry Co., Ltd	Fellow subsidiary
Ansteel Automation Co., Ltd	Fellow subsidiary
Ansteel Electric Co., Ltd	Fellow subsidiary
Yingkou Ansteel Water Industry Co., Ltd	Fellow subsidiary
Anshan Jidong Cement Co., Ltd	Joint venture of Angang Group

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

4. Related parties without control relationship (Continued)

Name of Enterprise	Relation with the Parent Company
Anshan Kede Roller Surface Treatment Co., Ltd	Joint venture of Angang Group
Ansteel Group Engineering Technology Co., Ltd	Joint venture of Angang Group
Ansteel Mining Construction Co., Ltd	Associate of Angang Group
Ansteel Group Mining Design and Research Institute Co., Ltd	Associate of Angang Group
Ansteel Yasheng Special Materials Co., Ltd	Associate of Angang Group
Angang International Trade	Fellow subsidiary
Ansteel Lianzhong (Guangzhou) Stainless Steel Co., Ltd	Fellow subsidiary
Pangang Group Xichang Steel Vanadium Co., Ltd	Fellow subsidiary
Pangang Group International Economic and Trade Co., Ltd	Fellow subsidiary
Pangang Group Vanadium Titanium Resources Co., Ltd	Fellow subsidiary
Pangang Group Jiangyou Changcheng Special Steel Co., Ltd	Fellow subsidiary
Pangang Group Panzhihua Steel Vanadium Co., Ltd	Fellow subsidiary
Chengdu Western IoT Group Co., Ltd	Fellow subsidiary
Pangang Group Life Service Co., Ltd	Fellow subsidiary
Pangang Group Mining Co., Ltd	Fellow subsidiary
Pangang Metallurgical Materials Co., Ltd	Fellow subsidiary
Ansteel Group Engineering Technology Development Co., Ltd	Fellow subsidiary
Ansteel Group Zhongyuan Industrial Development Co., Ltd	Fellow subsidiary
Angang Construction Group Co., Ltd.	Fellow subsidiary
Angang Construction Group Co., Ltd. Yingkou Steel Structure branch	Fellow subsidiary
Ansteel Real Estate Construction Co., Ltd	Fellow subsidiary
Ansteel Resources Co., Ltd	Fellow subsidiary
Benxi Steel Group Co.,Ltd	Fellow subsidiary
Benxi Beiyong Iron and Steel (Group) Co., Ltd	Fellow subsidiary
Benxi Iron and Steel (Group) Mining Co., Ltd	Fellow subsidiary
Bengang Steel Plates Co., Ltd.	Fellow subsidiary

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

5. Related-party transactions

(1) Related-party transactions within Angang Group Co., Ltd.

① Related-party transactions on Procurement of Goods and Services

Contents	Pricing policy	This period	Last period
Raw materials	Note.1	24,821	24,197
Steel	Note.2	1,377	1,006
Supplementary materials	Note.3	2,712	3,023
Energy and power supplies	Note.4	148	157
Support service	Note.5	7,990	7,997
Total	–	37,048	36,380

② Related-party transactions on Sales of Goods and Services

Contents	Pricing Policy	This period	Last period
Product	Note.6	8,732	9,974
Scrap steel and materia	Note.6	302	341
General services	Note.7	406	422
Total	–	9,440	10,737

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

5. Related-party transactions (Continued)

(1) Related-party transactions within Angang Group Co., Ltd. (Continued)

② Related-party transactions on Sales of Goods and Services (Continued)

Note 1: iron concentrate: the standard product is not higher than the average of the midpoint price of Platts 65% iron CFR in northern China (Qingdao port) published daily by SBB steel market daily from January 21 to January 20, plus the freight from Bayuquan port to Angang Steel. Among them, the price of each iron content is calculated according to the average value of (t-1)* monthly Platts 65% index for grade adjustment. On this basis, a discount of 3% of the average value of Platts 65% index (where t is the current month) is given; The low standard products are not higher than the average of the midpoint price of Platts 62% iron CFR in northern China (Qingdao port) published daily by SBB steel market daily from (t-1) to t 20, plus the freight from Bayuquan port to Angang Steel. Among them, the price of each iron content is calculated according to the average value of Platts 62% index for grade adjustment. On this basis, a discount of 3% of the average value of Platts 62% index is given. Pellet ore at market price; The price of sinter is the price of iron concentrate plus (t-1)* monthly process cost. (among them: the process cost is not higher than the process cost of producing similar products in Angang Steel) (where t is the current month); Karara mineral products: for standard products, the average value of the midpoint price of Platts 65% iron CFR in northern China (Qingdao port) published daily by SBB steel market daily plus the dry ton freight difference from Qingdao port to Bayuquan, Liaoning Province is divided by 65 times the actual grade to calculate the price; According to the month when the loading of low-standard products is completed at the loading point, the average midpoint price of Platts 62% iron CFR in northern China (Qingdao port) published daily by SBB steel market daily plus the dry ton freight difference from Qingdao port to Bayuquan, Liaoning Province, is divided by 62 times the actual grade to calculate the price. Scrap, billets, alloys and non-ferrous metals at market prices;

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

5. Related-party transactions (Continued)

(1) Related-party transactions within Angang Group Co., Ltd. (Continued)

② Related-party transactions on Sales of Goods and Services (Continued)

Note 2: steel products shall be determined according to the price of Angang Steel sold to third parties after deducting the consignment fee of not less than RMB 15/ton;

Note 3: the price of auxiliary materials shall not be higher than that sold by the relevant member companies of Angang Steel to independent third parties;

Note 4: government pricing, market price, production cost plus 5% gross profit;

Note 5: national pricing, government pricing or market price, agency service shall be subject to a commission of not more than 1.5% (including raw fuel agency fee of 5 yuan/ton), depreciation fee plus maintenance fee, labor fee, material fee and management fee paid at market price, processing cost plus gross profit of not more than 5%;

Note 6: steel products, molten iron, billets, steel production byproducts and coke are calculated at the price sold to independent third parties; As far as the above products provided for the development of new products are concerned, the pricing benchmark is to price according to the market price if there is a market price, and to price according to the cost plus reasonable profit if there is no market price, and the added reasonable profit margin is not higher than the average gross profit margin of the member units providing the relevant products; Coal is increased by 5 yuan/wet ton at the purchase cost price, and imported ore is increased by 5 yuan/dry ton at the purchase cost price; Sinter at market prices; Pellet ore is charged 5 yuan/wet ton at the purchase cost price; E-commerce products at market prices; Scrap steel materials and waste materials are priced according to the market price, and scrap assets or idle assets are priced according to the market price or evaluation price;

Note 7: government pricing, market price, production cost plus 5% gross profit, agency service is not higher than 1.5% commission;

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

5. Related-party transactions (Continued)

(1) Related-party transactions within Angang Group Co., Ltd. (Continued)

③ Related party transactions of asset acquisition

The company has no related party transactions for asset acquisition in the current period.

④ Related-party guarantee

The company applied to become the designated rebar delivery factory warehouse of Shanghai Futures Exchange (hereinafter referred to as the Shanghai Futures Exchange), and Anshan Iron and steel provided guarantee for the company's application for delivery factory warehouse qualification to the Shanghai Futures Exchange and signed the guarantee letter (hereinafter referred to as the guarantee letter). Anshan Iron and steel requires the company to provide counter guarantee to the company for the above guarantee provided by it. The amount of counter guarantee shall not exceed 300 million. The period of counter guarantee shall be from the date of signing the agreement on designated rebar futures factory warehouse of Shanghai futures exchange with the company in the previous period to the date of termination of the contract (I. E. The duration of the contract) and two years after the end of the duration of the contract.

(2) Related party transactions with Pangang Group vanadium and Titanium Resources Co., Ltd

Related party transactions of purchasing goods/receiving services

Contents	Pricing Policy	This period	Last period
Raw materials	market price	74	168
Total	–	74	168

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

5. Related-party transactions (Continued)

(3) Other related party transactions

In this period, Angang international trade provided export agents to sell 1,800,000 tons of steel products (last period: 1,260,000 tons).

Lüxinding is jointly established by Chemical Technology, a wholly-owned subsidiary of the Company, Pangang Group Xichang Steel&Vanadium Co., Ltd and Panzhihua Steel&Vanadium Co., Ltd.

(4) Borrowings, deposits and interest payments from Angang finance

Items	Annual	31 December	Increment	Decrement	31 December	Terms
	interest rate	2022			2023	
Deposit	0.455-1.9	4,224	388,478	390,217	2,485	
Loan	2.07		200		200	

During the current period, the group's deposit interest income in Angang finance was 43 million (previous period: 57 million), and the loan interest expenditure (including discount) was 1 million (previous period: 7 million). The maximum daily deposit of the group in Anshan finance in the current period is 4,895 million (previous period: 4,984 million).

(5) The group's related party transactions with joint ventures and associates

①. Statement of purchasing products

Name	This period	Last period
ANSC-TKS	660	813
Guangzhou Automobile Steel	18	23
Zhong'an Water	19	20
GAC Baoshang	4	6
AISSG	7	5
Iron oxide powder	11	
Total	719	867

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

5. Related-party transactions (Continued)

(5) The group's related party transactions with joint ventures and associates (Continued)

②. Statement of selling products

Name	This period	Last period
ANSC-TKS	3,536	4,130
Guangzhou Automobile Steel	1,353	1,564
AISSG	269	195
Meizhou Motor Company	21	4
GAC Baoshang	7	10
Nansha Logistical	10	10
Iron oxide powder	51	
Angang CIMC	4	
Total	5,251	5,913

(6) Remuneration of the directors, supervisors and senior management

Name	This period	Last period
Directors' fee	0.48	0.48
Other remuneration	6.82	9.63
Including: Salaries, allowances and non-cash amount of interest non-cash amount of interest	5.62	7.75
Performance-related bonus		
Other insurance and benefits	0.93	1.12
Pension plan contributions	0.27	0.23
Share-based payment		0.53
Total	7.30	10.11

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

5. Related-party transactions (Continued)

- (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:							
Wang Jun (Newly appointed)		0.24		0.04	0.02		0.30
Zhang Hongjun (Newly appointed, CEO)		1.14		0.19	0.04		1.37
Wang Baojun		0.62		0.06	0.04		0.72
Tian Yong		1.01		0.17	0.04		1.22
Subtotal for executive directors		3.01		0.46	0.14		3.61
Independent non-executive director:							
Feng Changli	0.12						0.12
Wang Jianhua	0.12						0.12
Wang Wanglin	0.12						0.12
Zhu Keshi	0.12						0.12
Subtotal for Independent non-executive director	0.48						0.48
Supervisors:							
Guo fang		0.11		0.04	0.02		0.17
Yang Zhengwen (Resigned)		0.55		0.09	0.02		0.66
Subtotal for Supervisors		0.66		0.13	0.04		0.83
Senior Management:							
Meng jinsong		1.19		0.19	0.04		1.42
Zhang Hua		0.14		0.03	0.01		0.18
Zhang Peng (Resigned)		0.62		0.12	0.04		0.78
Subtotal for Senior management		1.95		0.34	0.09		2.38
Total	0.48	5.62		0.93	0.27		7.30

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

5. Related-party transactions (Continued)

(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	Share-based payment	
Executive directors:							
Wang Baojun		1.16		0.11	0.04	0.11	1.42
Tian Yong		0.08		0.02	0.01	0.06	0.17
Yang Xu (Resigned)		0.93		0.13	0.01	0.04	1.11
Li zhongwu (Resigned)		0.12		0.02	0.01	0.09	0.24
Subtotal for executive directors		2.29		0.28	0.07	0.30	2.94
Independent non-executive director:							
Feng Changli	0.12						0.12
Wang Jianhua	0.12						0.12
Wang Wanglin	0.12						0.12
Zhu Keshi	0.12						0.12
Subtotal for Independent non-executive director	0.48						0.48
Supervisors							
Yang Zhengwen		0.65		0.12	0.04		0.81
Subtotal for Supervisors		0.65		0.12	0.04		0.81
Senior Management:							
XU Shi Shuai (Resigned)		1.59		0.23	0.03	0.09	1.94
Meng Jin Song		1.75		0.26	0.04	0.09	2.14
Zhang Peng		1.32		0.2	0.04	0.07	1.63
Zhang Hong Jun		0.15		0.03	0.01	(0.02)	0.17
Subtotal for Senior management		4.81		0.72	0.12	0.23	5.88
Total	0.48	7.75		1.12	0.23	0.53	10.11

Note: there is no agreement for a director, supervisor and senior management to waive or agree to waive their remuneration for the current period.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

5. Related-party transactions (Continued)

- (6) Remuneration of the directors, supervisors and senior management (Continued)

The top five employees with the highest salaries in the current period include 0 directors, 0 senior managers (last period: 2 Director, 3 senior managers). The salaries of the top five employees are listed below:

Items	This period					Total
	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	Pension plan contributions	Share-based payment	
Remuneration	6.80		1.08	0.20		8.08
Total	6.80		1.08	0.20		8.08

Remuneration Range	Number	
	This period	Last period
HKD 0 – 1,000,000.00		
HKD 1,000,000.00 – 1,500,000.00	4	
HKD 1,500,000.00 – 2,000,000.00	1	

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

6. Balances of related-party transactions

(1) Accounts receivable

Items	Related party	31 December	31 December
		2023	2022
Accounts receivable	Angang International Trade	610	509
Accounts receivable	Angang Steel Wire Rope Co., Ltd	92	79
Accounts receivable	ANSC-TKS	18	16
Accounts receivable	Benxi Beiyang Iron&Steel (Group) Co., Ltd	7	15
Accounts receivable	Bengang Steel Plates Co., Ltd.	6	16
Accounts receivable	Delin Lugang Supply Chain Service Co., Ltd.	6	
Accounts receivable	Angang Steel Casting Co., Ltd	5	
Accounts receivable	Pangang Group Xichang Steel&Vanadium Co., Ltd	4	7
Accounts receivable	Angang Group Information Industry Co., Ltd	4	1
Accounts receivable	Benxi Iron&Steel (Group) Mining Co., Ltd	3	12
Accounts receivable	Anshan Iron and Steel	3	2
Accounts receivable	Angang Group Engineering Technology Co., Ltd	2	1
Accounts receivable	Angang Group Engineering Technology Development Co., Ltd	2	5
Accounts receivable	AISSG	1	15
Accounts receivable	Angang Group Mining Co., Ltd	1	12
Accounts receivable	Anshan Iron&Steel Institute of Labor Technology Co., Ltd	1	1
Accounts receivable	Panzhuhua Steel&Vanadium Co., Ltd		2
Accounts receivable	Anshan Iron&Steel Group Refractories Co., Ltd		20
Accounts receivable	Pangang Group Mining Co., Ltd		4
Accounts receivable	Chengdu West IOT Group Co., Ltd		1
Accounts receivable	Angang Group Mining Design and Research Institute Co., Ltd		1
Accounts receivable	Angang automobile transportation Co., Ltd		1
Accounts receivable	Angang Group Zhongyuan Industrial Development Co., Ltd		11
Accounts receivable	Pangang Metallurgical Materials Co., Ltd		2
Accounts receivable	Angang Cold rolled steel plate (Putian) Co., Ltd		1
Total		765	734

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

6. Balances of related-party transactions (Continued)

(1) Accounts receivable (Continued)

Items	Related party	31 December 2023	31 December 2022
Other receivables	Angang Group Engineering Technology Development Co., Ltd	1	1
Total		1	1
Prepayment	Angang International Trade	1,084	2,879
Prepayment	Delin Lugang Supply Chain Service Co., Ltd.	65	6
Prepayment	ANSC-TKS	62	33
Prepayment	Bengang Steel Plates Co., Ltd.	48	45
Prepayment	Angang Group Engineering Technology Development Co., Ltd	13	31
Prepayment	Angang Cold rolled steel plate (Putian) Co., Ltd	11	7
Prepayment	Angang automobile transportation Co., Ltd	9	5
Prepayment	Benxi Beiyong Iron&Steel (Group) Co., Ltd	4	2
Prepayment	North Hengda Logistics Co., Ltd	3	
Prepayment	Angang Group Engineering Technology Co., Ltd	2	
Prepayment	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	1	2
Prepayment	Guangzhou automobile steel		5
Total		1,302	3,015

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

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

6. Balances of related-party transactions (Continued)

(2) Accounts payable

Items	Related party	31 December	31 December
		2023	2022
Accounts payable	Delin land port supply chain service Co., Ltd	344	236
Accounts payable	Angang International Trade	255	973
Accounts payable	Angang Group Zhongyuan Industrial Development Co., Ltd	145	78
Accounts payable	Anshan Iron&Steel Metallurgical Furnace Material Technology Co., Ltd	115	206
Accounts payable	Pangang Group International Economic and Trade Co., Ltd	79	60
Accounts payable	Anshan Iron&Steel Group Refractories Co., Ltd	64	71
Accounts payable	Angang Group Mining Co., Ltd	61	141
Accounts payable	ANSC-TKS	55	110
Accounts payable	Angang Group Engineering Technology Development Co., Ltd	40	58
Accounts payable	Angang Mining Construction Co., Ltd	40	37
Accounts payable	Angang automobile transportation Co., Ltd	32	45
Accounts payable	Bengang Steel Plates Co., Ltd.	21	45
Accounts payable	Angang Steel Wire Rope Co., Ltd	17	15
Accounts payable	Pangang Group vanadium and Titanium Resources Co., Ltd	16	4
Accounts payable	Falan Packing	10	11
Accounts payable	Angang Cold rolled steel plate (Putian) Co., Ltd	8	8
Accounts payable	Angang Group Information Industry Co., Ltd	7	19
Accounts payable	Anshan Iron and Steel	7	3
Accounts payable	Angang Steel Group Property Management Co., Ltd	6	6
Accounts payable	Angang Resources Co., Ltd	6	17
Accounts payable	TAGAL Chongqing	3	
Accounts payable	Angang Electric Co., Ltd	3	3
Accounts payable	Angang Group Engineering Technology Co., Ltd	3	2
Accounts payable	Guangzhou automobile steel	3	10
Accounts payable	Zhongan water	3	2
Accounts payable	AISSG	1	1
Accounts payable	Anshan Iron&Steel Institute of Labor Technology Co., Ltd	1	1
Accounts payable	GAC Baoshang	1	1
Accounts payable	Pangang Group Life Service Co., Ltd	1	2
Accounts payable	Shanxi Wuchan International Energy Co., Ltd		420

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

6. Balances of related-party transactions (Continued)

(2) Accounts payable (Continued)

Items	Related party	31 December 2023	31 December 2022
Accounts payable	Benxi Beiyong Iron&Steel (Group) Co., Ltd		60
Accounts payable	Angang Steel Casting Co., Ltd		43
Accounts payable	Chengdu West IOT Group Co., Ltd		24
Accounts payable	Yingkou Angang Water Industry Co., Ltd		5
Accounts payable	Anshan Kede roll surface treatment Co., Ltd		2
Total		1,347	2,719
Other payables	Angang Group Engineering Technology Co., Ltd	911	781
Other payables	Angang Group Engineering Technology Development Co., Ltd	257	154
Other payables	Angang Group Information Industry Co., Ltd	151	69
Other payables	Angang Group Zhongyuan Industrial Development Co., Ltd	57	38
Other payables	Angang Electric Co., Ltd	39	18
Other payables	Angang Mining Construction Co., Ltd	18	17
Other payables	Angang International Trade	9	3
Other payables	Anshan Iron&Steel Institute of Labor Technology Co., Ltd	7	2
Other payables	Anshan Iron&Steel Metallurgical Furnace Material Technology Co., Ltd	3	3
Other payables	Delin land port supply chain service Co., Ltd	2	3
Other payables	Angang Steel Group Property Management Co., Ltd	1	7
Other payables	Shanxi Wuchan International Energy Co., Ltd		2
Other payables	Angang Steel Group Co., Ltd		2
Other payables	Angang Steel Group Capital Holding Co., Ltd		2
Other payables	Angang automobile transportation Co., Ltd		1
Other payables	Anshan Iron&Steel		1
Total		1,455	1,103

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

6. Balances of related-party transactions (Continued)

(2) Accounts payable (Continued)

Items	Related party	31 December 2023	31 December 2022
Contract liabilities	Delin land port supply chain service Co., Ltd	462	393
Contract liabilities	Angang International Trade	112	10
Contract liabilities	Angang Group Zhongyuan Industrial Development Co., Ltd	109	98
Contract liabilities	ANSC-TKS	74	45
Contract liabilities	Angang Automobile	58	99
Contract liabilities	Angang Group Mining Co., Ltd	49	46
Contract liabilities	Angang automobile transportation Co., Ltd	27	29
Contract liabilities	Angang Group Engineering Technology Development Co., Ltd	24	18
Contract liabilities	Angang Cold rolled steel plate (Putian) Co., Ltd	20	
Contract liabilities	Falan Packing	14	18
Contract liabilities	AISSG	9	9
Contract liabilities	Angang Electric Co., Ltd	7	8
Contract liabilities	Meizhou Motor Company	5	1
Contract liabilities	Anshan Iron&Steel Group Refractories Co., Ltd	3	1
Contract liabilities	Pangang Group International Economic and Trade Co., Ltd	2	2
Contract liabilities	Angang Mining Construction Co., Ltd	1	1
Contract liabilities	Nansha Logistical	1	1
Contract liabilities	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd	1	1
Contract liabilities	Bengang Steel Plates Co., Ltd.	1	
Contract liabilities	Angang Yasheng special materials Co., Ltd		1
Contract liabilities	Anshan Iron and Steel Group Dalian Science and Technology Innovation Co., Ltd		1
Contract liabilities	Anshan Jidong Cement Co., Ltd		1
Total		979	783

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIII. Related parties and related party transactions (Continued)

6. Balances of related-party transactions (Continued)

(3) Other non-current assets

Items	Related party	31 December	31 December
		2023	2022
Other non-current assets	Angang International Trade	347	247
Other non-current assets	Angang Group Engineering Technology Co., Ltd	241	263
Other non-current assets	Angang Group Engineering Technology Development Co., Ltd	35	38
Other non-current assets	Angang Group Information Industry Co., Ltd	11	33
Other non-current assets	Angang Group Zhongyuan Industrial Development Co., Ltd	1	2
Total		635	583

XIV. Share-based payment

1. The general introduction of share-based payment

Awarding object	All equity instruments granted this period		All equity instruments unlocked this period		All equity instruments exercised this period		All equity instruments that have expired this period	
	Quantities (10,000 shares)	Amounts	Quantities (10,000 shares)	Amounts	Quantities (10,000 shares)	Amounts	Quantities (10,000 shares)	Amounts
Directors, Senior Management, Core personnel			1,478	28			1,917	36
Total			1,478	28			1,917	36

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIV. Share-based payment

1. The general introduction of share-based payment

Awarding object	Stock options issued to the public at the end of the period		Other equity instruments issued to outward at the end of the period	
	The range of the vesting prices	The remainder of the contractual period	The range of the vesting prices	The remainder of the contractual period
Directors, Senior Management, Core personnel			The initial grant price of the restricted stock incentive plan in 2020 is 1.85 yuan per share, with a reserved portion of the grant price of 2.31 yuan per share	The validity period of the restricted stock incentive plan shall be from the date of completion of the registration of the grant of restricted stocks to the date of the lifting of restrictions or repurchase of all restricted stocks, and shall not exceed 60 months at most.

At the 32nd meeting of the eighth board of directors held on November 26, 2020, the company considered and approved the bill on repurchasing part of the company's A-share public shares (hereinafter referred to as "the repurchase bill"), the bill on authorizing Management to handle matters related to share repurchase Proposals on the 2020 restricted stock incentive plan (Draft) of Angang Steel Co., Ltd. and its summary (hereinafter referred to as "2020 incentive plan" or "incentive plan").

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIV. Share-based payment (Continued)

1. The general introduction of share-based payment (Continued)

According to the repurchase proposal, from December 10, 2020, the Company repurchased the company's A-share ordinary shares from the Shenzhen stock exchange through public bidding transactions as the source of restricted shares granted to incentive targets. According to the incentive plan, the grant price of the restricted shares granted for the first time is RMB 1.85 per share, and the restricted shares are restricted to sale for 24 months from the date of grant. During the restricted sale period, restricted shares shall not be transferred, used to guarantee or repay debts. The 36 months after the restricted sale period is the lifting of the restricted sale period. During each lifting of the restricted sale period, if the conditions for lifting the restricted sale of restricted stocks are met, the incentive object may apply for lifting the restricted sale of restricted stocks held by it through this plan in three batches, with the proportion of lifting the restricted sale in three batches being 33%, 33% and 34% respectively. If the unlocking conditions for a certain year are not met, the corresponding restricted shares that have not been unlocked shall be repurchased by the company.

As of December 24, 2020, the company's share repurchase for the 2020 incentive plan has been completed, the actual number of repurchased shares is 52 million, and the repurchase cost is RMB 166 million (excluding transaction costs), which is included in treasury shares.

The third provisional shareholders' meeting of 2020 held by the company on December 31, 2020 decided to consider and approve proposals related to the incentive plan and authorized the board of directors to handle relevant matters.

On January 8, 2021, the company held the 38th meeting of the eighth board of directors to consider and adopt the bill on adjusting the incentive plan for restricted stocks of Angang Steel Co., Ltd. in 2020 and the bill on granting restricted stocks to incentive targets for the first time. According to the adjusted incentive plan, the number of proposed incentive targets granted for the first time was reduced from 182 to 174, the number of First grants was adjusted from 48.6 million shares to 46.8 million shares, and 5.4 million shares were reserved to remain unchanged. At the same time, the board of Directors believes that the conditions for the grant of this incentive plan have been met, and determines January 8, 2021 as the first grant date, to grant 46.8 million restricted shares to 174 incentive targets for the first time at a price of RMB 1.85 per share.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIV. Share-based payment (Continued)

1. The general introduction of share-based payment (Continued)

On December 10, 2021, the company held the 54th meeting of the eighth board of directors, deliberated and adopted the bill on granting reserved restricted shares to incentive targets. In accordance with the measures for the administration of equity incentives of listed companies, the relevant provisions of the 2020 incentive plan and the authorization of the third provisional shareholders' meeting of the company in 2020, the board of Directors considers that the conditions for the grant of the incentive plan have been met, and determines December 10, 2021 as the reserved grant date to grant 5.3662 million restricted shares to 38 incentive targets at a grant price of RMB 2.31 per share. On the same day, after deliberation and approval by the board of directors, the incentive plan for 2020 granted some 8 incentive targets for the first time, which did not meet the incentive conditions due to the termination or termination of labor relations with the company due to job transfer. The company intends to repurchase and write off 2.23 million A-shares of restricted shares held by the above-mentioned incentive targets at a price of RMB 1.88 per share (the repurchase price is calculated according to the grant price plus the interest of fixed deposits in the same period), The total amount of this repurchase is RMB 4 million. The above-mentioned repurchase restricted shares were transferred to the special securities account for repurchase opened by the company and cancelled after deliberation and approval by the shareholders' meeting on January 6, 2022. After the cancellation in 2022, the company reduced its share capital and capital reserve by RMB 2 million and RMB 2 million respectively, and reduced its treasury shares by RMB 4 million.

On November 23, 2022, the company held the eighth meeting of the ninth board of directors, deliberated and approved the bill on the repurchase and cancellation of restricted shares that have been granted to some incentive targets of the restricted stock incentive plan in 2020 but have not yet been lifted, and agreed to repurchase and cancel 2.04 million restricted shares that have been granted but have not yet been lifted held by some incentive targets. The total amount of restricted shares repurchased and cancelled this time is 4 million. The above-mentioned repurchase restricted shares were transferred to the special securities account for repurchase opened by the company and cancelled after deliberation and approval by the shareholders' meeting on December 19, 2022. After the cancellation in 2023, the company reduced its share capital and capital reserve by RMB 2 million and RMB 2 million respectively, and reduced its treasury shares by RMB 4 million.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIV. Share-based payment (Continued)

1. The general introduction of share-based payment (Continued)

On March 30, 2023, the 14th meeting of the ninth board of directors was held to consider and approve the bill on the repurchase and cancellation of restricted shares that have been granted to some incentive targets of the restricted stock incentive plan in 2020 but have not yet been lifted. It is agreed that the company will repurchase and cancel 1.13 million restricted shares that have been granted but have not yet been lifted held by some incentive targets. The total amount of restricted shares repurchased and cancelled this time is 2 million. The above-mentioned repurchase restricted shares were transferred to the company's repurchase professional securities account and cancelled after deliberation by the shareholders' meeting on May 29, 2023. After the cancellation in 2023, the company reduced its share capital and capital reserve by RMB 1 million and RMB 1 million respectively, and reduced its treasury shares by RMB 2 million.

The 14th meeting of the 9th board of directors and the 7th Meeting of the 9th board of supervisors held on March 30, 2023 considered and approved the bill on cancellation of shares in the company's special securities account for repurchase, and agreed to cancel the remaining 408623 treasury shares in the company's special securities account for repurchase.

On April 18, 2023, the 2020 restricted stock incentive plan of company granted partial first lifting of the restriction period and lifting of the restriction conditions. A total of 172 incentive objects met the lifting of the restriction conditions, and the number of restricted stocks lifted was 14.77905 million shares. After the lifting of the ban, the company reduced treasury shares by 28 million.

The 19th meeting of the 9th board of directors and the 9th Meeting of the 9th board of supervisors held on August 30, 2023 considered and approved the bill on the repurchase and cancellation of restricted shares that have been granted to some incentive targets of the restricted stock incentive plan in 2020 but have not yet been lifted, and agreed to repurchase and cancel 15.59 million restricted shares that have been granted but have not yet been lifted held by some incentive targets. The total amount of restricted shares repurchased and cancelled this time is 30 million. The above-mentioned repurchase restricted shares were transferred to the special securities account for repurchase opened by the company and cancelled after deliberation and approval by the shareholders' meeting on October 26, 2023. After the cancellation in 2023, the company reduced its share capital and capital reserve by RMB 16 million and RMB 14 million respectively, and reduced its treasury shares by RMB 30 million.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XIV. Share-based payment (Continued)

2. 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	23
Total expenses recognized for equity-settled share-based payments in the current period	(9)

3. The expenses of share-based payments

Awarding object	Share-based payment settled by equity	
	This period	Last period
Directors, Senior Management, Core personnel	(9)	10
Total	(9)	10

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XV. Commitments and contingencies

1. Significant commitments

Items	31 December 2023	31 December 2022
Investment contracts entered but not yet performed or performed partially	239	14
Construction and renovation contracts entered but not yet performed or performed partially	2,197	3,036
Total	2,436	3,050

2. Contingencies

As of December 31, 2023, the group has no material contingencies to disclose.

XVI. Subsequent events

There are no subsequent events that need to be published by the Group.

XVII. Other significant introductions

As of December 31, 2023, the group had no other important matters to explain.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements

1. Accounts Receivable

(1) Classification of Accounts Receivable

Item	31 December 2023				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	661	28.00	534	80.79	127
Account receivable for which bad debt is prepared based on group combination	1,700	72.00	6	0.35	1,694
including: Risk-free group combination	1,563	66.20			1,563
Risk group combination on the basis of aging-matrix	137	5.80	6	4.38	131
Total	2,361	100.00	540	22.87	1,821

Item	31 December 2022				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	904	26.22	751	83.08	153
Account receivable for which bad debt is prepared based on group combination	2,544	73.78	4	0.16	2,540
including: Risk-free group combination	1,518	44.03			1,518
Risk group combination on the basis of aging-matrix	1,026	29.75	4	0.39	1,022
Total	3,448	100.00	755	21.90	2,693

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements (Continued)

1. Accounts Receivable (Continued)

- (2) Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2022		31 December 2023		Percentage (%)	Reason
	Book Value	Bad Debt Provision	Book Value	Bad Debt Provision		
Tianjin Property Group Finance Co.,Ltd.	586	463	566	442	78.09	Notes overdue
Chongqing Lifan Finance Co., Ltd.	50	43	28	25	89.28	Notes overdue
Anshan Zhongyou Tianbao Steel Pipe Co., Ltd.	67	66	67	67	100.00	The business is in trouble and it does not have the ability to pay debts
HNA Group Finance Co., Ltd.	201	179				
Total	904	751	661	534		

- (3) Accounts Receivable classified by aging

Aging	31 December 2023	31 December 2022
Within 1 year	1,682	2,540
1 to 2 years	14	5
2 to 3 years		
3 to 4 years		832
4 to 5 years	594	
Over 5 years	71	71
Total	2,361	3,448

Note: In the above analysis, the aging of accounts receivable transferred from overdue notes receivable is calculated on the transfer date. The amount of accounts receivable due in 4-5 years is RMB 594 million. Meanwhile, the rest of the accounts receivable are based on the invoice date.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements (Continued)

1. Accounts Receivable (Continued)

- (4) Bad debt provision at the end of the period

Type	31 December 2022	Increase/Decrease			31 December 2023
		Bad debt provision	Reverse	Resale or verification	
Accounts Receivable	755	(16)		(199)	540

- (5) Accounts receivable written off this period

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

- (6) The condition of accounts receivable of the top five debtors by the balances as of 31 December 2023

The total amount of top five accounts receivable according to closing balance of debtors of the company was RMB1,757 million as of 31 December 2023, which accounted for 74.42% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB442 million as of 31 December 2023.

- (7) Accounts receivable derecognized resulting from transfer of financial assets

The company transferred accounts receivable on a non-recourse basis of RMB2,196 million and incurred costs related to derecognition of RMB28 million during the period.

2. Other receivables

Items	31 December 2023	31 December 2022
Dividends receivable (Note)	27	17
Other receivables	61	47
Total	88	64

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements (Continued)

2. Other receivables (Continued)

2.1 Dividends receivable

The Invested Entity	31 December 2023	31 December 2022
WISDRI	27	
FAW Angang		17
Total	27	17

2.2 Other receivables

(1) Classification of other receivables

Items	31 December 2023				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	62	100.00	1	1.61	61
Including: Risk-free group combination	31	50.00			31
Risk group combination on the basis of aging-matrix	31	50.00	1	3.23	30
Total	62	100.00	1	1.61	61

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements (Continued)

2. Other receivables (Continued)

(1) Classification of other receivables (Continued)

(1) Classification of other receivables (Continued)

Items	31 December 2022				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	48	100.00	1	2.08	47
Including: Risk-free group combination	31	64.58			31
Risk group combination on the basis of aging-matrix	17	35.42	1	5.88	16
Total	48	100.00	1	2.08	47

(2) Other receivables classified by the nature

Type	31 December 2023	31 December 2022
Money lent to subsidiary	30	30
Industrial injury loan	7	7
Petty cash		4
Bid security	3	1
Others	22	6
Total	62	48

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements (Continued)

2. Other receivables (Continued)

(3) Other receivables classified by aging

Aging	31 December 2023	31 December 2022
Within 1 year	57	42
1 to 2 years	3	4
2 to 3 years		1
3 to 4 years	1	
4 to 5 years		
Over 5 years	1	1
Total	62	48

(4) The recognition 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 2023			1	1
Bad debt provision Reverse				
Resale or verification				
Write of				
Other changes				
Balance at 31 December 2023			1	1

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements (Continued)

2. Other receivables (Continued)

- (5) Bad debt provision at the end of the period

Type	31 December 2022	Increase/Decrease			31 December 2023
		Bad debt provision	Reverse	Resale or verification	
Other receivables	1				1

- (6) Other receivables with the top five balances on December 31, 2023

The summary amount of the top five other receivables collected by the company according to the debtor on December 31, 2023 is 50 million, accounting for 80.65% of the total balance of other receivables on December 31, 2023, and the summary amount of the corresponding bad debt provision on December 31, 2023 is 1 million.

3. Long-term equity investments

- (1) Classification of long-term equity investment

Items	31 December 2023			31 December 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	10,548		10,548	10,598		10,598
Investments in joint ventures and associates	3,353		3,353	3,035		3,035
Total	13,901		13,901	13,633		13,633

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements (Continued)

3. Long-term equity investments (Continued)

(2) Investments in subsidiaries

The invested entity	31 December	Increment	Decrement	31 December	Provision for impairment	Provision
	2022			2023		
Angang Wuhan	237			237		
Angang Hefei	281			281		
Angang Guangzhou	90			90		
Shenyang International Trade	321			321		
Shanghai Trade	303			303		
Tianjin Trade	203			203		
Guangzhou Trade	315			315		
Angang Shenyang	181			181		
Angang Tianjin	27			27		
Angang Dalian	266			266		
Ningbo Trade	100			100		
Yantai Trade	200			200		
Angang Kobelco	357			357		
ASPD-CC	496			496		
Jinsuoju	50	5	20	35		
Angang Zhengzhou	229			229		
Chaoyang Iron and Steel	3,545			3,545		
Energy and Technology	124			124		
Chemical Technology	2,677			2,677		
FAW Angang	119			119		
Delin Zhilian	55		55			
Hangzhou Auto Material	60			60		
Beijing International Trade	198			198		
Delin Industrial Products	164			164		
Material Technology		20		20		
Total	10,598	25	75	10,548		

(3) Investments for the joint ventures and associates

Please refer to Note VI.10 (excluding Zhong'an Water and Angang CIMC).

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements (Continued)

4. Operating income and operating cost

(1) Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	99,255	100,377	113,079	111,762
Other operating	221	174	329	298
Total	99,476	100,551	113,408	112,060

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

(2) Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	92,316	107,349
Foreign exchange income from outside borders	7,160	6,059
Total	99,476	113,408

(3) Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	99,476	113,408
Total	99,476	113,408

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XVIII. Notes to parent company financial statements (Continued)

5. Investment income

Items	This period	Last period
Long-term equity investment income measured at cost method	539	898
Long-term equity investment income measured at equity method	357	234
Investment income of other investments in equity instruments	41	2
Others	(48)	
Total	889	1,134

XIX. Net current assets

Items	31 December 2023	31 December 2022
Current assets	27,119	29,232
Less: Current liabilities	35,188	36,154
Net current assets/(liabilities)	(8,069)	(6,922)

XX. Total assets less current liabilities

Items	31 December 2023	31 December 2022
Total assets	97,014	96,991
Less: Current liabilities	35,188	36,154
Total assets less current liabilities	61,826	60,837

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XXI. Supplementary documents

1. Non-recurring gains and losses

Items	This period	Last period
Gains and losses from disposal of non-current assets	(22)	(25)
Government grant recorded into profit and loss for current period (except government subsidies that are closely related to the company's normal business operations, comply with national policies and regulations, enjoyed in accordance with established standards and have a lasting impact on the company's profit and loss)	60	89
Changes in the fair value of other non-current financial assets	6	(10)
Other non-current liabilities-part of embedded derivative financial instruments, derivative financial liabilities-changes in fair value of foreign exchange swap contracts	(37)	87
The receivables that are separately tested for impairment and reversal of provision for impairment of contract assets	19	64
Gains or losses from debt restructuring	30	
Other non-operating income and loss not listed above	22	(12)
Subtotal	78	193
Less: Effect on taxation	20	48
Effect on minority interest (after tax)		
Total	58	145

The Group'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(Revised in 2023). The Group's implementation of the Interpretive Announcement No. 1 of the Company Information Disclosure of Public Offering Securities – Non-recurring Gains and Losses (Revised in 2023) has no impact on non-recurring profit and loss in comparable accounting periods.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XXI. Supplementary documents (Continued)

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	(5.78)	(0.347)	(0.347)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	(5.88)	(0.353)	(0.353)

The above data is calculated using the following formula:

(1) Weighted average return on equity

$$\text{Weighted average return on equity} = P_0 / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

Among them, P₀ corresponds to the net profit attributable to ordinary shareholders of the company and the net profit attributable to ordinary shareholders of the company after deducting non recurring gains and losses; NPIS the net profit attributable to ordinary shareholders of the company; E₀ is the net assets at the beginning of the period attributable to ordinary shareholders of the company; E_i is the new net assets attributable to ordinary shareholders of the company, such as the issuance of new shares or debt to equity swap during the reporting period; E_j is the net assets attributable to ordinary shareholders of the company reduced by repurchase or cash dividend during the reporting period; M₀ is the number of months in the reporting period; M_i is the cumulative number of months from the next month of new net assets to the end of the reporting period; M_j is the cumulative number of months from the next month after the reduction of net assets to the end of the reporting period; E_k is the increase or decrease in net assets attributable to ordinary shareholders of the company due to other transactions or events; M_k is the cumulative number of months from the month following the increase or decrease in other net assets to the end of the reporting period.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XXI. Supplementary documents (Continued)

2. Return on equity (ROE) and Earnings per Share (EPS) (Continued)

(2) Basic earnings per share

$$\text{Basic earnings per share} = P_0 \div S, S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

Among them, P₀ is the net profit attributable to ordinary shareholders of the company or the net profit attributable to ordinary shareholders after deducting non recurring gains and losses; S is the weighted average number of ordinary shares outstanding; S₀ is the total number of shares at the beginning of the year; S_i is the number of shares increased due to the conversion of provident fund into share capital or stock dividend distribution during the reporting period; S_i is the number of shares increased due to the issuance of new shares or debt to equity swap during the reporting period; S_j is the number of shares reduced due to repurchase during the reporting period; S_k is the number of shares withdrawn during the reporting period; M₀ number of months in the reporting period; M_i is the cumulative number of months from the next month after the increase of shares to the end of the reporting period; M_j is the cumulative number of months from the next month after the reduction of shares to the end of the reporting period.

Notes to the financial statements (Continued)

December 31, 2023 (Unless otherwise specified, the unit of amount is RMB million)

XXI. Supplementary documents (Continued)

2. Return on equity (ROE) and Earnings per Share (EPS) (Continued)

(3) Diluted earnings per share

Diluted earnings per share = $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Weighted average number of common shares increased by warrants, share options, convertible bonds, etc.})$

Among them, P1 is the net profit attributable to ordinary shareholders of the company or the net profit attributable to ordinary shareholders of the company after deducting non recurring gains and losses, and considering the impact of dilution of potential ordinary shares, it is adjusted in accordance with the accounting standards for business enterprises and relevant provisions. When calculating the diluted earnings per share, the company shall consider the impact of all diluted potential ordinary shares on the net profit attributable to ordinary shareholders of the company or the net profit attributable to ordinary shareholders of the company after deducting non recurring gains and losses and the weighted average number of shares, and shall include them in the diluted earnings per share in the order of dilution from large to small until the diluted earnings per share reaches the minimum.

Five-Year Summary

Monetary unit: RMB million

	2023	2022	2021	2020	2019
Operating income	113,502	131,072	136,120	100,349	105,587
Net profit	(3,223)	186	6,998	2,208	1,760
Total assets	97,014	96,935	98,652	89,166	87,808
Total liabilities	41,623	38,138	37,415	34,388	35,260
Net assets	55,391	58,797	61,237	54,778	52,548

Other Relevant Corporate Information

INCORPORATION:

Organisation 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	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
Place of business of auditor	17-20/F, Tower A, China Overseas International Centre, Building 7, 5 Anding Road, Chaoyang District, Beijing Zhang Junshu and Gu Xin

BUSINESS ADDRESS OF THE COMPANY IN HONG KONG:

23/F, Entertainment Building, 30 Queen's Road Central, Hong Kong

Definitions

In this annual report, the following expressions shall have the following meanings unless the context requires otherwise:

“Angang”	Angang Group Company Limited, the ultimate controlling shareholder of the Company
“Angang Financial Company”	Angang Group Financial Company Limited
“Angang Group”	Angang and the companies held by it as to 30% or more (excluding the Group)
“Angang Holding”	Anshan Iron & Steel Co., Ltd., the controlling shareholder of the Company
“Angang International Trade”	Angang Group International Economic and Trade Co., Ltd.
“Anshan Iron & Steel Group Complex”	Angang Holding and the companies in which it holds 30% or above interests (excluding the Group)
“Bayuquan Branch Company”	Bayuquan Iron & Steel Branch Company of Angang Steel
“Chaoyang Iron and Steel”	Angang Group Chaoyang Iron and Steel Co., Ltd.
“Chemical Technology”	Angang Chemical Technology Co., Ltd.
“Continuing Connected Transaction Agreements”	collectively, the Supply of Materials and Services Agreement (2022–2024), the Supply of Materials Agreement (2022–2024), the Financial Service Agreement (2022–2024) and the Supply Chain Financial Services Framework Agreement (2022–2024)
“Financial Service Agreement (2022–2024)”	the Financial Service Agreement (2022–2024) entered into between the Company and Angang Financial Company on 26 November 2021, which was approved at the 2021 second extraordinary general meeting of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

Definitions (Continued)

“PRC”	the People’s Republic of China (for the purpose of this annual report, excluding the Hong Kong and Macau special administrative regions)
“Reporting Period”	year ended 31 December 2023
“Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited” or “Hong Kong Stock Exchange Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Supplemental Agreement to the Continuing Connected Transaction Agreement”	the 2023 Supplemental Agreement to the Supply of Materials and Services Agreement (2022–2024) entered into between the Company and Angang Group Company Limited on 23 August 2023, which was approved at the 2023 third extraordinary general meeting of the Company
“Supply Chain Financial Services Framework Agreement (2022–2024)”	the Supply Chain Financial Services Framework Agreement (2022–2024) entered into between the Company and Angang Steel Group Capital Holdings Co., Ltd. on 26 November 2021, which was approved at the 2021 second extraordinary general meeting of the Company
“Supply of Materials Agreement (2022–2024)”	the Supply of Materials Agreement (2022–2024) entered into between the Company and Pangang Vanadium & Titanium on 26 November 2021, which was approved at the 2021 second extraordinary general meeting of the Company
“Supply of Materials and Services Agreement (2022–2024)”	the Supply of Materials and Services Agreement (2022–2024) entered into between the Company and Angang Group on 26 November 2021, which was approved at the 2021 second extraordinary general meeting of the Company
“The Company”, “Company”, and “Angang Steel”	ANGANG STEEL COMPANY LIMITED
“The Group”	Angang Steel Company Limited and its subsidiaries

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

28 March 2024

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*

