

**Beijing Shougang Company Limited**  
**2020 Annual Report**

**28 April 2021**

## **Section I. Important notice, Content, Definitions**

The board of directors (the “Board”), the supervisory committee, all directors, supervisors and senior executives of the Company warrant that there are no false representations, misleading statements or material omissions in this annual report; and are jointly and individually responsible for the truthfulness, accuracy and completeness of the information contained in this annual report.

Mr. Zhao Minge, representative of the Company, Mr. Liu Jianhui, general manager, Mr. Li Baizheng, person overseeing the accounting operations, and Ms. Gong Juanjuan, head of Accounting Department, made representations in respect of the truthfulness, accuracy and completeness of the financial report contained in the annual report.

All directors have attended the board meeting to review of and deliberate on this annual report.

Forward-looking statements contained in this annual report do not constitute any substantive commitments to investors by the Company. Investors should be aware of the relevant investment risks.

Certain risks that may exist have been elaborated by the Company in this report. Please refer to Discussion and Analysis of Business Operations for details.

Proposal of profit distribution or capitalisation of capital reserve during the Reporting Period approved by the Board:

On 21 April 2021, the event of "Share Issuing to Beijing Jingtou Investment Holding Co., Ltd. etc. for Assets Purchase and Fundraising" has been approved by the CSRC (CSRC Permit No. [2021] 1400), and the Company is proceeding with this transaction in accordance with the regulations. In consideration of this matter, the Company intends to review and arrange related profit distribution plan of 2020 in accordance with the provisions of relevant laws, regulations, rules, normative documents and Articles of Association as soon as possible after the implementation of this matter.

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## INTERPRETATION

Items	Refers to	Contents
CSRC	Refers to	China Securities Regulatory Commission
SZSE	Refers to	Shenzhen Stock Exchange
Company, the Company or Shougang Co.	Refers to	Beijing Shougang Company Limited
Shougang or Shougang Group	Refers to	Shougang Group (Reforming from an enterprise owned by the whole people to exclusively state-owned companies, name of Shougang Group is changed from Shougang Corporation. The specific content is detailed in 15 June 2017 public announcement.)
Listing Rules of SZSE	Refers to	Listing Rules of Shenzhen Stock Exchange
The Articles of Association	Refers to	The Articles of Association of Beijing Shougang Company Limited
Board of Directors or the Board	Refers to	The board of directors of Beijing Shougang Company Limited
Supervisory Committee	Refers to	The supervisory committee of Beijing Shougang Company Limited
Shareholders' General Meeting	Refers to	The Shareholders' General Meeting of Beijing Shougang Company Limited
Qiangang Co.	Refers to	Shougang Qian'an Iron&Steel Co., Ltd. (Branch of the Company)
Cold-R Co.	Refers to	Beijing Shougang Cold Rolling Co., Ltd. (Holding subsidiary of the Company, holds 70.28%)
Zhixin Co.	Refers to	Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd. (Wholly-owned subsidiaries of the Company)
New-E Co.	Refers to	Beijing Shougang New Energy Automobile Material Technology Co., Ltd. (Holding subsidiary of the Company, holds 47.4%)
Steel Trading	Refers to	Beijing Shougang Steel Trading Investment Management Co., Ltd. (Holding subsidiary of the Company, holds 51%)
Qianshun Base	Refers to	Qiangang Co, Zhixin Co., located in Qian-an, Hebei province, and Cold-R Co., located in Shunyi District, Beijing, establishing an upstream and downstream integrate production management system and research and development system.
Jingtang Co. / Jingtang Base.	Refers to	Shougang Jingtang United Iron&Steel Co., Ltd. (Holding subsidiary of the Company, the Company holds 51%, Steel Trading Co. holds 29.8177%)
Major Assets Reorganization, First Reorganization, and Previous Major Assets Reorganization	Refers to	Since the shut down of the main process of iron and steel manufacturing in late 2010, which was operated in Shijingshan District, Beijing, a transaction between the Company and Shougang carried out. The transaction event was announced as "Related Party Transactions between Beijing Shougang Co., Ltd. and Shougang Corporation - Major Assets Swap and Asset Purchase through Issue of Shares". The event was unconditional approved by China Securities Regulatory Commission Restructuring Committee on 16 January 2013. On 29 January 2014, the Company received the approval document, named "The Approval of Related Party Transactions between Beijing Shougang Co., Ltd. and Shougang Corporation - Major Assets Reorganization and Asset Purchase through Issue of Shares", which was issued by China Securities Regulatory Commission. On 25 April 2014, the reorganization was accomplished.
Major Assets Swap, Second Reorganization	Refers to	On 23 April 2015, trading in the shares of the Company was suspended and the major assets swap launched. Main content of the swap is: 100% shareholding of Guizhou Investment Co., Ltd. was replaced with 51% shareholding of Jingtang Co., any insufficiency was paid in cash. This major assets swap was accomplished at the end of 2015. On 27 April 2016, re-election of the board of directors and amendment of Articles of Association of Jingtang Co. was accomplished and the Company was qualified to consolidate the financial statements of Jingtang Co. The second swap was then accomplished.
EVI	Refers to	Early Vendor Involvement means involving the downstream users at early stage of product development process and fully understanding users' requirements for raw material so that high-performance materials and personalized services could be offered to users.
Reporting Period	Refers to	From 1 January 2020 to 31 December 2020
Thousand, Million, Billion	Refers to	RMB Thousand, RMB Million, RMB Billion

## Section II. Company Profile and Major Financial Indicators

### I. Company information

Short name of stock	Shougang Stock	Stock code	000959
Stock exchange for listing of shares	The Shenzhen Stock Exchange		
Statutory Chinese name of the Company	Beijing Shougang Co., Ltd.		
Statutory Chinese name of the Company	Shougang Co.		
Legal representative of the Company	Zhao Minge		
Registered address	Shijingshan Road, Shijingshan District, Beijing, PRC		
Postal code of the registered address	100041		
Office address	No. 99 Shijingshan Road, Shijingshan District, Beijing, PRC		
Postal code of the office address	100041		
The Company's website	www.sggf.com.cn		
Email address	sggf@sgqg.com		

### II. Contact information

	Secretary of the board
Name	Chen Yi
Correspondence address	No. 99 Shijingshan Road, Shijingshan District, Beijing, PRC
Telephone	010-88293727
Fax	010-88292055
Email address	Chenyi@shougang.com.cn

### III. Information disclosure and place for inspection

Designated media for information disclosure	China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily
Website designated by CSRC for annual report publication	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Place for inspection of the annual report	Secretary office of the board of the Company, The Shenzhen Stock Exchange

### IV. Changes of registration

Organization code	911100007002343182
Changes of the core business since listing (if any)	No changes
Changes of controlling shareholder (if any)	No changes

### V. Other relevant information

Accounting firm engaged by the company

Name of accounting firm	Grant Thornton LLP
Address of accounting firm	5th Floor of Scitech Plaza, No. 22 Jianguomenwai Avenue, Chaoyang District, Beijing
Signed CPA	Qian Bin, Li Dan

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable  Non applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable  Non applicable

## VI. Major accounting data and financial indicators

Whether the Company has retroactive adjustment or re-statement on previous accounting data or not

√ YES □ NO

Reasons for retroactive adjustment or restatement

Business combination under common control

	2020	2019		Changes over last year	2018	
		Pre-adjustment	Post-adjustment	Post-adjustment	Pre-adjustment	Post-adjustment
Operating revenue	79,951,181,948.10	69,151,432,692.45	68,841,307,821.91	16.14%	65,776,660,538.90	66,475,184,065.63
Net profit attributable to shareholders of the listed company	1,786,452,832.06	1,251,047,873.08	1,185,589,702.44	50.68%	2,403,750,672.16	2,370,453,251.46
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	1,714,439,720.83	1,237,189,576.69	1,237,189,576.69	38.58%	2,370,753,271.57	2,370,753,271.57
Net cash flows from operating activities	10,274,678,796.19	3,318,628,938.53	3,415,002,015.35	200.87%	12,459,389,585.17	12,389,358,915.24
Basic earnings per share	0.3377	0.2365	0.2241	50.69%	0.4544	0.4482
Diluted earnings per share	0.3377	0.2365	0.2241	50.69%	0.4544	0.4482
Weighted average return on net assets	6.40%	4.77%	4.52%	Increase 1.88%	9.29%	9.18%
	31 December 2020	31 December 2019		Changes over end of last year	31 December 2018	
		Pre-adjustment	Post-adjustment	Post-adjustment	Pre-adjustment	Post-adjustment
Total assets	144,367,221,971.10	141,370,925,410.35	146,872,471,898.20	-1.71%	135,204,153,025.76	140,144,000,775.49
Net assets attributable to shareholders of the listed company	28,959,395,268.02	27,028,680,992.20	26,881,935,733.01	7.73%	25,431,045,600.77	25,267,927,428.37

The Company's net profit before and after deducting non-recurring profit and loss in the last three fiscal years is negative, and the audit profit of the last year presents that the Company's ability of continuing operations is uncertain.

□ YES √ NO

The net profit before and after deducting non-recurring profit and loss is negative.

□ YES √ NO

## VII. Difference of accounting data under accounting rules in and out of China

### 1. Differences of net profit and net assets in financial statements disclosed according to International Financial Reporting Standards and Chinese Accounting Standards

□ Applicable √ Non applicable

There is no difference between the net profit and net assets in the financial statements disclosed in accordance with International Financial Reporting Standards and Chinese Accounting Standards during the reporting period of the Company.

### 2. Difference of net profit and net assets in financial statements disclosed according to foreign accounting standards and Chinese Accounting Standards

□ Applicable √ Non applicable

There is no difference between the net profit and net assets in the financial statements disclosed in accordance with foreign accounting standards and Chinese Accounting Standards during the reporting period of the Company.

## VIII. Major financial indicators by quarter in 2020

Unit: RMB Yuan

	Q1	Q2	Q3	Q4
Total revenue	17,284,413,433.63	16,402,416,186.59	20,998,838,588.31	25,265,513,739.57
Net profit attributable to shareholders of the listed company	197,594,840.73	325,593,065.83	651,503,984.61	611,760,940.89
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	189,019,530.01	286,879,833.47	645,106,468.50	593,433,888.85
Net cash flows from operating activities	-184,708,264.66	2,928,254,168.49	2,127,819,976.80	5,403,312,915.56

Whether there are significant differences between the above-mentioned financial indicators or the sum and the relevant financial

indicators disclosed in the Company's quarterly report and semi-annual report

YES  NO

## IX. Items and amounts of non-recurring profit and loss

Applicable  Non applicable

Unit: RMB Yuan

Item	2020	2019	2018	Note
Gains and losses on disposal of non-current assets (including the write-off that accrued for impairment of assets)	-633,491.79	-7,684,491.35	-7,363,775.54	
Government grant included in the current profit and loss (except for the government grant which are closely related to the business of the company and are in accordance with the national unified standard quota)	58,640,213.30	42,102,501.30	31,376,175.07	
Current net profit and loss of subsidiaries from the beginning of the period to the date of business combination under the common control	61,522,051.81	5,124,466.43	13,013,692.30	
Profit and loss from external entrusted loans	10,361,268.74	8,187,426.69	5,478,548.29	
Other non-operating income and expenses except the above items	-289,865.40	-18,673,930.68	22,350,838.71	
Other profit and loss items conforming to the definition of non-recurring profit and loss	-6,922,580.64	-66,820,816.33	-42,242,680.81	
Less: The impact of income tax	7,022,263.80	4,039,236.83	2,779,669.43	
The impact on non-controlling interests (post-tax)	43,642,220.99	9,795,793.48	20,133,148.70	
Total	72,013,111.23	-51,599,874.25	-300,020.11	--

The reasons shall be explained for the non-recurring profit and loss items defined by the company according to the definition of "explanatory Announcement No. 1 of information disclosure of companies offering securities to the public - non recurring profit and loss" and the items of non-recurring profit and loss listed in the explanatory announcement of information disclosure of companies offering securities to the public No. 1 - non recurring profit and loss as recurring profit and loss items.

Applicable  Non applicable

During the reporting period, there are no non-recurring profit and loss items defined and listed in "explanatory Announcement No. 1 of information disclosure of companies offering securities to the public non-recurring profit and loss" as recurring profit and loss items.

## Section III. Overview of the Company's Business

### I. Main businesses during the reporting period

1. The Company runs the business in iron and steel industry, and main business range includes: iron and steel smelting, steel rolling processing, copper smelting, copper rolling processing and sales; manufacturing and sales of sinter, coke and chemical products; blast furnace residual pressure power generation and production and sales of gas; processing and sales of industrial waste; sales of metal materials, coke, chemical products, mechanical and electrical equipment, building materials, general equipment, hardware and electrical equipment (excluding electronic bicycles), furniture and decorative materials; equipment leasing (excluding automobiles); loading, unloading and handling services; software development; advertising design and agency; warehousing services; technology development, technical consultation, technology transfer, technical service and technical training; investment and investment management; telecommunications services; insurance agency services; insurance broker services.

2. Iron and steel products of Qianshun Base include hot and cold plates. The hot plates mainly contain: pickle sheet, weather-resistant steel, automobile structure steel, high-strength steel, pipeline steel, saw steel, etc. The cold plates mainly contain: automobile sheet, electrical steel, home electrical appliances, special-use plate, etc.

Iron and steel products of Jingtang Base include hot and cold plates. The hot plates mainly contain hot-rolled products, i.e., automobile structure steel, pipeline steel, weather-resistant steel, high-strength steel, etc.; and also contain medium and thick plates products, such as bridge steel, shipbuilding steel, marine steel, wind power steel, high-performance construction steel, pipeline steel, etc. The cold plates mainly contain: automobile sheet, home electrical appliances, special-use plate, tin sheet, tin-free-steel, color-coated sheet, general sheet, etc. seven main products series.

3. Use of the main iron and steel products

(1) Hot Plates

**The pickle sheets** are mainly used in automobiles, compressor, motorcycle, machinery manufacturing, hardware accessories with five metals (gold, silver, copper, iron and tin), etc.

**The automobile structure steels** mainly include automobile wheel steel, and automobile beam steel, which mainly used to produce wheel rim and spoke of car, coach, truck, engineering plant, agricultural vehicle, etc. and crossbeam, side beam and other structural components of all kinds of automobile frame.

**The pipeline steels** are mainly used in transportation of oil, gas, etc.

**The weather-resistant steels** mainly include container steel, railway weathering steel, stirred tank steel, electric power steel, etc.

**The high-strength steels** mainly include high performance steel for engineering mechanism, explosion proof steel for the safe and ATM machine, fan steel, auto-truck steel, etc. The high-strength steels are mainly used to manufacture lifting arm, body, and beam of cranes, pump, special vehicle, etc., and also, the blade and other products of blower, mining fan and electric fan could be manufactured.

**The special-use plates** mainly include weld gas vessel steel, boiler, pressure vessel steel, which could be used to manufacture containers for liquefied petroleum gas, liquid nitrogen, etc., and also could be used to produce pressure equipment for special used equipment.

(2) Cold Plates

**The automobile sheets** are mainly used to manufacture automobile body, structure, and partial chassis parts of commercial and passenger vehicles of all kinds.

**The electrical steels** include non-oriented electrical steel and oriented electrical steel, which mainly used in household electrical appliances, industrial motor, medium and small electric motor, new-energy cars, transformer, and other industries.

**The tin sheets** are mainly used in packing of food, drink, and other products, and also could be used in packing of petrol, oil, paints, polishing compound, spray and other chemicals products.

**The tin-free-steels** are mainly used in can cap, twist-off cap, dished lid, snap lids, drawn can.



**The home electrical appliances** are mainly used in fridges, washing machine, air-conditioning, television, and inner and outer plate, structure plates of small home appliances.

**The color-coated sheets** are widely used in construction industry, shipbuilding industry, vehicle manufacturing industry, furniture industry, etc.

**The special-use plates** are mainly used to manufacture chain, enamel, solder wire, tubing, general motorcycle components, etc.

## II. Material Changes in Major Assets

### 1. Material Changes in Major Assets

Major Assets	Notes for material changes
Equity Assets	Other equity instruments investments decreased by RMB4.08 billion, mainly due to the impact of asset replacement on the equity of BAIC Motor Co., Ltd. held by the company.
Fixed assets	Book value of fixed assets increased RMB12.93 billion compared to the beginning of the year. Mainly due to the transfer of fixed assets from construction in progress by RMB19.26 billion and depreciated by RMB6.41 billion.
Intangible assets	Book value of intangible assets increased RMB1.128 billion compared to the beginning of the year. Mainly due to the transfer of land-use right from construction in progress and software by RMB1.23 billion and amortized by RMB0.11billion.
Construction in progress	Book value of construction in progress decreased by RMB17.13 billion compared to the beginning of the year. Mainly caused by the transfer of fixed assets from construction in progress of Jingtang Co. Phase-II project.

### 2. Major overseas assets

Applicable  Non applicable

## III. Core Competitiveness Analysis

### 1. Capability of technical equipment

**Qiangang Co.** owns 2 blast furnaces with 2650m<sup>3</sup> each and 1 blast furnace with 4000m<sup>3</sup>, which adopt multiple international advanced techniques such as distribution chute of larger blast, fully dry gas cleaning, pulverized coal injection by parallel tank, zero interval iron production, etc., and main technical indicators, such as coke ratios, coal injection rate, using coefficient of the blast furnace, etc. stand at the leading position in China. In addition, 5 converters with 210t each, 4 two-strand slab caster and corollary equipment LF, CAS-OB, RH Vacuum Refining Furnace, 1 hot-rolling wide steel strip rolling mill with 2250mm, 1 hot-rolling wide steel strip rolling mill with 1580 are also owned by Qiangang Co.. Meanwhile, Qiangang Co. takes the lead to realize “One-step Steelmaking”, “One-step Refining” and “Auto Steel-pouring of plate blank”. Furthermore, Qiangang Co. introduces artificial intelligence into steel production, and technical equipment, energy saving and environmental protection, independent integration, innovation, etc. of the Company have reached the leading level in China.

**Jingtang Co.** owns 6 coke ovens with 7.63m in high each, 3 blast furnace with 5500m<sup>3</sup> each, 5 decarbonize converters with 300t each and 3 decarbonize converters with 200t each, 1 hot-rolling wide steel strip rolling mill with 2250mm, 1 hot-rolling wide steel strip rolling mill with 1580mm, 1 medium and thick plates production line with 3500mm, 1 medium and thick plates production line with 4300mm, 1 multi-mode continuous casting and rolling production line, 1 annealed cold rolling strips production line with 1420mm, with 1700mm and with 2230mm respectively, 1 single stand mill production line with 1420mm, 1 single stand mill production line with 1750mm, 1 turbulence pickling line, 1 push-pull pickling line, 7 galvanizing lines, 2 tinning lines, 1 color coating line and auxiliary and supporting facilities. Phase-I project of Jingtang Co. adopts 220 advanced technologies, among which, two-thirds of the advanced technologies are independent innovation and integrated innovation. The converter “One-step” technology and “3-De” (desulphurize, dephosphorize, desilicification) steel making technology are researched and developed independently, which is the first clean steel production platform with high efficiency and low cost. Phase-II project of Jingtang Co. optimizes and improves 54 technologies, develop and innovate 50 technologies on the basis of phase-I project. The technology, large-scale pellet ironmaking uses pellets to replace sinter, leads the company to realize high efficiency, low energy, low emission with obvious environmental advantages; MCRR multi-code continuous casting-rolling line of Jingtang Co. is the first to develop multi-code continuous casting and rolling method, which can realize single block, semi-endless rolling and endless rolling crossover switch of

multi-mode casting-rolling form. The MCRR multi-code continuous casting-rolling line can also achieve the rolling mill to replace working roll without picking billet to ensure the whole production process is complete, product yield rate can be improved substantially, production mode is flexible, technology is advanced and innovative, and it will be the development trend of low consumption and high efficiency of thin slab production in the future.

**Zhixin Co.** owns acid continuous rolling mills, continuous annealing line, acid pickling line, twenty high rolling mill and other production lines and other public supporting facilities such as acid regeneration facility etc. The overall equipments of Zhixin Co. have achieved advanced world level. Zhixin Co. focuses on promoting the steel production, sale, research and development on electric machinery in new energy cars, advanced inverter compressor, premium efficiency electric machinery, the first-level energy efficiency transformer, extra-high voltage and other aspects. Zhixin Co. is the second electrical steel production enterprise in China for new energy car series production. Regarding to the orientation, Zhixin Co. self-develops the production technique in high grain-oriented steel that prepared by low slab reheating temperature technique, which makes Zhixin Co. to become the fourth enterprise in the world that owns industrialization of fully low temperature process.

**Cold-R Co.** integrates the most advanced manufacturing technique in the world, for example, the pickling line adopts full continuous production technology with continuous pickling line coupled to 5-stand 6-roll machine tandem cold mill, and adopts control technologies such as CVC shape control, AC-DC-AC frequency control etc. as well. Continuous annealing and galvanizing line adopts a novel technology of rapid solidifying that suits for high strength steel and extra deep drawing sheet steel production. The highest strength level of the plates has achieved 1200MPa. The overall technical and equipment level of Cold-R Co. are among the first ranks in the world.

## 2. Scientific and technological innovation capabilities

Shougang Co. with its subsidiaries, Jingtang Co., Cold-R Co., Zhixin Co. are qualified national high-tech enterprise qualification certification approved by government.

**Intellectual property:** The technology center of Shougang Co. has passed annual review of Beijing enterprise technology center. In the year of 2020, Qianshun Base and Jingtang Base gain 424 patent rights, among which, 148 invention patents and 276 utility model patents. Additionally, Cold-R Co. gains the title of Beijing Intellectual Property Pilot and Demonstration Unit. Zhixin Co. wins the intellectual property superiority enterprise of Hebei Province, national metallurgical industry quality leading enterprise and is also approved as silicon steel technology innovation center of Hebei Province.

**Standards establishment:** Participated in the formulation of 26 national, industrial and group standards, among which 2 were awarded the title of "Leading Enterprise Standards in Hebei Province".

**Scientific and technological achievements:** 4 projects of **Qianshun Base** are awarded for metallurgical science and technology prize, and 4 projects are awarded for Hebei Province science and technology prize. Among them, the project names as "Research and innovation on key technology of ultra-low emission in whole steel process" awarded the first prize of metallurgical science and technology award, which signals Shougang Co. has taken the lead in the steel industry to achieve ultra-low emission technical standards. In addition, the project - key technology and equipment for manufacturing automotive exterior panels with high brightness and non-middle coating wins the first prize of metallurgical science and technology award.

Three achievements, including "Development and application of high-quality pellets for low-carbon smelting of large blast furnace", jointly declared by Jingtang Co. and Shougang Group, and "Manufacturing and application of copper-and-steel composite cooling stove" jointly declared by Jingtang Co. and University of Science and Technology Beijing, win the first prize of metallurgical science and technology award; "Development and application of high efficiency double blowing technology for converter steelmaking in Shougang", jointly declared by Jingtang Co. and Shougang Group wins the second prize of metallurgical science and technology award; "High-efficiency steelmaking production with the temperature of steel reduction" and "Research and development of power grid intelligent control system of large iron and steel enterprise" win the first prize of Hebei Province metallurgical science and technology award; five achievements, including "Research and application of green technology of large coke oven gas purification system" and "Development and application of efficient slab continuous casting technology" win the second prize of Hebei Province metallurgical science and technology award; nine achievements, including "Quality optimization control of acid pellets based on

peruvian powder” and “Exploration and application of safe, efficient and eco-friendly opening technology of ultra-large blast furnace” win the third prize of Hebei Province metallurgical science and technology award.

### 3. Products Market Competitiveness

6 products of the Company are first issued, including successful development of marble row saw steel, which breaks 30-year foreign monopoly. The Company has been awarded many prizes, including Excellent Brand in Chinese Steel Market, 2020 Green Development Benchmark Enterprise, Leader of National Key Water Consumption Enterprise, Excellent Supplier Shortlisted Award (Shanghai Volkswagen), Strategic Cooperation Award (Haier) and Excellent Product Development (Dongfeng Commercial Vehicle). Procurement centre is awarded “Top 10 Centralized Procurement Organizations” in China.

Jingtang Co. is awarded as “Best Supplier of 2019” (BMW Brilliance), “Outstanding Partner” (China Construction Science and Industry Co. Ltd.), “Excellent Partner of 2020” (CIMC Raffles), be the finalist of “Best Supplier of 2019” (Shanghai Volkswagen) and wins Strategic Cooperation Award for 2020 (Haier).

**Cold rolled automobile sheet:** Focusing on structural optimization and adjustment, promoting high-level joint venture brands such as from Japan and Germany, as well as increasing certification of zinc, aluminum and magnesium, non-middle coating exterior panels and high-strength products, realizing full coverage of top 10 key vehicle enterprises; remaining steady increase of share of product supply in the market; keeping the position of No. 1 supplier for BMW and Changcheng in China; doubling products supplied to Japanese car year-over-year. Additionally, realizing full coverage of 1180MPa grade; realizing stable supply of non-middle coating exterior panels, 590/780MPa high strength high extension DH steel and HC780/980CPD+Z galvanized duplex steel in batch. Amount of Zinc, aluminum, magnesium, DH steel, non-middle coating exterior panels and other characteristic products can increase dramatically.

**Cold rolled electrical steel:** Including orientation and non-orientation electrical steel, and realizing first issue of 25SW1250H electrical steel for premium new energy power generation; becoming the only supplier for Volkswagen MEB project; No. 1 of the German Siemens certification of global electrical steel enterprises. Materials for “Double million” large capacity transformer with ultra-high voltage pass the examination; the main performance of product series of high magnetic, high strength and low loss new energy car catches up with top-ranking enterprises in the world; obtaining 14 new energy power generation clients authentication, and becoming the supplier for 10 clients; overall pushing the client authentication for passenger car (Toyota, Nissan, General, etc.). The supply of electric steel for Baihetan hydropower station, the second largest hydropower station in China achieves to be more than 50% and supply of electric steel for Wudongde hydroelectric power station, the fourth ten million kilowatt hydropower station in China achieves to be more than 70%.

**Cold rolled tin sheet:** Realizing stable supply of wide-width inverse red bull iron and products with high formability and easy-open for the industry leading enterprises in batch. The proportion of thin products achieves 56.4% and the proportion of DR steel increases 77% year on year.

**Other cold-rolled products:** Keeping stable supply of home electrical appliances to Haier, Midea, Hisense and other top enterprises; realizing supply of special-used steel such as needle making steel and other 6 new products in batch; remaining market share of double layers welded pipe ahead; realizing clean change over zinc-aluminium-magnesium products from color-coated sheet, supplying products in batch to the leading enterprises in animal husbandry, and developing 0.11mm steel for 5G base stations successfully.

**Hot-rolled pickle sheet:** (Automobile structure steel) Promoting update of lightweight vehicles, realizing first domestic issue of dual phase wheel steel of 800 MPa grade; realizing a breakthrough development of automobile structure steel in vehicle enterprises such as BMW, Toyota, Honda, Nissan, etc and carrying out the certification of hot-rolled pickle sheet for chassis in BMW; and supplying Huawei 5G base station of lightweight special-used pickle sheet.

**Other hot-rolled products:** The development of 10 new grades such as SAE1528B etc. of fine drawing steel has completed; realizing the stable supply of 700MPa high strength automobile structure steel to Yutong, Beiqi FOTO and Sunhunk; dual phase wheel steel, the first issued product in China has become the main product which leading the industry lightweight upgrade; overcoming the integrate technology of fire and weathering resistant steel, and successful applies in construction of the diving

platform of 2022 Beijing Winter Olympic Games; producing premium coiled tubing (CT90) in batch. Medium plates complete the supply of bridge steel for major national projects such as Hangzhou Bay Bridge and Qingdao Airport Line, win the bidding of Sinopec and CNPC tank steel projects, wind power steel achieves the historical breakthrough with annual output over one million tons.

#### **4. Management innovation ability**

In 2020, the Company has won 1 national award and 15 provincial and ministerial awards

Shougang Co. received 2019 Golden Bull Social Responsibility Award of the domestic listed companies, Qiangang Co. won 5 management innovation awards in 2020, among them, “Exploration and practice of electrical steel intelligent factory management in iron and steel enterprises” and “Construction and implementation of accounting management system by units in iron and steel enterprises” won the first prize of Innovation and management achievements in metallurgical. Qiangang Co. has been assessed as the only one “National Safety Culture Construction Demonstration Enterprise” in iron and steel industry.

“Ultra-low emission management in large-scale iron and steel enterprises, which is based on synergistic promotion of environmental protection benefits and economic benefits” of Jingtang Co. wins the second prize of national enterprise management modernization innovation achievements. “Practice and application of optimizing the inventory structure of the whole process in iron and steel enterprises to realize efficient operation”, “Innovation and practice of personnel migration and integration in trans-regional overall relocation and adjustment of iron and steel enterprises”, “Innovation and practice of LMSE in iron and steel enterprises” win the third prize of modernization innovation achievement in metallurgical enterprise management. “Construction and implementation of risk control system for fixed assets investment projects” and “Practice of eco-friendly economic management based on ultra low emission in iron and steel enterprises” win the first prize of Hebei Provincial Enterprise Management Modernization Innovation Achievement, “Exploration and practice of constructing ‘Multivariate, Collaborative and Sharing’ science and technology innovation management system of coal coking industry” and “Establishment and application of the new mode of production and construction integrated management and control in metallurgical engineering construction” win the second prize of Hebei Provincial Enterprise Management Modernization Innovation Achievement, “Integration and exploration of process and informatization management system in iron and steel enterprises” and Innovation practice of constructing ‘main responsibility management entity’- exploration and implementation of principal business responsibility system in coking enterprises” win the third prize of Hebei Provincial Enterprise Management Modernization Innovation Achievement.

#### **5. Personnel training ability**

In accordance with the principle of appropriate personnel and posts, the Company continues to promote the construction of three talent teams: administrative, technical and skilled, create the positive atmosphere for talent growth and a number of leading talents in skill operation have emerged. Rong Yanming is awarded “National Model Worker” and “Craftsman of National Machinery, Metallurgy and Building Materials Industry”, Zheng Tianran and Cheng Hong are awarded “Beijing Model Worker”, Wang Jianbin innovation studio is awarded “National Skill Master Studio”, Wang Baoyong innovation studio is awarded “National Demonstration Innovation Studio of Machinery, Metallurgy and Building Materials Industry”.

#### **6. Environmental protection ability**

Qianshun Base upholds the idea of green development, continuously carrying out the environmental protection improvement and transformation, and improving the ultra-low emission capacity. Qiangang Co. has awarded the title of A-level Environmental Achievements Iron and Steel Enterprise in Tangshan for three successive years and autonomous emission reduction without production limit is executed during heavy pollution warning. In addition, Qiangang Co. is selected as “Green Factory” by the Ministry of Industry and Information Technology. In May 2020, Qiangang Co. was responsible for the training conference on the establishment of Class A enterprises in iron and steel industry in Hebei Province, shared the experience in promoting ultra-low emission transformation and carrying out ecological environment assessment and monitoring, promoted ultra-low emission technologies in blast furnaces and other processes. According to the routine press conference of the Ministry of Ecology and Environment in July 2020, in terms of air pollution control in the steel industry, Qianan Co. of Shougang Co. is the first company in the world to achieve ultra-low emissions throughout the entire process. Cold-R Co. is awarded as National Green Supply Chain

Management Enterprise.

Jingtang Base adheres to the concept of green development and continues to carry out environmental improvement and transformation. Jingtang Co. was awarded the title of A-level Environmental Achievements Iron and Steel Enterprise in 2020. The project, "Realizing ultra-low emission management in large-scale iron and steel enterprises based on synergistic promotion of environmental protection benefits and economic benefits" wins the second prize of national enterprise management modernization innovation achievements; Jingtang Co. is awarded "2020 Green Development Benchmark Enterprise" and explores new paths for green development. Additionally, Jingtang No.2 decarburization furnace won the championship of 2019 energy-saving and consumption-reducing benchmarking competition for national key large-scale energy-consuming steel production equipments. The domestic largest hydrothermal seawater desalination project with a daily output of 35000 tons and the first heat film coupling seawater desalination project in China have been built, which constructs the first "Combustion-Heat-Electricity-Water-Salt" five-effect integrated high-efficiency recycling system and has become the model project for green and low-carbon development of steel industry.

### **7. Marketing service system**

The company insists the marketing strategic goal of "Variety premiumisation, Channel terminal, Strategic cooperation and Service standardization" and builds user-centric and market-oriented marketing service system. The centralized, unified, rapid-response and efficient marketing management network has been established through the management and control platform of the headquarters of Steel Trading. Steel Trading owns five regional steel trading companies in Shanghai, Guangzhou, Shandong, Tianjin and Wuhan, thirteen steel processing and distribution centers in Suzhou, Ningbo, Shenyang, Foshan, Harbin, Chongqing, Zhuzhou and Liuzhou etc., two automobile-sheet trading companies and one shipping company. The marketing service system covers North China, East China, South China, Central China, Northeast China and Southwest China etc.

The company insists on cooperating with first-class enterprises, continuously improving customer quality, and actively developing core high-quality customers. Customers include leading enterprises in the automotive, electric power, transportation, household appliances, energy and other industries. Moreover, the company establishes stable cooperation with twenty-three companies of Global 500, including BMW, PetroChina, China Railway, China FAW, Midea Group and COFCO and realizes the long-term and stable cooperation with fifty-two companies of Top 500 in China, including SAIC, Guodian Electric Power, Haier, Gree and CIMC.

The company continues to improve the construction of customer service system, optimize the allocation of service resources, and constantly improve the marketing service ability. In view of key automobile enterprises, a number of automobile-sheet customer service teams are established to enrich and strengthen the front-line service force, steadily promote the construction of "Shougang Co. - customer" ecosystem, and realize the four major self-services and customer demand reporting functions of intelligent marketing platform. The company won 11 awards including "Excellent Supplier Shortlisted Award" (SAIC Volkswagen), "Golden Cube Award" (Haier), and "Excellent Supplier Award" (Hisense), and was awarded by China Metallurgical News as "International Influential Brand of China's Outstanding Iron and Steel Enterprises" and "Excellent brand of China's Steel Market" in 2020. "Manufacturing + Service" capability has been more and more accepted by the market and customers.

## Section IV. Discussion and Analysis of Business Operations

### I. Overview

In 2020, when the COVID-19 pandemic struck and the world economy was in a downturn, China's economy turned from a downturn to a steady upturn, becoming the only major economy in the world with positive growth. China's iron and steel production continued to run at a high level, and the steel market continued to be improved. The price of raw materials maintained an upward trend as a whole, and the price of iron ore continued to rise. The company adhered to the principle of "two hands, two correct" in epidemic prevention and control, operation and production, seized the market opportunity, overcame the impact of upstream price rise, continued to establish five advantages of "product, quality, cost, service and technology", overcame difficulties, elaborated the organization, sought progress in stability, showed new atmosphere in all work, and achieved new results.

The achievement of major accounting data and financial indicators:

Operating revenue is RMB79.951 billion (16.14% year on year increase); total profit is RMB2.778 billion (43.75% year on year increase); net profit attributable to shareholders of the listed company is RMB1.786 billion (year on year increase 50.68%); EPS is RMB0.34; total asset is RMB144.367 billion; equity attributable to shareholders of the listed company is RMB28.959 billion.

The achievement of major products:

Qiangang Co.: iron 8.03 million ton, (4% year on year increase); steel 8.49 million ton (5% year on year increase); material 8.21 million ton (include supply Cold-R Co. 1.92 million ton, Zhixin Co. 1.74 million ton), year on year increase by 5%. Jingtang Co.: iron 12.87 million ton (65% year on year increase); steel 11.29 million ton (22% year on year increase); material 10.12 million ton (18% year on year increase). Zhixin Co.: electrical steel 1.54 million ton (6% year on year decrease). Cold-R Co.: Cold-rolled plate 1.84 million ton (8% year on year increase).

#### 1. To fulfill the mission, a number of indicators to create a new record

**Epidemic prevention and control to achieve the "three zero" goal.** Scientific policy implementation, accurate prevention and control, normalized management, improving various security mechanisms, and comprehensively building a grid-based, three-dimensional epidemic prevention and control system; carrying out joint prevention and control with all employees, consolidating territorial responsibilities, strictly implementing prevention and control measures, concentrating all efforts to weave the epidemic prevention network, so as to achieve the prevention and control goal of zero close connection, zero suspicion and zero diagnosis and effectively guarantee the normal order of operation and production

**Realize high level operation of production.** The output of iron, steel and material completely broke historical records. The iron consumption index and daily output of Qiangang Co. are the highest since the establishment of the company. As for Zhixin Co., 20-roller unit broke through the rolling bottleneck, 1# annular furnace kept going, high-end electrical steel products increased by 10.9% year-on-year. The output of galvanizing line of Cold-R Co. reached the best level since putting into operation. Jingtang Co. promoted the research and application of technologies such as iron tapping, high-oxygen-enriched coal injection, large ore batches, and large ball ratio smelting. The overall production level has been improved, and the output of molten iron has reached a new record. Efforts were made to organize the "Phase II new production line to reach production and efficiency" to tackle key problems, and all production lines have reached the production-rapid capacity and the key indicators have reached the expectations.

#### 2. Strengthen the foundation and promote high-quality development

**Continuous improvement of product quality.** Qianshun base has implemented a solid and detailed "quality improvement year", focused on customer concern and production-line bottlenecks, 19 projects have achieved the expected targets; 72 projects were improved on site and 23 key tasks were supervised. The quality inspection process independently develops the trace element inspection technology for automobile structure and non-oriented new energy products to realize the accurate guidance for technical production by the inspection information. Focusing on the quality difficulties that have plagued the production line for a long time, the research on the entire process of oxygen control and mold flow field was carried out; deepening the research on the micro morphology of automobile

plate surface, and reducing the PPM of defects by 74%, 35% and 51% for BMW, Volkswagen and Great Wall respectively. **Jingtang base** carried out quality system training at different levels to promote the transformation of quality control from "results" to "results + process", 191 key problems were solved, 171 were completed, and quality was improved remarkably. Defects have been significantly improved through internally focusing on quality bottlenecks to break through, and carrying out the ten key defects research; externally focusing on user complaints to solve and implementing the "off- listing" mode. 407 key control points in 47 processes of iron and steel rolling were established.

**Innovation leads safety management.** **Qianshun Base** deepened the construction of "double control" mechanism, the first independent research and development of "double control" system in the steel industry, formed 11 national patents, investigated and governed hidden dangers, reduced the total value of safety risk by 10% year on year, and promoted the management experience in Hebei Province. Qiangang Co. was awarded the "National Safety Culture Construction Demonstration Enterprise" with adherence of cultural guidance, and is the only enterprise in the iron and steel industry to win the honor throughout the entire process. **Jingtang Base** continued to carry out quantitative safety evaluation, and gradually extended to the operation area and maintenance inspection units. With the goal of "no one is safe, efficiency improvement and risk reduction, and danger isolation" as the goal, 80 essential promotion areas have been built, the company strengthened independent implementation in transportation, quality supervision, ironmaking and other areas, and achieved remarkable results. Jingtang Base simultaneously promoted the construction of "double control" mechanism, identified safety risks, formulated control measures, and eliminated and reduced safety risks.

**Create the benchmark for the green development industry.** Qiangang Co. and Jingtang Co. were awarded the title of A-level Environmental Achievements Iron and Steel Enterprise, implemented independent emission reduction, maintained a safe and stable situation throughout the year, and presented the green and high-quality development image to the industry and society. Qiangang Co. undertook the benchmarking training for establishment of Class A enterprises in the iron and steel industry in Hebei Province, and the national iron and steel industry ultra-low emission monitoring and evaluation monitoring seminar, and actively promoted ultra-low emission technology and environmental protection management experience. Jingtang Co. has strengthened the awareness of "the beginning is the decisive battle", built the closed shed of the pellet yard with the largest single span in the world, continuously improved the factory appearance and on-site environment, significantly improved the cleaner and transportation level, and achieved the verdurization coverage rate of 41%; the largest single-scale heat film coupling seawater desalination project in China has become a model project for the green and low-carbon development of the iron and steel industry.

### **3. Reduce cost, improve efficiency, increase income and achieve new breakthroughs in income generation**

**New breakthroughs through cost reduction and efficiency improvement.** The cost reduction per ton of steel in **Qianshun Base** reached RMB 380 yuan. The production line continued to exploit potentialities, steelmaking processing fee (excluding alloy) was less than RMB 500 yuan per ton for two consecutive months, and the hot-rolling dual-line processing fee is catching up with the benchmarking enterprises. The process is efficient and coordinated, the operation of torpedo tank is reduced by 8 sets, the temperature drop of molten iron is reduced by 11 °C, and the proportion of hot charging and heat delivery is increased by 6.6%. The company coordinated the purchase and sale business, recovered 300,000 tons of high-quality scrap steel, and significantly reduced the purchase price of scrap steel. **Jingtang base** has strengthened the management and control of the integration on iron, the energy balance of the first and second phases, the entire process equipment cost, logistics and transportation, etc., to achieve coordinated cost reduction, and keep the iron cost at the leading level in the industry. Concentrating on key indicators such as iron consumption reduction in steelmaking, alloy substitution, etc., to achieve technological cost reduction. To realize management cost reduction, the company managed elaborately through LPR replacement of stock loan, cash discount purchase, and logistics integration in the factory. Full implementation of "three wins" and closed-loop control in the company led to all prices won the market.

**Develop revenue source to generate revenue and create new achievements.** **Qianshun Base** made efforts to promote the construction, processing and recycling of solid secondary resources production line, and the annual efficiency increase of digesting secondary resources exceeded 600 million yuan. The company strengthened the online bidding platform, with annual transaction volume exceeding 4.3 billion yuan, expanded e-commerce procurement channels, and reduced procurement prices by 14%. **Jingtang Base** established the circular economy center, the zinc resource recycling production line and the homogenization production line were put into operation and

reached production capacity so as to realize 100% recycling of iron-containing sludge and primary and secondary steelmaking ash. Actively carrying out the export of surplus production capacity of panzer front to generate income and achieve market-oriented efficiency increase. Self-owned terminals strengthened rail-sea combined transportation, promoted the construction of advantageous routes and realize the revenue generation and capital increase of ports

#### **4. Strengthen "manufacturing + service" and enhance market competitiveness**

Focusing on the needs of high-level customers, adhering to the purpose of differentiated and customized services, strengthening "manufacturing + service", promoting the refinement and strength of automobile plates, continuous leading of electrical steels, high-level tinplate and quality increment of pickling plate, and comprehensively improving the comprehensive competitiveness of products

**Refining and strengthening automobile plates.** Compared with the previous year, the supply of galvanized sheet, high-strength sheet, outer sheet and joint venture of automobile plate increased by 23%, 22%, 29% and 32% respectively, and presented the obvious benefit supporting effect. The orders of main engine manufacturers increased to 41%, the share of BMW increased by 4 percentage points, the supply volume of FAW-Volkswagen and SAIC-Volkswagen increased by more than 20 percentage points and the company has been the first domestic supplier of BMW Brilliance, Great Wall and BAIC for three consecutive years.

**Continuous leading of electrical steels.** The sales volume of new energy automobile products increased by 2 times compared with the same period last year, and the non oriented electrical steel 35sw300 and above super high grade products accounted for 47.2%, realizing batch supply to Volvo, Volkswagen, Weilai and other automobile customers. The domestic market share of 0.20 mm and below ultra-thin oriented electrical steel was more than 70%, ranking first in domestic market for three consecutive years. The application performance of transformers of 500kV and above added 88 units, with 70% and 50% supply share of Wudong de and Baihetan projects respectively, which promoted to the construction of "The Pillars of a Great Power".

Insist on high-level tinning sheet. The tinning sheet wide inverted crystal red bull iron and high-profile easy-opening products have achieved stable supply in batches for leading companies in the industry. The proportion of thin specification products reached 56%, and DR material increased by 77% year on year. The proportion of high-level products such as milk powder iron, high sulfur resistance, and red bull iron reached more than 50%, covering all packaging plates such as beverage cans, food cans, and milk powder cans, realizing the full coverage of domestic high-level customers such as Origin Agritech Limited and COFCO packaging, and stepping into the "first team" of brand influence.

**Increase amount and improve quality of pickling plates.** Pickling automobile structural steel completed 750,000 tons in the whole year, with a year-on-year increase of 120%; seizing the opportunity of export demand growth of refrigerators and compressors, the sales volume of compressors reached 680,000 tons, with a year-on-year increase of 42%. Qiangang Base realized the stable supply of enamel steel, coiled tubing, garden tool steel and other small products to leading enterprises in the industry; Jingtang Base realized the development of advanced high-strength steels such as enamel steel, hot-forming steel, dual-phase steel, and multi-phase steel. Among them, hot-forming steel has been tested by users for stamping and forming, and the scale explosion resistance of double-sided enamel has been fully recognized by users and realized batch supply.

The customer-centered contract management and rapid response system is comprehensively constructed, and the intelligent marketing platform covers all ordering users, so as to realize the flow of customer activity information within the system and the closed-loop management of customer demands. The company implemented innovative technology marketing, opened new media online service exchanges and remote guidance, held the "Shougang Day" activities of SAIC Volkswagen and Dongfeng Nissan, carried out online live broadcast of customer symposium on pickling plates, and provided technical support such as Gemake stamping and Geely EVI, with the supply for EVI increased by 6% of total commodity materials. The company paid close attention to users' demand for reproduction and supply guarantee, broke the key bottlenecks of production logistics, and adopted personalized guarantee schemes for key users. With the continuous improvement of the level of the industrial chain, the service support role of the machining center has become increasingly significant. Wuzhong machining center of Chongqing Shougang has been highly recognized by Chongqing Great Wall, and Ningbo Shougang machining center has become a first-class supplier of SAIC Volkswagen.

#### **5. Deepening reform and improving efficiency, enabling technology and management innovation**



**Scientific and technological innovation keeps pace with the times.** The company took advantages of "one institute, multiple centers" R&D system to develop a batch of high-level scientific and technological innovation achievements. 6 products of the Company are first issued, including successful development of marble row saw steel, which breaks 30-year foreign monopoly.; the first in China to develop high-strength enamel steel HC300EK, keep the strength above 300mpa and realize material thinning; the first to develop electrical steel products of 35SW1500H and 25SWYS480 with high strength and low iron loss, which could satisfy the demands of high rotation speed development for the next generation of new energy vehicles. The first to develop one technology- ultra low-carbon steel high-efficiency RH refining technology, which can achieve 12 furnaces with one nozzle continuous pouring, and the cleanliness of molten steel and vacuum processing time have reached the international first-class level. The total carbon and oxygen accumulation of converter reached 0.00148, which is at the international leading level. Zhixin Co. challenged the limit of the rolling capacity of pickling-rolled high-silicon varieties, realized the rolling of high silicon 30sw230 products, developed the control technology of the continuous annealing unit independently and improved the magnetic capacity of products by 0.3W /kg. 19 scientific and technological achievements such as "Development and application of energy saving and environmental protection regenerative radiant tube combustion technology and equipment" have passed the acceptance evaluation, and 7 scientific and technological achievements such as "Research on carbon steel end / edge quality control technology" were rated as internationally advanced.

**Lean management empowers and improves efficiency. Qianshun Base** promoted lean management and learning of organic integration, exploration and practice from German Baden Steel Plant. The OEE management area was expanded to 15 units. Construction of Amoeba insisted on quality first and 152 amoebas were solidified and promoted throughout the year. Continuously upgrading and transforming existing production lines with low cost and new technology, improving efficiency and quality, and enhancing market competitiveness. For Zhixin Electromagnetic CA2 unit of high-grade production adaptability transformation project, the transformation reached production immediately after putting into operation, and monthly production capacity of non-oriented high-grade products will increase by 39%. The benchmarking system of Jingtang Base has been further improved and benchmarking has been carried out in four dimensions of "quality, efficiency, benefit and cost". Among the 79 indicators, 50 have broken the historical record, 51 have reached or exceeded the benchmarking enterprises, and 6 have been in the leading position in the industry for a long time, which realized the progress from "reaching the standard" to "creating the standard". The company insisted on the practice of QTI management, and strived to create an innovative brand with the characteristics of Jingtang Co. on-site independent management and continuous improvement management

**Intelligent manufacturing improves quality and efficiency. Qianshun Base** promoted the application of big data, explored the construction of 21 business decision models including POC intelligent management and control, performance risk management and control, and realized one-click statistical analysis of business management and control. Two industrial robots have been applied in new scenarios, and eleven have been applied in mature applications. Focusing on business bottlenecks, the company created the first domestic automatic intelligent testing production line for hot-rolled coils and the average inspection cycle was shortened by 40%. The company improved the level of automation with fully automatic tapping and stable operation over 10,000 furnaces and reached the leading level in the industry. **Jingtang Base** has successfully completed the second phase of the new production line, which is informatization system construction to guarantee the production and efficiency. Implementation of cost-themed data governance projects could improve data application capabilities. Independent research and development of slab warehouse stacking intelligent recommendation system, and exploration of intelligent scheduling could improve the efficiency of production and operation. Moreover, the "5G Smart Iron and Steel Training Base" was officially launched, becoming the first steel company to officially apply China Mobile's 5G technology in the industrial field.

#### **6. Strengthen the management and control of foreign investment, assist the development of iron and steel main business**

Investment continued to focus on the main business, continuously strengthened the management and control of investment and participating holding enterprises, built a solid foundation for investment risk prevention and control, and further improved the operation quality of participating holding enterprises. In order to reduce related party transactions, optimize asset allocation and increase the company's revenue, the company completed the replacement all domestic shares of BAIC Motor held by the company with the 51% equity of the Steel Trading held by Shougang Group in June 2020, and the marketing system has been improved.

During the reporting period, the company obtained the income from investment dividends with RMB351.99 million.

## II. Analysis of principal business

### 1. Overview

Referring to I. Overview in Section IV. Discussion and Analysis of Business Operations.

### 2. Revenue and cost

#### (1) Composition of operating revenue

Unit: RMB Yuan

	2020		2019		Year-on-year Changes
	Amount	Proportion of operating revenue	Amount	Proportion of operating revenue	
Total operating revenue	79,951,181,948.10	100%	68,841,307,821.91	100%	16.14%
According to industries					
Metallurgy	79,951,181,948.10	100.00%	68,841,307,821.91	100.00%	16.14%
According to products					
Billet	265,307,282.20	0.33%	270,552,095.12	0.39%	-1.94%
Hot-rolled steel	32,142,438,742.64	40.20%	24,236,080,906.42	35.21%	32.62%
Cold-rolled steel	41,755,926,337.32	52.23%	39,541,161,789.88	57.44%	5.60%
Other steels	2,040,682,356.91	2.55%	1,849,671,725.92	2.69%	10.33%
Other businesses	3,746,827,229.03	4.69%	2,943,841,304.57	4.28%	27.28%
According to regions					
North China	31,963,143,971.62	39.98%	26,624,929,498.39	38.68%	20.05%
Northeast China	2,018,512,234.99	2.52%	1,350,041,869.95	1.96%	49.51%
East China	26,099,070,246.72	32.64%	22,545,371,093.67	32.75%	15.76%
Mid-South China	1,723,422,495.05	2.16%	1,438,474,544.13	2.09%	19.81%
South China	12,862,722,449.82	16.09%	12,137,368,834.48	17.63%	5.98%
Southwest China	1,147,368,135.20	1.44%	806,904,623.65	1.17%	42.19%
Northwest China	310,725,864.94	0.39%	279,209,962.95	0.41%	11.29%
Export	3,826,216,549.76	4.79%	3,659,007,394.69	5.32%	4.57%

#### (2) Industries, products, or regions that generated operating revenue or operating profit that over 10% of the total operating revenue or operating profit of the Company

√ Applicable □ Non applicable

Unit: RMB Yuan

	Operating revenue	Costs of sales	Gross margin	Year-on-year change of operating revenue	Year-on-year change of costs of sales	Year-on-year change of gross margin
According to industries						
Metallurgy	76,204,354,719.07	70,025,177,064.76	8.11%	15.64%	17.86%	-1.73%
According to products						
Billet	265,307,282.20	239,732,815.06	9.64%	-1.94%	6.99%	-7.54%
Hot-rolled steel	32,142,438,742.64	29,683,727,128.66	7.65%	32.62%	38.11%	-3.67%
Cold-rolled steel	41,755,926,337.32	38,319,410,072.18	8.23%	5.60%	6.49%	-0.76%
Other steels	2,040,682,356.91	1,782,307,048.86	12.66%	10.33%	4.28%	5.06%
According to regions						
North China	28,216,316,742.59	26,447,659,793.91	6.27%	19.15%	24.56%	-4.07%
Northeast China	2,018,512,234.99	1,732,046,191.68	14.19%	49.51%	41.49%	4.87%
East China	26,099,070,246.72	23,661,972,543.92	9.34%	15.76%	16.60%	-0.65%
Mid-South China	1,723,422,495.05	1,591,863,013.60	7.63%	19.81%	20.99%	-0.90%
South China	12,862,722,449.82	11,650,537,849.43	9.42%	5.98%	6.36%	-0.33%
Southwest China	1,147,368,135.20	1,010,453,571.51	11.93%	42.19%	36.65%	3.57%
Northwest China	310,725,864.94	277,949,475.27	10.55%	11.29%	7.18%	3.43%
Export	3,826,216,549.76	3,652,694,625.44	4.54%	4.57%	7.69%	-2.76%

The adjusted principal business data according to the financial report of the Company under the circumstances that the statistical ranges of the Company's principal business data changed during the reporting period.

□ Applicable √ Non applicable

#### (3) Whether revenue from sales of goods is more than from render of services

√ Yes □ No

Industry	Item	Unit	2020	2019	Year-on-year change
Metallurgy	Sales	Ton	18,102,879	16,271,856	11.25%
	Output	Ton	18,134,505	16,200,692	11.94%
	Storage	Ton	827,462	795,836	3.97%

Explanation in the year-on-year change more than 30% based on above data

Applicable  Non applicable

**(4) Fulfillment of the signed sales contracts during the reporting period**

Applicable  Non applicable

**(5) Composition of costs of sales**

Presented as industries

Unit: RMB Yuan

Industry	Item	2020		2019		Year-on-year change
		Amount	Proportion of costs of sales	Amount	Proportion of costs of sales	
Metallurgy	Raw materials	37,771,414,049.42	53.94%	30,367,268,870.47	51.11%	2.83%
Metallurgy	Fuels	16,254,776,211.68	23.21%	16,119,952,298.29	27.14%	-3.93%
Metallurgy	Power cost	1,124,364,629.16	1.61%	1,165,123,920.12	1.96%	-0.35%
Metallurgy	Staff cost	2,130,681,593.97	3.04%	2,101,300,181.70	3.54%	-0.50%
Metallurgy	Depreciation	5,093,233,457.87	7.27%	4,499,474,208.39	7.57%	-0.30%
Metallurgy	Manufacturing cost	7,650,707,122.66	10.93%	5,158,723,906.79	8.68%	2.25%
Total		70,025,177,064.76	100.00%	59,411,843,385.76	100.00%	0.00%

Others

No

**(6) Whether the scope of consolidation changes during the reporting period**

Yes  No

During the year, new subsidiary, Beijing Shougang Steel Trading Investment Management Co., Ltd. was incorporated through business combination under common control by the Company. The scope includes six subsidiaries, which are Shougang Jingtang United Iron&Steel Co., Ltd., Beijing Shougang Cold Rolling Co., Ltd., Qian'an Shougang Metallurgical Technology Co., Ltd., Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd., Beijing Shougang New Energy Automobile Material Technology Co., Ltd., and Beijing Shougang Steel Trading Investment Management Co., Ltd.

**(7) Significant adjustments or changes in businesses, products, or services during the reporting period**

Applicable  Non applicable

**(8) Major clients and suppliers**

Major clients of the Company

Total top five clients in sales (RMB)	10,022,974,512.41
Proportion of total annual sales volume for top five clients	12.53%
Proportion of the sales from related parties in total annual sales among the top five clients	7.53%

**Information for top five clients of the Company**

Serial	Name	Sales (RMB Yuan)	Proportion of total annual sales
1	Client A	3,952,279,733.34	4.94%
2	Client B	2,069,337,536.26	2.59%
3	Client C	1,398,308,268.81	1.75%
4	Client D	1,344,613,844.31	1.68%
5	Client E	1,258,435,129.69	1.57%
Total	--	10,022,974,512.41	12.53%

Other information for the major customers of the Company

Applicable  Non applicable

Major suppliers

Total purchase amount from top five suppliers (RMB)	60,638,126,165.57
Proportion of total annual purchase amount for top five suppliers	72.97%
Proportion of the purchase from related parties in total annual purchase among the top five suppliers	70.13%

Information for the top five suppliers of the Company

Serial	Name	Procurement (RMB Yuan)	Proportion of total annual procurement
1	Supplier A	42,512,000,946.08	51.16%
2	Supplier B	9,778,610,619.59	11.77%
3	Supplier C	5,986,604,581.70	7.20%
4	Supplier D	2,006,920,232.82	2.41%
5	Supplier E	353,989,785.38	0.43%
Total	--	60,638,126,165.57	72.97%

Other information for the major suppliers of the Company

Applicable  Non applicable

### 3. Expenses

Unit: RMB Yuan

	2020	2019	Year-on-year change	Notes of material changes
Selling expenses	167,040,690.13	1,265,562,681.41	-86.80%	Adjust freight and export charges to costs of sales in accordance with the guidance of "Accounting Standard for Business Enterprises No. 14 – Revenue".
Administrative expenses	976,426,260.85	950,545,319.00	2.72%	
Finance expenses	2,163,091,932.82	2,061,941,196.97	4.91%	
Research and development expenses	480,487,074.39	385,796,835.08	24.54%	Mainly due to the increase in labor costs of research and development personnel

### 4. Research and development investment

Applicable  Non applicable

(1) Scientific and technological innovation capabilities

Shougang Co. with its subsidiaries, Jingtang Co., Cold-R Co., Zhixin Co. are qualified national high-tech enterprise qualification certification approved by government.

Intellectual property: The technology center of Shougang Co. has passed annual review of Beijing enterprise technology center. In the year of 2020, Qianshun Base and Jingtang Base gain 424 patent rights, among which, 148 invention patents and 276 utility model patents. Additionally, Cold-R Co. gains the title of Beijing Intellectual Property Pilot and Demonstration Unit. Zhixin Co. wins the intellectual property superiority enterprise of Hebei Province, national metallurgical industry quality leading enterprise and is also approved as silicon steel technology innovation center of Hebei Province.

Standards establishment: Participated in the formulation of 26 national, industrial and group standards, among which 2 were awarded the title of "Leading Enterprise Standards in Hebei Province".

Scientific and technological achievements: 4 projects of Qianshun Base are awarded for metallurgical science and technology prize, and 4 projects are awarded for Hebei Province science and technology prize. Among them, the project names as "Research and innovation on key technology of ultra-low emission in whole steel process" awarded the first prize of metallurgical science and technology award, which signals Shougang Co. has taken the lead in the steel industry to achieve ultra-low emission technical standards. In addition, the project - key technology and equipment for manufacturing automotive exterior panels with high brightness and non-middle coating wins the first prize of metallurgical science and technology award.

Three achievements, including "Development and application of high-quality pellets for low-carbon smelting of large blast furnace", jointly declared by Jingtang Co. and Shougang Group, and "Manufacturing and application of copper-and-steel composite cooling stove" jointly declared by Jingtang Co. and University of Science and Technology Beijing, win the first prize of metallurgical science

and technology award; "Development and application of high efficiency double blowing technology for converter steelmaking in Shougang", jointly declared by Jingtang Co. and Shougang Group wins the second prize of metallurgical science and technology award; "High-efficiency steelmaking production with the temperature of steel reduction" and "Research and development of power grid intelligent control system of large iron and steel enterprise" win the first prize of Hebei Province metallurgical science and technology award; five achievements, including "Research and application of green technology of large coke oven gas purification system" and "Development and application of efficient slab continuous casting technology" win the second prize of Hebei Province metallurgical science and technology award; nine achievements, including "Quality optimization control of acid pellets based on peruvian powder" and "Exploration and application of safe, efficient and eco-friendly opening technology of ultra-large blast furnace" win the third prize of Hebei Province metallurgical science and technology award.

## (2) Products Market Competitiveness

6 products of the Company are first issued, including successful development of marble row saw steel, which breaks 30-year foreign monopoly. The Company has been awarded many prizes, including Excellent Brand in Chinese Steel Market, 2020 Green Development Benchmark Enterprise, Leader of National Key Water Consumption Enterprise, Excellent Supplier Shortlisted Award (Shanghai Volkswagen), Strategic Cooperation Award (Haier) and Excellent Product Development (Dongfeng Commercial Vehicle). Procurement centre is awarded "Top 10 Centralized Procurement Organizations" in China.

Jingtang Co. is awarded as "Best Supplier of 2019" (BMW Brilliance), "Outstanding Partner" (China Construction Science and Industry Co. Ltd.), "Excellent Partner of 2020" (CIMC Raffles), be the finalist of "Best Supplier of 2019" (Shanghai Volkswagen) and wins Strategic Cooperation Award for 2020 (Haier).

## Research and development investment

	2020	2019	Proportion of changes
Number of R&D staff	2,454	2,464	-0.41%
Proportion of R&D staff	13.51%	13.87%	-0.36%
Investment amount (RMB)	3,271,192,781.46	2,856,323,368.77	14.52%
Investment amount / Operating revenue	4.09%	4.15%	-0.06%
Capitalization amount of investment (RMB)	0.00	0.00	
Capitalization rate (%)	0.00%	0.00%	0.00%

Reason for the material changes of "Investment amount / operating revenue" compare to last year

Applicable  Non applicable

Reason for the material changes of the capitalization ratio

Applicable  Non applicable

## 5. Analysis of cash flow

Unit: RMB Yuan

Item	2020	2019	Year-on-year changes
Cash inflow from operating activities	46,210,312,179.99	32,951,739,286.78	40.24%
Cash outflow from operating activities	35,935,633,383.80	29,536,737,271.43	21.66%
Net cash flow from operating activities	10,274,678,796.19	3,415,002,015.35	200.87%
Cash inflow from investing activities	796,378,617.06	332,363,748.71	139.61%
Cash outflow from investing activities	3,561,628,500.42	5,639,457,638.95	-36.84%
Net cash flow from investing activities	-2,765,249,883.36	-5,307,093,890.24	47.90%
Cash inflow from financing activities	38,819,178,840.00	46,148,588,155.85	-15.88%
Cash outflow from financing activities	45,772,207,230.67	44,345,143,928.80	3.22%
Net cash flow from financing activities	-6,953,028,390.67	1,803,444,227.05	-485.54%
Net increase in cash and cash equivalents	556,400,522.16	-88,647,647.84	727.65%

Main reasons for significant year-on-year changes in relevant data

√ Applicable □ Non Applicable

The increase in cash inflow from operating activities and net cash flow from operating activities was caused by the increase in revenue from sales of goods due to the recovering market. The increase in cash inflow from investing activities was caused by receiving investment deposit; decrease in cash outflow from investing activities was caused by the reduction of cash payment for investment in fixed assets; increase in cash inflow from investing activities and decrease in cash outflow from investing activities led to the year-on-year increase of net cash flow from investing activities. Year-on-year decrease in net cash flow from financing activities was mainly caused by reduction of bank loans and increase of loan repayment. Net increase in cash and cash equivalents was mainly caused by the increase of net cash flow from operating activities and investing activities

Notes for the significant difference between the net profit and net cash flows from operating activities during the reporting period

√ Applicable □ Non Applicable

During the reporting period, the difference between net cash flows from operating activities with the amount of RMB 10.274 billion and net profit with the amount of RMB 2.411 billion is RMB 7.863 billion. Major reasons for the difference are: depreciation with RMB 6.406 billion, financial expenses with RMB 2.163 billion, increase in payables from operating activities with RMB 3.404 billion, decrease in receivables from operating activities with RMB 1.781 billion, decrease in inventories with RMB 1.956 billion.

### III. Non-principal business analysis

□ Applicable √ Non Applicable

### IV. Assets and liabilities

#### 1. Significant changes in the composition of assets

The company implemented the new revenue standard or the new lease standard for the first time since 2020 and adjusted the relevant items of the financial statements at the beginning of the year

Applicable

Unit: RMB Yuan

	Year-end of 2020		Year-begin of 2020		Proportion changes	Notes
	Amount	Proportion of total assets	Amount	Proportion of total assets		
Cash and Cash equivalents	6,292,499,840.73	4.36%	5,735,118,932.92	3.90%	0.46%	
Accounts receivable	1,424,092,844.92	0.99%	1,028,752,225.78	0.70%	0.29%	
Inventories	10,599,731,052.28	7.34%	8,787,825,099.93	5.98%	1.36%	
Investment properties		0.00%		0.00%	0.00%	
Long-term equity investments	3,341,208,164.76	2.31%	3,137,865,376.57	2.14%	0.17%	
Fixed assets	96,220,769,301.39	66.65%	83,287,788,722.90	56.71%	9.94%	
Construction in progress	8,297,181,948.62	5.75%	25,426,296,137.79	17.31%	-11.56%	
Short-term borrowings	23,712,391,440.25	16.43%	30,293,221,165.42	20.63%	-4.20%	
Long-term borrowings	20,639,300,000.00	14.30%	19,101,100,000.00	13.01%	1.29%	

#### 2. Assets and liabilities measured at fair value

√ Applicable □ Non Applicable

Unit: RMB Yuan

Item	Opening balance	Fair value changes in the period	Accumulated fair value changes in equity	Impairment accrual in the period	Amount of purchase in the period	Amount of sales in the period	Other changes	Closing balance
Financial assets								
4. Other equity instruments investments	4,357,517,927.34		290,706,499.08			4,371,977,739.86		276,246,686.56
Financing receivables	4,031,364,764.55							4,532,592,689.43
Total	8,388,882,691.89		290,706,499.08			4,371,977,739.86		4,808,839,375.99
Financial liabilities	0.00							0.00

Other changes

Whether the company's main asset measurement attributes have changed significantly during the reporting period

YES  NO

### 3. Major restricted assets at the end of the reporting period

Item	Carrying amount at 31.12.2020(RMB)	Restriction reason
Cash and Cash equivalents	1,332,152,161.49	All kinds of deposits
Notes receivable	650,054,514.79	Pledged notes
<b>Total</b>	<b>1,982,206,676.28</b>	

(1) As of 31 December 2020, the cash and cash equivalents include various cash deposits of RMB 1,332,152,161.49.

(2) As of 31 December 2020, the restricted note receivables include pledged notes amounting to RMB 650,054,514.79.

## V. Investment analysis

### 1. Overall situation

Applicable  Non Applicable

Invested amount during the reporting period (RMB Yuan)	Investment amount during the previous reporting period (RMB Yuan)	Change
5,650,066,189.27	11,053,416,832.92	-48.88%

### 2. Significant equity investment during the reporting period

Applicable  Non Applicable

### 3. Significant non-equity investment during the reporting period

Applicable  Non Applicable

Unit: RMB Yuan

Project name	Investment method	Fixed asset investment or not (Y/N)	Related industries	Investment amount during the reporting period	Actual investment amount up to the end of reporting period	Capital source	Project schedule	Anticipated benefits	Realized income up to the end of reporting period	Reasons for non-achievement of planned schedule and anticipated income
Shougang Jingtang-P hase II	Self-built	Y	Iron and steel	1,612,396,547.71	22,786,420,515.00	Self-raised	95.43%	1,361,360,000.00	429,177,695.42	Main production lines have completed and transferred to fixed assets, and the rests are supporting projects to complete
Total	--	--	--	1,612,396,547.71	22,786,420,515.00	--	--	1,361,360,000.00	429,177,695.42	--

### 4. Financial assets investment

#### (1) Securities investment

Applicable  Non Applicable

The Company has no securities investment during the reporting period.

#### (2) Derivatives investment

Applicable  Non Applicable

The Company has no derivatives investment during the reporting period.

### 5. Application of raised proceeds

Applicable  Non Applicable

The Company has no application of raised proceeds during the reporting period.

## VI. Material disposal of assets and equity

### 1. Material disposal of assets

Applicable  Non Applicable

The Company has no disposal of assets during the reporting period.

## 2. Material disposal of equity

√ Applicable □ Non Applicable

Counter party	Sold equity	Date of sale	Transaction price (ten-thousand Yuan)	Net profit of sold equity from the beginning of the current period to the selling date (ten thousand Yuan)	Impact of the sale	Proportion of net profit contributed by equity sale to the total net profit	Equity sale pricing principle	Related transaction or not (Y/N)	Relationship with the counterparty	Equity involved has been transferred or not (Y/N)	Sale as planned or not (Y/N)	Disclosure date	Disclosure reference
Shougang Group Co., Ltd.	Equity of Baic Motor Co., Ltd	2020/6/30	437,197.77	17,488.73	Optimize asset allocation	0.00%	Appraisal value	Y	Parent Company	Y	Y	2020/6/13	China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and cinfo (http://www.cinfo.com.cn)

## VII. Analysis of main holding companies and stock-jointly companies

√ Applicable □ Non Applicable

Main subsidiaries and stock-jointly companies that have an impact on the company's net profit of over 10%.

Unit: RMB Yuan

Company Name	Type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Shougang Jingtang United Iron & Steel Co., Ltd.	Subsidiary	Iron and steel smelting, steel rolling, other metal smelting and its rolling processing and sales; production and sales of sintered ore, pellets, coke, and chemical products; power generation, power supply; production and sales of secondary and multiple energy and resource reuse products; production and sales of various industrial gases; import and export of goods and technologies (except for projects restricted or prohibited by the state); metallurgical technology research, technical consultation, technical services; equipment leasing, docks, storage, transportation, and material supply; wholesale and retail of iron and steel, other metals and their rolled products, as well as ore, coal, and chemical products; processing, utilization, and sales of wastes in industrial production; land reclamation from the sea; provision of dock facilities for ships; Provide cargo handling services in the port area.	35,821,676.294	85,204,838,175.85	28,023,739,589.47	43,685,024,160.13	1,955,624,515.47	1,675,290,645.88
Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd.	Subsidiary	Cold-rolled electrical steel strip manufacturing; metallurgical special equipment manufacturing; motor manufacturing; transmission and distribution and control equipment manufacturing; energy-saving technology promotion services; new material technology promotion services; enterprise management consulting services; industrial design services; product quality inspection services; building materials, Wholesale and retail of non-metallic minerals and products, metal materials, metal products, and chemical products (excluding hazardous chemicals).	7,484,005,522.69	15,501,892,766.55	7,609,249,966.07	9,466,139,165.34	403,977,230.15	342,931,094.88
Beijing Shougang Cold Rolling Co., Ltd.	Subsidiary	Production of cold-rolled sheets and hot-dip galvanized steel coils; general freight; design and sales of cold-rolled sheets and hot-dip galvanized steel coils; warehousing services; technology development, technical consulting	2,600,000,000	5,758,967,187.02	-1,457,321,839.97	8,721,456,245.22	40,753,262.67	40,753,262.67
Beijing Shougang New Energy Automobile Material Technology Co., Ltd.	Subsidiary	Technology development, technical consulting, technology transfer, technical services; business management consulting; economic information consulting; sales of machinery and equipment, steel; machinery and equipment leasing (except cars); goods import and export; technology import and export; agent import and export.	700,000,000	768,098,874.65	698,895,274.94	0.00	-938,245.35	-940,311.02
Beijing Shougang Steel Trading Investment Management Co., Ltd.	Subsidiary	Trading	700,961,500.00	16,668,962,056.72	9,362,795,683.80	870,677,653.85	465,768,103.05	450,137,492.87
Qian'an Shougang Metallurgical Technology Co., Ltd.	Subsidiary	Metallurgical technology development and consulting services; environmental protection technology promotion services; business management consulting services; special equipment for environmental protection, steel slag, water slag, slag, dust removal ash, desulfurization ash, steel wholesale and retail; domestic advertising design, production, agency, and release; Non-self-owned housing rental services (within the scope of authorization of the housing owner); conference and exhibition services; hotels, bathrooms, indoor swimming pools; retail of daily necessities; production and sales of hot foods; production and sales of cold foods; production and sales of pastry foods; Pre-packaged food sales (including refrigerated and frozen food); fitness services.	190,000	204,649,384.85	-99,570,117.21	24,656,217.04	280,918.96	280,918.96



Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership)	Joint stock	Manage equity investment funds; engage in investment management and related consulting services.	1000000000	2,642,818,904.74	2,159,013,444.64	7,785,688.30	312,565,593.40	1,139,880,472.97
Qian'an Shoujia Construction Material Co., Ltd.	Joint stock	Production and sales of slag powder; sales of water slag; provide technical consultation and services for the production and application of water slag and slag powder products.	152442500	462,863,960.47	23,312,801.11	200,213,193.84	-3,052,769.84	-6,055,315.86
Minmetals Tianwei Steel Co., Ltd.	Joint stock	Shearing, processing, distribution, warehousing and sales of steel; manufacturing and sales of transformer cores; sales of aluminum, copper, zinc and electronic products.	75000000	135,241,649.18	119,016,376.72	158,871,307.38	2,621,901.47	1,916,823.94
Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	Joint stock	Coking; manufacturing of coke oven gas, tar, crude benzene, sulfur, ammonium sulfate, ammonium thiocyanate, and primary coal chemical products; waste heat utilization; hardware products, building materials, mining equipment and spare parts, construction machinery parts, rubber products, plastic products, lubricating grease, pig iron, ferroalloys, iron ore powder, pelletized iron ore, sintered iron ore, iron ore, limestone, quartz stone, dolomite, charge, bentonite, coke, coke powder, steel billet, chemical products, Coal wholesale and retail; Coking technology consulting and services.	992400000	4,047,302,324.93	1,903,089,820.03	6,567,974,662.78	302,773,278.50	222,110,549.04
Qian'an PetroChina Kunlun Gas Co., Ltd.	Joint stock	Sales natural gas; natural gas utilization technology development, technical consulting services; urban natural gas pipeline network and facility operation (within the permitted area of relevant departments); gas equipment leasing; wholesale and retail of hardware products, gas appliances, gas equipment materials, household appliances, water treatment equipment and spare parts; retail of tobacco products; food sales; road cargo transportation; road cargo transportation agency services.	30000000	179,790,915.47	117,232,777.13	275,266,070.59	36,154,345.49	27,085,008.47
Minmetals Special Steel (Dongguan) Co., Ltd.	Joint stock	R&D, production and sales: power transformer cores; sales: ferrous metals, non-ferrous metals, ore, building materials (excluding hazardous chemicals), mechanical and electrical equipment, electrical products, electrical equipment, electronic products sales, storage, loading and unloading, online sales. And related information consulting services; steel cutting, processing, inspection and testing; goods import and export, technology import and export; general freight.	50000000	188,152,077.87	34,428,627.51	195,403,459.72	109,304.86	81,969.44
Beijing TIEKE Shougang RAILWAY-TECH Co., Ltd.	Joint stock	Technology promotion; sales of building materials; goods import and export; technology import and export, low-relaxation pre-stressed steel bars, pre-stressed steel wires, bridge supports; general freight; product quality inspection.	210666700	2,958,439,200.00	2,178,125,600.00	1,229,446,500.00	231,789,000.00	148,727,900.00
Beijing Dingshengde Packaging Materials Co., Ltd.	Joint stock	Accepting entrustment to provide labor services; sales of knitting textiles, plastic products, paper products, metal products, loading and unloading, etc.	20000000	38,563,216.25	25,191,022.63	126,204,932.84	2,602,976.02	2,000,482.67
Ningbo Shougang Zhejin Steel Co., Ltd.	Joint stock	Processing	50000000	235,798,372.51	51,591,853.43	613,166,228.87	868,418.81	1,135,276.25
Guangzhou Jinghai Shipping Co., Ltd.	Joint stock	Shipping	130000000	371,528,282.54	152,774,903.73	370,066,624.14	3,546,782.96	2,281,797.32
Shougang (Qingdao) Steel Industry Co., Ltd.	Joint stock	Processing	100000000	1,638,048,606.40	132,216,350.89	3,246,715,627.42	4,588,621.72	5,552,427.38
Guangdong Shougang Zhongshan Metal Steel Processing & Distribution Co., Ltd.	Joint stock	Processing	60000000	87,159,175.85	85,494,379.81	386,720,915.92	19,994,404.84	15,041,982.67
Ordos Baotou Steel Shouhui Material Technology Co., Ltd.	Joint stock	Processing	150000000	205,315,608.75	100,029,181.96	22,581,121.14	-10,745,817.51	-10,745,817.51
Tianjin Shougang Steel Processing & Distribution Co., Ltd.	Joint stock	Processing	107770000	132,244,433.74	65,797,909.99	199,067,365.79	-20,092,335.50	-20,540,195.86
Hebei Jingji Industry & Trading Co., Ltd.	Joint stock	Trading	70000000	462,256,519.94	17,855,028.43	997,686,775.77	5,531,850.75	3,914,732.40
Tangshan Guoxing Industrial Co., Ltd.	Joint stock	Metal processing, machinery manufacturing, repair, steel wholesale and retail, building materials, etc.	42000000	127,340,342.67	68,384,369.77	80,117,784.81	13,691,127.69	8,937,825.86
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Joint stock	Production and sales of coke, coal tar, benzene, sulfuric acid, etc.	200000000	4,308,015,745.97	2,175,072,729.92	7,350,697,535.09	80,410,402.91	80,485,168.88
Tangshan Zhonghong Carbon Chemical Co., Ltd.	Joint stock	Import of technology, equipment and raw materials required for production	300000000	786,452,732.10	254,581,659.13	0.00	-21,274,355.01	-21,274,355.01
Tangshan CaoFeidian Dunshi New Construction Material Co., Ltd.	Joint stock	Production, sales, general cargo transportation, load and unload of slag powder and by products, etc.	200000000	367,055,612.28	333,982,009.52	464,761,681.90	50,446,874.69	37,856,751.55

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Non Applicable

Name	Mode of acquisition and disposal of subsidiaries during the reporting period	Impact on overall production management and performance
Beijing Shougang Steel Trading Investment Management Co., Ltd.	By holding 1.029 billion domestic shares of BAIC and paying cash, the Company purchased 51% equity of Steel Trading, which is held by Shougang Group.	After completing the transaction, the Company holds 51% of the equity of Jingtang Co. directly and holds 29.8177% of the equity of Jingtang Co. through Steel Trading indirectly, which further increases the net profit attributable to shareholders of the listed company.

Notes of major holding and joint stock companies

None

## VIII. Structured entity controlled by the Company

Applicable  Non Applicable

## IX. Future development prospects

### 1. Industry competition pattern and development trend

In 2021, there are still several uncertainties in the epidemic situation and international environment. Challenges and opportunities coexist in China's economic development, while the opportunities outweigh the challenges. From the perspective of iron and steel industry, under the influence of macro-environmental changes, industrial policy adjustments, carbon peaking, carbon neutralization and other factors, the crude steel production capacity will fluctuate slowly from the peak area and China's iron and steel industry will enter the era of reduction development. The characteristic of transformation to innovation-driven for China's economic development is more obvious with higher demand for supply quality, and the homogenization competition of steel products, especially high-level plate products, is becoming increasingly fierce. From the perspective of environmental protection, energy saving and low-carbon policies, green development will be the foundation for the healthy and sustainable development of enterprises. The legal binding force of energy conservation and low carbon is becoming stronger and stronger, the total energy consumption and intensity have become "red line", and the carbon trading system is becoming increasingly perfect. As a result, it is imperative to promote energy conservation and carbon reduction.

### 2. Corporate development strategy

With the theme of promoting high-quality development and innovative development, the company insisted the principle of keeping pace with the times, customers, shareholders and employees, and continuously deepened the reform of corporate governance structure and market-oriented mechanism around the core task of "enhancing vitality, improving competitiveness, and winning the battle of survival and development"; insisted the innovation-driven and "quality + service" development strategy, focused on "green manufacturing, intelligent manufacturing, quality manufacturing, lean manufacturing, and precise service", and continued to improve the core competitiveness of "manufacturing + service"; insisted on accelerating the research and development of high-level products focusing on automotive plates, electrical steel, tin plate, etc., and realized the transformation from a product manufacturer to a comprehensive service provider; insisted on the overall improvement of profitability and capital operation capacity of the company, and strive to build the company into a large, comprehensive, related and diversified listed company with international competitiveness and influence in steel and iron industry.

### 3. Operating plans of 2021

#### (1) Capacity of main products

- ① Qiangang Co.: 7.85 million ton of iron, year-on-year decrease of 2.2%; 8.26 million ton of steel, year-on-year decrease of 2.7%; 8.01 million ton of steel products, year-on-year decrease of 1.41%.
- ② Jingtang Co.: 13.47 million ton of iron, year-on-year rise of 4.7%; 13.70 million ton of steel, year-on-year rise of 21.4%; 12.90 million ton of steel products, year-on-year rise of 27.5%.
- ③ Zhixin Co.: 1.5 million ton of electric steel, year-on-year decrease of 2.6%. Including: 1.31 million ton of non-oriented electric steel, year-on-year decrease of 3.0%; 0.19 million ton of oriented electric steel, basically equal on a year-on-year basis.

④ Cold-R Co.: 1.70 million ton of cold-rolled steel sheets, year-on-year decrease of 7.6%. Including: 0.85 million ton of continuous annealing line for cold-rolled steel sheets, year-on-year decrease of 6.6%; 0.85 million ton of galvanized sheet, year-on-year decrease of 1.2%.

(2) Budget arrangement of financial indicators

RMB87.4 billion for operating revenue, year-on-year rise of 9.3%, including: RMB30.9 billion for operating revenue of parent company, year-on-year decrease of 0.4%; RMB52.0 billion for operating revenue of Jingtang Co., year-on-year rise of 19%; RMB8.8 billion for operating revenue of Zhixin Co., year-on-year decrease of 7.0%; RMB8.2 billion for operating revenue of Cold-R Co., year-on-year decrease of 6.4%;

(3) Budget arrangement of capital flow for income and expenditure

RMB145.291 billion for capital inflows, including RMB100.275 billion for capital inflows from operating activities, RMB0.325 billion for capital inflows from investing activities, RMB44.691 billion for capital inflows from financing activities.

RMB147.518 billion for capital outflows, including RMB89.84 billion for capital outflows from operating activities, RMB5.96 billion for capital outflows from investing activities, RMB51.718 billion for capital outflows from financing activities.

(4) Budget arrangement of fixed-assets project capital expenditure

Arrangement of fixed assets is RMB4.259 billion, including: RMB0.655 billion for Qiangang Co., RMB2.634 billion for Jingtang Co., RMB0.092 billion for Zhixin Co., RMB0.032 billion for Cold-R Co., RMB0.831 billion for New-E Co. and RMB0.015 billion for Steel Trading.

#### 4. Potential risk

(1) Policy and industry risk

With the continuous advancement of high-quality development of the iron and steel industry, China's iron and steel industry will enter the era of reduction development. Under the background of carbon peaking and carbon neutrality goals, the development of the steel industry will face new difficulties and challenges, combined with the impact of the post-epidemic era.

In order to cope with the above-mentioned risks, first, actively adapt to the new development environment, follow the development laws, strive to resist market risks with the internal extreme work, win the market with more efforts, and take the initiative in the new development pattern; second, improve competitiveness with innovative thinking, improve total factor productivity through technological and management innovation, and achieve higher quality, more efficient and more sustainable development. The third is to enhance the awareness and concept of low-carbon development, strengthen industrial restructuring and energy structure optimization, and actively promote environmental protection, energy conservation and carbon reduction work.

(2) Environmental risk

With the "implementation of ultra-low emissions in the iron and steel industry" becoming the norm, the concept of "green water and mountains are golden mountains and silver mountains" is deeply rooted in the hearts of the people, and the ecological environment constraints are more and more tight. The environmental protection cost and pressure faced by iron and steel enterprises are unprecedented.

In response to the above risks, first, continue to implement the eco-friendly action plan, establish a linkage mechanism between environmental protection indicators and production control, and continue to promote the construction of environmental governance projects; second, build a green supply chain system, promote the selection of green materials, and promote the green process of procurement, production and transportation; third, actively carry out the whole life cycle (LCA) management of steel products, and complete the carbon emission assessment report of the life cycle for the two products, which were provided for BMW.

(3) Horizontal competition risk

Shougang Group and its affiliates have a certain degree of horizontal competition with the Company.

In order to solve the horizontal competition, during the first restructuring, Shougang Group issued "the commitment on the settlement measures and avoidance of horizontal competition after the assets restructuring". According to the iron and steel industry development plan of Shougang Group, Shougang Co. will be the only platform for the development and integration of the iron and steel and upstream iron ore resources industry of Shougang Group in China, and eventually achieve the overall listing of Shougang

Group's iron and steel and upstream iron ore resources business in China. Since then, Shougang Group has made further commitments on the basis of the above-mentioned commitments of horizontal competition. These commitments are fulfilled on schedule and for details, please refer to "Corporate Governance" in the annual report.

#### (4) Marketing risk

From the perspective of market competition environment, steel replacement capacity has been put into production, high-level plate production capacity has increased, product structure adjustment direction has converged, and homogenization competition has intensified; from the perspective of industry chain, the concentration of upstream and downstream industries of steel manufacturing industry has been continuously improved. Therefore, the market for steel and iron products will face greater pressure.

For the above risk response, first, give full play to the leading role of the market, continuously optimize the product and channel structure, strengthen sales R&D and production line collaboration, exploit the demand potential of new materials for new technologies and new uses at the client end, and devote to promote the precise docking of high-quality supply and high-level downstream demand; second, actively respond to market challenges, pay attention to cooperation with industry advantaged enterprises, strive to establish product advantages, consolidate and enhance the market share of key industries, and ensure the leading position in market segments; third, actively adapt to the requirements of the new development pattern, promote the export of superior products, strengthen cooperation with multinational enterprises and joint ventures, and expand the international influence of products.

#### (5) Related transactions risk

Related transactions exist among Shougang Co., Shougang Group and the affiliated companies, Shougang Co. and Shougang Group signed the framework agreement of related transactions in accordance with the stock listing rules and other provisions for regular related transactions. If the agreement cannot be strictly executed in the future, interests of the company will be damaged and also the risks of related transactions will emerge.

The above-mentioned regular related transactions are the continuous related transactions in the ordinary operation and production process of the Company, all of which are signed agreements in accordance with regulations and approved legally, and the transactions will not affect the independence of the Company. The Company will strictly implement the provisions of related transactions, perform the obligation of information disclosure in accordance with the requirements of the stock listing rules and the Articles of Association, ensure the openness, fairness and justice of related transactions, and protect the legitimate rights and interests of the Company and all shareholders.

## X. Reception of research, communication and interview

### 1. The registration form of research, communication, interview etc. during the reporting period.

Applicable  Non Applicable

Time	Location	Method	Type	Counterparty	Main contents and provided material	Reference for basic information
2020/4/24	Conference room	Telephone Communication	Institution	Analysts from over 10 companies, including Changjiang Securities, Zhongtai Securities, Everbright Securities, Huatai Securities, Chuancai Securities	Mainly explain the performance of the company in 2019 and the first quarter of 2020 and answers questions that investors are concerned about.	Hold meetings of 2019 annual report and 2020 Q1 performance disclosure. Disclosed on the interactive platform in detail on 27 April 2020.
2020/9/8	Conference room	Other	Individual	Individual investor	Answers questions that investors are concerned about	Overall Perspective – World of Road Show, 2020 reception day for Beijing investors ( <a href="http://rs.p5w.net/html/123119.shtml">http://rs.p5w.net/html/123119.shtml</a> )
Number of reception						2
Number of institutions						10
Number of individuals						11
Number of others						0
Whether disclose, give, or reveal non-public material information (Y/N)						N

## Section V. Significant Events

### I. Proposal for profit distribution and transfer of capital reserve to share capital

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the reporting period

Applicable Not applicable

1. Since the establishment, the Company highly valued the investment return for shareholders, the protection for legitimate rights and interests of all shareholders, especially for the small and medium shareholders. According to various regulations and relevant requirements issued by the regulatory authority, the Company timely revised and improved the provisions of the profit distribution policy in the Articles of Association of the Company, and the standard and proportion of cash dividends shall be explicit and clarity.
2. During the reporting period, profit distribution proposal complied with the provision of profit distribution in the Articles of Association of the Company, complied with the provisions of normative documents issued by CSRC and other regulatory agencies and fulfilled the procedures for independent directors to issue independent opinions and legal approval.
3. The cash dividend policy in Articles of Association has been amendand as follows: Article 191 (2), the provision of "the accumulated distributed cash profit for the recent three years is no less than 50% of the lower of the annual average profit of the parent company for recent three years or the attributeable profit on consolidated financial statements" is amendand as "the accumulated distributed cash profit for the recent three years is no less than 30% of the lower of the annual average profit of the parent company for recent three years or the attributeable profit on consolidated financial statements". The details of above refers to events disclosed in the 2019 resolution of general meeting of shareholders which issued on 14 June 2020.

Special description on cash dividend policy	
Whether it meets the requirements of the Article of Association or the Resolution of the General Meeting (Y/N):	Y
Whether the bonus standards and proportion is clear and well-defined (Y/N):	Y
Whether has a completed relevant decision-making procedures and mechanism (Y/N):	Y
Whether independent directors fulfill duties and play a due role (Y/N):	Y
Minority shareholders whether has opportunity of full expression and appeals, the legal interest of the minority are being protected totally (Y/N):	Y
As for the adjustment and change of cash bonus policy, the condition and procedures whether meets regulations and transparent (Y/N):	Y

Distribution plan (pre-plan) for common stock dividends, capitalization scheme of capital reserve (pre-plan) in latest three years (including current period)

1. The profit distribution scheme and related arrangement of the Company in 2020

Audited by Grant Thornton LLP, in 2020, the consolidated net profit attributable to the shareholders of parent company is RMB 1,786,452,832.06, withdrawaling of statutory surplus reserve of RMB 99,168,790.71, the consolidated profit available for distribution for the year is RMB 1,687,284,041.35 and the consolidated retained earnings of the Company is RMB 1,865,280,919.23. For the parent company, the net profit of the year is RMB 991,687,907.11. After the withdrawal of 10% statutory surplus reserve of RMB 99,168,790.71, the profit available for distribution of parent company is RMB 892,519,116.40 and the retained earnings of parent company is RMB 8,856,123,340.12.

In consideration of the matter that the Company is currently promoting the events of related party transaction on share issuing to purchase assets and fundraising, the Company intends to review and arrange related profit distribution plan of 2020 in accordance with the provisions of relevant laws, regulations, rules, normative documents and Articles of Association as soon as possible after the implementation of this matter. The proposal is subject to the approval of the shareholders' meeting.

## 2. The scheme of the Company for profit distribution or for transfer of capital reserve to the share capital in 2019

Audited by Grant Thornton LLP, the consolidated net profit attributable to shareholders of parent company in 2019 is RMB 1,251,047,873.08, the achieved net profit of parent company is RMB 416,816,074.79, the attributable profit of the parent company is RMB 5,605,709,861.57 and the consolidated attributable profit is RMB -2,051,598,102.14. The consolidated attributable profit is lower than the attributable profit of the parent company with a negative amount, therefore, in accordance with the provisions of the Articles of Association of the Company “the profit shall be distributed to the shareholders in proportion to the lower of the distributable profits of parent company and the consolidated statements recognized in the year”, the Company does not distribute cash dividends or transfer capital reserve into share capital for current year.

During the reporting period, the profit recognized by the parent company is mainly used for repaying the loan for acquisition and fixed asset project investment. Among them, the budget repayment of acquisition loan is RMB 1,300 million, and the intended investment for fixed assets project is RMB 700 million.

## 3. The scheme of the Company for profit distribution or for transfer of capital reserve to the share capital in 2018

Audited by Grant Thornton LLP, the consolidated net profit attributable to shareholders of the parent company in 2018 is RMB 2,403,750,672.16, the achieved net profit of parent company is RMB 1,404,376,673.49, the attributable profit of the parent company is RMB 5,189,366,782.39 and the consolidated attributable profit is RMB -3,260,964,367.74. The consolidated attributable profit is lower than the attributable profit of parent company with a negative amount. Therefore, in accordance with the provisions of the Articles of Association of the Company, which states “the profit shall be distributed to the shareholders in proportion to the lower of the distributable profits of parent company and the consolidated statements recognized in the year”, the Company does not distribute cash dividends or transfer capital reserve into share capital for current year.

During the reporting period, the profit recognized by the parent company is mainly for repaying the loan for acquisition and fixed asset project investment. Among them, the budget repayment of acquisition loan is RMB 600 million, and the intended investment for fixed assets project is RMB 700 million.

Cash dividends of common shares of the Company for the last three years (the reporting period inclusive)

Unit: RMB Yuan

Year of distribution	Amount of cash dividends (tax included)	Net profit attributable to ordinary shareholders of the listed company in consolidated financial statements in the year of distribution	Ratio of cash dividends to net profits attributable to ordinary shareholders of the listed company in consolidated financial statements	Proportion for cash dividends by other ways (i.e. share buy-backs)	Ratio of cash dividends in other ways to net profits attributable to ordinary shareholders of the listed company in consolidated financial statements	Total cash dividends (including other ways)	Ratio of total cash dividends (including in other ways) to net profits attributable to ordinary shareholders of the listed company in consolidated financial statements
2020	0.00	1,786,452,832.06	0.00%	0.00	0.00%	0.00	0.00%
2019	0.00	1,185,589,702.44	0.00%	0.00	0.00%	0.00	0.00%
2018	0.00	2,370,453,251.46	0.00%	0.00	0.00%	0.00	0.00%

The Company achieves positive profits in reporting period and the attributable profit for common stock shareholders of the parent company is positive but no proposal of cash dividend for common stock shareholders is proposed.

Applicable Not applicable

Reasons for no resolution for cash dividend the Company achieves positive profits in reporting period and the attributable profit for common stock shareholders of the parent company is positive	Purpose and use plan for the undistributed profits of the Company
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<p>Audited by Grant Thornton LLP, in 2020, the consolidated net profit attributable to the shareholders of parent company is RMB 1,786,452,832.06, withdrawing of statutory surplus reserve of RMB 99,168,790.71, the consolidated profit available for distribution for the year is RMB 1,687,284,041.35 and the consolidated retained earnings of the Company is RMB 1,865,280,919.23. For the parent company, the net profit of the year is RMB 991,687,907.11. After the withdrawal of 10% statutory surplus reserve of RMB 99,168,790.71, the profit available for distribution of parent company is RMB 892,519,116.40 and the retained earnings of parent company is RMB 8,856,123,340.12.</p> <p>In consideration of the matter that the Company is currently promoting the events of related party transaction on share issuing to purchase assets and fundraising, the Company intends to review and arrange related profit distribution plan of 2020 in accordance with the provisions of relevant laws, regulations, rules, normative documents and Articles of Association as soon as possible after the implementation of this matter.</p>	<p>In consideration of the matter that the Company is currently promoting the events of related party transaction on share issuing to purchase assets and fundraising, the Company intends to review and arrange related profit distribution plan of 2020 in accordance with the provisions of relevant laws, regulations, rules, normative documents and Articles of Association as soon as possible after the implementation of this matter.</p>
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## II. Profit distribution plan and capitalizing of common reserves plan during the reporting period

Applicable Not applicable

In consideration of the matter that the Company is currently promoting the events of related party transaction on share issuing to purchase assets and fundraising, the Company intends to review and arrange related profit distribution plan of 2020 in accordance with the provisions of relevant laws, regulations, rules, normative documents and Articles of Association as soon as possible after the implementation of this matter.

## III. Implementation of commitment

1. Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the reporting period

Applicable Not applicable

Commitment	Commitment party	Type	Contents	Commitment date	Commitment term	Implementation
Commitments to share reform						
Commitments made in a statement of acquisition or equity change						

Commitment in assets restructuring	Shougang Group Co., Ltd.	<p>1. According to the iron and steel industry development plan of Shougang Group, Shougang Co. will be the only platform for the development and integration of the iron and steel and upstream iron ore resources industry of Shougang Group in China, and eventually achieve the overall listing of Shougang Group's iron and steel and upstream iron ore resources business in China</p> <p>2. As for the other companies engaged in iron and steel production business included in Shougang Group, if the profits could be achieved for three consecutive years through optimizing and adjusting the product structure and actively implementing national industrial policies and environmental protection requirements, and the overall situation of the industry does not appear large fluctuation, Shougang Group will activate the manners in line with the interests of shareholders of listed companies, including but not limited to acquisition, merger, reorganization, etc. to invest relevant high-quality assets in Shougang Co. in accordance with the requirements of securities laws, regulations and industrial policies, and will complete the investment within 36 months after start-up.</p>	27 Dec. 2018	Refer to contents of commitment	<p>Implementing.</p> <p>In December 2018, Shougang Co. and Jingtang Co. jointly with Shougang Group signed "the management service agreement among Shougang Group, Beijing Shougang Co., Ltd. and Shougang Jingtang United Iron&amp;Steel Co., Ltd.", Shougang Co. and Jingtang Co. jointly provided management services for 17 target enterprises, which are involved in the steel sector assets and businesses of Shougang Group. Among them, Shougang Mining Corporation and other thirteen companies are in the charge of Shougang Co., and Shougang Casey Steel Co., Ltd. and other two companies are under the charge of Jingtang Co.</p>
	Shougang Group Co., Ltd. (Formerly known as Shougang Corporation)	<p>If the market improves in the future, Shougang Mining Corporation achieves stable profits for two consecutive years, and the overall situation of the industry will not fluctuate greatly, Shougang Corporation will start the injection of Shougang Mining Corporation in Shougang Co. and complete it within 36 months. Before the injection of Shougang Mining Corporation in Shougang Co., Shougang Corporation will urge Shougang Mining Corporation to conduct relevant transactions with Shougang Co. in accordance with fair and reasonable market price, strictly conform to the requirements of laws and regulations, normative documents, the articles of association of Shougang Co. and related transaction management system, and perform the corresponding review, approval and information disclosure procedures for the necessary related transactions between Shougang Co. and Shougang Mining Corporation.</p>	20 April 2017	Refer to contents of commitment	Implementing.
	Shougang Group Co., Ltd. (Formerly known as Shougang Corporation)	<p>The company will not damage the independence of Shougang Co. due to the increase of the proportion of shares held by Shougang Co. after the completion of the reorganization. The company will maintain "the five-aspect separation principle", which means assets, personnel, financial affairs, institution and business should be independent of Shougang Co., strictly conform to relevant provisions of the CSRC on the independence of listed companies, not illegally utilize Shougang Co. to provide guarantees, not illegally occupy the assets of Shougang Co. and keep and maintain the independence of Shougang Co.</p>	20 July 2012	After the completion of assets reorganization (completion date: 25 April 2014)	Implementing of the long-term commitment.



	<p>Shougang Group Co., Ltd. (Formerly known as Shougang Corporation)</p>	<p>The company is the largest shareholder and controlling shareholder of Shougang Co. On July 17, 2012, the Company issued "the commitment letter of Shougang Corporation on reducing and standardizing related transactions" (namely the commitments listed above, hereinafter referred to as the "original commitment letter"), and promised to take measures including the injection of Shougang Mining Corporation in Shougang Co. and other relevant measures to reduce and regulate the related transactions with Shougang Co. after the completion of major assets replacement and assets purchase through issue of shares between the company and Shougang Co. (Hereinafter referred to as "previous major assets restructuring (completed on 25 April 2014)"). In order to reduce and standardize the related transactions after this major assets replacement and related transaction project between the company and Beijing Shougang Co., Ltd., protect legitimate rights and interests of Shougang Co. and its public shareholders, the company promise to continue to fulfill the contents of original commitment letter after the completion of this major assets replacement, and further commits as follows:</p>	<p>29 Sep. 2015</p>	<p>During and after the assets replacement</p>	<p>Implementing</p>
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	Shougang Group Co., Ltd. (Formerly known as Shougang Corporation)	<p>1. The company will perform its obligations as the controlling shareholder of Shougang Co. in good faith, try to avoid and reduce the related transactions with Shougang Co. (including the enterprises it controls); as for the related transactions, which are unavoidable or occur for reasonable reasons between the company and other enterprises under the control of the company, and Shougang Co. and the enterprises it controls, the company will not require or accept the more favorable conditions provided by Shougang Co. than the conditions to an independent third party in any fair market transaction. The company and other enterprises under the control of the company will sign a standardized related party transaction agreement with Shougang Co. in accordance with the law, follow the market principles of openness, fairness and justice, in accordance with fair and reasonable market price, conform to relevant provisions of laws, regulations and normative documents in the decision-making procedures of related transactions and disclose information in accordance with the law.</p> <p>2. The company and other enterprises under the control of the company shall not obtain any improper benefits or cause Shougang Co. undertaking any improper obligation though related transactions with Shougang Co. and the other enterprises controlled by Shougang Co.</p> <p>3. The company shall be liable for the losses to Shougang Co. and the enterprise under the control of Shougang Co. due to the related transactions with them in violation of the above commitments.</p>	29 Sep. 2015	During and after the assets replacement	Implementing
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	Shougang Group Co., Ltd. (Formerly known as Shougang Corporation)		In respect of the purchase of 51% of the equity of Jingtang Co. by Shougang Co., the company made the following commitments in urging Jingtang Co. and its holding subsidiary, Tangshan Shougang Jingtang Caofeidian Port Co., Ltd. (hereinafter referred to as Port Company) to complete relevant matters: 1. The company promises to urge Jingtang Co. not to actually carry out port operation business of general bulk cargo berth project (552-meter shoreline wharf project) without obtaining formal or temporary port operation license. 2. The company promises to urge Port Company not to actually carry out port operation business of general wharf project (1600-meter shoreline wharf project) without obtaining formal or temporary port operation license.	29 Sep. 2015	Refer to contents of commitment	Implementing
	Shougang Group Co., Ltd. (Formerly known as Shougang Corporation)		In respect of the purchase of 51% of the equity of Jingtang Co. by Shougang Co., Shougang Group made the following commitments in urging Jingtang Co. and its holding subsidiary, Tangshan Shougang Jingtang Caofeidian Port Co., Ltd. (hereinafter referred to as Port Company) to complete relevant matters: 1. Shougang Group promises to urge Jingtang Co. to complete the overall acceptance procedures of supporting wharf project (1240-meter shoreline wharf project) and obtain the formal port operation license before 31 December 2022, and carry out port operation business in accordance with the requirements of relevant competent departments 2. Shougang Group promises to urge Jingtang Co. to complete the application of ownership certificate of all self-built houses of Jingtang Co. before 31 December 2022.	18 Dec. 2020	31 Dec. 2022	Implementing
	Shougang Group Co., Ltd. (Formerly known as Shougang Corporation)		In respect of the purchase of 51% of the equity of Jingtang Co. by Shougang Co., the company made the following commitments in urging Jingtang Co. and its holding subsidiary, Port Company, to complete the relevant matters of obtaining land use right certificate: The company promises to urge Jingtang Co. to obtain state-owned land use right certificate of all the land used before 31 December 2022, including but not limited to the land used by Jingtang Co. Phase I project, Jingtang Co. supporting wharf project (1240-meter shoreline wharf project), general bulk cargo berth project (552-meter shoreline wharf project) and Jingtang Co. Phase II project.	18 Dec. 2020	31 Dec. 2022	Implementing
Commitments made in IPO or refinancing						
Equity incentive commitment						
Other commitments to small and medium shareholders of the company						
Completed on time	Yes					

2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

Applicable  Not applicable

#### **IV. Non-operational fund occupation from controlling shareholders and its related party**

Applicable  Not applicable

No non-operational fund occupation from controlling shareholders and its related party during the reporting period.

#### **V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA**

Applicable  Not applicable

#### **VI. Notes to changes in aspect of accounting policy, estimates and calculation method compared to financial report of previous year.**

Applicable  Not applicable

Details of change in accounting policy, estimates and calculation method of the Company compare to financial report of previous year refer to Section XII. V. 30. Changes in accounting policies and estimates

#### **VII. Material accounting errors within reporting period that needs retrospective restatement**

Applicable  Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company during the reporting period.

#### **VIII. Explanation on the change in the scope of consolidated financial statements during the reporting period as compared to financial report of the previous year**

Applicable  Not applicable

For the year ended 31 December 2020, the Company set up a new subsidiary, Beijing Shougang Steel Trading Investment Management Co., Ltd. and there are 6 subsidiaries in the scope of consolidation, which are: Shougang Jingtang United Iron & Steel Co., Ltd., Beijing Shougang Cold Rolling Co., Ltd., Qian'an Shougang Metallurgical Technology Co., Ltd., Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd., Beijing Shougang New Energy Automobile Material Technology Co., Ltd., and Beijing Shougang Steel Trading Investment Management Co., Ltd.

#### **IX. Appointment and non-reappointment (dismissal) of CPA**

Current CPA

Name of domestic accounting firm	Grant Thornton LLP.
Remuneration for domestic accounting firm (RMB 0,000)	180
Continuous life of auditing service for domestic accounting firm (year)	21
Name of domestic CPA	Qian Bin, Li Dan
Continuous life of auditing service for domestic accounting firm (year)	5

Whether to change the accounting firm during the audit period

Yes  No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable  Not applicable

#### **X. Suspension and termination of listing after disclosure of annual report**

Applicable  Not applicable

#### **XI. Insolvency or restructuring related matters**

Applicable  Not applicable

No insolvency or restructuring related matters during the reporting period

**XII. Material litigation or arbitration cases**

Applicable  Not applicable

No material litigation or arbitration cases during the reporting period.

**XIII. Punishment or rectification**

Applicable  Not applicable

No punishment or rectification during the reporting period.

**XIV. Integrity of the Company and its controlling shareholders and actual controllers during the reporting period**

Applicable  Not applicable

**XV. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures**

Applicable  Not applicable

No implementation of the company's equity incentive plan, employee stock ownership plan or other employee incentive measures during the reporting period.

**XVI. Substantial related party transactions**

## 1. Related transaction with routine operation concerned

Applicable  Not applicable

Unit: 10'000 RMB

Related parties	Relationship	Transaction type	Transaction content	Pricing principle of transaction	Transaction price	Related transaction price	Proportion in similar transactions	Approved transaction quota	Whether it exceeds the approved quota(Y/N)	Related transaction settlement methods	Available market prices for similar transactions	Date of disclosure	Disclosure index
Shougang Group and its subsidiaries	Parent company	Related purchase	Raw material	Market price	Market price	4,251,201		3,876,060	Y	Cash at bank and on hand	Market price	24 April 2020	"China Securities Journal", "Securities Times", "Shanghai Securities News", Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Shougang Group and its subsidiaries	Parent company	Related sales	Steel	Market price	Market price	395,229		4,547,437	N	Cash at bank and on hand	Market price	24 April 2020	Ditto
Other related parties	Joint venture and associates	Related purchase	Raw fuel material and energy	Market price	Market price	1,633,345		1,808,942	N	Cash at bank and on hand	Market price	24 April 2020	Ditto
Other related parties	Joint venture and associates	Related sales	Energy	Market price	Market price	411,545		409,513	Y	Cash at bank and on hand	Market price	24 April 2020	Ditto
<b>Total</b>				--	--	6,691,320	--	10,641,952	--	--	--	--	--
Details of large sales returns				No									
The Company classifies the daily related transactions by category, estimates the transaction amount that will take place in the current period, and discloses the actual transaction amount (if any)				The Company estimates the total amount of daily related transactions that will be approved by the general meeting of shareholders, considered and approved by the second session of the seventh board of directors of the Company on 22 April 2020 and submitted to the 2019 annual general meeting of the Company on 23 June 2020 for consideration and approval. The total amount of transactions approved in the current period was RMB 106,419.52 million, and the actual occurrence of this period was RMB 66,913.20 million, which did not exceed the approved quota. For details of the related parties and related party transactions, please refer to Item XII in Section XII. The reason of greatly reduction of actual related sales than the annual budget is that: The steel products of Shougang Co. is sold through Beijing Shougang Steel Trading Investment Management Co., Ltd. to each bases. Taking into consideration of optimizing of assets and reducing the related transactions between the Company and the controlling shareholder, the Company acquired 51% shareholding of Beijing Shougang Steel Trading Investment Management Co., Ltd. by mean of assets swap in June 2020 (details information refers to the disclosure on 13 June 2020) and therefore the financial statements of Beijing Shougang Steel Trading Investment Management Co., Ltd. is consolidated in the financial statements of Shougang Co. The related party transaction is therefore ultimately largely reduced.									
The reason for the material difference between the transaction price and the market reference price (if applicable)				Not Applicable									

## 2. Related transactions by assets or equity acquisition and sold

Applicable  Not applicable

Related parties	Relationship	Transaction type	Transaction content	Pricing principle of transaction	Carry value of assets transferred (0,000)	Evaluation value of assets transferred (0,000)	Transfer price (0,000)	Related transaction settlement methods	Profit or loss of the transaction (0,000)	Date of disclosure	Disclosure index
Shougang Group Co., Ltd.	Parent company	Equity acquisition	Equity purchase of Beijing Shougang Steel Trading Investment Management Co., Ltd.	Evaluation price	445,913.52	489,363.46	489,363.46	Assets swap	0	13 June 2020	"China Securities Journal", "Securities Times", "Shanghai Securities News", Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Shougang Group Co., Ltd.	Parent company	Equity transfer	Equity transfer of BAIC Motor Corporation	Evaluation price	404,298.24	454,686.5	437,197.77	Assets swap	0	13 June 2020	Ditto
The reason for the material difference between the transfer price and the carrying value or evaluation value (if applicable)				Not applicable							

Impact on the operation results and financial position of the Company	Increase the net profit attributable to shareholders of listed company
Performance achievement during the reporting period if there is any performance agreement attached in related transaction	Not applicable

## 3. Related transactions of mutual investment outside

Applicable  Not applicable

No related party transactions in respect of jointly investment during the reporting period.

## 4. Contact of related credit and debt

Applicable  Not applicable

Whether the Company had non-operating contact of related credit and debt

Yes  No

## 5. Other material related party transactions

Applicable  Not applicable

On 22 April 2020, the second meeting of the seventh session of the Board of Directors of the Company approved the " Proposal of Financial Transactions between Shougang Co., and Shougang Group Finance Co., Ltd." and the "Agreement of Financial Services between Shougang Co., and Shougang Group Finance Co., Ltd." on 23 June 2020, which has been approved at the Annual General Meeting of Shareholders in 2019 held on 23 June 2020. (Unit: RMB)

Item	As at 31.12.2019	Addition	Reduction	As at 31.12.2020	Charge or pay interest and handling fees
1. Deposit in Shougang Group Finance Co., Ltd.	5,617,655,130.21	134,699,426,153.32	134,477,027,744.51	5,840,053,539.02	108,641,085.66
2. Loan offers to the Finance Co.	16,095,277,337.48	23,657,522,078.12	25,097,941,699.85	14,654,857,715.75	261,805,906.55
(1) Short-term loans	9,621,643,833.33	8,939,538,947.15	9,877,243,228.29	8,683,939,552.19	
(2) Notes payable	6,464,964,570.54	14,712,862,200.00	15,213,776,770.54	5,964,050,000.00	
(3) Entrusted Loan	8,668,933.61	5,120,930.97	6,921,701.02	6,868,163.56	

## Website for disclosure of interim report of materil related party transactions

Name	Disclosure date	Name of the website
Disclosure on related party transactions of financial transaction with Shougang Group Finance Co., Ltd.	24 April 2020	China Securities Journal, Securities Times, Shanghai Securities News and Juchao Information Network ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )

**XVII. Material contracts and implementations**

## 1. Entrustment, contract and leasing

## (1) Entrustment

Applicable  Not applicable

No entrustment during the reporting period.

## (2) Contract

Applicable  Not applicable

No contract during the reporting period.

## (3) Leasing

Applicable  Not applicable

No leasing during the reporting period.

## 2. Material guarantees

Applicable  Not applicable

No guarantees during the reporting period.

## 3. Entrusted asset management, entrusted loans and other wealth management and derivatives investment

## (1) Entrusted asset management and other wealth management and derivatives investment

Applicable  Not applicable

No entrusted asset management and other wealth management and derivatives investment during the reporting period.

(2) Entrusted loans

Applicable  Not applicable

No entrusted loan during the reporting period.

4. Material contracts for routine operation

Applicable  Not applicable

No material contracts for routine operation during the reporting period.

5. Other material contracts

Applicable  Not applicable

No other material contracts during the reporting period.

## XVIII. Fulfillment of Social Responsibility

1. Fulfill social responsibility

Detailed information refers to 2020 corporate social responsibility report of the Company.

2. Performance of taking targeted measures in poverty alleviation

Detailed information refers to 2020 corporate social responsibility report of the Company.

3. Environmental protection

Whether the Company and its subsidiaries belongs to the key pollutant released entities that published by the environmental protection department.

Yes

Name of Company or Subsidiary	Names of major pollutants and characteristic contaminants	Way of Discharge	No. of drains	Distribution of emission drains	Emission concentration	Implemented pollutant emission standards	Total emissions (tons)	Total approved emissions (tons)	Emissions exceed the standard
Qiangang Co.	COD (Chemical Oxygen Demand)	organized	1	Wastewater discharge port	15-30mg/L	50mg/L	48.6	103	No
Qiangang Co.	Ammonia Nitrogen	organized	1	Wastewater discharge port	0.5-1mg/L	5mg/L	3.625	8.2	No
Qiangang Co.	Sulfur Dioxide	Organized	69	5 in energy generation, 3 in iron-smelting, 3 in steelmaking, 8 in hot rolling, 50 in cold rolling	1-20mg/m <sup>3</sup>	Energy, iron-smelting, steelmaking, hot rolling 35mg/m <sup>3</sup> , cold rolling 50mg/m <sup>3</sup>	694.8	695	No
Qiangang Co.	Nitrogen Oxides	organized	69	5 in energy generation, 3 in iron-smelting, 3 in steelmaking, 8 in hot rolling, 50 in cold rolling	5-35mg/m <sup>3</sup>	Energy, iron-smelting, steelmaking, hot rolling 50mg/m <sup>3</sup> , cold rolling 150mg/m <sup>3</sup>	1705	1720	No
Qiangang Co.	Particulate Matter	organized	153	5 in energy generation, 29 in iron-smelting, 33 in steelmaking, 20 in hot rolling, 66 in cold rolling	1-3mg/m <sup>3</sup>	Energy, iron-smelting, steelmaking, hot rolling 5mg/m <sup>3</sup> , cold rolling 10mg/m <sup>3</sup>	872.7	1227	No
Jingtang Co.	Sulfur Dioxide	organized	42	Coke oven chimney, coke pushing, coke outlet, CDQ outlet, outlet of baghouse system after desulphurization of sintering machine, outlet of hot blast stove of no.1 and no.2 bf, lime kiln roasting, heat treatment furnace, 2 × 300mw generating units chimney exit, gas boiler chimney exit.	Coke oven chimney : <10 mg/m <sup>3</sup> ; Coke pushing : <30 mg/m <sup>3</sup> ; Coke outlet : <70 mg/m <sup>3</sup> ; CDQ outlet : <80 mg/m <sup>3</sup> ; Sintering desulfurization : <30 mg/m <sup>3</sup> ; hot blast stove : <50 mg/m <sup>3</sup> ; heat treatment furnace : <50 mg/m <sup>3</sup> ; Coal-fired and gas-fired generating units : <20 mg/m <sup>3</sup> ; Gas boiler : <30 mg/m <sup>3</sup> .	Coke oven chimney : 30 mg/m <sup>3</sup> ; Coke pushing : 30 mg/m <sup>3</sup> ; Coke outlet : 70 mg/m <sup>3</sup> ; CDQ outlet : 80 mg/m <sup>3</sup> ; Sintering desulfurization : 35 mg/m <sup>3</sup> ; hot blast stove : 50 mg/m <sup>3</sup> ; Lime kiln roasting : 35 mg/m <sup>3</sup> ; heating furnace of hot rolling mill : 50 mg/m <sup>3</sup> ; continuous annealing line of cold rolling mill, annealing furnace of HDG line : 50 mg/m <sup>3</sup> ; Coal-fired and gas-fired generating units : 35 mg/m <sup>3</sup> ; Gas boiler : 50 mg/m <sup>3</sup> .	862	5210	No
Jingtang Co.	Nitrogen Oxides	organized	38	Coke oven chimney, outlet of baghouse system after desulphurization of sintering machine, outlet of hot blast stove of no.1 and no.2 bf, lime kiln roasting, heat treatment furnace, 2 × 300mw generating units chimney exit, gas boiler chimney exit.	Coke oven chimney : <100 mg/m <sup>3</sup> ; Sintering desulfurization : <50 mg/m <sup>3</sup> ; Outlet of hot blast stove of No.1 and No.2 BF : <150 mg/m <sup>3</sup> ; continuous annealing line of cold rolling mill and hot rolling mill, annealing furnace of HDG line : <150 mg/m <sup>3</sup> ; Coal-fired and gas-fired generating units : <40 mg/m <sup>3</sup> ; Gas boiler : <150 mg/m <sup>3</sup> .	Coke oven chimney : 130 mg/m <sup>3</sup> ; Sintering desulfurization : 50 mg/m <sup>3</sup> ; Outlet of hot blast stove of No.1 and No.2 BF, heating furnace of hot rolling mill, continuous annealing line, annealing furnace of HDG line, Roasting device of waste acid regeneration station : 150 mg/m <sup>3</sup> ; Lime kiln roasting : 150 mg/m <sup>3</sup> ; Coal-fired and gas-fired generating units : 50 mg/m <sup>3</sup> ; Gas boiler : 150 mg/m <sup>3</sup> .	3536	11667	No

Jingtang Co.	Particulate Matter	organized	176	Coke pushing, coke outlet, CDQ outlet, coke oven chimney, dust removal outlet of stock ground transfer station, dust removal outlet of sintering machine batching, crushing, finished products screening, dust removal outlet of sintering machine tail and ring cooler, dust removal outlet of primary flue gas of BF tapping field, secondary flue gas of BF tapping field, dust removal outlet below the blast furnace bunker, dust removal outlet of cast iron machine, dust removal outlet of blast furnace pulverized coal production, dust removal outlet of hot blast stove of BF, steelmaking electric dust removal, steelmaking secondary dedusting outlet, dust removal outlet of flame descaling, lime kiln top dust collector outlet, heat treatment furnace, dust removal of finishing mill, dust removal exit of tension leveller and welder of PLTCM, dust removal exit of iron powder warehouse, 2 × 300mw generating units chimney exit, gas boiler chimney exit.	Coke pushing, Coke outlet, CDQ outlet, Coke oven chimney: <10 mg/m <sup>3</sup> ; The transfer point of stock ground: <10 mg/m <sup>3</sup> ; Sintering machine batching, crushing, finished products screening, sintering machine tail and ring cooler: <10 mg/m <sup>3</sup> ; primary flue gas and Secondary flue gas of BF tapping field: <10 mg/m <sup>3</sup> ; below the blast furnace bunker, cast iron machine, blast furnace pulverized coal production, hot blast stove of BF: <10mg/m <sup>3</sup> ; Steelmaking electric dust removal: <20mg/m <sup>3</sup> ; Steelmaking secondary dedusting, flame descaling, Lime kiln top dust collector: <10mg/m <sup>3</sup> ; heat treatment furnace, finishing mill, tension leveller and welder of PLTCM: <10 mg/m <sup>3</sup> ; iron powder warehouse: <10mg/m <sup>3</sup> ; Coal-fired and gas-fired generating units: <10 mg/m <sup>3</sup> ; Gas boiler: <10 mg/m <sup>3</sup> .	Coke pushing, Coke outlet, CDQ outlet, Coke oven chimney: 10 mg/m <sup>3</sup> ; The transfer point of stock ground: 10mg/m <sup>3</sup> ; Sintering machine batching, crushing, finished products screening, sintering machine tail and ring cooler: 10mg/m <sup>3</sup> ; primary flue gas and Secondary flue gas of BF tapping field: 10 mg/m <sup>3</sup> ; below the blast furnace bunker, cast iron machine, blast furnace pulverized coal production: 10mg/m <sup>3</sup> ; hot blast stove of BF: 10mg/m <sup>3</sup> ; Steelmaking electric dust removal: 50 mg/m <sup>3</sup> ; Steelmaking secondary dedusting: 10mg/m <sup>3</sup> ; dust removal of Line kiln top and flame descaling: 10mg/m <sup>3</sup> ; heat treatment furnace: 10mg/m <sup>3</sup> ; finishing mill: 10mg/m <sup>3</sup> ; tension leveller and welder of PLTCM: 10mg/m <sup>3</sup> ; iron powder warehouse: 10mg/m <sup>3</sup> ; Coal-fired and gas-fired generating units: 10mg/m <sup>3</sup> ; Gas boiler: 10mg/m <sup>3</sup> .	5955	6604	No
Cold-R Co.	COD	organized	1	Wastewater stations	5.09-27.09 mg/m <sup>3</sup>	30mg/m <sup>3</sup>	16.412	67.5	No
Cold-R Co.	Ammonia Nitrogen	organized	1	Wastewater stations	0.01-1.34 mg/m <sup>3</sup>	1.5(2.5) mg/m <sup>3</sup>	0.318	3.937	No
Cold-R Co.	Sulfur Dioxide	organized	8	Continuous annealing furnace, annealing furnace of 1# HDG line, annealing furnace of 2# HDG line, roaster of acid regeneration station, hydrogen production generator, 1# boiler room, 2# boiler room, 3# boiler room	3 mg/m <sup>3</sup>	Continuous annealing furnace, annealing furnace of 1# HDG line, annealing furnace of 2# HDG line, Roaster of acid regeneration station, Hydrogen production generator: 20 mg/m <sup>3</sup> ; 1# boiler room, 2# boiler room, 3# boiler room: 10 mg/m <sup>3</sup>	3.922	18	No
Cold-R Co.	Nitrogen Oxides	organized	8	Continuous annealing furnace, annealing furnace of 1# HDG line, annealing furnace of 2# HDG line, roaster of acid regeneration station, hydrogen production generator, 1# boiler room, 2# boiler room, 3# boiler room	Continuous annealing furnace, annealing furnace of 1# HDG line, annealing furnace of 2# HDG line: 38-97 mg/m <sup>3</sup> ; Roaster of acid regeneration station: 59-73 mg/m <sup>3</sup> ; 2# boiler room: 23 mg/m <sup>3</sup> ; 1# boiler room, Hydrogen production generator, 3# boiler room: 24-54 mg/m <sup>3</sup>	Continuous annealing furnace, annealing furnace of 1# HDG line, annealing furnace of 2# HDG line, Roaster of acid regeneration station, Hydrogen production generator: 100 mg/m <sup>3</sup> ; 1# boiler room, 2# boiler room, 3# boiler room: 80 mg/m <sup>3</sup>	53.335	148.184	No
Cold-R Co.	Particulate Matter	organized	10	Exhaust gas of tension leveler, continuous annealing furnace, annealing furnace of 1# HDG line, annealing furnace of 2# HDG line, roaster of acid regeneration station, hydrogen production generator, iron powder warehouse at acid regeneration station, 1# boiler room, 2# boiler room, 3# boiler room	Exhaust gas of tension leveler: 4.3 mg/m <sup>3</sup> ; continuous annealing furnace, annealing furnace of 1# HDG line, annealing furnace of 2# HDG line, Roaster of acid regeneration station, Hydrogen production generator: 2.3-8.7 mg/m <sup>3</sup> ; iron powder warehouse at acid regeneration station: 4.1-4.3 mg/m <sup>3</sup> ; 1# boiler room, 2# boiler room, 3# boiler room: 2.4-4.6 mg/m <sup>3</sup>	Exhaust gas of tension leveler, continuous annealing furnace, annealing furnace of 1# HDG line, annealing furnace of 2# HDG line, Roaster of acid regeneration station, Hydrogen production generator, iron powder warehouse at acid regeneration station: 10 mg/m <sup>3</sup> ; 1# boiler room, 2# boiler room, 3# boiler room: 5 mg/m <sup>3</sup>	17.185	18.75	No



### **Construction and operation of pollution prevention facilities**

According to the ultra-low emission standards for pollutants from the iron and steel industry in the nation and Hebei Province, the Company has completed the "2020 Green Action Plan", actively adapt various new environmental protection technologies to transform environmental protection facilities, initiated 10 environmental protection projects, set up a project leadership group, held regular project promotion meetings, coordinated and resolved existing problems, and promoted the progress of green projects. By the end of the reporting period, 9 projects had been completed and the remaining 1 project had been set up and is in the process of demonstrating the programme.

Through a series of measures such as improving the environmental protection management system, insisting on daily inspection and implementing problem rectification, the daily production operation and operational control of environmental protection facilities are continuously strengthened, and the environmental protection facilities and production facilities operate synchronously and stably. The Company strengthens the maintenance and management of environmental protection facilities, and conducts simultaneous maintenance of main production facilities and environmental protection facilities such as desulfurization, denitrification, dust removal, wastewater treatment and so on. After self-monitoring and supervision by the environmental protection department, all kinds of pollutants 100% reach the pollution standard.

Jingtang Co. has built a total of 200 waste gas treatment facilities to effectively treat all kinds of waste gas. Dust is treated in two ways: bag dust removal and electric dust removal; coke oven flue gas adopts ammonia desulphurisation + medium and low temperature SCR denitrification process; sintering and pellet adopts circulating fluidised bed desulphurisation + medium and low temperature SCR denitrification process; self-provided power plant desulphurisation adopts seawater desulphurisation + SCR denitrification process. A total of 14 sets of major wastewater treatment facilities were built, including coking phenol cyanide wastewater treatment system, continuous casting wastewater treatment system, hot rolling, cold rolling, medium thickness plate, steel rolling wastewater treatment system and comprehensive wastewater treatment station, etc. After treatment, clean water is reused in combination with rich seawater desalination water to achieve zero wastewater discharge in a coupled manner. A total of 7 sets of solid waste treatment facilities were constructed. Construction of comprehensive utilization facilities for coal, construction of 6 x 600,000 tonnes/year slag fine grinding cement production line, transforming blast furnace water slag from the steel mill into high quality cement raw material by adopting new processing technology. Construction of 250,000 tonnes/year of steelmaking primary dust ash pellet making project to be utilised as steelmaking slag coolant. At present, all environmental protection facilities in Jingtang are running well and all processes of the whole process have reached ultra-low emission standards.

The Cold-R Co. constructs annealing furnaces and gas boilers that use natural gas as fuel, and reduces waste gas pollution from the source, constructs 11 sets of waste gas treatment facilities such as oil mist purification system, acid mist purification system, bag dust removal system and alkali mist treatment system, and all waste gas meets the standard; The Company constructs one wastewater station, through four systems including acid-containing wastewater treatment system, dilute alkali wastewater treatment system and oil-bearing and liquid finishing wastewater treatment system, all the wastewater are discharged after reaching the standard. In terms of noise prevention and control, low-noise equipment and vibration reduction measures were adopted. Silencers are installed at the outlets of the iron oxide powder depot; air compressors, nitrogen compressors and other equipment are installed inside of the factory, and soundproof covers are settled, and noise reduction tower is constructed at the outlet of nitrogen generators; vibration and noise reduction and sound insulation measures are used in the boiler room; Three silencers are installed at the outlet to minimize noise pollution. The above environmental protection facilities are operating well, and all pollutants are discharged up to the standard.

Zhixin Co. has dealt with waste gas, odor, noise control, soil pollution prevention, dust emission and other aspects. It has carried out 2 key environmental protection transformation projects such as acid regeneration water washing tower transformation, dust collector cloth bag change to high-efficiency filters cartridge transformation and various maintenance projects. The Company's existing environmental protection facilities are all in stable operation, and pollutants are discharged to the standard.

### **Construction of environmental impact assessment of projects and other environmental protection administrative permits**

In order to further implement energy conservation and emission reduction, enhance the corporate environmental image, the Company

invested projects such as Qiangang Co. Project of Comprehensive Re-use of Slag and Qiangang Co. Project of Continuous Pickling Line. The Project of Comprehensive Re-use of Slag has been registered on the registration form of construction project environmental impacts, and the report of the Project of Continuous Pickling Line has been approved. In September 2017, the company obtained a new version of the sewage permit issued by the Tangshan Environmental Protection Bureau. The renewal of the discharge permit will be completed in August 2020 and its validity will be extended to 2025.

Jingtang Co. adheres to the equally importance principle of production development and environmental protection, evaluates the environmental impact assessment project strictly in accordance with the Environment Impact Assessment Act of China, Constructs strictly in accordance with the EIA approval during the implementation of the project. All construction projects are supported by construction of environmental protection facilities, to meet the “Three Simultaneous” management requirements for environmental protection. In April 2006, Jingtang Co. obtained the Reply on Environmental Impact Assessment (Environmental Audit [2006] No. 181) from the Ministry of Environmental Protection (the former State Environmental Protection Agency); In May 2010, it obtained the Reply on Changes of Environmental Impact Assessment (Environmental Audit Change Office [2010] No. 11) by the Ministry of Environmental Protection; In January 2012, it obtained the Reply on Trial Production (Hebei Environment [2012] No. 17) from Hebei Ministry of Environmental Protection; In January 2014, the Reply on the Completed Environmental Protection of Phase I Project (Environmental Assessment [2014] No.4) was obtained from the Ministry of Environmental Protection; In December 2014, the Permit for the Discharge of Pollutants was obtained from the Environmental Protection Department of Hebei Province; In October 2015, the Reply on Environmental Impact Assessment of Phase II Project (Hebei Environmental Assessment [2015] no.359) was obtained from Hebei Ministry of Environmental Protection; In August 2017, the New Pollution Discharge Permit issued by Tangshan Ministry of Environmental Protection was obtained, and combining with the phase II construction project, the change for sewage permit was completed in April 2019, and the second phase of the one-step project sewage outlet was incorporated into the standardized management. In April 2019, the Reply Letter on the Opinions on the Changes of the One Step of the Second Phase of Jingtang Co. (Hebei Environmental Assessment Letter [2019] No.465) was obtained from Hebei Provincial Department of Ecology and Environment. The renewal of the discharge permit will be completed in August 2020 and its validity will be extended to 2025.

In October 2017, Cold-R Co. obtained the first permit of the discharge of pollutants for important companies in Shunyi District, Beijing, the application for renewal of the discharge permit will be submitted in September 2020 in accordance with the relevant regulations and will be approved by the government at the end of October, with the validity period extended to 2025.

Zhixin Co. has no significant construction project in 2020 and therefore no environmental assessment is necessary.

#### **Emergency plans for environmental emergencies**

In accordance with the Law of the People's Republic of China on Environmental Protection and other laws and regulations and normative documents, Qiangang Co. has formulated the Emergency Plan for Environmental Emergencies. The plan focuses on strengthening the daily management and safety prevention of production, strictly prevents all kinds of sudden environmental events, regulates and strengthens the abilities to deal with environmental emergencies, focuses on preventing the occurrence of sudden environmental events, gradually improves the mechanism of early warning, disposal and rehabilitation of environmental emergencies, and establishes emergency disposal system of the Company, which would be strong, orderly, efficient, unified and coordinated, for emergency environmental emergencies. On this basis, Qiangang Co. also formulated 3 special plans: Sudden Environmental Event Emergency Plan Special for Atmospheric, Sudden Environmental Event Emergency Plan Special for Water, and Sudden Environmental Event Emergency Plan Special for hazardous wastes to further improve the air pollution and water pollution emergency response capacities.

According to the requirements of the Emergency Treatment Plan for Environmental Emergencies (Third Edition), Jingtang Co. identifies gas storage tanks, pipelines and benzene tanks, acid storage tanks, liquid ammonia storage tanks and other dangerous chemicals and toxic and harmful substances production, storage areas as dangerous target for emergency rescue, implements 13 emergency drills including wastewater over the standard, waste acid leakage, waste oil leakage, radioactive source loss and so on, ensures effective implementation of rescue under emergency, in accordance with the requirements of the Plan, and improves the

prevention and treatment skills of sudden environmental pollution events.

Cold-R Co. drawn the Emergency Treatment Plan for Environmental Emergencies in accordance with related laws and regulations, and in 2020, in accordance with the Emergency Plan for Environmental Emergencies requirements, organized to carry out planning exercises in acid rolling, heat treatment work area and public auxiliary areas, timely rectified when found problems, enhances the company's emergency response capacity of environmental emergencies.

Zhixin Co. continued to implement the Emergency Plan for Environmental Incidents prepared and filed in 2018. During the year, the Company organized all departments to carry out 29 emergency drills for environmental emergencies, covering water, gas, sound, slag, radiation and other projects.

#### **Environmental self-monitoring program**

In accordance with the relevant provisions of the National Key Monitoring Enterprises Self-Monitoring and Information Disclosure Measures (Trial) and National Key Monitoring Enterprises Pollution Source Supervision and Information Disclosure Measures (Trial) and other relevant regulations, Qiangang Co. establishes and improves the pollution source monitoring and information disclosure system, formulates the Pollutant Emission Monitoring Plan 2020, and strictly implements it strictly. Qiangang Co. organizes and implements self-monitoring activities 1288 times in the whole year, covering all pollution factors such as wastewater and waste gas. The monitoring results showed that 100% of the pollutants are up to the standard.

The environmental monitoring system of Jingtang Co. consists of two parts: automatic monitoring and manual monitoring. The manual monitoring system delegates the monitoring activities to a third-party testing agency Beijing Shougang Environmental Monitoring Center to regularly conduct environmental monitoring on the waste gas, wastewater, etc. in the factory according to the monitoring plan. Monitoring data and reports are formed, and all pollutants are discharged up to standard throughout the year.

Cold-R Co. establishes self-monitoring plan according to the requirement of pollutant discharge permit and supervises and tests each discharge point on a daily, monthly, and quarterly basis. In 2020, all emission indicators of pollution sources of the Company reach the standard.

According to the requirements of relevant national regulations, Zhixin Co. has formulated the 2020 Self-Monitoring Plan, the Company entrusts qualified third-party testing agencies to carry out environmental monitoring monthly and quarterly in accordance with the monitoring plan.

#### **Other environmental information that shall be disclosed**

On the basis of adhering to the environmental protection work, Qiangang Co., Jingtang Co., Cold-R Co., and Zhixin Co. use the national key monitoring enterprises' self-monitoring information disclosure platform, website of government environmental protection department and self-established information disclosure platform, to publicize and display the environmental protection projects, operation of environmental protection facilities, names and emissions of major pollution sources, monitoring methods, monitoring indicator names, solid waste comprehensive utilization, etc. and actively accepts social supervision.

#### **Other environmental related information**

In order to develop circular economy and low-carbon economy, build resource-saving, environment-friendly and low-carbon oriented company, and also achieve a good and rapid development of the Company, Shougang Co. launched the preparation of environmental responsibility report at the end of 2016. The scope of the environmental responsibility report includes Qiangang Co., Jingtang Co., Cold-R Co., and other subsidiaries. In April 2020, the 2019 Environmental Responsibility Report of Beijing Shougang Co., Ltd. was released on the website of Shougang Co. (<http://www.sggf.com.cn>).

During the reporting period, the Company and its subsidiaries have not been punished by any regulator in aspect of environmental protection. Meanwhile, the Company supervising and urging related shareholding companies to operates in an environmentally friendly way and in compliance with the Law of the People's Republic of China on Environmental Protection and other related laws, regulations, rules and normative documents.

### **XIX. Other material events**

√ Applicable  Not applicable

On 21 April 2021, the event of "Share Issuing to Beijing Jingtou Investment Holding Co., Ltd. etc. for Assets Purchase and Fundraising" has been approved by the CSRC (CSRC Permit No. [2021] 1400), and the Company is proceeding with this transaction in accordance with the regulations.

**XX. Material events of subsidiaries of the Company**

Applicable  Not applicable

## Section VI. Movements in share capital and shareholders

### I. Share movement

#### 1. Share movement

Unit: share

	Before change		Increase (/decrease) during the year					After change	
	Amount	Ratio	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Ratio
I. Restricted shares	232,286,354	4.39%						232,286,354	4.39%
2. State-owned corporation shares	232,286,354	4.39%						232,286,354	4.39%
II. Un-restricted shares	5,057,103,246	95.61%						5,057,103,246	95.61%
1. RMB ordinary shares	5,057,103,246	95.61%						5,057,103,246	95.61%
III. Total shares	5,289,389,600	100.00%						5,289,389,600	100.00%

Reasons of shares movements

Applicable Not applicable

Approval of share movements

Applicable Not applicable

Ownership movements of shares

Applicable Not applicable

Progress of share repurchase

Applicable Not applicable

Progress of the reduction in share repurchase through centralized bidding

Applicable Not applicable

Influences of shares movements on basic EPS, diluted EPS, net assets per share attributable to common shareholders of the company and other financial indicators for both the latest year and the latest period

Applicable Not applicable

Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

Applicable Not applicable

#### 2. Movements of restricted shares

Applicable Not applicable

### II. Securities issuance and listing

#### 1. Security offering (without preferred stock) in reporting period

Applicable Not applicable

#### 2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable Not applicable

#### 3. Current internal staff shares

Applicable Not applicable

### III. Shareholders and the actual controller

#### 1. Amount of shareholders and shareholding

Unit: Share

Total common stock shareholders in reporting period-end	93,464	Total common stock shareholders at end of last month before annual report disclosed	94,224	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note 8)	0	
Shareholders holding above 5% or top 10 shareholders								
Name of shareholder	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of unrestricted shares held	Shares pledged or frozen	
							Status	Amount
Shougang Group	State-owned corporation	64.38%	3,405,352,431	0	232,286,354	3,173,066,077		
Baowu Group	State-owned corporation	15.00%	793,408,440	0				
Beijing Yizhen Technology Development Co., Ltd			159,790,000					
Beijing Namunani Asset Management Co., Ltd			79,900,000					
Beijing Shiliugang Business Management Co., Ltd			58,590,000					
Liu Wei			55,285,701					
Beijing Xiaojian Technology Development Co., Ltd			49,270,000					
Hong Kong Exchanges and Clearing Limited			43,311,794					
Beijing Saina Investment Development Co., Ltd			26,475,500					
Beijing Andes Investment Development Co., Ltd			18,650,000					
The associated relationship or concerted action of the above shareholders	Shougang Group holds 2.19% of Baosteel Co., Baowu Group Co., Ltd. and its persons acting in concert hold 61.93% of Baosteel Co. In addition, Shougang Group has no relationship or concerted acting relationship with other top 10 shareholders; Beijing Yizhen Technology Development Co., Ltd., Beijing Namunani Asset Management Co., Ltd. and Beijing Shiliugang Business Management Co., Ltd., Beijing Xiaojian Technology Development Co., Ltd., Beijing Saina Investment Development Co., Ltd. and Beijing Andes Investment Development Co., Ltd. Are persons act in concert.							
Shareholding of the top 10 shareholders unrestricted shares held								
Name of shareholders	Amount of unrestricted shares held at period-end		Type of shares					
			Type	Amount				
Shougang Group	3,173,066,077							
Baowu Group	793,408,440							
Beijing Yizhen Technology Development Co., Ltd	159,790,000							
Beijing Namunani Asset Management Co., Ltd	79,900,000							
Beijing Shiliugang Business Management Co., Ltd	58,590,000							
Liu Wei	55,285,701							
Beijing Xiaojian Technology Development Co., Ltd	49,270,000							
Hong Kong Exchanges and Clearing Limited	43,311,794							
Beijing Saina Investment Development Co., Ltd	26,475,500							
Beijing Andes Investment Development Co., Ltd	18,650,000							
Connected associated relationship or acting in concert among the top 10 shareholders holding tradable shares without selling restrictions, and between the top 10 shareholders holding tradable shares without selling restrictions and the top 10 shareholders	Shougang Group holds 2.19% of Baosteel Co., Baowu Group Co., Ltd. and its persons acting in concert hold 61.93% of Baosteel Co. In addition, Shougang Group has no relationship or concerted acting relationship with other top 10 shareholders; Beijing Yizhen Technology Development Co., Ltd., Beijing Namunani Asset Management Co., Ltd. and Beijing Shiliugang Business Management Co., Ltd., Beijing Xiaojian Technology Development Co., Ltd., Beijing Saina Investment Development Co., Ltd. and Beijing Andes Investment Development Co., Ltd. Are persons act in concert.							

Whether top ten common stock shareholders or top ten common stock shareholders with unrestricted shares have a buy-back agreement dealing during the reporting period

Yes  No

The top ten common stock shareholders or top ten common stock shareholders with unrestricted shares of the Company have no buy-back agreement dealing during the reporting period.

## 2. Controlling shareholders

Nature of controlling shareholders: local state-owned holding

Type of controlling shareholders: legal person

Name of controlling shareholders	Legal representative / person in charge of the company	Date of establishment	Organization code	Main businesses
Shougang Group	Zhang Gongyan	13 May 1981	911100001011200015	Industry, construction, geological examination, transportation, foreign trade, post and telecommunications, finance and insurance, scientific research and comprehensive technical services, domestic commerce, public catering, material supply and marketing, warehousing, real estate, residential services, consulting services, leasing, agriculture, forestry, animal husbandry and fishery (excluding business without special permission); authorized operation and management of state-owned assets; hosted Shougang Daily newspaper; design and production of TV advertisements; use of self-owned TV stations to publish advertisements; design and production of print advertising; use of self-owned Shougang Daily to publish advertisements; sewage treatment and recycling; seawater desalination; literary and artistic creation and performance; sports project management (excluding high-risk sports projects); stadium management; Internet information services; Municipal solid waste treatment. (enterprises shall independently choose business projects and carry out business activities in accordance with the law; municipal solid waste treatment, Internet information services and projects subject to approval in accordance with the law after licensing; they shall not engage in business projects prohibited or restricted by local policies)
Domestic and foreign shares held by the controlling shareholders	1. Domestic: (1) Huaxia Bank, 16.90%; (2) Foton Motor, 1.22%; (3) Shanxi Coking, 2.79%; (4) Haohua Energy Resource, 1.86%; (5) Qinhuangdao Port, 0.74%; (6) Bank of Communications, 0.01%; (7) China Galaxy Securities 0.02%; (8) Baosteel Co., 2.19%. 2. Overseas: (1) Chief Sifang Group, 60.88%; (2) BeijingWestIndustriesInternational, 52.55%; (3) Shougang Holding, 34.91%; (4) Shougang Fushan Resources Group, 33.09%; (5) Shougang Concord Century Holdings, 47.15%; (6) Global Digital Creative Holdings Ltd., 41%.			

Controlling shareholders turnover during the reporting period

Applicable Not applicable

There was no changes of controlling shareholders during the reporting period.

### 3. Actual controller of the company and persons acting in concert

Nature of actual controller: local management agency of state-owned assets

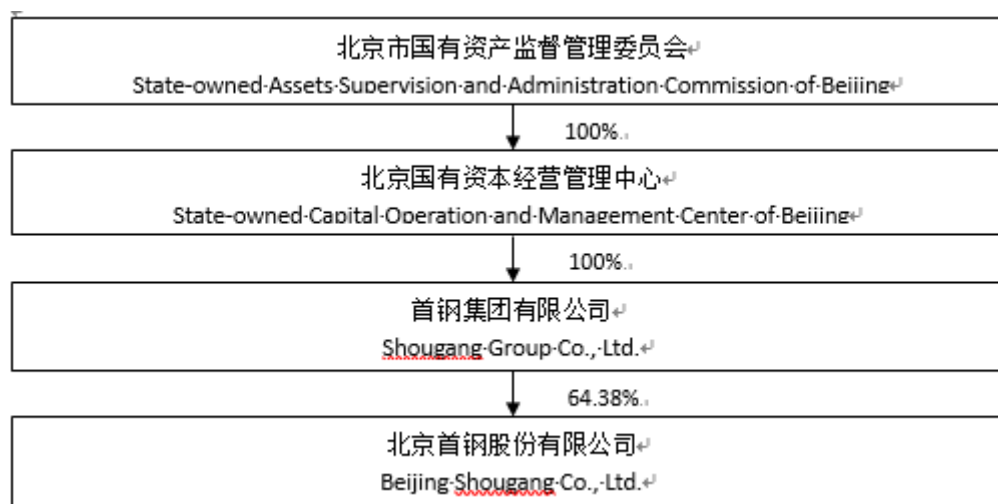
Type of actual controller:

Actual controller turnover during the reporting period

Applicable Not applicable

The actual controller of the company was not changed during the reporting period.

Block diagram of property rights and controlling relations between the Company and actual controllers



Actual controller controlling the company through trust or other asset management methods

Applicable Not applicable

4. Other legal person shareholders with over 10% shares held

Applicable Not applicable

Name of legal person shareholders	Legal representative / person in charge of the company	Date of establishment	Registered capital	Main businesses
China Baowu Steel Group Corporation Ltd.	Chen Derong	1 Jan. 1992	RMB 52,791,101,000	State-owned assets operation within the scope authorized by the State Council and investment and operation of state-owned capital. (if necessary, carrying out business activities only after approval of government agencies)

5. Limitation on reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

Applicable Not applicable



## **Section VII. Preferred Shares**

Applicable Not applicable

No preferred shares issued by the company during the reporting period.

## **Section VIII. Convertible Bonds**

Applicable Not applicable

No convertible bonds issued by the company during the reporting period.

## Section IX. Directors, Supervisors, Senior Management and Employees

### I. Changes in shares held by directors, supervisors and senior management

Name	Post	Status of employment	Gender	Age	Start date of term	End date of term	Number of shares held at the beginning of the period	Number of shares increased in the current period	Number of shares reduced in the current period (shares)	Other changes	Number of shares held at the end of the period
Zhao Ming	Chairman	Incumbent	Male	54	2013/05/16	2022/12/22	0	0	0	0	0
Liu Jianhui	Director	Incumbent	Male	56	2014/09/19	2022/12/22	0	0	0	0	0
Qiu Yinfu	Director	Incumbent	Male	53	2014/09/19	2022/12/22	0	0	0	0	0
Wu Dongying	Director	Incumbent	Male	57	2019/12/23	2022/12/22	0	0	0	0	0
Yin Tian	Independent director	Incumbent	Male	66	2016/01/07	2022/12/22	0	0	0	0	0
Ye Lin	Independent director	Incumbent	Male	57	2017/12/26	2022/12/22	0	0	0	0	0
Yang Guipeng	Independent director	Incumbent	Male	48	2016/01/07	2022/12/22	0	0	0	0	0
Liu Shen	Independent director	Incumbent	Male	45	2020/06/23	2022/12/22	0	0	0	0	0
Peng Feng	Independent director	Incumbent	Male	41	2020/06/23	2022/12/22	0	0	0	0	0
Shao Wence	Supervisory board chairman	Incumbent	Male	57	2019/12/23	2022/12/22	0	0	0	0	0
Guo Liyan	Supervisory	Incumbent	Female	45	2016/01/07	2022/12/22	0	0	0	0	0
Yang Mulin	Supervisory	Incumbent	Male	49	2019/12/23	2022/12/22	0	0	0	0	0
Chen Xiaowei	Employee representative supervisor	Incumbent	Female	47	2019/12/23	2022/12/22	0	0	0	0	0
Guo Yuming	Employee representative supervisor	Incumbent	Male	53	2019/12/23	2022/12/22	0	0	0	0	0
Liu Jianhui	General manager	Incumbent	Male	56	2014/08/29	2022/12/22	0	0	0	0	0
Peng Kaiyu	Vice general manager	Incumbent	Male	40	2019/04/24	2022/12/22	0	0	0	0	0
Li Ming	Vice general manager	Incumbent	Male	46	2015/01/27	2022/12/22	0	0	0	0	0
Li Baizheng	Chief accountant	Incumbent	Male	55	2015/10/28	2022/12/22	0	0	0	0	0
Sun Maolin	Vice general manager	Incumbent	Male	44	2017/10/25	2022/12/22	0	0	0	0	0
Li Jingchao	Vice general manager	Incumbent	Male	54	2017/10/25	2022/12/22	0	0	0	0	0
Ma Jiaji	Chief engineer	Incumbent	Male	57	2019/12/23	2022/12/22	0	0	0	0	0
Chen Yi	Vice general manager	Incumbent	Male	53	2019/04/24	2022/12/22	0	0	0	0	0
Chen Yi	Company secretary	Incumbent	Male	53	2015/08/26	2022/12/22	0	0	0	0	0
Tang Di	Independent director	Retired	Male	65	2014/06/27	2020/06/23	0	0	0	0	0
Zhang Bin	Independent director	Retired	Male	47	2014/09/19	2020/06/23	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

### II. Changes in directors, supervisors and senior manager

√Applicable □Not applicable

Name	Post	Type	Date	Reason of changes
Di Tang	Independent director	End of term	2020/06/23	The six-year term has expired.
Bin Zhang	Independent director	End of term	2020/06/23	The six-year term has expired.

### III. Current position

Professional background, main work experience and main responsibilities of the current board members, supervisors, and senior manager of the Company.

#### A. Board members

**1. Zhao Ming:** Chairman, professor-level senior engineer, postgraduate education, Ph.D of Engineering. The major employment history of Mr. Zhao is as follows: a teacher of mining and metallurgy department of Beijing Iron and Steel College; a deputy director of teaching section of educational division, a deputy director (in charge of daily routine) of educational division, the vice president of the college; a deputy director of Shougang Training Centre; a deputy director of Shougang Ironmaking Factory; a deputy director of the No.2 Ironmaking Plant of Shougang Co.; the secretary of CPC Committee of Beijing Shougang Oxygen Factory; a director of Shougang Training Center (Training Department); the head (first vice president of the Institute) of Technical Quality Department (Technical Research Institute, Xingang Technical Quality Department); a deputy secretary of CPC Committee and deputy general manager of Xingang Co.; a member of the board and general manager of Shougang Changzhi Steel&Iron Co., Ltd.; a director and general manager of Shougang Changzhi Steel&Iron Co., Ltd. (assistant level of the headquarter); the assistant of general manager of Shougang Corporation, the deputy chief engineer and president of Shougang Technology Research Institute; later, concurrently, the deputy secretary of the CPC Committee and executive deputy general manager of Shougang Jingtang United Iron&Steel Co., Ltd.; a standing member of CPC Committee, director, vice general manager of Shougang Co., at the same time, appointed as the director of Beijing Shougang Co., Ltd.

and Shougang Jingtang United Iron & Steel Co., Ltd. In addition, Mr. Zhao also is a standing member of CPC Committee, director, vice general manager of Shougang Group. Mr. Zhao served as Chairman of Beijing Shougang Co., Ltd. Also, Mr. Zhao is the deputy secretary of the Party, the director and the general manager of Shougang Group.

**2. Liu Jianhui:** director and general manager, professor-level senior engineer, postgraduate education, master of engineering. The major employment history of Mr. Liu is as follows: a professional in the steel-making section of Beigang Technology Office and deputy director of the steel-making inspection station; a student of Lugou Engineering School of Shougang; a deputy director of the No.1 Steel-making Plant of Shougang and director of the Shougang' Research Institute; the chief engineer, technical assistant of factory manager and technical section director of the No.2 Steelmaking Plant of Shougang and director of the Research Institute; a technical assistant of the factory manager and director of the technical section and technical deputy director of the No.2 Steel-making Plant of Shougang Corporation; a deputy director of the No.2 Steelmaking Plant of Beijing Shougang Co., Ltd.; the assistant of general manager and head of steelmaking department of Shouqin Co.; the assistant of general manager and deputy general manager of Qiangang Co.; the deputy general manager (acting general manager) and general manager of sales company of Shougang Corporation; the deputy secretary of CPC Committee, general manager and director of marketing management department of Shougang Co.; the deputy secretary of CPC Committee of Shougang Co., director, general manager and director of marketing management department; the deputy secretary of CPC Committee, director and general manager of Shougang Co., concurrently served as secretary of CPC Committee and director for Jingtang Co. At present, he is the secretary of CPC Committee, director and general manager of Beijing Shougang Co., Ltd.

**3. Qiu Yinfu:** director, senior engineer, university education. The major employment history of Mr. Qiu is as follows: a professional and person in charge of the mobile section of Shougang' Medium and Heavy Plate Plant; the deputy director, director, or director and secretary of CPC Branch of mobile division of the Shougang's No.2 Steelmaking Plant; a director and secretary of CPC Committee of the No.2 Steelmaking Plant of Beijing Shougang Co., Ltd.; the deputy director to director of Shougang Oxygen Factory; the director and secretary of CPC Branch of Oxygen Production Division and director of the Oxygen Factory of Shougang; the director of the Oxygen Factory of Shougang and head of Jingtang Integration Project; the director of the Oxygen Factory of Shougang and head of Jingtang Integration Project, director of Oxygen Production Branch of Tangshan Shougang Baoye Steel & Iron Co., Ltd.; the director of cold rolling operation department and assistant to general manager in Qiangang Co.; director and secretary of CPC Committee of cold rolling operation department, and assistant to general manager of Qiangang Co.; the director and secretary of CPC Committee of cold rolling operation department, and deputy general manager of Qiangang Co.; the deputy secretary of CPC Committee, director of the board and general manager of Cold-R Co.; deputy secretary of CPC Committee, chairman and general manager of Cold-R Co.; deputy secretary of CPC Committee, chairman and general manager of Cold-R Co., and deputy general manager of Shougang Co.; the deputy secretary of the CPC Committee, chairman of labor union, deputy general manager of Shougang Co., and secretary of CPC Committee of Qiangang Co.; the deputy secretary of the CPC Committee, chairman of labor union, deputy general manager of Shougang Co., secretary of CPC Committee of Qiangang Co., director of BAIC Motor Corporation., Ltd., director of Beijing Automobile Investment Co., Ltd.; At present, he is the secretary of CPC Committee and chairman of Jingtang Co., director of Shougang Co., and director of BAIC Motor Co., Ltd.

**4. Wu Dongying:** director, senior engineer, PhD candidate. The major employment history of Mr. Wu is as follows: a teacher of Hefei University of Technology; a researcher, person in charge and deputy director of strategic research agency of Baosteel; the director of strategic section under planning & development department of Baosteel Group; the director of strategic development department of Baosteel Group; the director of economy and management institute of Baosteel Group; the general manager of planning & development department and director of economy & planning institute of Baosteel Group; the general manager of planning & development department and director of economy & planning institute of Baowu Group. At present, he is the general manager (president) of strategic planning department (economic & planning institute) of Baowu Group and director of Shougang Co.

**5. Yin Tian:** independent director, university education, professor, Ph.D supervisor. Once served as assistant professor, lecturer and associate professor of Southwest University of political science and law, and visiting scholar sent by the State Education Commission to Toulouse University of Social Sciences, director and professor of French law research center of Southwest University of political science and law, and director, professor and doctoral supervisor of Law Department of Southwest University of political science and law. Now Mr. Yin is a professor, doctoral supervisor and director of the civil law research center of Peking University, and also serves as the director of China law society, vice president of China Civil Law Research Association, President of China Insurance Law Research Association, special supervisor of the Supreme People's court, consulting expert of the Supreme People's Procuratorate, and independent director of Skyworth Digital Co., Ltd. On 7 January 2016, Mr. Yin served as an independent director of Beijing Shougang Co., Ltd.

**6. Ye Lin:** independent director, professor and doctoral supervisor, doctor in law, Ye Lin was serving Law School of Renmin University of China (hereinafter "RUC") as an assistant, lecturer, associate professor and professor, successively. At present, he is the director, professor and doctoral supervisor of Civil & Commercial Law Teaching and Research Agency of RUC Law School. He is also an independent director of China Life Asset Management Co., Ltd., an independent director of Founder Securities Co., Ltd., and a part-time lawyer of Beijing Shengang Law Firm. Major part-time jobs include: the vice president of China Commercial Law Society under China Law Society, the vice president of Civil and Commercial Law Society under Beijing Law Society, the president of Beijing Consumer Rights Protection Law Society; a legislative consultant of Financial and Economic Affairs Committee of the National People's Congress of PRC, a consultant of drafting group to Futures Law, a consultant of Administrative Punishment Committee of CSRC, a consumer rights protection social supervisor of China Insurance Regulatory Commission, a consultant of the Legal Professional Committee of the Insurance Society of China, a member of the Advisory Committee of Beijing High People's Court, a consultant of the Company Law Committee of China Lawyers Association, a consultant of the Company Law Committee of Beijing Lawyers Association, a member of the Professional Committee of Shanghai Stock Exchange and China Financial Futures Exchange, a arbitrator and expert of the Advisory Committee of China International Economic and Trade Arbitration Commission. Ye Lin serves Shougang Co. as an independent director

from 26 December, 2017.

**7. Yang guipeng:** independent director, university education and CICPA. The major employment history of Mr. Yang is as follows: the project manager of Beijing Wangda Certified Public Accountants Firm., the department manager of Zhongzhou Certified Public Accountants Firm, the senior manager of Zhongtianxin Certified Public Accountants Firm, the partner of Tianhua Certified Public Accountants Firm, the managing partner of Grant Thornton China LLP, the member of the third CSRC Public Offering Review Committee of Growth Enterprise Board, and the partner of BDO China Shu Lun Pan Certified Public Accountants LLP. Mr. Yang was appointed as the independent director of Shougang Co. on 7 January, 2016. And he also is an independent director of Tangshan Sanyou Chemical Co., Ltd. and Rizhao Port Co., Ltd.

**8. Liu Shen:** independent director, Ph.D. Once served as an employee of the real estate credit department of Shanghai Branch of China Construction Bank, assistant manager, manager and senior manager of the listed company Department of Shanghai Stock Exchange, executive manager and assistant director of the office of Shanghai Stock Exchange, assistant director of the second Supervision Department of listed company of Shanghai Stock Exchange, deputy director of the issuance and listing business center of Shanghai Stock Exchange and member Department of Shanghai Stock Exchange Deputy director. During the period, Mr.Liu worked in the issuance Supervision Department of China Securities Regulatory Commission (CSRC), and is a member of the 16th main board stock issuance examination committee of CSRC. At present, Mr.Liu is the vice general manager of Shanghai Xinfugang Real Estate Development Co., Ltd., an independent director of Shanghai Kangheng environment Co., Ltd. (unlisted company) and an independent director of Guizhou Guotai Liquor Co., Ltd. (unlisted company). Mr. Liu serves as an independent director of Beijing Shougang Co., Ltd. since 23 June 2020.

**9. Peng Feng:** independent director, master degree, professor level senior engineer. Mr. Peng once served as assistant engineer, engineer and deputy director of Smelting raw materials department of Metallurgical Industry Planning and Research Institute, chief designer and vice director of smelting raw materials department of Metallurgical Industry Planning and Research Institute, chief designer and director of smelting raw materials department of Metallurgical Industry Planning and Research Institute. At present, Mr. Peng is vice chief engineer and chief designer of Metallurgical Industry Planning and Research Institute, director of smelting raw materials department, vice chairman of ferroalloy branch of China Society for metals, and executive deputy secretary of Zhongguancun Stainless Steel and Special Alloy New Material Industry Technology Innovation Alliance. Mr. Peng serves as an independent director of Beijing Shougang Co., Ltd. since 23 June 2020.

## B. Supervisors

**1. Shao Wence:** Chairman of the supervisory committee, master degree, senior engineer. The major employment history of Mr. Shao is as follows: a professional in the mobile division of Shougang Oxygen Factory; the person in charge and deputy secretary of CPC Branch in repair plant of Shougang Oxygen Factory; the professional (assisting roles of sections or equivalents) and deputy director of the power section under Beigang mobile division; the secretary (assistant level) of the Beigang's mobile division; the deputy director in charge of the equipment and director of Shougang Oxygen Factory; the director of the Oxygen Factory of Shougang Corporation; the director of the Oxygen Factory of Shougang Co.; the director and secretary of CPC Committee of the mobile department of Shougang Corporation (Xingang Company); the director and secretary of CPC Committee of the equipment department of Shougang Corporation (Xingang Company); the director and secretary of CPC Committee of the Equipment Department of Shougang Corporation (Xingang Company), and the director of the equipment department of Jingtang Co.; the director of the energy department of Jingtang Co.; the director of the energy and environment department; the director and secretary of CPC Committee of the energy and environment department of Jingtang Co.; the secretary of CPC Committee, the secretary of Commission for Discipline Inspection (hereinafter "CDI" in Section 9), and the chairman of labor union of the energy and environment department of Jingtang Co.; the director of the equipment department of Jingtang Co.; the director of the engineering department of Jingtang Co.; the secretary of CDI of Jingtang Co.; the executive deputy director of the work administration of supervisory committee of Shougang Corporation. At present, he is the executive deputy director of the work office of supervisory committee of Shougang Corporation. and the chairman of the supervisory committee of Shougang Co.

**2. Guo Liyan:** Supervisor, university education, MBA, senior accountant. The major employment history of Mrs. Guo is as follows: a member of the financial section of the Mechanical Factory of Beijing Shougang Machinery& Electric Co., Ltd.; an auditor of the audit administration of Beijing Shougang Machinery& Electric Co., Ltd., the director of the accounting section under the Hydraulic Center of Beijing Shougang Machinery& Electric Co., Ltd., the deputy director of the finance division under Shougang Corporation finance & accounting department; the deputy director of the cost division under Shougang Corporation finance & accounting department; the deputy director of the financial station of the Technical Research Institute under Shougang Corporation finance & accounting department; the executive deputy director of the first division under audit department of Shougang Corporation; an assistant to the director and deputy director of Shougang Corporation audit department; the director of Shougang Corporation audit department and supervisor of Shougang Co. Mrs. Guo is the current director of audit department of Shougang Group and the current supervisor of Shougang Co.,

**3. Yang Mulin:** Supervisor, university education, master of engineering, senior economist. The major employment history of Mr. Yang is as follows: the dispatcher and production planner of production department of Qinhuangdao Shougang Plate Mill Co., Ltd. (hereinafter "Qinhuangdao Plate Co.") the production manager of comprehensive department of Qinhuangdao Branch of Zhongshou, the secretary and deputy director of factory affairs office of Qinhuangdao Plate Co.; the executive deputy director of human resources department and the deputy director of factory affairs office of Qinhuangdao Plate Co.; the director of human resources department and the director of factory affairs office of Qinhuangdao Plate Co.; assistant to the general manager of Qinhuangdao Plate Co.; the director of human resources department of Qinhuangdao Plate Co.; assistant to the director and duty director of human resources department of Jingtang Co.; the secretary of CPC Committee, secretary of CDI and chairman of labor union of cold-rolled operation department of Jingtang Co.; the director of organization department and human resources department under CPC Committee of Jingtang Co.; the deputy director of labor & salary department of Shougang Corporation; the deputy director of labor & salary department of Shougang Corporation; the director of

system optimization department of Shougang Corporation. Besides serving Shougang Co. as a supervisor, Yang Mulin is the head of system optimization department of Shougang Group Co., Ltd

**4. Chen Xiaowei:** supervisor from the staff, master degree, senior political engineer. The major employment history of Mrs. Guo is as follows: the administrator of the comprehensive section under the commerce division of Shougang Mining Corporation; the administrator and director of the comprehensive section under the commerce division, and the manager of material distribution department of Shougang Mining Corporation; the director of operating & management section under commerce division of Shougang Mining Corporation; the worker of the information section under the operation department of Qiangang Co.; the deputy director (temporary training) and then the deputy director of secretariat section of Qiangang Co.; and the assistant to the secretary of CPC Committee and director of comprehensive office under hot-rolled operation department of Qiangang Co.; the deputy secretary of hot-rolled operation department of Qiangang Co.; the deputy secretary of CPC Committee, the secretary of CDI, and the chairman of labor union under hot-rolled operation department of Qiangang Co.; the deputy chairman of labor union, the secretary of authority CPC Committee, the secretary of CDI, the chairman of labor union, the deputy director of CPC affairs department of Shougang Co.; the deputy chairman of labor union, the secretary of Official CPC Committee, the deputy director of CPC affairs department of Shougang Co.; the chairman of Shougang Co. labor union. Currently, Chen Xiaowei is the supervisor from the staff, the member of CPC Committee, and the chairman of labor union, in Shougang Co.

**5. Guo Yuming:** supervisor from the staff, university education, senior technician. The major employment history of Mr. Guo is as follows: a steelmaker in Shougang No.2 Steelmaking Factory, the head of steelmaking plant of Steelmaking Branch of Qiangang Co.; the head of steelmaking operation plant 1 under steelmaking operation department of Qiangang Co. At present, he is the chief steelmaking operator of No. 1 steelmaking operation area under steelmaking operation department of Shougang Co. and the supervisor from the staff of Shougang Co.

### C. Senior manager

**1. Liu Jianhui:** director and general manager, professor-level senior engineer, postgraduate education, master of engineering. The major employment history of Mr. Liu is as follows: a professional in the steel-making section of Beigang Technology Office and deputy director of the steel-making inspection station; a student of Lugou Engineering School of Shougang; a deputy director of the No.1 Steel-making Plant of Shougang and director of the Shougang' Research Institute; the chief engineer, technical assistant of factory manager and technical section director of the No.2 Steelmaking Plant of Shougang and director of the Research Institute; a technical assistant of the factory manager and director of the technical section and technical deputy director of the No.2 Steel-making Plant of Shougang Corporation; a deputy director of the No.2 Steelmaking Plant of Beijing Shougang Co., Ltd.; the assistant of general manager and head of steelmaking department of Shouqin Co.; the assistant of general manager and deputy general manager of Qiangang Co.; the deputy general manager (acting general manager) and general manager of sales company of Shougang Corporation; the deputy secretary of CPC Committee, general manager and director of marketing management department of Shougang Co.; the deputy secretary of CPC Committee of Shougang Co., director, general manager and director of marketing management department; the deputy secretary of CPC Committee, director and general manager of Shougang Co., concurrently served as secretary of CPC Committee and director for Jingtang Co. At present, he is the secretary of CPC Committee, director and general manager of Beijing Shougang Co., Ltd.

**2. Peng Kaiyu:** vice general manager, postgraduate education, master of engineering, MBA, senior engineer. The major employment history of Mr. Peng is as follows: a technician in the production technology office of the Qiangang Co. Steelmaking Branch; the chief deputy operator (training on duty), the chief deputy operator and the chief operator, in No.1 steelmaking refining operation area under steelmaking operation department of Shougang Co.; the assistant to the director under the steelmaking operation department of Qiangang Co.; the assistant to the director and the deputy director of steelmaking operation department of Qiangang Co.; the deputy director (presiding over work) and director of steelmaking operation department of Shougang Co.; the secretary of CPC Committee, the secretary of CDI, chairman in labor union and director of steelmaking operation department of Shougang Co.; the secretary of CPC Committee, the secretary of CDI and the chairman in labor union, under steelmaking operation department of Shougang Co.; the deputy secretary of CPC Committee of Shougang Co. Mr. Peng is the current deputy secretary of CPC Committee and the deputy general manager of Shougang Co.

**3. Li Ming:** deputy general manager, university education, doctoral candidate, professor level senior engineer. The major employment history of Mr. Li is as follows: a technician, person in charge of refining workshop, the deputy director of refining workshop, the executive deputy director of refining workshop, the director of refining workshop, the deputy director (leading roles of sections or equivalents) of technical research section; an assistant to the director of the technical quality division and the director of the technical section under technical quality division, the deputy director of technical quality division, in Qiangang Co.; an assistant to the manager and then the deputy manager of Qiangang Co.; the deputy manager of Qiangang Co.; the deputy secretary of CPC Committee and director of marketing management department of Shougang Co.; the deputy secretary of CPC Committee and director of Marketing Management Department, and the deputy general manager of Shougang Co.; the deputy secretary of CPC Committee and director of marketing management department, and the deputy general manager and director of Shougang Co. At present, he is the deputy secretary of CPC Committee and director of marketing management department, and the deputy general manager and director of Shougang Co. Executive director and general manager of Beijing Shougang Steel Trading Investment Management Co., Ltd.

**4. Li Baizheng:** university education, chief accountant, accountant, economist. The major employment history of Mr. Li is as follows: the planning controller of No.1 Steelmaking Factory; the dispatcher of production section, the planning controller of steelmaking workshop, the planning controller of production section, the chief controller of production section, the planner of production section, the director of billet area, the deputy director of production section, the director of finance and accounting section, planning person in charge of production and planning section, in No. 2 Steelmaking Factory; the deputy director and then director of finance and accounting department of Qiangang Co.; the director of finance and accounting department of Qiangang Co.; the chief accountant of Shougang Co.

Li Baizheng is the current chief accountant of Shougang Co., the board member of Beijing Shougang Cold Rolling Co., Ltd. and Shougang Jingtang United Iron & Steel Co., Ltd.

**5. Sun Maolin:** deputy general manager, university education, MBA, engineer. The major employment history of Mr. Sun is as follows: when serving Shougang Medium and Heavy Plate Factory, a professional in the technical section, the deputy secretary of CPC Branch and deputy director of hot rolling section, the secretary of CPC Branch of operation zone B, the deputy director of technical research section; the deputy director of technical section under technical quality division, an assistant to the director of technical quality division, the executive deputy director of silicon steel department, the standing deputy director of silicon steel department in Qiangang Co.; the executive deputy director and then director of silicon steel business department of Shougang Co.; the director of Silicon Steel Engineering Research Center; the secretary of CPC Committee and director of silicon steel business department, and an assistant to the general manager of Shougang Co.; the director of silicon steel business department. Sun is the current deputy general manager of Shougang Co. and director of Silicon Steel Engineering Research Center. He also serves Zhixin Co. as the executive director, Minmetals Special Steel (Dongguan) Co., Ltd. as the vice chairman of the board, and Minmetals Tianwei Steel Co., Ltd. as a director.

**6. Li Jingchao:** deputy general manager, university education, engineer. The major employment history of Mr. Li is as follows: a milling worker of rail workshop in Shougang Middle-sized Factory; an electrician of electrical apparatus workshop in Shougang Power Factory; the person in charge of the Youth League Committee of Shougang Testing Branch; in Shougang No. 3 Steel Mill, the worker of steelmaking workshop, the administrative person in charge of the billet cast machine workshop, the production deputy director of power workshop, the director (leading roles of sections or equivalents) of power workshop, the director (leading roles of sections or equivalents) of spare parts section, the deputy director (leading roles of sections or equivalents) of mobile section, the deputy director (leading roles of sections or equivalents) of equipment section, the deputy director (leading roles of sections or equivalents) of equipment section and director (leading roles of sections or equivalents) of power workshop, the deputy director (leading roles of sections or equivalents) of equipment section; an assistant to the director, the deputy director, the director of equipment division and the director of equipment department of Qiangang Co.; an assistant to the general manager and the director of equipment department of Qiangang Co.; an assistant to the general manager of Qiangang Co.; an assistant to the general manager of Qiangang Co., and the secretary of CPC Committee and the director of equipment department of Shougang Co.; an assistant to the general manager of Qiangang Co.; an assistant to the general manager of Qiangang Co., and the secretary of CPC Committee and the director of equipment department of Shougang Co., the director of intelligent application department of Shougang Co.; an assistant to the general manager of Qiangang Co., and secretary of CPC Committee and the director of equipment department of Shougang Co. At present, Li Jingchao is the deputy general manager of Shougang Co., and concurrently vice chairman of Qian'an Sinochem Coal Chemical Industrial Co., Ltd. and the director of Qian'an China Petroleum Kunlun Gas Co., Ltd.

**7. Ma Jiayi:** master degree, chief engineer, professor level senior engineer. The major employment history of Mr. Ma is as follows: a professional in the technical section of Shougang No.2 Wire Rod Coil Factory; a professional in the steel rolling section under the technical division of Shougang Beigang Co., a designer in the rolling process section of Shougang Design Institute, a deputy group leader and group leader of the first group of the rolling section under steel rolling division of Shougang Design Institute; the deputy director of the steel rolling section under steel rolling department of Shougang Design Institute; a deputy chief in the steel rolling design office of Beijing Shougang Design Institute; a production deputy director in Shougang Small-sized Factory; the production deputy director of No. 1 Plate Factory of Shougang Corporation. The director of Shougang No.2 Wire Rod Coil Factory; the director of Beijing Shougang Fulu Shicai Coated Plate Co., Ltd.; the leader of cold-rolled preparation group, the general manager of Beijing Shougang Fulu Shicai Coated Plate Co., Ltd.; the leader of cold-rolled preparation group, the director and general manager of Beijing Shougang Fulu Shicai Coated Plate Co., Ltd., and the deputy general manager of Shougang Co.; leader of cold-rolled preparation group, the director and general manager of Beijing Shougang Fulu Shicai Coated Plate Co., Ltd., and the director of Cold Rolled Sheet Steel Department and the deputy general manager of Shougang Co.; the manager of Shunyi Cold Rolled Branch and the deputy general manager of Shougang Co.; the manager and board member of Cold-R Co. and the deputy general manager of Shougang Co.; the deputy general manager of Shougang Co.; the deputy chief engineer of Qiangang Co. Ma is the current deputy chief engineer of Shougang Co.

**8. Chen Yi:** deputy general manager, board secretary, postgraduate education, doctor of management, senior economist. The major employment history of Mr. Chen is as follows: a professional in the mobile section, an assistant to the director of the maintenance workshop, the deputy director of the mobile section of Shougang Medium-sized Rolling Mill; the secretary of the CPC Committee office; a trainee of the overseas training course of Shougang University; the deputy director of the engineering division of the Jichai technical transformation leading group of Shougang; the deputy director of the Office (CPC Office) under the Shougang Economy & Trade Department; the deputy director of the board secretary office of Beijing Shougang Xinganglian Technology&Trade Co., Ltd.; the deputy manager of Shougang Marketing Co.; the deputy director of marketing management department, the deputy director of marketing management department and the person in charge of the board secretary office, in Shougang Co.; the board secretary and the director of the board secretary office of Shougang Co.; the general counsel, board secretary and director of the board secretary office of Shougang Co., and director of Cold-R Co. and Jingtang Co. At the end of the reporting report, Chen Yi was the deputy general manager, board secretary, general counsel of Shougang Co., and director of Cold-R Co. and Jingtang Co.

Position in related entity

√Applicable □Not applicable

Name	Entity	Position in shareholder company	Start date of term	End date of term	Received remuneration from other entity (Y/N)
Zhao Mingge	Shougang Group Co., Ltd.	Deputy secretary of the Party Committee, Director and General Manager	2020.07.01		Y
Shao Wence	Shougang Group Co., Ltd.	Executive deputy director of the office of the board of supervisors	2017.06.01		Y
Guo Liyan	Shougang Group Co., Ltd.	Director of audit department	2017.06.01		Y
Yang Mulin	Shougang Group Co., Ltd.	Head of system optimization department	2017.06.01		Y
Wu Dongying	China Baowu Steel Group Corporation Ltd.	General manager (president) of strategic planning department (Institute of economics and planning)	2019.12.01		Y

Position in other entity

Applicable  Not applicable

Notes for any punishment from securities review and management authorities, on resigned or current directors, supervisors, and senior managers within the three years

Applicable  Not applicable

#### IV. Remuneration of directors, supervisors and senior management

**Decision making procedure, determination basis and actual payment of remuneration for directors, supervisors and senior managers:**

**Remuneration for directors:** the independent directors of the Company collect the allowance of independent directors, and the allowance standard of independent directors is determined by the general meeting of shareholders; the director who concurrently serves as the general manager does not collect the remuneration of directors; director Qiu Yinfu collects remuneration in Jingtang Co., which is not the director remuneration; other directors do not collect remuneration from the Company.

**Remuneration for supervisors:** employee representative supervisors collect remuneration from the Company, while other supervisors do not collect remuneration from the Company. The employee representative supervisor shall be remunerated according to the position of non-supervisor in the Company.

**Remuneration for senior management:** the remuneration committee under the board of directors is responsible for organizing the performance assessment to the general manager and proposes remuneration, in terms of the Annual Measures for Assessment and Distribution of General Manager Salary, and reports the performance and deserved remuneration of general manager to the board. After the consideration and approval from the board of directors, the company actually affords the remuneration. Other senior management remuneration is afforded monthly, in accordance with performing duties assessed by the general manager and director under the Board's authorization.

Remuneration of directors, supervisors and senior management during the reporting period

Unit: RMB 0,000

Name	Position	Gender	Age	Status of employment	Total pretax remuneration received from the company	Whether to get remuneration from related parties of the company
Zhao Mingge	Chairman	Male	54	Incumbent	0	Yes
Liu Jianhui	Director	Male	56	Incumbent	0	No
Qiu Yinfu	Director	Male	53	Incumbent	67.65	No
Wu Dongying	Director	Male	57	Incumbent	0	Yes
Yin Tian	Independent director	Male	66	Incumbent	10.5	No
Ye Lin	Independent director	Male	57	Incumbent	10.5	No
Yang Guipeng	Independent director	Male	48	Incumbent	10.5	No
Liu Shen	Independent director	Male	45	Incumbent	6	No
Peng Feng	Independent director	Male	41	Incumbent	0	No
Shao Wence	Supervisory board chairman	Male	57	Incumbent	0	Yes
Guo Liyan	Supervisory	Female	45	Incumbent	0	Yes
Yang Mulin	Supervisory	Male	49	Incumbent	0	Yes
Chen Xiaowei	Employee Representative Supervisor	Female	47	Incumbent	45.11	No
Guo Yuming	Employee Representative Supervisor	Male	53	Incumbent	43.81	No
Liu Jianhui	General manager	Male	56	Incumbent	62.33	No



Peng Kaiyu	Vice General Manager	Male	40	Incumbent	58.24	No
Li Ming	Vice General Manager	Male	46	Incumbent	57.45	No
Li Baizheng	Chief accountant	Male	55	Incumbent	55.91	No
Sun Maolin	Vice General Manager	Male	44	Incumbent	58.21	No
Li Jingchao	Vice General Manager	Male	54	Incumbent	58.57	No
Ma Jiayi	Chief engineer	Male	57	Incumbent	57.31	No
Chen Yi	Vice General Manager Company secretary	Male	53	Incumbent	51.45	No
Tang Di	Independent director	Male	66	Retired	4.5	No
Zhang Bin	Independent director	Male	48	Retired	0	No
Total	--	--	--	--	658.04	--

Information on share option scheme provided to directors and senior management during the reporting period

Applicable  Not applicable

## V. Company employees

### 1. Number of employees, professional composition and education background

Number of employees in the parent company	5,779
Number of employees in the main subsidiary	12,387
Total number of employees	18,166
Total number of employees receiving salary in the current period	18,166
Number of retired employees to be borne by parent company and main subsidiary	393
Professional composition	
Professional composition category	Number of professional composition
Production	12,778
Salesman	616
Technician	2,433
Finance	270
Administrative	1,758
Services and other	311
Total	18,166
Education background	
Type	Quantity
Master degree or above	1,528
Bachelor's degree	6,743
College	6,283
Vocational secondary and below	3,612
Total	18,166

### 2. Remuneration policy

The middle-level employees of the company implement the annual salary system, and the annual salary structure includes three parts: basic annual salary, performance annual salary and term incentive. The basic salary is paid monthly. The performance bonus links to the performing duty monthly or annually, and is distributed monthly and annually in terms of the Responsible Agreement of Business Objectives. After performance appraisal at the end of employment term according to the Responsible Agreement of Objective during The Employment Term, the incentives bonuses to employment term will be afforded flowing the assessment results.

The salary system of front-line and blow staff is composed of occupation salary and benefit salary. The occupation salary is influenced by the attendance, and the benefit salary is distributed as the monthly performance on the duty.

### 3. Training program

Based on the national and Beijing vocational skills upgrading action plan, combined with the company's overall requirements on accelerating the construction of the first workforce, Qiangang Base focuses on quality improvement, ability training and talent value-added, with a focus on relevance, practicality and value, insists on combining theory and practice, learning and summarizing,

strengthens talent-driven, innovation-driven and lean-driven, cultivates problem culture, execution culture and struggle culture, and continuously enhances the cohesion of the enterprise and the heart of the workforce to build a moral and talented, well-qualified workforce, and continuously enhance the cohesion of the enterprise and the centripetal force of the workforce. Throughout the year, the Company overcoming the impact of unfavourable factors such as the COVID-19, optimizing the management mechanism of internal and external training, actively exploring the combination of online and offline training, and organizing and completing more than 160 training projects of various types and ultimately providing strong support for the high-quality development of the company.

Jingtang Base takes the development strategic plan as the guide and continuously strengthens the construction of talent team. Systematically planning to establish a training management system to adapt to the construction of talent echelon. Focusing on the goal of cultivating leaders who are "loyal, clean and responsible", the Company carrying out training and education such as lectures for leaders and qualification training to enhance the ability to perform duties and comprehensive quality. The training of staff is strengthened by using various forms such as posting and training outside the company and innovation studio projects. The team leaders are trained in a hierarchical manner, the "Gold Team Leader" competition is carried out, and the "examination for learning" of job regulations is promoted on a pilot basis to consolidate the construction of grass-roots teams. The Company has innovated and implemented the "three-tier skills competition" model, and has been granted the qualification of independent evaluation for 54 trades in Hebei Province, and is qualified to conduct independent skills appraisal. By the end of 2020, the company had trained 37 technicians at the level of senior director and above, and 21 operators at the level of skill expert and above. Rong Yanming was awarded the title of "National Model Worker", Wang Jianbin Innovation Studio was awarded "National Skill Master Studio" and Wang Baoyong Innovation Studio was awarded "National Model Innovation Studio of Machinery, Metallurgy and Building Materials Industry The workshop was awarded the title of "National Skill Master Studio" and Wang Baoyong Innovation Studio was awarded the title of "National Model Innovation Studio of Machinery, Metallurgy and Building Materials Industry".

4. Outsourcing of labor source

Applicable  Not applicable

## **Section X Corporate Governance**

### **I. Information of corporate governance**

Based on the requirements of the Company Law of People's Republic of China, the Securities Law of People's Republic of China, the Code of Corporate Governance for Listed Companies, the Listing Rules of Shenzhen Stock Exchange, the Guidelines for Standardized Operation of Listed Companies of Shenzhen Stock Exchange, the Articles of Association and other applicable regulations and laws, the Company actively promote the improvement of governance structure, continuously optimizing corporate governance, improving the level and quality of corporate governance, standardizing the company operation, protecting legal rights belongs to the company and the whole shareholders.

According to the Articles of Association and Rules of Procedures of the General Shareholders Meeting, the Board of Directors, the Supervisory Committee, the company organizes the General Shareholders Meeting, the meeting of director board, and the meeting of supervisory committee. Directors and supervisors are assiduous and dutiful, complying with the applicable rules and regulations, diligently safeguarding the lawful rights and interests of the company and its all shareholders. The management regularly operates the company, and faithfully abide by the rules of internal system. In accordance with the relevant regulations such as the Listing Rules of Shenzhen Stock Exchange, the Company perform the duty of information disclosure, and guarantee the truthiness, accuracy and completeness of the prepared information, without any false record, misleading or major omission.

During the reporting period, the Company did its corporate governance work in the following aspects: firstly, in accordance with the new Securities Law and the Guidelines on the Standardized Operation of Municipal Companies revised by the Shenzhen Stock Exchange and combined with the actual operation situation, the Company amended 6 rules and regulations and established Management System for Subsidiaries. Secondly, in accordance with the operational request of the Company, 31 systems are formulated, including the Management System for the Quality of Steel Products and the Management System for Accountability for Non-compliance in Operation, and 49 systems are revised, including the Management System for Bidding and Tendering and the Management System for Scientific and Technological Confidentiality. Thirdly, in response to business adjustments and system updates, the Company organised internal control self-evaluation in conjunction with the Risk Control Process Manual and the Risk Control Evaluation Manual. Fourthly, in accordance with the Articles of Association, the Rules of Procedure for General Meetings and relevant regulations, the General Meetings were held by way of "on-site + online voting" to ensure that the matters submitted to the General Meetings for consideration and approval were in compliance with the law.

As at the end of the reporting period, the Company has a total of 517 internal control systems, of which 493 systems are formulated and implemented by the Company and 24 systems are forwarded to the government and regulatory authorities.

Whether there are material differences between the actual state of corporate governance and the regulatory documents issued by the CSRC on the governance of listed companies.

Yes  No

There is no material difference between the fact of corporate governance and the regulations for listing companies required by the CSRC.

### **II. Independence of the Company from the controlling shareholder in terms of business, personnel, assets, organization and finance**

The Company operates in strict accordance with the requirements of the Company Law, the Securities Law and other laws, regulations, rules and normative documents, and maintains full independence from the controlling shareholder in terms of business, personnel, assets, institutions and finance. The Company has a complete procurement, production, marketing and operation management system, a sound product development organization and personnel, and the ability to produce and operate independently.

1. Business: The Company has a complete business management system, an independent business system, conducts its business independently, operates independently and bears its own risks.
2. Personnel: The Company has a complete human resources management system, which operates independently and has a sound and effective system. The directors and supervisors of the Company are elected in accordance with the statutory approval procedures such as shareholders' meetings or corresponding democratic elections; senior management personnel are appointed or dismissed by the Board of Directors, and there are no irregularities in their concurrent positions with controlling shareholders and related parties. All levels perform their duties and responsibilities in accordance with their duties and responsibilities.
3. Assets: The Company has a production system and its supporting facilities that are independent of the controlling shareholder and its related parties. The Company's assets are independent and complete, with clear ownership.
4. Institutions: The Company's general meeting, board of directors, supervisory committee, management and its internal bodies are sound and independent, and exercise their powers independently. The organisational structure is sound and complete, and there is no subordinate relationship with the controlling shareholder and its related parties.
5. Financial: The Company has an independent financial accounting system and financial accounting system. The financial management system is sound and capable of making independent financial decisions and the Company is independently and legally subject to taxation.

### **III. Horizontal competition**

Applicable  Not applicable

Type	Name of controlling shareholder	Nature of controlling shareholder	Causes	Solutions	Work progress and follow-up plan
Competition in the same industry	Shougang Group Co., Ltd.	Local SASAC	<p>Since the listing of the Company, there has been inter-sector competition and connected transactions resulting from the partial conversion to listing.</p>	<p>1. Shougang Group undertakes in respect of measures to resolve inter-sector competition and avoid inter-sector competition after the First Reorganisation</p> <p>(1) Except for the situation of inter-sector competition existing prior to the date of this Letter of Undertaking, if the Company obtains opportunities for acquisition, development and investment in the same or similar business as Shougang Co, the Company will immediately notify Shougang Co and offer them to Shougang Co for selection on a priority basis and make its best efforts to make such business opportunities available for transfer to Shougang Co.</p> <p>(2) In integrating and operating existing steel assets not yet transferred to Shougang Co., the Company will select the appropriate platform and means to achieve resource integration in a manner that is conducive to the future transfer to Shougang, Co. and will not include provisions in the relevant agreements or arrangements with partners or third parties that restrict or prohibit the injection of such assets or businesses into Shougang.</p> <p>(3) The Company shall, as far as possible, safeguard the normal operation and profitability of the existing steel assets not injected into Shougang Co. and ensure that the aforesaid assets and businesses do not fall into operational difficulties due to the Company or other circumstances that prevent the ultimate injection into Shougang Co. or render such injection legally impeded.</p> <p>(4) Each commitments made by the Company in eliminating or avoiding competition in the same line of business shall also apply to other enterprises under the direct or indirect control of the Company other than Shougang Co. and its subsidiaries, and the Company shall be obliged to supervise and ensure that the other subsidiaries of the Company shall implement the arrangements for each of the matters described in this document and strictly comply with all the commitments.</p> <p>2. As approved by the second extraordinary general meeting of the Company for 2018 on 27 December 2018, Shougang Group undertakes to.</p> <p>(1) According to the development plan of Shougang's steel industry, Shougang shares will serve as the sole platform for the development and integration of Shougang Group's steel and upstream iron ore resources industries in the PRC, and ultimately realise the overall listing of Shougang Group's steel and upstream iron ore resources businesses in the PRC.</p> <p>(2) In the event that Shougang Group's other companies engaged in steel operations and production further optimise and adjust their product structure through active implementation of national industrial policies and environmental protection requirements, and achieve profits for three consecutive years, and that the overall situation of the industry does not fluctuate significantly, Shougang Group will, in accordance with the requirements of securities laws and regulations and industry policies, initiate a process including but not limited to acquisition, merger, restructuring and other means in the interests of shareholders of the listed company. The injection of relevant high-quality assets into Shougang will be completed within 36 months after the commencement of the relevant matters.</p>	<p>In December 2018, Shougang Co. and Jingtang Co. jointly signed the "Management Service Agreement between Shougang Group Company Limited and Beijing Shougang Co. and Shougang Jingtang Iron and Steel United Limited Liability Company" with Shougang Group, whereby Shougang Co. and Jingtang Co. jointly provided management services for a total of 17 subject enterprises in the steel segment assets and businesses belonging to Shougang Group. Shougang Mining Company and 14 other companies are under the responsibility of Shougang Corporation and Shougang Kaishi Steel Company and 3 other companies are under the responsibility of Jingtang Company. Shougang shares will continue to negotiate with Shougang Group and actively promote the follow-up work in accordance with Shougang Group's commitment to resolve inter-sector competition. In December 2018, Shougang Co. and Jingtang Co. jointly signed the "Management Service Agreement between Shougang Group Company Limited and Beijing Shougang Co. and Shougang Jingtang Iron and Steel United Limited Liability Company" with Shougang Group, whereby Shougang Co. and Jingtang Co. jointly provided management services for a total of 17 subject enterprises in the steel segment assets and businesses belonging to Shougang Group. Shougang Mining Company and 14 other companies are under the responsibility of Shougang Corporation and Shougang Kaishi Steel Company and 3 other companies are under the responsibility of Jingtang Company. Shougang shares will continue to negotiate with Shougang Group and actively promote the follow-up work in accordance with Shougang Group's commitment to resolve inter-sector competition.</p>

#### IV. General shareholders meetings and extraordinary shareholders' general meeting during the reporting period

##### 1. Information on the general shareholders meeting

Sessions	Type	Investor participation ratio	Date	Date of Disclosure	Disclosure Index
2019 Annual General Meeting	Annual General Shareholders Meeting	79.98%	23 June 2020	24 June 2020	China Securities Journal, Securities Times, Shanghai Securities News and Juchao Information Website (http://www.cninfo.com.cn)
2020 First Extraordinary General Meeting	Extraordinary General Shareholders Meeting	79.98%	18 December 2020	19 December 2020	China Securities Journal, Securities Times, Shanghai Securities News and Juchao Information Website (http://www.cninfo.com.cn)

##### 2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable  Not applicable

#### V. Responsibility performance of independent directors

##### 1. Information on independent directors attending the board meeting and the general shareholder meeting

Attendance of Independent Directors at Board Meetings and General Meetings							
Name	Number of board meetings to be attended during the reporting period	Number of board meetings attended on site	Number of board meetings attended by correspondence	Number of board meetings attended by proxy	Number of board meetings missed	Absent the meeting for the second time in a row (Y/N)	Number of general meetings attended
Yin Tian	8		3	0	0	N	
Ye Lin	8		3	0	0	N	
Yang Guipeng	8		3	0	0	N	
Liu Shen	8		3	0	0	N	
Peng Feng	8		3	0	0	N	
						N	

Notes for absence in successively twice

Not applicable

##### 2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

Yes  No

Independent directors has no objections for relevant events in reporting period.

##### 3. Other explanation about responsibility performance of independent directors

Whether the proposals from independent directors are accepted by the company

Yes  No

The explanation about the proposals from independent directors are accepted or rejected by the company.

###### (1) Situation of attendance of and discussion on the meeting

In 2020, the independent directors attended the Company's shareholders' meetings, board of directors' meetings and meetings of the special committee of the board of directors (independent directors' reporting sessions) as scheduled. We listened carefully to the views of shareholders, paid attention to the reasonable demands of public shareholders and exchanged views on relevant matters in the shareholders' meetings. All board meeting and the general meeting of shareholders held in 2020 are in compliance with legal procedures, and procedures and contents of voting items submitted to the meetings for deliberation are all legal and valid. Proposals proposed by each board meetings are seriously considered, reviewed and commented, and ultimately all votes are in favour of the proposals.

###### (2) Situation of issuing independent opinions

###### A. Comment on matters considered at board meetings

In 2020, the Company is able to submit meeting documents to the directors within the prescribed time before the board meetings, and arranged special reports on important matters to provide basic conditions for independent directors to review and issue independent opinions in a timely manner in accordance with relevant regulations. Independent opinions issued in 2020 are as follows:

① Independent opinions are issued on proposals proposed on the second meeting of the seventh board of directors: "Proposal on Profit Distribution of Shougang Co. 2019", "Self-evaluation Report on Internal Control of Shougang Co. 2019", "Proposal on General Manager's Remuneration for 2019 and Remuneration and Appraisal Allocation for 2020", "Proposal on Renewal of Appointment of

Accounting Firm of Shougang Co.", "Proposal on Re-signing of "Shougang Group Co. Ltd. on the Framework Agreement on Related Party Transactions between Shougang Group Co., Ltd. and Beijing Shougang Co. Ltd.", "Budget of Routine Related Party Transactions for 2020", "Proposal of Financial Transactions between Shougang Co., and Shougang Group Finance Co., Ltd.", "Agreement of Financial Services between Shougang Co., and Shougang Group Finance Co., Ltd.", "Risk Assessment Audit Report for Shougang Group Finance Co., Ltd. 2019", "Risk Emergency Response Plan for Deposit and Loan Business of Shougang Group Finance Co., Ltd.", "Shougang Co.'s Proposal to Adjust the Independent Directors" and "Proposal of Amend the Articles of Association of Shougang Co., Ltd.". The Company held a special briefing meeting for the independent directors to report the relevant situation in detail prior to the meeting. The independent directors agreed with the matters contained in the above proposals and the procedures for review and discussion of the proposals at the meeting are legal and valid.

② Independent opinions are issued on proposals proposed on the third meeting of the seventh board of directors: "Proposal on the Company's Compliance with the Conditions for Public Issuance of Corporate Bonds and Renewable Corporate Bonds for Professional Investors and Compliance with the Conditions for Issuance of Ultra-Short-Term Financing Bonds". The Company held a special briefing meeting for the independent directors to report the relevant situation in detail prior to the meeting. The independent directors agreed with the matters contained in the above proposals and the procedures for review and discussion of the proposals at the meeting are legal and valid.

③ Independent opinions are issued on proposals proposed on the fourth meeting of the seventh board of directors: "Proposal of Related Party Transaction between Beijing Shougang Co., Ltd. and Shougang Group Co., Ltd. on the Asset Swap and the Signing of the Asset Swap Agreement". The Company held a special briefing meeting for the independent directors to report the relevant situation in detail prior to the meeting. The independent directors agreed with the matters contained in the above proposals and the procedures for review and discussion of the proposals at the meeting are legal and valid.

④ Independent opinions are issued on proposals proposed on the fifth meeting of the seventh board of directors: "Proposal for Related Party Transaction of Share Issuing to Purchase Assets and Raising Funds and Other Related Events" and "Proposal of Related Party Transaction between Shougang Group Co. Ltd. and Shougang Jingtang United Iron & Steel Co., Ltd. on the Asset Recycling" and "Proposal of Related Party Transaction between Shougang Group Co. Ltd. and Shougang Jingtang United Iron & Steel Co., Ltd. on Asset Entrusted Management and Compensated Use of Assets". The Company held a special briefing meeting for the independent directors to report the relevant situation in detail prior to the meeting. The independent directors agreed with the matters contained in the above proposals and the procedures for review and discussion of the proposals at the meeting are legal and valid.

⑤ Independent opinions are issued on proposals proposed on the sixth meeting of the seventh board of directors: "Proposal for Related Party Transaction of Share Issuing to Purchase Assets and Raising Funds and Other Related Events". The Company held a special briefing meeting for the independent directors to report the relevant situation in detail prior to the meeting. The independent directors agreed with the matters contained in the above proposals and the procedures for review and discussion of the proposals at the meeting are legal and valid.

#### **B. Commenting on periodic reports, external guarantees and other matters**

① In accordance with the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and other regulations, the Company signs a written confirmation of the Company's 2019 annual report, 2020 first quarterly report, 2020 half-yearly report and 2020 third quarterly report.

② Making special notes and issuing independent opinions on the appropriation of the Company's funds by the Company's controlling shareholder and other related parties as well as external guarantees. In view of the fact that the financial transactions between the Company and the related parties (the controlling shareholder --- Shougang Group Co., Ltd. and its subsidiaries) are all settlement payments arising from substantive related transactions such as purchase and sale of goods and provision of labour services in the normal production and operation activities, there is no irregular appropriation of the Company's funds by the controlling shareholder and other related parties. During the reporting period, the Company has no external guarantees.

③ Signing a written declaration and committing to the truthfulness, accuracy and completeness of the Prospectus for the Issue of Corporate Bonds and Renewable Corporate Bonds by Shougang Co. and the contents of all documents submitted.

④ Signing a written declaration and committing that the "Report on Related Party Transaction of Shares Issuing to Purchase Assets and Raising Supporting Funds in by Shougang Co. (Draft)" and the contents of all documents submitted are true, accurate and complete.

#### **C. Independent opinion issued on Shougang Group's "Proposal to adjust certain commitments" to be submitted for consideration at the Company's first extraordinary general meeting of 2020**

Some of the commitments adjusted in the proposal are made in response to the actual situation, and the matter falls within the terms of reference of the general meeting of shareholders as stipulated in laws, regulations and the Articles of Association of the Company, and is in compliance with the provisions of the "Guidelines for the Supervision of Listed Companies No. 4 - Effective Controllers, Shareholders, Related Parties, Purchasers of Listed Companies and Undertakings and Performance of Listed Companies", and will have no adverse impact on the Company. The proposal will not adversely affect the operation of the Company and will not be detrimental to the interests of the Company and its shareholders. The proposal is agreed to be submitted to the extraordinary general meeting of the Company for consideration.

③ Routine work of the Board of Directors

In 2020, the independent directors actively participated in the day-to-day work of the Board. Continuously pay attention to the state of the industry in which the Company operates and provide expert advice on the Company's business development. 1. Listen to the report of the

management of the Company on matters such as the production and operation of the Company and the financial accounts. 2. Listen to the report of the Company's annual auditor on the Company's annual audit. 3. Pay close attention to the relevant policies issued by the securities regulators.

## VI. Performance of duties of special committees under the Board during the reporting period

### 1. Strategy and Risk Management Committee of the Board of Directors

During the reporting period, the Strategy and Risk Management Committee of the Board of Directors did not hold any meeting.

### 2. Audit Committee of the Board of Directors

In accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange, as well as the Regulations on the Work of the Audit Committee of the Board of Directors and the Regulations on the Annual Report of the Audit Committee of the Board of Directors, the Audit Committee of the Board of Directors has conscientiously performed its duties to communicate, supervise and verify the internal and external audits of the Company. The performance of its duties is as follows.

(1). In accordance with the disclosure schedule of the Company's 2020 annual report, the Audit Committee of the Board of Directors, in consultation with Grant Thornton, determined the schedule for the audit of the financial report for current year.

(2). Prior to the entry of the annual audit certified public accountants, the Audit Committee of the Board of Directors reviewed the consolidated and company balance sheets as at 31 December 2020, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for the year 2020 and certain notes to the financial statements prepared by the Company. The financial accounting statements of the Company are considered to be prepared in accordance with the accounting policies of the Company, with proper application of accounting policies and reasonable accounting estimates, and in compliance with the requirements of the new accounting standards for enterprises, the accounting system of the Company and the relevant regulations issued by the Ministry of Finance; the units and statements included in the scope of consolidation were complete and the basis of consolidation of the statements was accurate; the accounting statements were true, objective, accurate and complete, and no material misstatement or omission was found. Therefore, the Audit Committee of the Board of Directors considered that the financial and accounting statements prepared by the Company could be submitted to the annual auditing certified public accountants for audit.

(3). Upon the arrival of the annual audit CPA, the Audit Committee of the Board of Directors actively communicated and communicated with the annual audit CPA and urged them to submit the audit report within the agreed time frame.

(4). Following the preliminary audit opinion issued by the annual auditing certified public accountants, the Audit Committee of the Board of Directors has again reviewed the financial statements after the preliminary audit opinion issued by the annual auditing certified public accountants. The Audit Committee of the Board of Directors is of the opinion that the Company has dealt with post balance sheet date matters in accordance with the new ASBE and that the financial statements of the Company have been prepared in accordance with the new ASBE and the provisions of the relevant financial system of the Company, and the financial position of the Company as at 31 December 2020 and the results of operations and cash flows for the year 2020 show a true and fair view in all material aspects.

(5). The Audit Committee of the Board of Directors is of the opinion that in providing audit services to the Company, Grant Thornton has performed its duties in compliance with the practice standards of independence, objectivity and impartiality and has completed the audit of the Company for the year 2020.

(6). The Audit Committee of the Board of Directors held a meeting. The following matters are considered and approved: (i) the financial report of Shougang Co., Ltd. for the year 2020 (draft); and (ii) the proposal on the renewal of the appointment of the accounting firm (draft). The Audit Committee of the Board of Directors agreed to submit the above matters to the Board of Directors for consideration.

### 3. Board Remuneration and Appraisal Committee

During the reporting period, according to the Regulations of the Remuneration and Evaluation Committee of the Board of Directors and other relevant regulations, the Remuneration and Evaluation Committee reviewed the remuneration of the senior management of the Company for the year 2020 in accordance with the "Proposal on the General Manager's Remuneration for the Year 2019 and the Distribution of Remuneration and Evaluation for the Year 2020", which is reviewed and approved by the Second Meeting of the Seventh Board of Directors. All the reviewed remuneration for above personal are in compliance with all relevant regulations of the Company.

### 4. Board Nomination Committee

During the reporting period, the Company reported to the independent directors on the proposed nomination of Liu Shen and Peng Feng as new independent directors by Tang Di and Zhang Bin, the former independent directors, due to the expiry of their six-year terms of office. The independent directors all agreed to the aforesaid nominations and agreed to submit them to the Board meeting for consideration and fulfillment of the approval of the general meeting, and the independent directors issued their independent opinions as required. The Nomination Committee of the Board considered and approved the above matters.

## VII. Situations of the Supervisory Board

Whether the Supervisory Board has identified any risks to the company in its supervisory activities during the reporting period

Yes  No

The Supervisory Board has no objection to the supervision of matters during the reporting period.

## VIII. Assessment and Incentive on the Senior Management

**General Manager Appraisal:** the general manager implements an annual salary system consisting of base salary, annual performance salary and tenure incentive. Among them: the proportion of base salary is 30%, which is monthly paid; the proportion of annual performance salary is 70%, and 50% of which is paid in advance on a monthly basis. According to relevant regulations, the Remuneration and Appraisal Committee of the Board of Directors establishing Annual General Manager Remuneration Assessment and Distribution Plan and issuing the distribution opinion annually. All the performance annual remuneration will be settled once the remuneration proposal approved by the annual board meeting. The term incentive is calculated at 30% of annual remuneration and the incentive will be assessed and settled in accordance with the Term Target Responsibility Statement at the end of the term.

**Appraisal of other senior management personnel:** the remuneration for other senior management personnel, such as vice general managers, are subject to an annual salary system and are assessed and remunerated by the directors and general manager in accordance with the authorization of the Board of Directors and in accordance with the completion of the work tasks of the vice general managers and other senior management personnel.

During the reporting period, the Company had no share incentive scheme.

## IX. Internal control

### 1. Details of significant deficiencies in internal control identified during the reporting period

Yes  No

### 2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	29 April 2021	
Disclosure index of full internal control evaluation report	Beijing Shougang Co., Ltd. 2020 Internal Control Self-Assessment Report, disclosed on Juchao Information Website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ).	
Proportion of total assets included in internal control evaluation report accounting for the total assets in the consolidated financial statements		99.86%
Proportion of operating revenue included in internal control evaluation report accounting for operating revenue in the consolidated financial statements		99.95%
Defect identification criteria		
Type	Financial Reports	Non-financial reporting
Qualitative criteria	<p>1. General deficiency: it may or has caused slight impact on business activities, which is not an objective reason and has exceeded the budget by 1% - 5% in terms of time, manpower or cost without proper approval;</p> <p>2. Significant deficiency: it may or has slowed down the business operation, or unable to achieve some business objectives, or not exceeding the budget by 6% - 20% in terms of time, manpower or cost for non-objective reasons and without proper approval;</p> <p>3. Material deficiency: (1) it may or has made the company unable to achieve all operating objectives, resulting in business suspension. It is not an objective reason and has exceeded the budget by more than 20% in terms of time, manpower or cost without proper approval, and has exceeded the level of importance; (2) The company has financial related fraud, which affects the accuracy of financial statements.</p>	<p>1. General deficiency: it may or has temporarily affected the health of employees or the public; the negative news may or has caused slight impact on the company, spreading within the company or locally, and will not attract the attention of stakeholders; violation of the company or relevant rules and regulations or conflict with self-made rules and regulations may have caused slight social impact, basically will not lead to the attention of regulators.</p> <p>2. Significant deficiency: it may or has had a negative impact; it may or has seriously affected the health of many employees or the public, or caused general environmental damage, and the situation needs external support to be controlled; the negative news may or has caused a greater impact on the company, and disseminates in a certain region It has attracted the attention of relevant stakeholders, such as the suspension of cooperation by partners, low efficiency of employees, reduction of customer loyalty, etc.; it has violated national and regional laws and regulations or industry norms, faced with legal proceedings, economic compensation, which may or has caused general social impact, attracted the attention of regulatory agencies, and required regular rectification.</p> <p>3. Material deficiency: there is causing casualties of many employees and local residents, causing serious damage to the environment and out of control of the situation; the negative information may or has caused significant impact on the company, which is widely spread, causing significant damage to the reputation of the enterprise. The government or regulatory</p>



		authorities conduct investigation, causing public concern and irreparable damage to the reputation of the enterprise; violating laws and regulations, in the face of business suspension, legal proceedings or economic compensation; it may or has caused serious social impact; it has been notified or publicly condemned by regulatory authorities, or even ordered to suspend business for rectification.
Quantitative criteria	<p>1. General misstatement: amount of misstatement &lt; 0.5% of total assets</p> <p>2. Significant misstatement: 0.5% of total assets ≤ amount of misstatement &lt; 1% of total assets</p> <p>3. Material misstatement: 1% of total assets ≤ amount of misstatement</p>	<p>1. General misstatement: RMB 100,000 ≤ amount of loss &lt; RMB 5,000,000</p> <p>2. Significant misstatement: RMB 5,000,000 ≤ amount of loss &lt; RMB 10,000,000</p> <p>3. Material misstatement: RMB 10,000,000 ≤ amount of loss</p>
Number of material defects in financial reports		0
Number of material defects in non-financial reports		0
Number of significant defects in financial reports		0
Number of significant defects in non-financial reports		0

### X. Audit report for internal control

Applicable  Not applicable

Audit opinion on internal control	
Shougang Co. has kept the effective internal control over financial reporting in all material matters on 31 December 2020, in accordance with the “Basic Standards for Internal Control of Enterprises” and other relevant regulations.	
Whether disclosing the internal control audit report	Disclosed
Date of disclosure of the internal control audit report	29 April 2021
Source for the internal control audit report	Searching for: <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> .
Audit opinion on internal control	Standard unqualified opinion
Whether material deficiency over non-financial reporting	Negative

Whether non-standard unqualified opinion from independent auditors in the audit report on internal control

Yes  No

Whether there is consistent opinion between the audit report on internal control and the self-assessment report on internal control

Yes  No

## Section XI. Corporate Bond

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

Yes

### I. Overview

Name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of Bonds (ten thousand yuan)	Interest rate	Method of capital repayment with interest
Beijing Shougang Co., Ltd. Publicly Issued Corporate Bonds to Professional Investors in 2020 (first tranche)	20 Shouqian 01	149236	2020/9/17	2024/9/17	250,000	3.98%	Adopt single interest on annual basis with no compound interest counted. Interest will be paid once a year and the capital will be returned in a lump sum at the date of expiry. Interest of the last period will be paid together with the capital.
Location for listing or transfer		Shenzhen Stock Exchange					
Arrangements of investor suitability		Public offering to professional investors					
Interest payment during the reporting period		The first coupon date of "20 Shouqian 01" has not yet arrived					
Special clauses including option clauses, exchangeable clauses, etc. for issuer or investor and the implementation situation (if applicable).		"20 Shouqian 01" bond has a five-year maturity with an issuer option to adjust the coupon rate at the end of the third year and an investor option to put it back. Exercise period has not yet arrived at present.					

### II. Contact persons and methods of corporate bonds trustee

Bonds trustee manager:							
Name	Huatai United Securities	Address	3F, Tower A, Pacific Insurance Building, 28 Fengsheng Hutong, Xicheng District, Beijing	Contact persons	Liang Shulin Jiang Jiaxiang	Tel	010-56839491
Credit rating agencies of tracking ratings on corporate bonds during the reporting period:							
Name	Dagong Global Credit Rating Co. Ltd		Address	3 / F, China Foreign Languages Building, 89 Xisanhuan North Road, Haidian District, Beijing, China			

### III. Use of proceeds raised from public issuance of the company bonds

The use of the funds raised by the company's bonds and the procedures for their fulfillment	All the raised funds of "20 Shouqian 01" have been used to repay the company's matured debts. By the end of the reporting period, all raised funds have been used up. In the process of using the raised funds, the company strictly complied with the relevant procedures of the Company's "Management System for Raised Funds", and there was no violation of regulations.
Closing balance (ten thousand yuan)	0
Operation of the specific account for raised funds	Standard and Normative
Whether the use of raised funds is consistent with the purpose, use plan and	Y

other agreements promised in the prospectus (Y/N)	
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## VI. Brief introduction to corporate bonds credit rating agency

According to the Credit Rating Report of Publicly Issued Corporate Bonds to Professional Investors in 2020 (first tranche) issued by Dagong Global Credit Rating Co., Ltd on September 8, 2020, the credit rating of the Company is AAA, and the credit rating of "20 Shouqian 01" was AAA with stable outlook. No credit rating changes have taken place since the IPO.

## V. Corporate bonds credit enhancement mechanism, solvency plan and others

"20 Shouqian 01" is unsecured bond. The debt repayment plan and other debt repayment guarantee measures are detailed in the prospectus. During the reporting period, there is no change on the above bond credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures.

## VI. Meeting of corporate bondholders

There is no meeting of corporate bondholders during the reporting period.

## VII. Duty fulfillment of corporate bonds trustee managers during the reporting period

During the reporting period, the bond trustee Huatai United Securities strictly complied with the agreement to the Bonds Trustee Management Agreement, paid attention to operating status and risk factors continuously, and urged the company to perform the obligations agreed upon in the prospectus, actively exercised the bond trustee responsibilities, and safeguarded the legitimate rights and interests of bond holders.

During the reporting period, Huatai United Securities issued the Interim Report of Huatai United Securities on the Entrusted Management of Major Matters of Beijing Shougang Co., Ltd., at the Shenzhen Stock Exchange on December 10, 2020. It was also disclosed on the website www.cninfo.com.cn on December 10, 2020.

## VIII. Accounting data and financial indicators of the company in the latest two years as at the end of the reporting period

Unit: RMB Ten Thousand Yuan

Item	2020	2019	Year-on-Year Changes
EBITDA	1,172,474	1,007,035	16.43%
Liquidity ratio	39.00%	35.00%	4% increase year-on-year
Gearing ratio	73.10%	72.65%	0.45% increase year-on-year
Quick ratio	25.00%	24.00%	1% increase year-on-year
EBITDA ratio	11.11%	9.44%	1.67% increase year-on-year
Times interest earned	1.8	1.49	20.81%
Cash interest coverage ratio	4.87	2.45	98.78%
EBITDA times interest earned	4.1	3.62	13.26%
Loan repayment rate (%)	100.00%	100.00%	0.00%
Interest payment rate (%)	95.00%	98.00%	3% decrease year-on-year

Main reasons for the above accounting data and financial indicators year-on-year change of more than 30%.

√ Applicable □ Non Applicable

Year-on-year changes of 98.78% for cash interest coverage ratio is caused by the increase of net cash flows from operating activities.

## IX. Interest payment of other bonds and debt financing instruments within the reporting period.

During the reporting period, the company's other bonds and debt financing instruments paid the principal and interest on schedule, and no overdue default occurred.

## X. Bank credit business, the use of bank loans and the repayment of bank loans within in the reporting period.

By the end of the reporting period, the company had obtained bank credit of RMB96.539 billion and used RMB58.806 billion. During the reporting period, the Company repaid the principal and interest of the bank loans on time and in full.

## XI. Fulfillment of commitment in the prospectus within the reporting period

The Company strictly complied with and fulfilled the relevant commitments in the prospectus within the reporting period.

## XII. Major events within the reporting period

No

## XIII. Guarantor for corporate bonds

□ YES √ NO

## Section XII. Financial Report

(This section is translated based on the Chinese version of the full audit report of the Company. Immaterial difference may exist between this section in Chinese version annual report and English version annual report. The difference is due to the specific template required by the Shenzhen Stock Exchange in Chinese version which is not applied in English version.)

### I. Auditor's Report

Type of audit opinion	Standard unqualified opinion
Date of signing of audit report	28 April 2021
Name of audit institution	Grant Thornton LLP
Number of audit report	GTSZ (2021) No. 110A013948
Chinese Certified Public Accountant	Qian Bin, Li Dan

### Main Body of Audit Report

#### To the Shareholders of Beijing Shougang Company Limited:

#### I. Audit Opinion

We have audited the financial statements of Beijing Shougang Company Limited (the Company), which are comprised of the consolidated and company statements of financial position as of 31 December 2020, and the consolidated and company income statements, statements of changes in equity and statements of cash flows 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 financial position of the Company as of 31 December 2020, and the consolidated and company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

#### II. Basis for Audit Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's 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 Chinese Certified Public Accountants, and we fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### III. 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.

##### (I) Provision for inventory impairments

The disclosures related to the impairment of inventories are disclosed in Notes III.11 and V.7 to the financial statements.

##### 1. Descriptions of the matter

As of 31 December 2020, the carry value of inventory of the Company amounted to RMB 10.708 billion with an impairment of RMB 108 million in the consolidated financial statements. Inventory had been regarded as the material part of the current assets of the Company at the end of the period, and the provision for inventory impairment referred to the application of management's accounting estimates. Hence, we have identified the provision for inventory impairments as a key audit matter.

According to the accounting policy of the Company, if the cost is in excess of the net realizable value, impairment of inventories is recognized on the date of balance sheet. Net realizable value is determined based on the estimated selling price on normal business terms deducted by the estimated costs to completion and the related expenses.

## 2. How our audit addressed the Key Audit Matter

Our procedures in relation to provision for inventory impairment included:

- (1) Understanding and assessing the management's internal controls related to impairment testing of inventories, and testing the effectiveness of key control executions.
- (2) Testing, on a sample basis during the inventory monitoring procedure, observing the inventory status and checking the inventory age.
- (3) Recalculating the impairment of inventories at the end of the reporting period.
- (4) Implementing the analysis procedure to determine whether there is a significant difference between the estimated selling price and the market price, and examining whether there is a significant difference between the post-period selling price and the estimated price in conjunction with a subsequent-event audit.
- (5) Evaluating the reasonableness of carrying value of the inventory as at 31 December 2020 by analyzing manufacturing costs of current inventories.

## **(II) Recognition of Revenue**

The disclosures related to the recognition of revenue are disclosed in Notes III.24 and V.38 to the financial statements.

### 1. Descriptions of the matter

In 2020, the revenue was RMB 79.951 billion in the consolidated financial statements. Considering that the revenue has a significant impact on the financial statements of the Company and steel price could exert a great influence on the profits of the Company since the steel industry is a cyclical industry, we regarded the recognition of revenue as a key audit matter.

### 2. How our audit addressed the Key Audit Matter

Our procedures in relation to recognition of revenue included:

- (1) Understanding and assessing the management's internal controls related to recognition of revenue, and testing the effectiveness of key control executions.
- (2) Assessing whether the revenue recognition conditions, methods and time complied with the related standards in Accounting Standards for Business Enterprises.
- (3) Selecting revenue transaction samples, checking the supporting documents of revenue recognition such as sales contracts, orders, delivery records, etc. to evaluate the authenticity of

revenue recognition.

(4) Selecting major customers to perform the confirmation procedures on annual sales to evaluate the completeness of revenue recognition.

(5) Implementing cut-off tests to the sales transactions before and after balance sheet date.

(6) Checking the adequacy and appropriateness of disclosures in relation to revenue in the financial statements.

#### **IV. Other Information**

The management of the Company is responsible for the other information. The other information comprises the information included in the Annual Report of 2020, 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **V. Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

#### **VI. 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 China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the 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 China Standards on Auditing, 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 understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, further events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the governance with a statement that we have complied with relevant ethical requirements regarding independence and to 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 the 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Consolidated and Parent Company Statement of Financial Position

Beijing Shougang Co., Ltd. as at 31 December 2020

Unit: RMB Yuan

Item	Notes	31 December 2020		31 December 2019	
		Consolidated	Company	Consolidated	Company
Current assets:					
Cash and Cash equivalents	V. 1	6,292,499,840.73	1,087,088,671.35	5,735,118,932.92	2,100,647,913.85
Financial assets held for trading					
Notes receivable	V. 2	6,119,547,878.33	2,837,221,424.75	5,339,326,922.25	2,492,497,587.89
Accounts receivable	V. 3	1,424,092,844.92	1,615,425,644.29	1,028,752,225.78	1,180,114,403.06
Financing receivables	V. 4	4,532,592,689.43	1,199,574,277.29	4,031,364,764.55	1,825,294,953.86
Prepayments	V. 5	352,355,542.50	195,404,837.38	2,116,776,879.80	201,462,809.27
Other receivables	V. 6	21,895,246.57	1,618,249,934.67	24,029,674.84	1,673,247.41
Including: Interest receivable					
Dividends receivable		4,892,288.48	600,000,000.00	2,754,886.56	
Inventories	V. 7	10,599,731,052.28	1,538,862,616.03	8,787,825,099.93	1,294,056,715.06
Contract assets				—	—
Assets classified as held for sale					
Current portion of non-current assets					
Other current assets	V. 8	719,079,065.59	1,812,574,287.01	584,135,586.47	3,453,190,809.55
<b>Total current assets</b>		<b>30,061,794,160.35</b>	<b>11,904,401,692.77</b>	<b>27,647,330,086.54</b>	<b>12,548,938,439.95</b>
Non-current assets:					
Long-term equity investments	V. 9	3,341,208,164.76	26,337,249,446.06	3,137,865,376.57	18,893,930,958.80
Other equity instruments investments	V. 10	276,246,686.56	276,246,686.56	4,357,517,927.34	4,357,517,927.34
Other non-current financial assets					
Investment properties					
Fixed assets	V. 11	96,220,769,301.39	18,771,870,988.72	83,287,788,722.90	21,144,600,686.04
Construction in progress	V. 12	8,297,181,948.62	1,976,744,021.21	25,426,296,137.79	3,678,076,181.04
Intangible assets	V. 13	4,055,279,867.49	1,743,860,610.95	2,927,126,059.29	875,411,256.49
Development expenditures					
Goodwill					
Long-term prepaid expenses	V. 14	1,122,060.45		1,100,021.04	
Deferred tax assets	V. 15	147,902,371.10	27,925,001.56	87,447,566.73	29,098,335.72
Other non-current assets	V. 16	1,965,717,410.38	1,130,014,156.73		1,134,117,184.62
<b>Total non-current assets</b>		<b>114,305,427,810.75</b>	<b>50,263,910,911.79</b>	<b>119,225,141,811.66</b>	<b>50,112,752,530.05</b>
<b>Total assets</b>		<b>144,367,221,971.10</b>	<b>62,168,312,604.56</b>	<b>146,872,471,898.20</b>	<b>62,661,690,970.00</b>



Beijing Shougang Co. Ltd  
Notes to the Financial Statements  
FY20 (Unit: RMB, unless otherwise specified)

Consolidated and Parent Company Statement of Financial Position (Continued)

Beijing Shougang Co., Ltd. as at 31 December 2020

Unit: RMB Yuan

Item	Notes	31 December 2020		31 December 2019	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term borrowings	V. 17	23,712,391,440.25	11,100,674,376.49	30,293,221,165.42	11,853,249,166.67
Financial liabilities held for trading					
Notes payable	V. 18	6,804,810,000.00	784,260,000.00	6,930,274,570.54	1,038,827,684.61
Accounts payable	V. 19	26,539,354,380.68	11,218,645,086.80	24,086,162,808.87	11,497,447,540.23
Receipts in advance	V. 20			4,461,511,152.40	916,868,636.47
Contract liabilities	V. 21	4,659,444,741.25	1,049,617,570.23	—	—
Payroll and employee benefits	V. 22	466,319,382.02	140,481,468.09	377,891,381.66	101,792,194.59
Taxes payable	V. 23	572,640,856.00	115,612,678.08	114,401,695.84	34,900,717.12
Other payables	V. 24	2,104,822,314.59	1,010,689,017.67	2,271,088,907.26	1,122,685,701.59
Including: Interest payable					
Dividend payable					
Liabilities classified as held for sale					
Current portion of non-current liabilities	V. 25	11,273,123,385.05	4,075,978,467.70	9,400,574,401.68	4,406,150,284.44
Other current liabilities	V. 26	1,106,922,816.36	637,645,284.13		
<b>Total current liabilities</b>		<b>77,239,829,316.20</b>	<b>30,133,603,949.19</b>	<b>77,935,126,083.67</b>	<b>30,971,921,925.72</b>
Non-current liabilities:					
Long-term borrowings	V. 27	20,639,300,000.00	883,210,000.00	19,101,100,000.00	610,000.00
Bonds payable	V. 28	2,500,000,000.00	2,500,000,000.00	4,026,866,666.72	4,026,866,666.72
Long-term payable	V. 29	8,941,452.29	8,941,452.29	2,100,000.00	2,100,000.00
Provisions					
Deferred income	V. 30	398,098,805.65	85,344,005.30	328,422,670.27	90,085,674.14
Deferred tax liabilities	V. 15	258,248,672.58	258,248,672.58	600,631,873.94	577,852,101.66
Other non-current liabilities	V. 31	4,491,623,817.41		4,711,490,199.06	
<b>Total non-current liabilities</b>		<b>28,296,212,747.93</b>	<b>3,735,744,130.17</b>	<b>28,770,611,409.99</b>	<b>4,697,514,442.52</b>
<b>Total liabilities</b>		<b>105,536,042,064.13</b>	<b>33,869,348,079.36</b>	<b>106,705,737,493.66</b>	<b>35,669,436,368.24</b>
Shareholders' equity:					
Share capital	V. 32	5,289,389,600.00	5,289,389,600.00	5,289,389,600.00	5,289,389,600.00
Capital reserve	V. 33	19,759,259,120.40	12,129,563,493.89	20,074,865,467.56	12,415,326,156.11
Other comprehensive income	V. 34	195,210,244.82	195,210,244.82	1,952,319,928.42	1,952,319,928.42
Special reserve	V. 35	21,577,537.20		15,749,165.64	
Surplus reserve	V. 36	1,828,677,846.37	1,828,677,846.37	1,729,509,055.66	1,729,509,055.66
Retained earnings	V. 37	1,865,280,919.23	8,856,123,340.12	-2,179,897,484.27	5,605,709,861.57
Equity attributable to shareholders of the Company		28,959,395,268.02	28,298,964,525.20	26,881,935,733.01	26,992,254,601.76
Non-controlling interests		9,871,784,638.95		13,284,798,671.53	
<b>Total shareholders' equity</b>		<b>38,831,179,906.97</b>	<b>28,298,964,525.20</b>	<b>40,166,734,404.54</b>	<b>26,992,254,601.76</b>
<b>Total liabilities and shareholders' equity</b>		<b>144,367,221,971.10</b>	<b>62,168,312,604.56</b>	<b>146,872,471,898.20</b>	<b>62,661,690,970.00</b>

Beijing Shougang Co. Ltd  
Notes to the Financial Statements  
FY20 (Unit: RMB, unless otherwise specified)

**Consolidated and Parent Company Income Statement**  
Beijing Shougang Co., Ltd. for the year ended 31 December 2020

Unit: RMB Yuan

Item	Notes	2020		2019	
		Consolidated	Company	Consolidated	Company
<b>I. Operating revenue</b>	<b>V. 38</b>	<b>79,951,181,948.10</b>	<b>30,977,295,936.58</b>	<b>68,841,307,821.91</b>	<b>28,855,288,539.61</b>
Less: Cost of sales	V. 38	73,072,708,322.14	29,451,902,404.58	61,777,897,342.66	26,930,263,991.36
Taxes and surcharges	V. 39	774,074,513.76	292,475,174.88	699,601,104.81	244,518,928.69
Selling expenses	V. 40	167,040,690.13	117,875,525.89	1,265,562,681.41	385,991,602.97
General and administrative expenses	V. 41	976,426,260.85	398,756,799.72	950,545,319.00	338,153,410.90
R&D expenses	V. 42	480,487,074.39	148,097,166.55	385,796,835.08	164,988,750.36
Financial expenses	V. 43	2,163,091,932.82	775,191,836.71	2,061,941,196.97	775,056,552.24
Including: Interest expense		2,361,047,341.52	845,716,781.33	2,203,818,488.37	810,726,999.08
Interest income		133,289,009.17	47,733,269.34	91,721,455.32	28,498,411.11
Add: Other income	V. 44	61,194,281.43	6,705,258.54	52,289,419.63	7,650,282.88
Investment income/(loss)	V. 45	567,720,738.87	1,226,651,114.41	292,022,135.30	374,873,910.07
Including: Share of profits or loss of associates and joint ventures		379,578,180.14	339,539,916.15	81,800,924.01	74,820,864.46
Gain/(loss) on the changes in fair value					
Credit impairment losses	V. 46	-11,350,686.26	5,222,959.55	12,056,424.33	31,730,066.82
Assets impairment losses	V. 47	-156,492,924.46	-22,707,758.30	-98,182,828.73	-12,759,741.10
Gain/(loss) from disposal of assets	V. 48	75,385.37	1,165,254.29	773,665.71	544,066.24
<b>II. Operating profit/(loss)</b>		<b>2,778,499,948.96</b>	<b>1,010,033,856.74</b>	<b>1,958,922,158.22</b>	<b>418,353,888.00</b>
Add: Non-operating income	V. 49	1,999,362.24	397,904.00	5,733,264.78	205,998.33
Less: Non-operating expenses	V. 50	2,546,940.80	282,294.54	32,133,344.19	11,469,122.79
<b>III. Profit/(loss) before tax</b>		<b>2,777,952,370.40</b>	<b>1,010,149,466.20</b>	<b>1,932,522,078.81</b>	<b>407,090,763.54</b>
Less: Income tax expense	V. 51	366,809,564.93	18,461,559.09	240,151,811.99	-9,725,311.25
<b>IV. Net profit/(loss)</b>		<b>2,411,142,805.47</b>	<b>991,687,907.11</b>	<b>1,692,370,266.82</b>	<b>416,816,074.79</b>
<b>(1) Categorized by operation continuity:</b>					
Including: Net profit/(loss) from continuing operations		2,411,142,805.47	991,687,907.11	1,692,370,266.82	416,816,074.79
Net profit/(loss) from discontinuing operations					
<b>(2) Categorized by ownership:</b>					
Including: Net profit/(loss) attributable to shareholders of the Company		1,786,452,832.06		1,185,589,702.44	
Net profit/(loss) attributable to non-controlling interests		624,689,973.41		506,780,564.38	
<b>V. Other comprehensive income, net of tax</b>		<b>247,100,524.21</b>	<b>247,100,524.21</b>	<b>336,938,022.41</b>	<b>336,938,022.41</b>
Other comprehensive income, net of tax, attributable to shareholders of the company		247,100,524.21	247,100,524.21	336,938,022.41	336,938,022.41
(1) Other comprehensive income that will not be reclassified to profit or loss		247,100,524.21	247,100,524.21	336,938,022.41	336,938,022.41
Changes in fair value of other equity instrument investments		247,100,524.21	247,100,524.21	336,938,022.41	336,938,022.41
(2) Other comprehensive income to be reclassified to profit or loss					
Other comprehensive income, net of tax, attributable to non-controlling interests					
<b>VI. Total comprehensive income</b>		<b>2,658,243,329.68</b>	<b>1,238,788,431.32</b>	<b>2,029,308,289.23</b>	<b>753,754,097.20</b>
Total comprehensive income attributable to shareholders of the company		2,033,553,356.27		1,522,527,724.85	
Total comprehensive income attributable to non-controlling interests		624,689,973.41		506,780,564.38	
<b>VII. Earnings per share</b>					
(1) Basic earnings per share		0.3377		0.2241	
(2) Diluted earnings per share					

### Consolidated and Parent Company Statement of Cash Flows

Beijing Shougang Co., Ltd. for the year ended 31 December 2020

Unit: RMB Yuan

Items	Note	2020		2019	
		Consolidated	Company	Consolidated	Company
<b>I. Cash flows from operating activities</b>					
Cash receipts from the sale of goods and the rendering of services		45,987,505,850.26	14,409,246,784.43	32,196,170,847.61	10,278,095,378.97
Tax refunds received		90,640,776.86	14,213,134.10	657,924,349.01	
Cash received relating to other operating activities	V. 52	132,165,552.87	152,964,143.22	97,644,090.16	137,606,351.19
Sub-total of cash inflows		46,210,312,179.99	14,576,424,061.75	32,951,739,286.78	10,415,701,730.16
Cash paid for purchase of goods and services		29,466,850,532.83	9,739,289,081.03	22,051,192,224.03	8,063,310,012.77
Cash paid to and on behalf of employee		3,528,273,379.46	1,094,840,587.78	3,643,832,639.99	1,168,538,163.50
Cash paid for taxes		2,333,221,933.94	866,247,125.28	1,964,326,445.77	830,689,198.50
Cash paid relating to other operating activities	V. 52	607,287,537.57	241,961,081.41	1,877,385,961.64	525,790,115.89
Sub-total of cash outflows		35,935,633,383.80	11,942,337,875.50	29,536,737,271.43	10,588,327,490.66
<b>Net cash flows from operating activities</b>		<b>10,274,678,796.19</b>	<b>2,634,086,186.25</b>	<b>3,415,002,015.35</b>	<b>-172,625,760.50</b>
<b>II. Cash flows from investing activities</b>					
Cash received from disposal of investments			500,000,000.00		1,500,000,000.00
Cash received from investment income		362,658,569.01	433,865,503.86	236,996,978.97	300,053,045.61
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets		339,801.76	180,825.40	3,645,314.42	1,784,737.33
Cash received from disposal of subsidiaries and other business units					
Cash received relating to other investing activities	V. 52	433,380,246.29	47,624,492.20	91,721,455.32	28,498,411.11
Sub-total of cash inflows		796,378,617.06	981,670,821.46	332,363,748.71	1,830,336,194.05
Purchase of property, plant and equipment, intangible assets and other non-current assets		3,032,549,847.59	733,618,776.68	5,574,697,638.95	731,440,424.44
Cash paid for investments		16,145,000.00	315,000,000.00	64,760,000.00	4,166,054,910.00
Net cash paid for acquisition of a subsidiary and other operating units		512,933,652.83	521,656,810.78		
Cash paid relating to other investing activities					
Sub-total of cash outflows		3,561,628,500.42	1,570,275,587.46	5,639,457,638.95	4,897,495,334.44
<b>Net cash flows from investing activities</b>		<b>-2,765,249,883.36</b>	<b>-588,604,766.00</b>	<b>-5,307,093,890.24</b>	<b>-3,067,159,140.39</b>
<b>III. Cash flows from financing activities</b>					
Cash received from investment		100,000,000.00		155,600,000.00	
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries					
Proceeds from borrowings		38,570,540,000.00	15,589,030,000.00	45,302,050,000.00	13,152,530,000.00
Cash receipts relating to other financing activities	V. 52	148,638,840.00	148,638,840.00	690,938,155.85	690,938,155.85
Sub-total of cash inflows		38,819,178,840.00	15,737,668,840.00	46,148,588,155.85	13,843,468,155.85
Repayments for debts		42,806,970,000.00	16,857,920,000.00	40,787,490,000.00	9,511,920,000.00
Cash payments for distribution of dividends or profit and interest expenses		2,654,054,934.85	783,654,392.12	2,565,119,061.13	791,776,057.80
Including: Dividends and profits paid to non-controlling shareholders of subsidiaries					
Cash payments relating to other financing activities	V. 52	311,182,295.82	1,009,464,211.36	992,534,867.67	11,125,939.11
Sub-total of cash outflows		45,772,207,230.67	18,651,038,603.48	44,345,143,928.80	10,314,821,996.91
<b>Net cash flows from financing activities</b>		<b>-6,953,028,390.67</b>	<b>-2,913,369,763.48</b>	<b>1,803,444,227.05</b>	<b>3,528,646,158.94</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>					
<b>V. Net increase in cash and cash equivalents</b>		<b>556,400,522.16</b>	<b>-867,888,343.23</b>	<b>-88,647,647.84</b>	<b>288,861,258.05</b>
Add: Cash and cash equivalents as at 01/01/2020		4,403,513,394.20	1,754,642,513.64	4,492,161,042.04	1,465,781,255.59
<b>VI. Cash and cash equivalent as at 31/12/2020</b>		<b>4,959,913,916.36</b>	<b>886,754,170.41</b>	<b>4,403,513,394.20</b>	<b>1,754,642,513.64</b>

### Consolidated Statement of Changes in Equity

Beijing Shougang Co., Ltd. for the year ended 31 December 2020

Unit: RMB Yuan

Item	2020						Non-controlling interests	Total shareholders' equity
	Equity attributable to shareholders of the parent							
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings		
I. Balance at the end of previous year	5,289,389,600.00	20,074,865,467.56	1,952,319,928.42	15,749,165.64	1,729,509,055.66	-2,179,897,484.27	13,284,798,671.53	40,166,734,404.54
Add: Changes in accounting policies								
Correction of prior period errors								
Business combination under common control								
Others								
II. Balance at the beginning of the year	5,289,389,600.00	20,074,865,467.56	1,952,319,928.42	15,749,165.64	1,729,509,055.66	-2,179,897,484.27	13,284,798,671.53	40,166,734,404.54
III. Increase/(decrease) during the period		-315,606,347.16	-1,757,109,683.60	5,828,371.56	99,168,790.71	4,045,478,403.50	-3,413,014,032.58	-1,335,554,497.57
(1) Total comprehensive income			247,100,524.21			1,786,452,832.06	624,689,973.41	2,658,243,329.68
(2) Shareholders' contributions and reduction		-285,762,662.22					-4,038,902,019.61	-4,324,664,681.83
(i) Shareholders' contributions in ordinary share								
(ii) Amount of share-based payments recognized in equity								
(iii) Others		-285,762,662.22					-4,038,902,019.61	-4,324,664,681.83
(3) Profit distribution					99,168,790.71	-99,168,790.71		
(i) Transfer to surplus reserve					99,168,790.71	-99,168,790.71		
(ii) Distribution to shareholders								
(iii) Others								
(4) Transfer within equity			-2,004,210,207.81			2,357,894,362.15		353,684,154.34
(i) Capital reserves converted to share capital								
(ii) Surplus reserves converted to share capital								
(iii) Loss made up by surplus reserves								
(iv) Other comprehensive income transferred to retained earnings			-2,004,210,207.81			2,357,894,362.15		353,684,154.34
(v) Others								
(5) Specific Reserve		1,979,013.15		5,828,371.56			1,198,013.62	9,005,398.33
(i) Additions		1,979,013.15		5,828,371.56			1,198,013.62	9,005,398.33
(ii) Utilisation								
(6) Others		-31,822,698.09						-31,822,698.09
IV. Balance at the end of the period	5,289,389,600.00	19,759,259,120.40	195,210,244.82	21,577,537.20	1,828,677,846.37	1,865,280,919.23	9,871,784,638.95	38,831,179,906.97

### Consolidated Statement of Changes in Equity

Beijing Shougang Co., Ltd. for the year ended 31 December 2020

Unit: RMB Yuan

Item	2019						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Equity attributable to shareholders of the parent			Retained earnings		
			Other comprehensive income	Specific reserve	Surplus reserve			
<b>I. Balance at the end of previous year</b>	5,289,389,600.00	20,091,435,081.71	1,532,888,176.47	7,975,932.61	1,687,827,448.18	-3,260,964,367.74	11,024,822,961.68	36,372,674,832.91
Add: Changes in accounting policies			83,193,729.54					83,193,729.54
Correction of prior period errors								
Business combination under common control		-17,083,231.37				-62,841,211.49	608,022,052.14	528,097,609.28
Others								
<b>II. Balance at the beginning of the year</b>	5,289,389,600.00	20,074,351,850.34	1,615,381,906.01	7,975,932.61	1,687,827,448.18	-3,323,805,579.23	11,632,845,013.82	36,983,966,171.73
<b>III. Increase/(decrease) during the period</b>		513,617.22	336,938,022.41	7,773,233.03	41,681,607.48	1,143,908,094.96	1,651,953,657.71	3,182,768,232.81
(1) Total comprehensive income			336,938,022.41			1,185,589,702.44	506,780,564.38	2,029,208,289.23
(2) Shareholders' contributions and reduction							1,140,621,384.00	1,140,621,384.00
(i) Shareholders' contributions in ordinary share							1,140,621,384.00	1,140,621,384.00
(ii) Amount of share-based payments recognized in equity								
(iii) Others								
(3) Profit distribution					41,681,607.48	-41,681,607.48		
(i) Transfer to surplus reserve					41,681,607.48	-41,681,607.48		
(ii) Distribution to shareholders								
(iii) Others								
(4) Transfer within equity								
(i) Capital reserves converted to share capital								
(ii) Surplus reserves converted to share capital								
(iii) Loss made up by surplus reserves								
(iv) Other comprehensive income transferred to retained earnings								
(v) Others								
(5) Specific Reserve		1,876,262.91		7,773,233.03			1,916,247.66	11,565,743.60
(i) Additions		1,876,262.91		7,773,233.03			1,916,247.66	11,565,743.60
(ii) Utilisation								
(6) Others		-1,362,645.69					2,635,461.67	1,272,815.98
<b>IV. Balance at the end of the period</b>	5,289,389,600.00	20,074,865,467.56	1,952,319,928.42	15,749,165.64	1,729,509,055.66	-2,179,897,484.27	13,284,798,671.53	40,166,734,404.54

**Parent Company Statement of Changes in Shareholders' Equity**

Beijing Shougang Co., Ltd. for the year ended 31 December 2020

Unit: RMB Yuan

Item	2020						
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Total shareholders' equity
<b>I. Balance at the end of previous year</b>	5,289,389,600.00	12,415,326,156.11	1,952,319,928.42		1,729,509,055.66	5,605,709,861.57	26,992,254,601.76
Add: Changes in accounting policies							
Correction of prior period errors							
Others							
<b>II. Balance at the beginning of the year</b>	5,289,389,600.00	12,415,326,156.11	1,952,319,928.42		1,729,509,055.66	5,605,709,861.57	26,992,254,601.76
<b>III. Increase/(decrease) during the period</b>		-285,762,662.22	-1,757,109,683.60		99,168,790.71	3,250,413,478.55	1,306,709,923.44
(1) Total comprehensive income			247,100,524.21			991,687,907.11	1,238,788,431.32
(2) Shareholders' contributions and reduction		-285,762,662.22					-285,762,662.22
(i) Shareholders' contributions in ordinary share							
(ii) Amount of share-based payments recognized in equity							
(iii) Others		-285,762,662.22					-285,762,662.22
(3) Profit distribution					99,168,790.71	-99,168,790.71	
(i) Transfer to surplus reserve					99,168,790.71	-99,168,790.71	
(ii) Distribution to shareholders							
(iii) Others							
(4) Transfer within equity			-2,004,210,207.81			2,357,894,362.15	353,684,154.34
(i) Capital reserves converted to share capital							
(ii) Surplus reserves converted to share capital							
(iii) Loss made up by surplus reserves							
(iv) Other comprehensive income transferred to retained earnings			-2,004,210,207.81			2,357,894,362.15	353,684,154.34
(v) Others							
(5) Special reserve							
(i) Additions							
(ii) Utilisation							
(6) Others							
<b>IV. Balance at the end of the period</b>	5,289,389,600.00	12,129,563,493.89	195,210,244.82		1,828,677,846.37	8,856,123,340.12	28,298,964,525.20

**Parent Company Statement of Changes in Shareholders' Equity**

Beijing Shougang Co., Ltd. for the year ended 31 December 2020

Unit: RMB Yuan

Item	2019						Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	
<b>I. Balance at the end of previous year</b>	5,289,389,600.00	12,415,326,156.11	1,532,188,176.47		1,687,827,448.18	5,189,366,782.39	26,114,098,163.15
Add: Changes in accounting policies			83,193,729.54			41,208,611.87	124,402,341.41
Correction of prior period errors							
Others							
<b>II. Balance at the beginning of the year</b>	5,289,389,600.00	12,415,326,156.11	1,615,381,906.01		1,687,827,448.18	5,230,575,394.26	26,238,500,504.56
<b>III. Increase/(decrease) during the period</b>			336,938,022.41		41,681,607.48	375,134,467.31	753,754,097.20
(1) Total comprehensive income			336,938,022.41			416,816,074.79	753,754,097.20
(2) Shareholders' contributions and reduction							
(i) Shareholders' contributions in ordinary share							
(ii) Amount of share-based payments recognized in equity							
(iii) Others							
(3) Profit distribution					41,681,607.48	-41,681,607.48	
(i) Transfer to surplus reserve					41,681,607.48	-41,681,607.48	
(ii) Distribution to shareholders							
(iii) Others							
(4) Transfer within equity							
(i) Capital reserves converted to share capital							
(ii) Surplus reserves converted to share capital							
(iii) Loss made up by surplus reserves							
(iv) Other comprehensive income transferred to retained earnings							
(v) Others							
(5) Special reserve							
(i) Additions							
(ii) Utilisation							
(6) Others							
<b>IV. Balance at the end of the period</b>	5,289,389,600.00	12,415,326,156.11	1,952,319,928.42		1,729,509,055.66	5,605,709,861.57	26,992,254,601.76

## Notes to the Financial Statements

### I. General Information of the Company

#### 1. Company profile

Beijing Shougang Company Limited (hereinafter referred to as the Company) is a joint stock limited company established by means of raising, which is approved by Beijing Municipal People's Government Jingzhenghan [1998] No. 34 and exclusively initiated by Shougang Group Co., Ltd. With the approval of zjxz [1999] No. 91 document issued by China Securities Regulatory Commission, the Company was the first to issue 350,000.00 thousand ordinary shares (A shares) to the public in Shenzhen Stock Exchange from 21 to 27 September, 1999 by the combination of legal person placement and online issuance, with par value of RMB 1 per share and issue price of RMB 5.15 per share, with the stock code of 000959. The Company registered with approval of Beijing Administration for Industry and Commerce on 15 October, 1999. The Company holds the business license with unified social credit code of 1100001028663 (1-1), with the registered capital of RMB 2,310,000,000.00.

The Company issued the convertible corporate bonds worth RMB 2,000,000 thousand on 16 December, 2003 upon the approval of zjfxz [2003] No. 107 document issued by China Securities Regulatory Commission. On 31 December, 2003, the convertible bond was listed and traded in Shenzhen Stock Exchange. The bond is abbreviated as "Shougang Convertible Bond" with the bond code of "125959". The convertible bonds were converted into shares since June 16, 2004, and met the redemption conditions until 26 February 2007. Accordingly, the board of directors of the company issued the redemption announcement. As of 6 April, 2007, the date of convertible bond redemption, the total amount of Shougang convertible bonds was RMB1,950,217,500.00, which was converted into the Company's shares, with an accumulated increase of RMB 656,526,057.00 in share capital. The Company obtained a new business license of legal entity on November 20, 2008, with the registration number 110000000286633 (1-1), and the registered capital changed to RMB 2,966,526,057.00.

On 16 January, 2013, the Company's material assets reorganization was reviewed by the reorganization committee of CSRC and passed unconditionally. On 29 January, 2014, China Securities Regulatory Commission issued "Reply on approving material assets reorganization of Beijing Shougang Co., Ltd. and shares issuance to Shougang Group to purchase assets". As of 25 April, 2014, the implementation of material assets reorganization of the Company has been completed. In the material assets reorganization, the private placement to Shougang Group was 2,322,863,543 shares, with par value of RMB 1 each and issue price of RMB 4.29 each. The Company obtained the new business license of legal entity after capital increment on 9 July, 2014, with the registration number of 110000000286633, and the registered capital changed to RMB 5,289,389,600.

The Company obtained the new business license of legal entity on 22 December, 2016 after the integration of five certificates, with the unified social credit code 911100007002343182.

The statutory address is Shijingshan Road, Shijingshan District, Beijing.

The Company has established the corporate governance structure of the general meeting of shareholders, the board of directors and the board of supervisors. At present, the Company sets up several functional departments, for instance, secretary office of the board of directors, the planning and financing department, the manufacturing department, the marketing center, the purchasing



center, the human resources department, the equipment department, the energy department, the environmental protection department, the quality inspection department, the office, etc, as well as the subordinate factories such as Shougang Qian'an Iron&Steel Co., Ltd. and auxiliary production department, like the technical center. The Company, together with its six subsidiaries, which are Shougang Jingtang United Iron&Steel Co., Ltd., Beijing Shougang Cold Rolling Co., Ltd., Qian'an Shougang Metallurgical Technology Co., Ltd., Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd., Beijing Shougang New Energy Automobile Material Technology Co., Ltd., and Beijing Shougang Steel Trade Investment Management Co., Ltd., is principally engaged in the manufacture and sale of iron and steel products and related by-products.

The business scope of the Company includes iron and steel smelting, steel calendering processing, copper smelting and calendering processing and sales; manufacturing and sales of sinter, coke and chemical products; blast furnace residual pressure power generation and production and sales of gas; processing and sales of industrial waste; sales of metal materials, coke, chemical products, mechanical and electrical equipment, building materials, general equipment, hardware, furniture and decorative materials; equipment leasing (excluding automobiles); telecommunications services; insurance agency services; insurance broker services; loading, unloading and handling services; software development; advertising design and agency; warehousing services; technology development, technical consultation, technology transfer, technical service and technical training; investment and investment management.

The financial statements and notes were approved by the seventh meeting of the seventh Board of Directors on 26 April 2021.

## 2. Scope of consolidated financial statements

The scope of the consolidated financial statements is determined on the control basic, the scope includes six subsidiaries, which are Shougang Jingtang United Iron&Steel Co., Ltd., Beijing Shougang Cold Rolling Co., Ltd., Qian'an Shougang Metallurgical Technology Co., Ltd., Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd., Beijing Shougang New Energy Automobile Material Technology Co., Ltd., and Beijing Shougang Steel Trade Investment Management Co., Ltd..

During the year, new subsidiary, Beijing Shougang Steel Trade Investment Management Co., Ltd. was incorporated through business combination under common control by the Company.

The details refer to Note VI Change in the scope of consolidation and Note VII Interests in other entities.

## II. Basis of preparation

The financial statements are prepared in accordance with the latest “China Accounting Standards for Business Enterprises” and other issued application guidance, interpretations and other related regulations (collectively known as the “CASBE”) issued by the Ministry of Finance of the PRC (MOF). Additionally, the Company discloses relevant financial information in accordance with requirements in the “Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15—General Rules on Financial Reporting” (2014 revised) issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

The Company adopts the accrual basis of accounting. The financial statements have been prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, corresponding provisions for impairment shall be made in accordance with related regulations.

### **III. Significant accounting policies and estimates**

The Company has determined the accounting policies and accounting estimates based on the characteristics of the operation, especially those related to depreciation of fixed assets, amortization of intangible assets, capitalization conditions of R&D expenses and revenue recognition policies, the detailed accounting policies refer to Note III, 14, Note III, 18, Note III, 19 and Note III, 24.

#### **1. Statement of compliance with the CAS**

The financial statements have been prepared in accordance with CAS, and present truly and completely the financial position of the consolidated and the Company as at 31 December 2020, and the financial performance and cash flows for the year ended 31 December 2020.

#### **2. Accounting period**

The accounting year of the Company is from 1 January to 31 Decemeber of each calendar year.

#### **3. Operating cycle**

The operating cycle of the Company is 12 months.

#### **4. Functional currency**

The Company and domestic subsidiaries use Renminbi (“RMB”) as their functional currency.

The financial statements of the Company have been prepared in RMB.

#### **5. Accounting treatments for business combination involving entities under common control and business combination involving entities not under common control.**

##### **(1) Business combination involving entities under common control**

For the business combination involving entities under common control, the assets and liabilities that are obtained in the business combination shall be measured at their original carrying amounts at the combination date as recorded by the party being combined, except for the adjustments of different accounting policies. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination shall be adjusted to capital reserve (equity premium), if the capital reserve (equity premium) is not sufficient to absorb the difference, any excess shall be adjusted to retained earnings.

Business combinations involving entities under common control through multiple transactions to achieve in stages

In the separate financial statements, the initial investment cost is calculated based on the shareholding portion of net assets of the consolidated party in the carrying amount of the ultimate controlling party’s consolidated financial statement at the acquisition date. The difference between the initial investment cost and the sum of the carrying amount of the original investment cost and the carrying amount of consideration paid for the combination is adjusted to the capital reserve

(equity premium), if the capital reserve is not sufficient to absorb the difference, the excess shall be adjusted to retained earnings.

In the consolidated financial statements, the assets and liabilities obtained at the combination shall be measured at the carrying value as recorded by the ultimate controlling party at the acquisition date, except for adjustments of different accounting policies. The difference between the sum of the carrying value from original shareholding portion and the new consideration incurred at the acquisition date and the carrying value of net assets obtained at acquisition date shall be adjusted to capital reserve (equity premium), if the balance of capital reserve is not sufficient to absorb the differences, any excess is adjusted to retained earnings. The long-term investment held by combining party before acquisition of control, the profit or loss, comprehensive income and other change of shareholder's equity recognized at the closer date of the acquisition date and combination date under common control shall separately offset the opening balance of retained earnings and profit or loss during comparative statements.

## (2) Business combinations involving entities not under common control

For business combinations involving entities not under common control, the consideration costs include acquisition-date fair value of assets transferred, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for control of the acquiree. The acquirer shall recognize the acquiree's identifiable asset, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the date of acquisition.

The excess of combination costs and the acquirer's interest in the fair value of the acquiree's identifiable net assets is recognized as goodwill, which is measured at cost less any accumulated impairment losses subsequently. If the acquirer's interest in the net fair value of the acquiree's identifiable net assets exceeds the combination costs, the acquirer shall reassess the measurement and recognize any excess remaining in profit or loss after reassessment.

Business combinations involving entities not under common control through multiple transactions to achieve in stages

In the separate financial statements, the initial investment cost is the sum of the carrying amount of the equity investment held by the entity prior to the acquisition date and the additional investment cost at the acquisition date. The disposal accounting policy of other comprehensive income related with equity investment prior to the purchase date recognized under equity method shall be compliance with the method when the acquiree disposes the related assets or liabilities. Shareholder's equity due to the changes of other shareholder's equity other than the changes of net profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed. If the equity investment held by the entity prior to the acquisition date is measured at fair value, the cumulative change in fair value recognized in other comprehensive income shall be transferred to profit or loss for current period under cost accounting method.

In the consolidated financial statements, the combination cost is the sum of consideration paid at acquisition date and fair value of the acquiree's equity held prior to acquisition date; the equity of the acquiree held prior to acquisition date shall be re-measured at the fair value at acquisition date, the difference between the fair value and book value shall be recognized as profit or loss for the current period. Other comprehensive income and changes of other shareholder's equity related with acquiree's equity held prior to acquisition date shall be transferred to profit or loss for current period at acquisition date, besides the other comprehensive income incurred by the changes of net

assets or net liabilities due to the re-measurement of defined benefit plan.

(3) Transaction costs for business combination

The overheads for the business combination, including the expenses of audit, legal services, valuation advisory, and other related administrative expenses, are recorded in profit or loss for the current period when expenditure incurred. The transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amount of the equity or debt securities.

6. Consolidated financial statements

(1) Scope of consolidated financial statements

The scope of consolidated financial statements is determined on the control basis. Control exists when the Company has power over the investee, rights to variable returns from involvement with related activities of investee and has the ability to affect its returns through its power over the investee. A subsidiary is an entity that is controlled by the Company (including separable parts of an enterprise or investee and structured entities controlled by the Company, etc).

(2) Method of preparing consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company in accordance with other relevant information. In preparing the consolidated financial statements, the Company and its subsidiaries are required to apply consistent accounting policy and accounting period, intra-group transactions and balances shall be offset.

The subsidiary acquired through a business combination involving entities under common control in the reporting period shall be included in the scope of the consolidation from the beginning of the combination date, the subsidiary's income, expenses and profits should be included in the consolidated results of operations and cash flows from the acquisition date respectively.

The subsidiary acquired through a business combination involving entities not under common control in the reporting period, the subsidiary's income, expenses and profits are included in the consolidated results of operations, and cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The portion of the subsidiary's equity that is not attributable to the Company is treated as non-controlling interests and separately presented in the consolidated balance sheet within shareholders' equity. The portion of a subsidiary's profit or loss that is attributable to non-controlling interests presented in the consolidated income statement of net profit or loss as "net profit attributable to non-controlling interests". Where the amount of losses of a subsidiary attributable to the non-controlling shareholders in the current period exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall offset non-controlling interests.

(3) Purchase of the minority equity in the subsidiary

The difference between the long-term equity investments costs acquired by the purchase of minority equity and the share of the net assets that the subsidiaries have to continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio is adjusted to the capital reserve (equity premium), if the capital reserve is not sufficient, any excess is adjusted to retained earning. The difference between disposal of partial equity investment without losing control over its subsidiary and the disposal of long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation is as well.

(4) Loss of control of subsidiaries

If the control right is lost due to disposal of partial equity investment or other reasons, the remaining equity shall be re-measured according to its fair value on the date of losing control. The difference between the summary of consideration obtained from the disposal of the equity and the fair value of the remaining equity, less the difference between the share of the original assets and the share of the net assets that have been continuously calculated from the date of purchase from the date of the original shareholding, is included in the current period profit or loss and; if there is a goodwill for the subsidiary, the amount of the goodwill also shall be deducted.

The other comprehensive income related to the original subsidiary's equity investment shall be transferred to current period profit and loss when control is lost, except for the other comprehensive income arising from the movement of net liabilities or assets investee's re-measurement of defined benefit plan.

(5) Treatment of step disposal until the loss of control of subsidiaries

By stepping through multiple transactions to dispose of the equity investment in the subsidiary until it loses control, if the clauses, conditions and economic impacts of the transaction satisfy one or more of the following criteria, the Company will consider the transactions as a package transaction for the accounting treatment:

- ①The transactions are entered simultaneously or in consideration of the mutual influence;
- ②Only the transactions as a whole can achieve one complete business outcome;
- ③The occurrence of a transaction is depending on the occurrence of at least one of other transactions;
- ④The transaction alone is not economical, however, it becomes economical to consider the other transactions together.

In the separate financial statements, by stepping through multiple transactions to dispose of the equity investment in the subsidiary until it loses control, when it is not a package transaction, carrying forward the book value of each disposal of equity relative to the corresponding long-term equity investment, and the difference between the considerations and the book value of the disposal of long-term equity investment is recognized in the current period investment income or loss. When it is a package transaction, the price difference between the disposal price and the disposal investment before the loss of control is recognized as other comprehensive income in the consolidated financial statements, and is transferred to the current period profit or loss of control when the control is lost.

In the consolidated financial statements, the measurement of the remaining equity and treatment of

the loss of disposal is in accordance to “Treatment of loss of control of subsidiaries” as described above. The difference between the disposal consideration and the related share of net assets of the subsidiaries, which has been continuously calculated since the purchase date corresponding to the equity disposal should be treated as follows:

- ① When it is a package transaction, the difference shall be recognized as the other comprehensive income and transferred to the current period profit or loss of control when the control is lost
- ② When it is not a package transaction, the difference shall be recorded to capital reserve (share premium) as equity transaction and could not be transferred to the current period profit or loss of control when the control is lost.

## 7. Joint arrangement and joint operations

Joint arrangement refers to an arrangement under the joint control of two or more entities. The joint arrangement of the Company is classified as either a joint operation or a joint venture.

### (1) Joint operation

Joint operation is a joint arrangement whereby the Company have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognizes the following items in relation to its interest in a joint operation in accordance with CAS:

- A. its solely-held assets, and its share of any assets held jointly;
- B. its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- C. its revenue from the sale of its share of the output arising from the joint operation;
- D. its share of the revenue from the sale of the output by the joint operation;
- E. its solely-incurred expenses, and its share of any expenses incurred jointly.

### (2) Joint venture

A joint venture is a type of joint arrangement whereby the Company that has joint control of the arrangement has rights to the net assets of the joint venture.

## 8. Cash and cash equivalents

Cash represents the cash on hand and deposits which are readily available for payment. Cash equivalents represent the Company’s short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

## 9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### (1) Recognition and derecognition of financial instruments

The Company recognises a financial asset or a financial liability when, and only when, it becomes a

party to the contractual provisions of the instrument.

A financial asset will be derecognized when it satisfies one or more of the following conditions:

- ① The contractual rights to receive cash flows from the financial asset expire;
- ② The financial asset has been transferred, and it satisfies the following conditions for derecognition.

The financial liability (or part of it) is derecognized when its contractual rights (or part of it) expire. If the Company (as a debtor) makes an agreement with the creditor to replace the current financial liability with assuming a new financial liability, and contractual provisions are different in substance, the current financial liability shall be derecognized and a new financial liability shall be recognized.

All financial assets purchased or sold in regular way are recognised or derecognised on the trading date when the Company commits to purchase or sell the asset.

## (2) Classification and measurement of financial assets

The Company classifies its financial assets, based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

### **Financial assets measured at amortized cost**

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets measured at amortized cost:

- The financial asset is held whose objective is to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, this type of financial asset using effective interest rate method to be measured at amortized cost. The gain or loss generated by the financial assets measured at amortized cost and not part of any hedging relationship shall be accounted in the profit or loss for the year when the financial assets are derecognized, amortized by effective interest method or recognized impairment.

### **Financial assets measured at fair value through other comprehensive income**

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets measured at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective will be achieved by both collecting contractual cash flows and trading financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the financial assets are subsequently measured at fair value. Interest, impairment loss/gain and exchange loss/gain calculated by the effective interest rate method are recognised in profit or loss, while other profit or loss shall be recognised in other comprehensive income. When derecognized, the accumulated profit or loss previously recognised in other comprehensive gains shall be transferred to current profit or loss.

### **Financial assets measured at fair value through profit or loss**

In addition to the aboving financial assets which are measured at amortized cost or at fair value through other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value through profit or loss. In order to eliminate and significantly reduce accounting mismatches, the Company irrevocably designates some financial assets that should be measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss during the initial recognition.

After initial recognition, the financial assets are subsequently measured at fair value, and the profit or loss (including interest and dividend income) generated shall be recognised in current profit or loss, unless the financial assets are part of the hedging relationship.

However, for non-tradable equity instrument investment, when initially recognized, the Company irrevocably designates it as financial asset at fair value through other comprehensive income. The designation is based on independent investment, and the relevant investment conforms to the definition of equity instruments from the issuer's point of view.

After initial recognition, financial assets are subsequently measured at fair value. Qualified dividend income is recognised in profit and loss, and other profit or loss and change in fair value are recognised in other comprehensive income. When derecognized, the accumulated profit or loss previously recognised in other comprehensive income shall be transferred to retained earnings.

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flow. The business model determines if the source of cash flow for financial assets managed by the Company is collecting contract cash flow, selling financial assets or both of them. The Company determines the business model of financial assets management on the basis of objective facts and the specific business goals of financial assets management decided by key managers.

The Company evaluates the characteristics of the contract cash flow of financial assets to determine whether the contract cash flow generated by the relevant financial assets on a specific date is only to pay principal and the interest, which is based on the amount of unpaid principal. Among them, principal refers to the fair value of financial assets at initial recognition; interest includes the consideration of time value of money, credit risk related to the unpaid principal in a specific period, and other basic credit risks, costs and profits. Additionally, the Company evaluates the terms and conditions of the contracts that may alter time distribution or amount of cash flow in financial asset contracts to determine whether they satisfy the requirements of the aboving contract cash flow's characteristics.

Only when the Company changes its business model of managing financial assets, all the financial assets affected shall be reclassified on the first day of the first reporting period after the business model alteration, otherwise, financial assets shall not be reclassified after initial recognition.

A financial asset is measured at its fair value at initial recognition. For financial assets measured at fair value thourgh profit or loss, the relevant transaction costs are charged to profit or loss; for other



financial assets, the relevant transaction costs are recognized as initial investment costs. For the trade receivables arising from the sale of goods or services provided do not contain or take into account significant financing components, the initial investment costs shall be the consideration, which the Company is entitled to receive with the expectation.

### (3) Classification and measurement of financial liabilities

The Company classifies its financial liabilities at initial recognition as financial liabilities measured at fair value through profit or loss and financial liabilities at amortized cost. With respect to financial liabilities not classified as at fair value through profit or loss, transactions costs are charged to initial recognition cost.

#### **Financial liabilities measured at fair value through profit or loss**

Financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those are designated as at fair value through profit or loss at initial recognition. For these financial liabilities, they are subsequently measured at fair value and gains or losses from the change of fair value and related dividend and interest expense are recognized in profit or loss for the year.

#### **Financial liabilities measured at amortized cost**

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, the gains and losses arising from derecognition or amortization is recognised in profit or loss for the year.

#### **Distinction between financial liabilities and equity instruments**

The financial liability is the liability that satisfies one of following criteria:

- ① Contractual obligation to deliver cash or other financial instruments to another entity.
- ② Under potential adverse conditions, contractual obligation to exchange financial assets or financial liabilities with other entity.
- ③ The contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.
- ④ The derivative contract that will or may be settled in the entity's own equity instruments other than by the exchange of a fixed number of the entity's own equity instruments for a fixed amount of cash or other financial assets.

Equity instrument is the contract that evidences the residual equity in the assets of an entity after deducting all of its liabilities.

If the Company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation satisfies the definition of financial liability.

If the financial instrument must or could be settled by the Company's own equity instrument, the Company should consider whether the Company's equity instrument as the settlement instrument is a substitute of cash or other financial assets or the residual equity in the assets of an entity after deducting all of its liabilities. If it is the former one, the financial instrument is the Company's

financial liability; if it is the latter one, the tool is the equity instrument of the Company.

(5) Fair value of financial instruments

Recognition of fair value of financial assets and financial liabilities please refers to Note III, 10.

(6) Impairment of financial assets

The Company performs impairment assessment and recognizes loss allowance for the following financial assets based on their expected credit losses.

- Financial assets measured at amortized cost;
- Debt investment and trade receivables measured at fair value through other comprehensive income;
- Lease receivables;
- Financial guarantee contracts (except for the contracts measured at fair value through profit or loss, financial assets transformation not qualify for derecognition and continuing involvement of transferred financial assets).

**Measurement of expected credit loss**

The expected credit loss refers to the weighted average of the credit loss of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contracts and all cash flows expected to be received, that is, the present value of all cash shortages.

The Company considers the reasonable and basis information about past events, current situation and forecast of future economic situation, calculates the probability weighted amount of the present value of the difference between the receivable cash flow of the contract and the expected cash flow with the risk of default as the weight, and confirms the expected credit loss.

The Company separately measures the expected credit losses of financial instruments at different stages. The credit risk on a financial instrument has not increased significantly since initial recognition, which is in Stage I. The Company measures the loss provision in accordance with expected credit losses for the next 12 months. If the credit risk of financial instruments has increased significantly since the initial recognition, but no credit impairment has occurred, which is in Stage II. The Company measures the loss provision in accordance with the expected credit losses for the whole lifetime of the financial instrument. If the financial instrument has occurred credit impairment since initial recognition, which is in Stage III, and the Company measures the loss provision in accordance with the expected credit losses for the whole lifetime of the financial instrument.

For the financial instruments with lower credit risk at the balance sheet date, the Company assumes that their credit risk has not increased significantly since the initial recognition, and measures the loss provision in accordance with expected credit losses for the next 12 months.

The whole lifetime expected credit loss, refers to the expected credit loss caused by all possible defaults during the whole expected lifetime. The 12-month expected credit losses, refer to the expected credit loss caused by all possible defaults during the next 12 months after balance sheet date (if the expected duration of financial instrument is less than 12 months, then for the expected

duration), which is part of the whole lifetime expected credit losses.

When measuring the expected credit loss, the maximum maturity period that the Company needs to consider is the maximum contract maturity period (including the consideration of option of renewal) the enterprise facing credit risk.

For financial instruments in Stage I, Stage II and with lower credit risk, the Company calculates interest income on the basis of the book balances without deduction of impairment provisions and with effective interest rates. For financial instruments in Stage III, the Company calculates interest income on the basis of the book balances minus the impairment provision and with effective interest rate.

For notes receivable and accounts receivable, whether or not there are significant financing elements, the Company always measures the loss provision in accordance with the whole lifetime expected credit losses.

If the expected credit loss information of the the independent financial asset cannot be evaluated by a reasonable cost, the Company divides and combines notes receivable and accounts receivable according to the characteristics of credit risk. On the basis of the combination, the Company calculates the expected credit losses. The basis of determining combination is as follows:

#### A. Notes receivable and Financing receivables

- Portfolio 1: Bank acceptances
- Portfolio 2: Bank acceptances with lower credit rating and Commercial acceptances

#### B. Accounts receivable: Accounts of receivable-trade

#### **Other receivables**

According to the characteristics of credit risk, the Company divides other receivables into several combinations. On the basis of the combination, the Company calculates the expected credit losses. The basis of determining the combination is as follows:

- Other receivables Combination 1: Imprest and deposit, etc.
- Other receivables Combination 2: Other current account

For the other receivables combination, the Company calculates the expected credit losses through the exposure on default and the next 12-month or the whole lifetime expected credit loss rate.

#### **Debt investments and other debt investments**

For debt investments and other debt investments, the Company calculates the expected credit losses through the exposure on default and the next 12-month or the whole lifetime expected credit loss rate, according to the nature of the investment, the types of counterparty and risk exposure.

#### **Assessment of Significant Increase in Credit Risk**

By comparing the default risk of financial instruments on balance sheet date with the default risk on initial recognition date, the Company determines the relative change of default risk of financial instruments during the expected lifetime of financial instruments to evaluate whether the credit risk of financial instruments has increased significantly since the initial recognition.

When determining whether credit risk has increased significantly since the initial recognition, the Company considers reasonable and valid information, including forward-looking information, which can be obtained without unnecessary additional costs or efforts. Information considered by the Company includes:

- The debtor cannot pay principal and interest on the expiration date of the contract;
- Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected to occur;
- Serious deterioration of the debtor's operating results that have occurred or are expected to occur;
- Changes in the existing or anticipated technological, market, economic or legal environment will have the significant negative impact on the debtor's repayment capacity.

According to the nature of financial instruments, the Company evaluates whether credit risk has increased significantly on the basis of an independent financial instrument or a combination of financial instruments. When assessing on the basis of the combination of financial instruments, the Company can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk rating.

If the delay exceeds 30 days, the Company determines that the credit risk of financial instruments has increased significantly.

#### **Financial assets that have occurred credit impairment**

On the balance sheet date, the Company assesses whether credit impairment has occurred in financial assets measured at amortized cost and debt investments measured at fair value through other comprehensive income. When one or more events adversely affect the expected future cash flow of the financial assets occur, the financial assets transfer to the financial assets with credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

- Issuer or debtor suffer from significant financial difficulties;
- Debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;
- In consideration of economic situation and contract related to the financial difficulties of the debtor, the Company grants concessions to the debtor that will not be made under any other circumstances.
- Debtor is probable to go bankrupt or undergo other financial restructuring.
- Financial difficulties of issuer or debtor lead to the disappearance of financial assets active market.

#### **Presentation of expected credit loss reserve**

In order to reflect the changes happened to the credit risk of financial instruments since the initial recognition, the Company recalculates the expected credit loss on each balance sheet date. The increase or reversal of the loss provision resulting therefrom is recognised as an impairment loss or

gain in the current profit or loss. For financial assets measured at amortized cost, loss provision offsets the carrying amount of the financial assets presented on the balance sheet; for debt investments measured at fair value through other comprehensive income, the Company recognizes its loss provision through other comprehensive income and does not offset the financial assets' carrying amount.

### **Write off**

If the Company no longer reasonably expects that the financial assets contract cash flow can be recovered fully or partially, the financial assets book balance will be reduced directly. Such reduction constitutes derecognition of the financial assets. The situation usually occurs when the Company determines that the debtor has no assets or income to generate sufficient cash flows to pay the amount to be reduced. However, in accordance with the Company's procedures for recovering due payment, the financial assets reduced may still be affected by enforcement activities.

If the reduced financial assets can be recovered later, the returns as impairment losses shall be recorded in the profit or loss.

### **(7) Transfer of financial assets**

Transfer of financial assets is the transfer or delivery of financial assets to another entity (the transferee) other than the issuer of financial assets.

A financial asset is derecognised when the Company has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised when the Company retains substantially all the risks and rewards of the financial asset.

When the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the transferred asset to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability.

### **(8) Offsetting of financial assets and financial liabilities**

When the Company has currently enforceable legal rights to offset the recognized financial assets and financial liabilities, and there is an intention to settle on a net basis or to realize the financial assets and settle the financial liabilities, the financial assets and financial liabilities shall be presented in balance sheet with the amount after offsets. Besides, the financial assets and financial liabilities shall be presented separately in balance sheet and are not allowed to be offset.

### **10. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures related assets or liabilities at fair value and assumes that selling assets or transferring liabilities in an orderly transaction in the principal market of related assets or liabilities; in the absence of a principal market, the Company assumes the transaction in the most advantageous market. Principal market (or the most advantageous market) is the market that the Company can enter into on measurement date. The Company adopts the presumptions used by market participants in achieving the maximum economic value of pricing the assets or liabilities.

For financial assets or financial liabilities in the active market, the Company uses the quoted price in active market as their fair value. Otherwise, the Company uses valuation technique to determine the fair value.

Fair value measurement of non-financial assets consider market participants' ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company adopts the valuation techniques that are appropriate under current circumstances and for which sufficient data and other supporting information are available to measure fair value, giving priority to the use of relevant observable inputs, and using unobservable inputs only if the observable inputs are unavailable or not feasible to obtain.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs are quoted (unadjusted) market prices in active markets for identical assets or liabilities; Level 2 inputs are observable inputs for related assets or liabilities, either directly or indirectly other than the inputs within Level 1; Level 3 inputs are unobservable inputs for related assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

## 11. Inventories

### (1) Classification

Inventories of the Company include raw materials, finished goods, lower-valued consumables and self-made semi-finished goods

### (2) Measurement method of cost of delivered inventories

Inventories are quoted at actual costs when acquired. Raw materials, finished goods and self-made semi-finished goods are determined on the weighted average basis.

### (3) Basis for determining the net realisable value and method for inventories provision

Net realisable value is the estimated selling price deducted by the estimated costs to completion, the estimated selling expenses and related taxes. The net realisable value is measured on the basis of obtained verified evidences and considerations for the purpose of holding inventories and the effect of post balance sheet events.

At the end of each reporting period, if the cost is in excess of net realisable value, provision for inventories is recognized in profit or loss. The Company usually recognizes provision according to the independent inventory item. When the circumstances that previously caused inventories to be written down below cost no longer exist, the original amount of the write-down is reversed.

### (4) Inventory system

Inventories are accounted for using the perpetual inventory system.

### (5) Amortization method for consumables and packing materials

Low-valued consumables are charged with the one-off amortization method and multi-stage amortization method at consumption.

## 12. Assets classified as held for sale and discontinued operations

### (1) Classification and measurement of non-current assets or disposal groups held for sale

The Company classifies the non-current asset or disposal group as held for sale when the carrying amount of the non-current asset or disposal group will be recovered through sale (including exchange transactions of non-monetary assets with commercial substance) rather than through continuing use.

Above mentioned non-current assets not include investment properties subsequently measured with the fair value model, biological assets measured at fair value less cost of sales, assets arising from employee benefits, financial assets, deferred tax assets and contractual rights under insurance contracts.

The disposal group is the group of assets to be disposed of, by sale or otherwise, together as a whole in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Under certain circumstances, disposal group included goodwill acquired in the business combination.

The non-current asset or disposal group is classified as held for sale when all the following criteria are satisfied: According to the trading routine of selling such asset or disposal group in similar transactions, the non-current asset or disposal group is available for immediate sale in current circumstance; the sale is highly probable to occur, that is, the Company has made a resolution on a sale plan and obtained the assured purchase agreement. The sale is expected to be completed within one year. If the control of the subsidiary is lost due to the sale of investment on the subsidiary and the investment intended to be sold satisfies all conditions for the classification of assets held for sale, the Company classifies all the investment in that subsidiary as held for sale in separate financial statements, and classifies all the assets and liabilities of that subsidiary as held for sale in consolidated financial statements no matter whether the Company will keep part of the equity investment.

Excess of the carrying amount over the fair value less costs to sell is recognized as assets impairment losses in the initial recognition or remeasurement on balance sheet date of non-current asset or disposal group. The carrying amount of goodwill allocated to the disposal group shall be deducted firstly by the impairment loss recognized for the disposal group, and then the carrying amount of each non-current asset in the disposal group shall be proportionately deducted in accordance with the proportion of the carrying value of the non-current assets in the disposal group.

If net amount of fair value of the non-current asset or disposal group less costs to sell increases, the amount of the write-down will be recovered but not in excess of the cumulative impairment loss that has been recognised after classified as held for sale. The reverse amount is recorded in the

current profit or loss. Additionally, the reduced carrying amount of goodwill could not be recovered.

The Company does not depreciate (or amortise) the non-current assets classified as held for sale or assets of the disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of the disposal group classified as held for sale continue to be recognised. If an investment or a part of the investment in an associate or a joint venture is classified as held for sale, equity method is not used for the part classified as held for sale, while equity method is used for the rest part (the part not classified as held for sale) continually. When the Company does not have material impact on an associate or a joint venture due to the sale transaction, equity method will be discontinued.

The Company measures a non-current asset that ceases to be classified as held for sale at the lower of:

① The carrying amount of the asset and disposal group before classification as held for sale, adjusted for any depreciation, amortisation or impairment recognised under the assumption that the asset or disposal group has not been classified as held for sale;

② Recoverable amount

## (2) Discontinued operations

Discontinued operation refers to the separately identifiable component that has been disposed or been classified as held for sale and satisfies one of the following conditions:

① It represents an independent major business line or a separate geographical area of operations;

② It is part of a single co-ordinated plan to dispose of an independent major business or a separate geographical area of operations;

③ It is a subsidiary acquired exclusively with a view to resale.

## (3) Presentation

The Company presents the non-current assets classified as held for sale and the assets of disposal group classified as held for sale as “Assets classified as held for sale” in balance sheet. The liabilities of disposal group classified as held for sale is presented as “Liabilities classified as held for sale” in balance sheet.

The Company presents profit or loss from discontinued operations separately from profit or loss from continuing operations in income statement. Impairment loss and reversal amount and any disposal gain or loss of the non-current asset or disposal group classified as held for sale that does not satisfy the definition of a discontinued operation is presented in profit or loss from continuing operations. Any impairment loss and reversal amount belongs to discontinued operations, and disposal gain or loss is presented in profit or loss from discontinued operations.

The disposal group which is planned to cease use rather than for sale, and satisfies the conditions of components of discontinued operation, the Company presents it as discontinued operation from the date of cessation.



For the discontinued operation presented in the current period, former profit or loss of continuing operations will be presented as discontinued operations for comparative accounting period in the current financial statements. If the discontinued operations no longer satisfy the conditions to be classified as held for sale, former profit or loss of discontinued operations will be presented as continuing operations for comparative accounting period in the current financial statements.

### 13. Long-term equity investments

Long-term equity investments consist of equity investments in subsidiaries, joint ventures and associates. An associate is an enterprise over which the Company has significant influence.

#### (1) Recognition of initial investment cost

Long-term equity investment from the business combination: For a long-term equity investment acquired through a business combination under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. For business combination involving entities not under common control, the initial investment cost of long-term equity should be the cost of acquisition.

Long-term equity investment from other methods: for a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price paid; for those acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

#### (2) Subsequent measurement and recognition of profit or loss

The cost method is applied for the investment of subsidiaries unless the investment satisfies the conditions of held for sale; the equity method is applied for the investment of joint ventures and associates.

When the cost method is adopted in long-term equity investments, except for cash dividends or profit distributions declared but not yet distributed in the purchase price or consideration of obtaining the investment, profits or cash dividends declared to be distributed by the investee should be recognised as investment income in the current period.

When the equity method is adopted in long-term equity investments, the initial cost of an investment in excess of the share of investee's fair value on identifiable net assets remains unchanged; the initial cost of the investment that falls short of the share of investee's fair value on identifiable net assets shall be adjusted, for the difference which had been charged to current profit or loss.

When the equity method is adopted, the Company recognises its share of the investee's profit or loss, as well as its share of the investee's other comprehensive income, as investment income or loss and other comprehensive income, and adjusts the carrying amount of the investment accordingly; the investor's share of profit distributions or cash dividends declared by the investee is deducted from the carrying amount of the investment. For the changes of equity in an investee other than profit or loss, the investor adjusts the carrying amount of the investment and recognised it in capital reserve (other capital reserves). The recognition of the investee's results should be based on the fair values of the individual identifiable assets of the investee according to the Company's accounting policies and accounting period. Additionally, the recognition should be based on the adjusted net profit of the investee.

If the Company has significant influences or can implement joint control over investees due to additional investment, the initial investment cost is recognized as the sum of the fair value of the original portion of equity investment and the additional investment cost under equity method on the transformation date. The difference between the fair value and carrying amount of original equity and cumulative changes in fair value recognized as other comprehensive income shall be recognized as current profit or loss under equity method.

If the Company loses control of an investee with joint control or significant influence retained after partial disposal of its shares, the remaining equity after disposal should be accounted in accordance with the rules“CASBE 22-Recognition and Measurement of Financial Instruments” and the difference between the fair value on the day of losing control and the book value is recognised in profit or loss. For the other comprehensive income recognized by equity investment under the equity method, the basis of the accounting treatment is the same as that on disposal of related assets or liabilities by the investee, the amount recognised in the equity on the changes in other equity movements should be all charged to the profit or loss for the year.

If the Company loses control of an investee after partial disposal of its shares, the remaining equity after disposal has joint control or significant influence over the investee, the equity method shall be adopted and the remaining equity shall be deemed to be recognized under equity method since the acquisition date; if the remaining equity has no joint control or significant influence over the investee, the remaining equity after disposal should be accounted in accordance with the rules“CASBE 22-Recognition and Measurement of Financial Instruments” and the difference between the fair value on the day of losing control and the book value is recognised in profit or loss.

If the shareholding ratio of the Company is reduced due to the increase of investments of other investors and thus the control is lost, but the joint control or significant influence can be exerted on the investee, the Company should recognize the incremental shares of net assets according to the new investments. The difference between the original book value of the long-term equity investment corresponding to the decrease in the shareholding ratio should be included in the current profit or loss; then, the equity shall be deemed to be recognized under equity method since the investment date and adjusted according to the new shareholding ratio.

Unrealised profit or loss resulting from transactions between the Company and its associates or joint ventures shall be calculated according to the proportion of its shareholding, which is attributable to the Company, and then to be recognized in investment income after offset. While unrealised profit or loss resulting from transactions between the Company and investee belongs to impairment loss of transferred assets cannot be offset.

### (3) Basis of determining the existence of joint control or significant influence over an investee

Joint control is the agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. In determining whether there is a joint control, the first judge is determining whether the relevant arrangement is controlled collectively by all the participants involved or the group of the participants involved and then to determine whether the decisions related to the basic operating activities should require the unanimous consent of the participants involved. If all participants or the group of the participants involved must act consistently to determine the relevant arrangement, it is considered that all participants or the group of the participants control the arrangement. If two or more participants in the collectively control of certain arrangement, it shall not be considered as joint control. Protection of rights shall not be considered in determining whether there is joint control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether there is the significant influence over the investee, the voting rights held by the investors or the other entities and the effect of potential voting rights if it can be converted into the equity of investee, including the effect of current convertible warrants, security option and convertible bonds.

When the Company, directly or indirectly through subsidiaries, owns 20% of the investee (including 20% ) or more but less than 50% of the voting shares, it has significant impact on the investee unless there is clear evidence to show that in this case the Company cannot participate in the production and business decisions of the investee, and has no significant influence; when the Company owns 20% (excluding) or less of the voting shares, it is not considered to have significant impacts on the investee in general, unless there is clear evidence to show that in this case the Company can participate in the production and business decisions of the investee so as to have the significant influence.

#### (4) Held-for-sale equity investments

Accounting treatment for the entity investment, or a portion of an equity investment, in associates or joint ventures that is classified as held for sale refers to Note III, 12.

Any remaining equity investment that has not been classified as held for sale shall be accounted under the equity method.

When the equity investment in associates or joint ventures previously classified as held for sale and no longer satisfies the conditions to be classified as held for sale, it will be adjusted under equity method retrospectively as from the date of classification as held for sale.

#### (5) Method of impairment testing and impairment provision

For investment in subsidiaries, associates and joint ventures, refers to Note III, 20 for the method of asset impairment provision.

### 14. Fixed assets

#### (1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Company for use in production of goods, use in supply of services, rental or for administrative purposes with useful lives over one accounting year.

Fixed assets are recognised when it is probable that their related future economic benefits will flow into the company, and their cost can be measured reliably.

Fixed assets of the Company are initially measured at actual costs in acquisition.

#### (2) Depreciation of fixed assets

Depreciation of the fixed assets is calculated on the straight-line basis. The fixed asset is depreciated since the state of intended use and no longer depreciated when recognition is terminated or being classified as non-current assets held for sale. Without considering impairment provision, the estimated useful lifetime, estimated residual values, and the annual depreciation rates of each

category of fixed assets are as follows:

Category	Estimated useful life	Estimated residual value	Annual depreciation rate
Pant and buildings	25-43 years	5%	3.80-2.21%
Machinery and equipment	12-28 years	5%	7.92-3.39%
Vehicles	10 years	5%	9.50%
Electronic equipment	10 years	5%	9.50%
Industrial furnace	13 years	5%	7.31%
Metallurgical equipment	19 years	5%	5.00%
Others	14-22 years	5%	6.79-4.32%

The fixed assets that have been withdrawn for impairment provision shall also be deducted from the accumulative amount of impairment provision to recognize depreciation rate.

- (3) Impairment test and impairment provision of fixed assets refer to Note III, 20.
- (4) Recognition basis, valuation method and depreciation method of fixed assets financed by leasing

The leased fixed assets are recognized as fixed assets acquired under finance leases if the following one or more criteria can be satisfied:

- ① The ownership of leased assets can be transferred to the Company at the end of lease period
- ② The Company has the option of buying leased assets and the purchase price is estimated to be far less than the fair value of leased assets when exercising the option. So at the beginning date of lease period it is reasonably recognized that the Company will exercise the option.
- ③ Even if the ownership of assets is not transferred, lease period accounts for most leased assets' useful life.
- ④ The present value of minimum lease payment almost equals to the fair value of leased asset at the beginning date of lease period.
- ⑤ Leased assets are special and only can be used for the Company if not reconstructed largely.

At the beginning date of lease period, the Company will recognize the lower one between the fair value of leased assets and the present value of minimum lease payments as the recorded value of leased assets, and the difference is recorded as unrecognized financing charges. Initial direct costs such as charges, legal fee, travelling expenses and stamp taxes of the lease incurred during leasing negotiation and contract signment can be recognized in the value of leased assets. Unrecognized financing charges are amortized under the effective interest method in each period of leasing.

Fixed assets financed by leasing are depreciated with similar depreciation policy of owned fix assets. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of lease period, the leased assets are depreciated over the useful lifetime; otherwise, the leased assets are depreciated with the shorter period between the lease period and useful lifetime of the leased assets.

- (5) Useful lives, residual values and the depreciation method are reviewed by the Company at least at each financial year end

Useful lives are adjusted if the expected useful lives are different from the original estimates; the estimated net residual values are adjusted if they are different from the original estimates.

- (6) Overhaul costs

The overhaul costs occurred in regular inspection of fixed assets are recognised in the cost of fixed assets if there is undoubted evidence to confirm that the costs satisfy the recognition criteria of fixed assets, otherwise, the overhaul costs are recognised in profit or loss for the current period. Fixed assets are depreciated normally during the intervals of the regular overhaul.

## 15. Construction in progress

Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction.

Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Impairment provision of construction in progress refers to Note III, 20.

## 16. Materials for construction of fixed assets

The materials for construction of fixed assets of the Company refers to the material prepared for construction in progress, including engineering materials, equipments not yet installed and tools prepared for production, etc.

Purchase measured at cost, the recipients transfer to construction in progress, and the remaining transfer to inventory after the completion of construction.

Impairment provision of materials for construction of fixed assets refers to Note III, 20.

Closing balance of materials for construction of fixed assets is presented in “Construction in progress” in balance sheet.

## 17. Borrowing costs

- (1) Principles of capitalising borrowing costs

All the borrowing costs that are directly attributable to construction or production of all qualifying assets are capitalized and recorded in relevant assets costs. Other borrowing costs are treated as an expense and recorded in the profit or loss. The capitalization of borrowing costs commences when:

- ① Expenditures for the assets are incurred, including paying cash, transferring non-cash assets or undertaking interest-bearing debt for acquisition or construction of the assets, which could be capitalized;
- ② Borrowing costs are incurred; or
- ③ The acquisition and construction activities that are necessary to bring the assets to get ready for their intended use or sale have commenced.

(2) Capitalization period of borrowing costs

The capitalization of borrowing costs ceases when the asset being acquired or constructed is substantially ready for its intended use or sale and borrowing costs incurred thereafter are treated as an expense to be recorded in the profit or loss.

Capitalization of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months until the acquisition or construction is resumed; borrowing costs in normal interruption period continue to be capitalized.

(3) Calculation of capitalization rate and amount of borrowing costs.

For specific borrowings, the borrowing costs eligible for capitalization are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income; for general borrowings, the borrowing costs eligible for capitalization are determined by applying a capitalization rate to the weighted average of capital expenditure that exceeds the specific borrowings. The capitalization rate is calculated based on the weighted average interest rate of general borrowings.

During the capitalization period, exchange differences on foreign currency specific borrowings shall be capitalized; exchange differences on foreign currency general borrowings shall be recognized as current profit or loss.

18. Intangible assets

Intangible assets include software and land use rights.

Intangible assets are measured at cost initially and its useful lifetime shall be analyzed and recognized when obtained. An intangible asset with finite useful lifetime shall be amortized over the expected useful life using method which can reflect the expected recognition of economic benefits related to the assets when the intangible asset is available for use; an intangible asset whose expected recognition cannot be reliably determined is amortized at straight-line amortization method; an intangible asset with indefinite useful lifetime shall not be amortized.

The Company reviews the useful lives and amortization method of intangible assets with finite useful lifetime, adjusts original estimated amount and processes according to the accounting estimate change if there are any differences with original estimated, at least at the end of each reporting period.

Intangible assets with finite useful lives are amortized over the useful lives on the straight-line basis according to the category, expected useful lifetime and estimated residual value. The annual amortization rates of each category of intangible assets are as follows:

Category	Useful lifetime	Residuals rate	Annual amortization rate
Software	5-10 years	--	10.00-20.00%
Land use rights	40-50 years	--	2.00-2.50%

The Company estimates an intangible asset can no longer bring future economic benefits at the balance sheet date, and then the carrying amount of the intangible asset should be reversed to the current profit or loss.

For the impairment provision of intangible assets, refers to Note III, 20.

#### 19. Development expenditures

Expenditure on internal research and development projects is classified into expenditure on the research stage and expenditure on the development stage.

Expenditure on the research stage is recognised in the profit or loss when incurred.

Expenditure on the development stage is capitalized only when: the technical feasibility of completing the intangible asset so that it is available for use or sale; the intention to complete the intangible asset is to use or sell it; the method of generating economic benefits by the intangible assets, including that the intangible asset can be proved that the output or the intangible asset itself has market or, if it is to be used internally, the usefulness of the intangible asset also need to be proved; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; the expenditure attributable to the development stage can be measured reliably. Otherwise, it shall be presented in the profit or loss.

The research and development projects of the Company will enter into the development stage after meeting the above conditions and passing through the studies of technical feasibility and economic feasibility, and the projects approval.

Capitalized expenditure on the development stage is presented as “Development expenditures” in the balance sheet and shall be transferred to intangible assets when the project is completed to its intended use state.

#### 20. Impairment of assets

The impairment for the long-term equity investments, fixed assets, construction in progress, intangible assets, goodwill, etc. (excluding inventories, deferred income tax assets and financial assets) of subsidiaries, associates and joint ventures are determined as follows:

The Company assesses whether any indicator of impairment exists as of the end of each reporting period, and, if yes, performs impairment test by estimation of the asset’s recoverable amount. For goodwill acquired in business combinations, intangible assets with indefinite lives and intangible assets without intended use state, an annual impairment test is performed no matter whether there is any indicator of impairment.

An asset’s recoverable amount is calculated as the higher of the asset’s fair value less costs to sell and the present value of estimated future cash flows generated from the use of assets. The recoverable amount is calculated on individual basis unless it is not applicable, in which case the recoverable amount is determined for the asset group to which the asset belongs. An asset group is recognized based on whether the cash inflows generated by the asset group are largely independent to those of other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment allowance is provided.

In terms of impairment test of the goodwill, the carrying amount of the goodwill arising from business combination shall be allocated to the related asset group in accordance with a reasonable basis at acquisition date. Those that are difficult to be allocated to relevant assets shall be allocated to relevant assets groups. Relevant assets or assets groups refer to those that can benefit from the synergies of business combination and are not larger than the Company's recognized reporting segment.

When there is an indication that the goodwill related asset and asset group are prone to impair, the Company should execute impairment test for the asset and asset group excluding goodwill, calculate the recoverable amount and recognize the corresponding impairment loss. The Company should execute impairment test for the asset or asset group including goodwill and compare the recoverable amount with carrying amount, provision for impairment of assets shall be recognized when the recoverable amount of assets is lower than its carrying amount.

Impairment losses cannot be reversed in subsequent accounting periods after recognition.

## 21. Long-term prepaid expenses

The long-term prepaid expenses of the Company are recorded as the actual cost and evenly amortized on straight-line basis over the expected beneficial period. For the long-term prepaid expense items that cannot benefit the later accounting period, the amortized value is recognized in the profit or loss.

## 22. Payroll and employee benefits payable

### (1) Scope of payroll and employee benefits payable

Payroll and employee benefits payable are all forms of consideration given by an entity in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits that the Company provides to the spouses, children and dependents of employees, the late employees' family and other beneficiaries also shall be deemed as payroll and employee benefits payable.

According to liquidity, employment benefits are presented separately as "Payroll and employee benefits payable" and "Long-term payroll and employee benefits payable" in the balance sheet.

### (2) Short-term employee benefits payable

A liability when an employee has provided service in exchange for employee benefits, such as wages, bonuses, social security contributions (including medical insurance, injury insurance, maternity insurance, etc.) and house funding to be paid is recognized as the current profit or loss or costs of related assets. If the short-term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service and have significant financial impact, the liability shall be measured as the discounted amounts.

### (3) Post-employment benefits

Post-employment benefit plan includes defined contribution plan and defined benefit plan. Defined contribution plan is the post-employment benefit plan under which the Company pays fixed contributions into a separate fund and will have no future obligations to pay the contributions.



Defined benefit plan is the post-employment benefit plan other than defined contribution plan.

Defined contribution plan

Defined contribution plan includes basic pension insurance, unemployment insurance, etc.

During the accounting period of service provided by the employee, the Company shall recognise the contribution payable according to the defined contribution plan as the liability and record the corresponding amount in the current profit or loss or the cost of the relevant asset.

#### (4) Termination benefits

The Company is required to recognize termination benefits with a corresponding charge to profit or loss at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognizes any related restructuring costs.

For implementing the internal retirement plan, the economic compensation before the official retirement date belongs to termination benefits. From the date of ceasing service to the normal retirement date, the wages of the internally retired employees and the social insurance premiums to be paid are included in the current profit or loss one time. Economic compensation after the official retirement date (such as normal pension) should be treated as post-employment benefits.

### 23. Provisions

If the contingent considerations or contingent liabilities satisfy the following conditions simultaneously, a provision will be recognized by the Company:

- (1) The obligation is a present obligation assumed by the Company; and
- (2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (3) A reliable estimate can be made of the amount of the obligation.

Provisions are initially measured at the best estimate of the expenditure required to settle the present obligation, after considering risks, uncertainties, present value, etc. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If the settlement of provision is fully or partially compensated by a third party or the others, and the compensated amount can be definitely received, then the provision can be recognised as asset separately. The compensated amount shall not be greater than the carrying amount of the recognized liability.

### 24. Revenue

#### (1) General principle

Revenue is recognized when the Company has satisfied its performance obligations in the contract,

that is, when the customer obtains control of the relevant goods or services.

Where a contract has two or more performance obligations, the Company determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Company recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

The Company satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- ① The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- ② The customer can control the asset created or enhanced during the Group's performance;
- ③ The Company's performance does not create an asset with an alternative use to it and the Company has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Company expects to recover the costs incurred in satisfying the performance obligation, the Company recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Company recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indicators:

- ① The Company has a present right to payment for the goods or services, as the customer obtains the current payment obligation for the goods.
- ② The Company has transferred the legal title of the goods, as the customer has obtained the legal title of the goods.
- ③ The Company has transferred physical possession of the goods to the customer, as the customer has obtained the physical possession of the goods.
- ④ The Company has transferred the significant risks and rewards of legal title of the goods to the customer, as the customer has obtained the significant risks and rewards of legal title of the goods.
- ⑤ The customer has accepted the goods or services.
- ⑥ Other indications that the customer has obtained control of goods.

A contract asset is the Company's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on factors other than the passage of time. The Company recognises loss allowances for expected credit loss on contract assets. The Company's right to consideration that is unconditional (only the passage of time is required) shall be presented as accounts receivable. The Company's obligation to transfer goods or services to a

customer for which the Company has received consideration (or an amount of consideration is due) from the customer shall be presented as the contract liability.

The Company offsets the contract assets and contract liabilities under the same contract and presents the net amount. If the net amount is the debit balance, it is presented under “contract assets” or “other non-current assets” according to its liquidity; if the net amount is the credit balance, it is presented under “contract liabilities” or “other non-current liabilities” according to its liquidity.

## (2) Specific recognition methods

The specific revenue recognition methods of the company are as follows:

### Contracts for the sale of goods

Contracts for the sale of goods between the Company and its customers usually only involves the performance obligations of the transferring of the goods. The Company generally recognizes revenue based on the following considerations, taking into account the timing of control transfer. This includes obtaining the current collection rights of the goods, the transfer of the main risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the acceptance of the goods by the customer.

### Contracts for rendering of services

The service contract between the Company and its customers usually includes performance obligations for labor services, technical consulting or technical services. As a result of the satisfaction of the performance obligation the Company, the customers obtain and consume the economic benefits of the service while the Company provides the service simultaneously. The Company is entitled to recover from the accumulative performance of the contract that has been completed to date, except when progress of the performance cannot be reasonably determined. The Company determines the progress of the performance of the services provided in accordance with the input method. When the progress of the performance cannot be reasonably determined, and the costs incurred by the Company are expected to be compensated, the revenue will be recognized based on the amount of costs incurred, until the progress of the performance can be reasonably determined.

## 25. Contract cost

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Company recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① The costs relate directly to an existing contract or to a specifically identifiable anticipated

contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;

- ② The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
- ③ The costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfill a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- ① Remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less
- ② The costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

The contract performance cost recognized as an asset shall be shown in the "Inventories" item with an amortization period of no more than one year or one normal operating cycle at the time of initial recognition, while the amortization period exceeding one year or one normal operating cycle at the time of initial recognition shall be shown in the item of "Other non-current assets".

The contract acquisition cost recognized as an asset shall be listed in the item of "Other current assets" when the amortization period does not exceed one year or one normal operating cycle at the time of initial recognition, and listed in the item of "other non-current assets" when the amortization period exceeds one year or one normal operating cycle at the time of initial recognition.

## 26. Government grants

Government grants are recognized in profit or loss, when they are highly probable to be received and all conditions are fulfilled.

If a government grant is in form of monetary asset, it is measured at the amount received or receivable. If a government grant is in form of nonmonetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at the nominal amount as RMB 1.

Asset-related government grants are recognized when the government document designates that the government grants are used for constructing or forming long-term assets. Otherwise, the government grants should be income-related.

If the government document is inexplicit, the Company should recognize the part corresponding to assets value of government grants as asset-related government grants if the conditions are to form long-term assets and the remaining part as income-related grants. As for indistinguishable government grants, the whole should be recognized as income-related grants.

Asset-related government grants can be accounted by offsetting the carrying amount of related assets or being recognized as deferred income, and amortized systematically and reasonably to profit or loss over the useful life of the related asset. If the income-related grant is a compensation for related incurred expenses or losses, the grant shall be recognized in the current profit or loss or offset related costs immediately; if the grant is a compensation for related expenses or losses in future period, the grant is recognized as deferred income and should be recognized in profit or loss for the period when the expenses or losses are incurred. For the government grant measured at the nominal amount, it should be recognized in profit or loss immediately for the period. The Company adopts a consistent approach to the same or similar government grants.

The government grants related to daily activities shall be recognized in other income or offset related expenses. Otherwise, it shall be recognized in non-operating income and expenses.

When the recognized government grants need to be returned, the carrying amount of the assets shall be adjusted if the carrying amount of related assets is written down during the initial recognition; if there is the balance of related deferred income, the book balance of related deferred income shall be written off, and the excess part shall be recognized in the current profit or loss; for the other circumstances, the government grants shall be recognized in the current profit or loss directly.

## 27. Deferred tax assets and deferred tax liabilities

Income tax comprises current tax and deferred tax, and is normally recognized as income tax expense in profit or loss, except for goodwill generated in a business combination or related deferred tax items that have been recognized directly in equity.

Based on the differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, the Company adopts the liability method for the provision of deferred tax.

A deferred tax liability is recognized in respect of all taxable temporary differences except those arising from the following transactions:

- (1) The initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; and
- (2) As for the temporary differences associated with subsidiaries, joint ventures and associates: the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized in respect of all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference will be utilized except those arising from the initial recognition of an asset or liability in a transaction which:

- (1) The transaction is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; and
- (2) As for deductible temporary differences associated with subsidiaries, joint ventures and associates: a deferred tax asset is recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilized.

At the end of each reporting period, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, taking into account the income tax effect of expected asset realization or liability settlement at the end of each reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

## 28. Operating lease and financing lease

A lease is classified by the Company as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

### (1) As a lessor

In financing lease, at the beginning date of lease period, the Company recognizes the sum of minimum lease collections and initial direct costs as the recorded value of finance leases receivable and meanwhile recorded unguaranteed residual value; the difference between the sum of minimum lease collection, initial direct costs and unguaranteed residual value and the sum of their present value is recorded as unrealized financing income. Unrealized financing income is measured at effective interest method in the periods of leasing and recognized in financing income for the current period.

Rentals receivable under operating leases are credited to profit or loss on the straight-line basis over the lease terms, and initial costs are charged to the profit or loss when it is incurred.

### (2) As a lessee

In financing lease, at the beginning date of lease period, the Company recognizes the lower one between the fair value of leased asset and the present value of minimum lease payment as the recorded value of the leased asset, and recognize the minimum lease payment as the recorded value of long-term payables, and their difference is recorded as unrecognized financing charges. Initial direct costs are recognized in the value of leased assets. Unrecognized financing charges are measured at effective interest method in the period of leasing in financing charges for the current period. The Company depreciates the leased assets by adopting the depreciation policy, which is consistent with self-owned fixed assets.

Rentals payable under operating leases are charged to profit or loss or capitalized on the straight-line basis over the lease terms, and initial costs are charged to the profit or loss when it is incurred.

## 29. Safety fund and maintenance fee

According to the relevant provisions of CQ [2012] No. 16 document issued by Ministry of Finance, National Development and Reform Commission, State Administration of Work Safety, the actual operating income of metallurgical enterprises in the preceding year is the basis for the provision of safety fund and maintenance fee of the Company, and the method of excess retirement shall be adopted for the provision.

Safety funds and maintenance fees are included in the cost of relevant products or recognized in the current profit or loss for the related products, and credited to the special reserve at the same time.

When safety funds and maintenance fees are utilized in compliance with relevant regulations, if the costs incurred can be categorized as expenditure, the costs incurred should be charged against the special reserve; if the reserve is used to build up fixed assets, the costs should be charged to construction in progress, and reclassified to fixed assets when the projects reach the status ready for intended use. Meantime, expenditures in building up fixed assets are directly charged against the special reserve with the accumulated depreciation recognized at the same amount and the fixed assets will not be depreciated in the future.

### 30. Significant accounting judgments and estimates

The Company provides continuous assessment of the reasonable expectations of future events, the critical accounting estimates and key assumptions based on the historical experience and other factors. The critical accounting estimates and key assumptions that are likely to lead to significant adjustment risks of the carrying amount of assets and liabilities for the next accounting period are listed as follows:

#### Classification of financial assets

The major judgments of the Company involved in determining the classification of financial assets includes the analysis of business models and the characteristics of contract cash flows, etc.

At the level of financial assets portfolio, the Company determines the business model for managing financial assets, taking into account factors such as methods of evaluating and reporting financial assets performance to key managers, the risks of affecting financial assets performance and risk management methods, and the way in which relevant business managers are paid.

In assessing whether the contract cash flow of financial assets is consistent with the basic lending arrangements, the Company has the following judgments: whether the principal's time distribution or amount may change during the lifetime for early repayment and other reasons; whether the interest only includes the time value of money, credit risk, other basic lending risks and the consideration with cost and profit. For example, whether the advance payment only reflects the unpaid principals and interests based on the unpaid principal, and reasonable compensation paid for the early termination of the contract.

#### Measurement of expected credit loss of account receivables

The Company calculates the expected credit losses of accounts receivable through default risk exposure and expected credit losses rate, and determines the expected credit losses rate on the basis of default probability and default loss rate. In determining the expected credit losses rate, the Company uses the experience of internal historical credit loss, and adjusts the historical data with current situation and forward-looking information. In considering forward-looking information, the indicators include the risks of economic downturn, external market environment, technological environment and changes of customer conditions. The Company monitors and reviews regularly the assumptions related to the calculation of expected credit losses.

#### Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and unused tax credit can be utilized.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with tax planning strategies.

#### Determination of unlisted equity investment fair value

The fair value of unlisted equity investment is the estimated future cash flow discounted by the current discount rate of the project with similar terms and risk characteristics. The valuation requires the Company to estimate the expected future cash flow and discount rate and is therefore uncertain. Under limited circumstances, if the information used to determine the fair value is insufficient, or the possible estimates of the fair value are widely distributed, and the cost represents the best estimate of the fair value within the range, the cost could represent the appropriate estimate of the fair value within the distribution range.

### 31. Changes in accounting policies and estimates

#### (1) Changes in accounting policies

##### ① New Revenue Standard

In 2017, the Ministry of Finance has promulgated the revised “Accounting Standard for Business Enterprises No. 14 – Revenue” (“New Revenue Standard”), the Company has adopted the accounting standards from 1 January 2020, and adjusted relevant items according to the accounting policy.

Revenue is recognized when the Company has satisfied its performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services. The Company satisfies a performance obligation over time under certain conditions, or otherwise, a performance obligation is satisfied at a point in time. Where a contract has two or more performance obligations, the Company determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Company recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

The Company adjusted the relevant accounting policies in accordance with the specific provisions of the new revenue standards relating to specific events or transactions

The contract asset is the Company’s right to consideration in exchange for goods that it has transferred to a customer when that right is conditional on factors other than the passage of time. The Company’s obligation to transfer goods to a customer for which the Company has received consideration from the customer shall be presented as the contract liability.

The Company adjusted retained earnings and other related items in the financial statements at the beginning of 2020 in accordance with the accumulative affected amount of the first implementation of new revenue standard. Additionally, the comparative information is not adjusted. The Company only adjusted the retained earnings and other related items in the financial statements at the beginning of 2020 according to the accumulative affected amount of unfinished contracts on January 1, 2020

<b>Reasons and contents of accounting policy change</b>	<b>Affected items</b>	<b>Effect 1 January 2020</b>
The Company has reclassified the receipts in advance	Contract liabilities	3,948,239,957.88



related to sale of goods and rendering of services to contract liabilities due to the implementation of new revenue standard.	Other current liabilities	513,271,194.52
	Receipts in advance	-4,461,511,152.40

The effect of the implementation of new revenue standard on the items related to the 2020 financial statements in comparison with original revenue standard:

Affected items	Effect 31 December 2020
Contract liabilities	4,659,444,741.25
Other current liabilities	605,727,816.36
Receipts in advance	-5,265,172,557.61

Affected items	Effect 2020
Cost of sales	1,499,245,398.29
Selling expenses	-1,499,245,398.29

## ② Interpretation No. 13 of ASBE

In December 2019, the Ministry of Finance has issued “Interpretation No. 13 on Accounting Standards for Business Enterprises” (Cai Kuai [2019] No. 21) (“Interpretation No. 13” for short)

Interpretation No. 13 revised the three elements of business composition and refined the judgment conditions of business. When the acquirer of a business combination not under common control determines whether the acquired business activity or asset combination constitutes a business, the option of “concentration test” is introduced.

In addition, Interpretation No. 13 further clarifies that the related parties of an enterprise also include joint ventures or associates of other member units (including parent companies and subsidiaries) of the enterprise group to which the enterprise belongs, and other joint ventures or associates of investors who exercise joint control over the enterprise.

Interpretation No. 13 has been implemented since 1 January 2020. The Company adopts the prospective application method to account for the above mentioned accounting policy changes.

The adoption of interpretation No. 13 does not have significant impacts on the Company’s disclosures on financial position, operating results and related parties.

③ In December 2019, the Ministry of Finance has issued “Regulations on Accounting Treatment of Carbon Emission Trading” (Cai Kuai [2019] No.22) (“Interim Provision on Carbon Emission Rights”) for short, which defines the measurement of carbon emission rights and related accounting treatment and improves presentation and disclosure requirements related to carbon emission permits.

According to the above regulations on carbon emission rights, the carbon emission allowances obtained through allocating free of charge by government shall have no accounting treatment for the key emission enterprises; as for the carbon emission allowances obtained through purchase, the

allowances shall be recognized as carbon emission assets and measured at cost method. When using or selling carbon emission allowances purchased to fulfill the agreement (to fulfill the emission reduction obligation), the carbon emission assets will be transferred into the current profit or loss.

Interim provision on carbon emission rights has been implemented since 1 January 2020. The Company adopts the prospective application method to account for the above mentioned accounting policy change.

The adoption of interim provision on carbon emission rights does not have significant impacts on the Company's disclosures on financial position and operating results.

④ In June 2020, the Ministry of Finance has issued "Regulations on Accounting Treatment of COVID-19 – Related Rent Concessions" (Cai Kuai [2020] No.10), which provides a simplified method for rental concessions directly caused by COVID-19.

The simplified method is not applicable for rent concessions of the Company incurred before January 1, 2020.

(2) Changes in accounting estimates

The Company has no significant changes in accounting estimates during the reporting period.

(3) The adjustment of related items in financial statements at the beginning of the first implementation year due to the first implementation of new revenue standard

Consolidated Statement of Financial Position

Item	2019.12.31	2020.01.01	Adjustment
<b>Current assets:</b>			
Cash and Cash equivalents	5,735,118,932.92	5,735,118,932.92	--
Financial assets held for trading	--	--	--
Notes receivable	5,339,326,922.25	5,339,326,922.25	--
Accounts receivable	1,028,752,225.78	1,028,752,225.78	--
Financing receivables	4,031,364,764.55	4,031,364,764.55	--
Prepayments	2,116,776,879.80	2,116,776,879.80	--
Other receivables	24,029,674.84	24,029,674.84	--
Including: Interest receivable	--	--	--
Dividends receivable	2,754,886.56	2,754,886.56	--
Inventories	8,787,825,099.93	8,787,825,099.93	--
Assets classified as held for sale	--	--	--
Current portion of non-current assets	--	--	--
Other current assets	584,135,586.47	584,135,586.47	--
Total current assets	27,647,330,086.54	27,647,330,086.54	--
<b>Non-current assets:</b>			
Long-term equity investments	3,137,865,376.57	3,137,865,376.57	--
Other equity instruments investments	4,357,517,927.34	4,357,517,927.34	--
Other non-current financial assets	--	--	--

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Item	2019.12.31	2020.01.01	Adjustment
Investment properties	--	--	--
Fixed assets	83,287,788,722.90	83,287,788,722.90	--
Construction in progress	25,426,296,137.79	25,426,296,137.79	--
Intangible assets	2,927,126,059.29	2,927,126,059.29	--
Development expenditures	--	--	--
Long-term prepaid expenses	1,100,021.04	1,100,021.04	--
Deferred tax assets	87,447,566.73	87,447,566.73	--
Other non-current assets	--	--	--
Total non-current assets	119,225,141,811.66	119,225,141,811.66	--
<b>Total assets</b>	<b>146,872,471,898.20</b>	<b>146,872,471,898.20</b>	--
<b>Current liabilities:</b>			
Short-term borrowings	30,293,221,165.42	30,293,221,165.42	--
Financial liabilities held for trading	--	--	--
Notes payable	6,930,274,570.54	6,930,274,570.54	--
Accounts payable	24,086,162,808.87	24,086,162,808.87	--
Receipts in advance	4,461,511,152.40	--	-4,461,511,152.40
Contract liabilities	--	3,948,239,957.88	3,948,239,957.88
Payroll and employee benefits	377,891,381.66	377,891,381.66	--
Taxes payable	114,401,695.84	114,401,695.84	--
Other payables	2,271,088,907.26	2,271,088,907.26	--
Including: Interest payable	--	--	--
Dividend payable	--	--	--
Liabilities classified as held for sale	--	--	--
Current portion of non-current liabilities	9,400,574,401.68	9,400,574,401.68	--
Other current liabilities	--	513,271,194.52	513,271,194.52
Total current liabilities	77,935,126,083.67	77,935,126,083.67	--
<b>Non-current liabilities:</b>			
Long-term borrowings	19,101,100,000.00	19,101,100,000.00	--
Bonds payable	4,026,866,666.72	4,026,866,666.72	--
Long-term Payable	2,100,000.00	2,100,000.00	--
Provisions	--	--	--
Deferred income	328,422,670.27	328,422,670.27	--
Deferred tax liabilities	600,631,873.94	600,631,873.94	--
Other non-current liabilities	4,711,490,199.06	4,711,490,199.06	--
Total non-current liabilities	28,770,611,409.99	28,770,611,409.99	--
<b>Total liabilities</b>	<b>106,705,737,493.66</b>	<b>106,705,737,493.66</b>	--
<b>Shareholders' equity:</b>			
Share capital	5,289,389,600.00	5,289,389,600.00	--
Capital reserve	20,074,865,467.56	20,074,865,467.56	--

Item	2019.12.31	2020.01.01	Adjustment
Other comprehensive income	1,952,319,928.42	1,952,319,928.42	--
Special reserve	15,749,165.64	15,749,165.64	--
Surplus reserve	1,729,509,055.66	1,729,509,055.66	--
Retained earnings	-2,179,897,484.27	-2,179,897,484.27	--
Equity attributable to shareholders of the parent	26,881,935,733.01	26,881,935,733.01	--
Non-controlling interests	13,284,798,671.53	13,284,798,671.53	--
Total shareholders' equity	40,166,734,404.54	40,166,734,404.54	--
<b>Total liabilities and shareholders' equity</b>	<b>146,872,471,898.20</b>	<b>146,872,471,898.20</b>	--

### Company Statement of Financial Position

Item	2019.12.31	2020.01.01	Adjustment
<b>Current assets:</b>			
Cash and Cash equivalents	2,100,647,913.85	2,100,647,913.85	--
Financial assets held for trading	--	--	--
Notes receivable	2,492,497,587.89	2,492,497,587.89	--
Accounts receivable	1,180,114,403.06	1,180,114,403.06	--
Financing receivables	1,825,294,953.86	1,825,294,953.86	--
Prepayments	201,462,809.27	201,462,809.27	--
Other receivables	1,673,247.41	1,673,247.41	--
Including: Interest receivable	--	--	--
Dividends receivable	--	--	--
Inventories	1,294,056,715.06	1,294,056,715.06	--
Assets classified as held for sale	--	--	--
Current portion of non-current assets	--	--	--
Other current assets	3,453,190,809.55	3,453,190,809.55	--
Total current assets	12,548,938,439.95	12,548,938,439.95	--
<b>Non-current assets:</b>			
Long-term equity investments	18,893,930,958.80	18,893,930,958.80	--
Other equity instruments investments	4,357,517,927.34	4,357,517,927.34	--
Other non-current financial assets	--	--	--
Investment properties	--	--	--
Fixed assets	21,144,600,686.04	21,144,600,686.04	--
Construction in progress	3,678,076,181.04	3,678,076,181.04	--
Intangible assets	875,411,256.49	875,411,256.49	--
Development expenditures	--	--	--
Long-term prepaid expenses	--	--	--
Deferred tax assets	29,098,335.72	29,098,335.72	--
Other non-current assets	1,134,117,184.62	1,134,117,184.62	--
Total non-current assets	50,112,752,530.05	50,112,752,530.05	--

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Item	2019.12.31	2020.01.01	Adjustment
<b>Total assets</b>	<b>62,661,690,970.00</b>	<b>62,661,690,970.00</b>	--
<b>Current liabilities:</b>			
Short-term borrowings	11,853,249,166.67	11,853,249,166.67	--
Financial liabilities held for trading	--	--	--
Notes payable	1,038,827,684.61	1,038,827,684.61	--
Accounts payable	11,497,447,540.23	11,497,447,540.23	--
Receipts in advance	916,868,636.47	--	-916,868,636.47
Contract liabilities	--	811,388,173.87	811,388,173.87
Payroll and employee benefits payable	101,792,194.59	101,792,194.59	--
Taxes payable	34,900,717.12	34,900,717.12	--
Other payables	1,122,685,701.59	1,122,685,701.59	--
Including: Interest payable	--	--	--
Dividend payable	--	--	--
Liabilities classified as held for sale	--	--	--
Current portion of non-current liabilities	4,406,150,284.44	4,406,150,284.44	--
Other current liabilities	--	105,480,462.60	105,480,462.60
Total current liabilities	30,971,921,925.72	30,971,921,925.72	--
<b>Non-current liabilities:</b>			
Long-term borrowings	610,000.00	610,000.00	--
Bonds payable	4,026,866,666.72	4,026,866,666.72	--
Long-term payable	2,100,000.00	2,100,000.00	--
Long-term payroll and employee benefits payable	--	--	--
Provisions	90,085,674.14	90,085,674.14	--
Deferred income	577,852,101.66	577,852,101.66	--
Deferred tax liabilities	--	--	--
Other non-current liabilities	--	--	--
Total non-current liabilities	4,697,514,442.52	4,697,514,442.52	--
<b>Total liabilities</b>	<b>35,669,436,368.24</b>	<b>35,669,436,368.24</b>	--
<b>Shareholders' equity:</b>			
Share capital	5,289,389,600.00	5,289,389,600.00	--
Capital reserve	12,415,326,156.11	12,415,326,156.11	--
Other comprehensive income	1,952,319,928.42	1,952,319,928.42	--
Special reserve	--	--	--
Surplus reserve	1,729,509,055.66	1,729,509,055.66	--
Retained earnings	5,605,709,861.57	5,605,709,861.57	--
Total shareholders' equity	26,992,254,601.76	26,992,254,601.76	--
<b>Total liabilities and shareholders' equity</b>	<b>62,661,690,970.00</b>	<b>62,661,690,970.00</b>	--

## IV. Tax

### 1. Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate %
Value-added tax	Taxable Revenue	16, 13, 10, 9, 6, 5
City construction and maintenance tax	Turnover tax payable	7, 5
Education surcharge	Turnover tax payable	3
Local education surcharge	Turnover tax payable	2
Income tax	Taxable Income	25

### 2. Tax preferential benefits and approvals

On July 19, 2018, the Company obtained the high-tech enterprise certificate issued by Beijing Municipal Science and Technology Commission with the certificate number of G201811000105 and the certificate is valid for three years.

On July 19, 2018, Beijing Shougang Cold Rolling Co., Ltd., a subsidiary of the company obtained the high-tech enterprise certificate issued by Beijing Municipal Science and Technology Commission with the certificate number of G201811000419 and the certificate is valid for three years.

On November 12, 2018, Shougang Jingtang United Iron&Steel Co., Ltd., a subsidiary of the company, obtained the high-tech enterprise certificate issued by Hebei Science and Technology Commission with the certificate number of GR201813001783 and the certificate is valid for three years.

On October 30, 2019, Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd., a subsidiary of the company, obtained the high-tech enterprise certificate issued by Hebei Science and Technology Commission with the certificate number of GR201913001665 and the certificate is valid for three years.

In accordance to relevant provisions, above company could enjoy a preferential income tax rate at 15% in 2020.

Since January 1, 2019, according to Cai Shui [2019] No.13 “Notice of the State Administration of Taxation on implementing policy of tax reduction for small and low-profit enterprises”, for the part of annual taxable income less than RMB 1 million of small and low-profit enterprises, tax reduction of 25% shall be included, and then income tax shall be paid at 20%. Liuzhou Shougang Automobile Material Co., Ltd., Wuhan Shougang Automobile Material Co., Ltd., Shenyang Shougang Steel Processing and Distribution Co., Ltd., sub-subsidiary of the Company, satisfy the requirements of small and low-profit enterprise declaration and their income taxes have been declared as the policy of small and low-profit enterprise in 2019 and 2020.

## V. Notes to consolidated financial statements

### 1. Cash and Cash equivalents

Items	2020.12.31	2019.12.31
Cash on hand	35,022.81	33,137.77
Bank deposits	4,960,312,643.69	4,403,480,243.69
Including: financial companies deposited	4,951,388,949.60	4,380,537,299.65
Other monetary assets	1,332,152,174.23	1,331,605,551.46
Including: financial companies deposited	888,664,589.42	1,258,520,905.21
<b>Total</b>	<b>6,292,499,840.73</b>	<b>5,735,118,932.92</b>

Others: (1) At year ended 2020, except for RMB 1,332,152,161.49 of security deposit, the Company has no balance of cash and cash equivalents that are pledged, guaranteed or blocked frozen or overseas balances that restricted to remittance back.

(2) Bank deposits include interest receivable from deposits of RMB 433,762.88. This part of interest does not belong to "cash and cash equivalents."

### 2. Notes receivable

Items	2020.12.31		
	Book balance	Bad debt provision	Carrying value
Bank acceptance notes	475,034,038.19	475,034.04	474,559,004.15
Commercial acceptance notes	5,650,637,578.99	5,648,704.81	5,644,988,874.18
<b>Total</b>	<b>6,125,671,617.18</b>	<b>6,123,738.85</b>	<b>6,119,547,878.33</b>

Items	2019.12.31		
	Book balance	Bad debt provision	Carrying value
Bank acceptance notes	9,904,600.00	9,904.60	9,894,695.40
Commercial acceptance notes	5,334,766,593.45	5,334,366.60	5,329,432,226.85
<b>Total</b>	<b>5,344,671,193.45</b>	<b>5,344,271.20</b>	<b>5,339,326,922.25</b>

#### (1) The pledged notes receivable of the Company at the end of the year

Items	Pledged amount at the end of the year
Bank acceptance notes	--
Commercial acceptance notes	243,600,000.00
<b>Total</b>	<b>243,600,000.00</b>

(2) Outstanding endorsed or discounted notes that have not matured at the end of the year

Items	Amount derecognized at year end	Amount not-derecognized at year end
Bank acceptance notes	--	154,838,877.28
Commercial acceptance notes	--	5,193,523,382.84
<b>Total</b>	<b>--</b>	<b>5,348,362,260.12</b>

(3) Notes transferred to accounts receivable due to non-performance of the issuers at the end of the year

Items	Amount transferred to accounts receivable at the end of the year
Commercial acceptance notes	11,225,502.54

(4) Classified by bad debt provision method

Category	2020.12.31				Carrying value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Assessed bad debt provision individually	--	--	--	--	--
Assessed bad debt provision in portfolios based on credit risk characteristics	6,125,671,617.18	100.00	6,123,738.85	0.10	6,119,547,878.33
Portfolio 1	--	--	--	--	--
Portfolio 2	6,125,671,617.18	100.00	6,123,738.85	0.10	6,119,547,878.33
<b>Total</b>	<b>6,125,671,617.18</b>	<b>100.00</b>	<b>6,123,738.85</b>	<b>0.10</b>	<b>6,119,547,878.33</b>

Category	2019.12.31				Carrying value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Assessed bad debt provision individually	--	--	--	--	--
Assessed bad debt provision in portfolios based on credit risk characteristics	5,344,671,193.45	100.00	5,344,271.20	0.10	5,339,326,922.25
Portfolio 1	--	--	--	--	--
Portfolio 2	5,344,671,193.45	100.00	5,344,271.20	0.10	5,339,326,922.25
<b>Total</b>	<b>5,344,671,193.45</b>	<b>100.00</b>	<b>5,344,271.20</b>	<b>0.10</b>	<b>5,339,326,922.25</b>



(5) Provision, recovery or reversal of bad debt

Items	Bad debt provision
<b>As at 31 December 2019</b>	<b>5,344,271.20</b>
Provision	772,467.65
Other increases	7,000.00
Recovery or reversal	--
Written-off	--
<b>As at 31 December 2020</b>	<b>6,123,738.85</b>

(6) There is no notes receivable written off during the reporting period.

3. Accounts receivable

(1) Disclosed by the ageing

Ageing	2020.12.31	2019.12.31
Within 1 year	1,468,820,426.92	1,057,829,329.64
1 – 2 years	7,459,500.63	21,641,493.60
2 – 3 years	11,835,039.58	200,000.00
3 – 4 years	--	378,403.36
4 – 5 years	--	3,068,583.70
Over 5 years	5,092,031.82	4,332,428.12
<b>Subtotal</b>	<b>1,493,206,998.95</b>	<b>1,087,450,238.42</b>
Less: provision for bad debts	69,114,154.03	58,698,012.64
<b>Total</b>	<b>1,424,092,844.92</b>	<b>1,028,752,225.78</b>

(2) Disclosed by bad debt provision

Category	2020.12.31				Carrying value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Assessed bad debt provision individually	16,317,534.36	1.09	16,317,534.36	100.00	--
Assessed bad debt provision in portfolios based on credit risk characteristics	1,476,889,464.59	98.91	52,796,619.67	3.57	1,424,092,844.92
<b>Total</b>	<b>1,493,206,998.95</b>	<b>100.00</b>	<b>69,114,154.03</b>	<b>4.63</b>	<b>1,424,092,844.92</b>

Disclosed by bad debt provision (continued):

Category	2019.12.31					Carrying value
	Book balance		Bad debt provision		Expected credit loss (%)	
	Amount	Proportion (%)	Amount			
Assessed bad debt provision individually	20,829,415.18	1.92	20,829,415.18	100.00	--	
Assessed bad debt provision in portfolios based on credit risk characteristics	1,066,620,823.24	98.08	37,868,597.46	3.55	1,028,752,225.78	
<b>Total</b>	<b>1,087,450,238.42</b>	<b>100.00</b>	<b>58,698,012.64</b>	<b>5.40</b>	<b>1,028,752,225.78</b>	

Assessed bad debt provision individually:

Accounts receivable (by debtor)	2020.12.31			
	Book balance	Bad debt provision	Expected credit loss (%)	Reason for bad debts
Accounts receivable over 3 years	5,092,031.82	5,092,031.82	100.00	Long aging
Overdue recourse notes	11,225,502.54	11,225,502.54	100.00	Overdue recourse notes
<b>Total</b>	<b>16,317,534.36</b>	<b>16,317,534.36</b>	<b>100.00</b>	

Accounts receivable (by debtor)	2019.12.31			
	Book balance	Bad debt provision	Expected credit loss (%)	Reason for bad debts
Accounts receivable over 3 years	7,779,415.18	7,779,415.18	100.00	Long aging
Overdue recourse notes	13,050,000.00	13,050,000.00	100.00	Overdue recourse notes
<b>Total</b>	<b>20,829,415.18</b>	<b>20,829,415.18</b>	<b>100.00</b>	

Assessed bad debt provision in portfolios:

Items	2020.12.31		
	Accounts receivable	Bad debt provision	Expected credit loss (%)
Within 1 year	1,468,820,426.92	49,938,177.48	3.40
1 – 2 years	6,459,500.63	1,750,200.39	27.09
2 – 3 years	1,609,537.04	1,108,241.80	68.85
Over 3 years	--	--	--
<b>Total</b>	<b>1,476,889,464.59</b>	<b>52,796,619.67</b>	<b>3.57</b>

Items	2019.12.31		
	Accounts receivable	Bad debt provision	Expected credit loss (%)
Within 1 year	1,056,829,329.64	35,199,577.66	3.33
1 – 2 years	9,591,493.60	2,534,056.76	26.42
2 – 3 years	200,000.00	134,963.04	67.48
Over 3 years	--	--	--
<b>Total</b>	<b>1,066,620,823.24</b>	<b>37,868,597.46</b>	<b>3.55</b>

(3) Provision, recovery or reversal of bad debt

Items	Bad debt provision
As at 31 December 2019	58,698,012.64
Adjustment amount for the first implementation of the new revenue standards	--
As at 1 January 2020	58,698,012.64
Provision	9,291,195.46
Other increases	1,124,945.93
Recovery or reversal	--
Written-off	--
<b>As at 31 December 2020</b>	<b>69,114,154.03</b>

(4) There is no accounts receivable write-off during reporting period.

(5) The top five accounts receivable classified by debtors are as follows:

During the year, the total amount of the top five accounts receivable collected by debtors at the end of the period is RMB 630,698,400.23, accounting for 42.24% of the total amount of accounts receivable at the end of the period, and the total amount of the corresponding bad debt provision at the end of the period is RMB 21,443,008.33.

Company Name	Closing balance	Percentage of total accounts receivable %	Closing balance of bad debt provision
China FAW Group Co., Ltd.	161,838,470.78	10.84	5,502,318.82
Shougang Casey Steel Co., Ltd.	154,836,520.71	10.37	5,264,260.70
Chongqing Yongchuan Great Wall Auto Parts Co., Ltd.	154,294,684.95	10.33	5,245,838.92
Tonghua Iron and Steel Co., Ltd.	95,230,146.73	6.38	3,237,713.67
Qian'an Shoujia Construction Material Co., Ltd.	64,498,577.06	4.32	2,192,876.22
<b>Total</b>	<b>630,698,400.23</b>	<b>42.24</b>	<b>21,443,008.33</b>

#### 4. Financing receivable

Items	2020.12.31	2019.12.31
Notes receivable	4,532,592,689.43	4,031,364,764.55
Less: Other comprehensive income - fair value changes	--	--
<b>Closing balance of fair value</b>	<b>4,532,592,689.43</b>	<b>4,031,364,764.55</b>

The Company discounts and endorses most bank acceptance notes in accordance with routine fund management, therefore the bank acceptance notes are classified as financial assets at fair value through other comprehensive income.

##### (1) Classified by bad debt provision method

Category	2020.12.31				Carrying value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Assessed bad debt provision individually	--	--	--	--	--
Assessed bad debt provision in portfolios based on credit risk characteristics	4,533,499,199.26	100.00	906,509.83	0.02	4,532,592,689.43
Portfolio 1	4,533,499,199.26	100.00	906,509.83	0.02	4,532,592,689.43
Portfolio 2	--	--	--	--	--
<b>Total</b>	<b>4,533,499,199.26</b>	<b>100.00</b>	<b>906,509.83</b>	<b>0.02</b>	<b>4,532,592,689.43</b>

Category	2019.12.31				Carrying value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Assessed bad debt provision individually	--	--	--	--	--
Assessed bad debt provision in portfolios based on credit risk characteristics	4,032,171,198.78	100.00	806,434.23	0.02	4,031,364,764.55
Portfolio 1	4,032,171,198.78	100.00	806,434.23	0.02	4,031,364,764.55
Portfolio 2	--	--	--	--	--
<b>Total</b>	<b>4,032,171,198.78</b>	<b>100.00</b>	<b>806,434.23</b>	<b>0.02</b>	<b>4,031,364,764.55</b>

(2) The pledged notes receivable of the Company at the end of the year

Items	Pledged amount at the end of the year
Bank acceptance notes	347,194,514.79
Commercial acceptance notes	--
<b>Total</b>	<b>347,194,514.79</b>

(3) Outstanding endorsed or discounted notes that have not matured at the end of the year

Items	Amount derecognized at year end	Amount not-derecognized at year end
Bank acceptance notes	21,355,756,712.24	--
Commercial acceptance notes	--	--
<b>Total</b>	<b>21,355,756,712.24</b>	<b>--</b>

(4) Provision, recovery or reversal of bad debt

Items	Bad debt provision
As at 31 December 2019	806,434.23
Adjustment amount for the first implementation of the new revenue standards	--
As at 1 January 2020	806,434.23
Provision	95,952.27
Other increases	4,123.33
Recovery or reversal	--
Written-off	--
<b>As at 31 December 2020</b>	<b>906,509.83</b>

5. Prepayments

(1) Disclosed by the ageing of prepayments

Ageing	2020.12.31		2019.12.31	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	334,913,340.57	95.05	2,084,377,177.59	98.46
1 – 2 years	14,309,245.03	4.06	11,584,402.81	0.55
2 – 3 years	90,350.00	0.03	18,527,338.18	0.88
Over 3 years	3,042,606.90	0.86	2,287,961.22	0.11
<b>Total</b>	<b>352,355,542.50</b>	<b>100.00</b>	<b>2,116,776,879.80</b>	<b>100.00</b>

(2) The top five prepayments classified by debtors are as follows:

During the year, the total amount of the top five prepayments classified by debtors at the end of the period is RMB 214,789,838.66, accounting for 60.97% of the total amount of prepayments at the end of the period.

Company Name	Closing balance	Percentage of total prepayments %
Tangshan Caofeidian Ganglian Logistics Co., Ltd.	78,104,980.76	22.17
Tianjin Jintie Xincheng Freight Forwarding Co., Ltd.	38,851,194.40	11.03
Tangshan Freight Center of China Railway Beijing Bureau Group Co., Ltd.	37,695,772.20	10.70
HBIS Beijing International Trade Co., Ltd.	35,591,893.20	10.10
Hangzhou Steam Turbine Co., Ltd.	24,545,998.10	6.97
<b>Total</b>	<b>214,789,838.66</b>	<b>60.97</b>

6. Other receivables

Items	2020.12.31	2019.12.31
Interest receivable	--	--
Dividends receivable	4,892,288.48	2,754,886.56
Other receivables	17,002,958.09	21,274,788.28
<b>Total</b>	<b>21,895,246.57</b>	<b>24,029,674.84</b>

(1) Dividends receivable

Items	2020.12.31	2019.12.31
Hebei Jingji Industry & Trading Co., Ltd.	4,892,288.48	2,754,886.56
Less: bad debt provision	--	--
<b>Total</b>	<b>4,892,288.48</b>	<b>2,754,886.56</b>

Significant dividends receivable aged over 1 year:

Item	Closing balance	Aging	Reason for not receivable	Any impairment and basis of judgement?
Hebei Jingji Industry & Trading Co., Ltd.	2,754,886.56	2 – 3 years	financial constraint	No

(2) Other receivables

① Disclosed by the ageing of other receivables

Ageing	2020.12.31	2019.12.31
Within 1 year	12,915,931.37	19,331,650.24
1 – 2 years	1,922,905.13	2,169,797.28
2 – 3 years	2,883,929.31	657,701.80
3 – 4 years	722,708.47	2,705,793.91
4 – 5 years	2,705,793.91	1,400.00
Over 5 years	3,916,737.20	1,272,979.79
<b>Subtotal</b>	<b>25,068,005.39</b>	<b>26,139,323.02</b>
Less: provision for bad debts	8,065,047.30	4,864,534.74
<b>Total</b>	<b>17,002,958.09</b>	<b>21,274,788.28</b>

② Disclosed by nature of other receivables

Items	2020.12.31			2019.12.31		
	Closing balance	Provision for bad debts	Carrying value	Closing balance	Provision for bad debts	Carrying value
Petty cash	4,090,770.93	1,118,251.50	2,972,519.43	11,148,267.69	1,798,253.00	9,350,014.69
Deposits	12,043,324.63	760,547.45	11,282,777.18	5,538,381.40	306,040.00	5,232,341.40
Due from other companies	6,112,572.23	3,364,910.75	2,747,661.48	7,147,624.33	455,192.14	6,692,432.19
Court debit	2,821,337.60	2,821,337.60	--	2,305,049.60	2,305,049.60	--
<b>Total</b>	<b>25,068,005.39</b>	<b>8,065,047.30</b>	<b>17,002,958.09</b>	<b>26,139,323.02</b>	<b>4,864,534.74</b>	<b>21,274,788.28</b>

③ Provision for bad debts

As at 31.12.2020, Phase I bad debts provision:

Category	Book balance	Expected credit loss within 12 months (%)	Provision for bad debts	Carrying value	Reason for bad debts
Assessed bad debt provision individually	--	--	--	--	
Assessed bad debt provision in portfolios	12,399,643.37	5.00	619,982.18	11,779,661.19	
Petty cash and deposits	11,001,515.86	5.00	550,075.80	10,451,440.06	
Due from other companies	1,398,127.51	5.00	69,906.38	1,328,221.13	
<b>Total</b>	<b>12,399,643.37</b>	<b>5.00</b>	<b>619,982.18</b>	<b>11,779,661.19</b>	

As at 31.12.2020, Phase II bad debts provision:

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Category	Book balance	Expected credit loss within the lifetime (%)	Provision for bad debts	Carrying value	Reason for bad debts
Assessed bad debt provision individually	--	--	--	--	
Assessed bad debt provision in portfolios	5,930,287.22	11.92	706,990.32	5,223,296.90	
Petty cash and deposits	4,261,523.91	10.74	457,667.37	3,803,856.54	
Due from other companies	1,668,763.31	14.94	249,322.95	1,419,440.36	
<b>Total</b>	<b>5,930,287.22</b>	<b>11.92</b>	<b>706,990.32</b>	<b>5,223,296.90</b>	

As at 31.12.2020, Phase III bad debts provision:

Category	Book balance	Expected credit loss over the lifetime (%)	Provision for bad debts	Carrying value	Reason for bad debts
Assessed bad debt provision individually					
Yinchuan Intermediate People's Court	516,288.00	100.00	516,288.00	--	
People's Court of Muye District, Xinxiang City, Henan Province	2,305,049.60	100.00	2,305,049.60	--	
Petty cash over 5 years	871,055.79	100.00	871,055.79	--	
Due from other companies over 5 years	3,045,681.41	100.00	3,045,681.41	--	
<b>Total</b>	<b>6,738,074.80</b>	<b>100.00</b>	<b>6,738,074.80</b>	<b>--</b>	

④ Provision, recovery or reversal of bad debt

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit loss within 12 months	Expected credit loss over the lifetime (no credit impairment)	Expected credit loss over the lifetime (credit impairment occurred)	
As at 31 December 2019	966,582.52	319,922.83	3,578,029.39	4,864,534.74
Changes during the year	--	--	--	--
-- Shift to Phase II	--	--	--	--
-- Shift to Phase III	--	--	--	--
-- Back to Phase II	--	--	--	--
-- Back to Phase I	--	--	--	--
Provision	--	381,565.39	1,160,045.41	1,541,610.80
Reversal	350,539.92	--	--	350,539.92
Converse	--	--	--	--
Written-off	--	--	--	--
Other movements	3,939.58	5,502.10	2,000,000.00	2,009,441.68
As at 31 December 2020	619,982.18	706,990.32	6,738,074.80	8,065,047.30



⑤ There is no write-off of provision for bad debts during reporting period.

⑥ The top five other receivables classified by debtors are as follows:

Company Name	Nature	Closing balance	Ageing	Percentage of total other receivable (%)	Closing balance of bad debt provision
BMW Brilliance Automobile Co. Ltd	Security fund	6,000,000.00	Within 1 year	23.93	300,000.00
Petty cash	Petty cash	4,090,770.93	1-5 years	16.32	1,118,251.50
People's Court of Muye District, Xinxiang City, Henan Province	Court debit	2,305,049.60	4-5 years	9.20	2,305,049.60
Due from other companies over 5 years	Due from trading	2,000,000.00	over 5 years	7.98	2,000,000.00
Hangzhou Bay New District Investment and Cooperation Bureau	Security fund	1,750,000.00	2-3 years	6.98	175,000.00
<b>Total</b>		<b>16,145,820.53</b>		<b>64.41</b>	<b>5,898,301.10</b>

## 7. Inventories

### (1) Classification of inventories

Items	2020.12.31			2019.12.31		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials	3,086,100,265.11	61,148,560.44	3,024,951,704.67	2,328,192,464.30	59,379,927.89	2,268,812,536.41
Finished goods	3,697,587,429.50	47,273,967.29	3,650,313,462.21	3,092,680,122.49	19,597,406.71	3,073,082,715.78
Consumables	792,185,183.43	--	792,185,183.43	689,138,709.15	--	689,138,709.15
Self-made semi-finished goods	3,132,280,701.97	--	3,132,280,701.97	2,756,791,138.59	--	2,756,791,138.59
<b>Total</b>	<b>10,708,153,580.01</b>	<b>108,422,527.73</b>	<b>10,599,731,052.28</b>	<b>8,866,802,434.53</b>	<b>78,977,334.60</b>	<b>8,787,825,099.93</b>

### (2) Provision for impairment

Items	2020.01.01	Increase		Decrease		2020.12.31
		Provision	Others	Reversal or Write-off	Others	
Raw materials	59,379,927.89	--	2,392,418.96	623,786.41	--	61,148,560.44
Finished goods	19,597,406.71	156,492,924.46	--	128,816,363.88	--	47,273,967.29
<b>Total</b>	<b>78,977,334.60</b>	<b>156,492,924.46</b>	<b>2,392,418.96</b>	<b>129,440,150.29</b>	<b>--</b>	<b>108,422,527.73</b>

Note:

① Net realizable value of inventories is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes.

②Due to the recovery of realizable value and the cost of product sales transferred into profit and loss, the reversal or write-off of impairment provision is recognized during reporting period.

8. Other current assets

<b>Items</b>	<b>2020.12.31</b>	<b>2019.12.31</b>
Input value added tax	128,761,143.08	95,559,782.81
Input value added tax to be certified	329,157,513.74	225,075,333.39
Prepaid income tax	15,705,110.79	34,487,970.27
Entrusted Loans	245,455,297.98	229,012,500.00
<b>Total</b>	<b>719,079,065.59</b>	<b>584,135,586.47</b>

9. Long-term equity investments

Company Name	2019.12.31	Movements during the year								2020.12.31	Impairment at the end of the year
		Additional investment	Reduce investment	Investment gains and losses confirmed under the equity method	Adjustment of other comprehensive income	Other equity movement	Cash dividend or profit declared	Provision for impairment	Others		
①Joint ventures											
Tangshan Guoxing Industrial Co., Ltd.	28,715,716.25	--	--	4,195,288.69	--	--	--	--	--	32,911,004.94	--
Tangshan Zhonghong Carbon Chemical Co., Ltd.	119,388,108.81	--	--	-10,637,177.51	--	--	--	--	--	108,750,931.30	--
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	1,067,180,716.78	--	--	40,242,584.44	--	113,063.75	20,000,000.00	--	--	1,087,536,364.97	--
<b>Subtotal</b>	<b>1,215,284,541.84</b>	<b>--</b>	<b>--</b>	<b>33,800,695.62</b>	<b>--</b>	<b>113,063.75</b>	<b>20,000,000.00</b>	<b>--</b>	<b>--</b>	<b>1,229,198,301.21</b>	<b>--</b>
②Associates											
Tangshan Tangcao Railway Co., Ltd.	450,000,000.00	--	--	--	--	--	--	--	--	450,000,000.00	--
Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.	77,781,314.51	--	--	9,464,187.90	--	--	3,750,000.00	--	--	83,495,502.41	--
Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	991,143,793.18	--	--	110,663,604.37	--	--	149,460,000.00	--	--	952,347,397.55	--
Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership)	203,826,594.33	--	--	227,976,094.59	--	--	--	--	--	431,802,688.92	--
Beijing Dingshengcheng Packaging Materials Co., Ltd.	10,480,287.86	--	--	900,217.19	--	--	--	--	--	11,380,505.05	--

## Beijing Shougang Co. Ltd

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Ningbo Shougang Zhejin Steel Co., Ltd.	20,182,630.87	--	--	454,110.50	--	--	--	--	--	20,636,741.37	--
Guangzhou Jinghai Shipping Co., Ltd.	31,099,675.06	--	--	456,359.47	--	-1,053.78	1,000,000.00	--	--	30,554,980.75	--
Shougang (Qingdao) Steel Industry Co., Ltd.	44,332,373.23	--	--	1,943,349.58	--	--	--	--	--	46,275,722.81	--
Guangdong Shougang Zhongshan Metal Steel Processing&Distribut ion Co., Ltd.	14,090,479.43	--	--	3,008,396.53	--	--	--	--	--	17,098,875.96	--
Ordos Baotou Steel Shourui Material Technology Co., Ltd.	42,309,267.30	--	--	-3,297,886.33	--	--	--	--	--	39,011,380.97	--
Tianjin Shougang Steel Processing&Distribut ion Co., Ltd.	30,218,337.05	--	--	-7,189,068.55	--	--	--	--	--	23,029,268.50	--
Hebei Jingji Industry & Trading Co., Ltd.	7,116,081.91	--	--	1,398,119.27	--	--	2,137,401.92	--	--	6,376,799.26	--
Subtotal	1,922,580,834.73	--	--	345,777,484.52	--	-1,053.78	156,347,401.92	--	--	2,112,009,863.55	--
<b>Total</b>	<b>3,137,865,376.57</b>	--	--	<b>379,578,180.14</b>	--	<b>112,009.97</b>	<b>176,347,401.92</b>	--	--	<b>3,341,208,164.76</b>	--

## 10. Other equity instrument investments

Items	2020.12.31	2019.12.31
BAIC Motor Corporation	--	4,197,294,724.56
Beijing TIEKE Shougang RAILWAY-TECH Co., Ltd.	245,378,470.24	104,600,000.00
Minmetals Special Steel (Dongguan) Co., Ltd.	3,442,862.75	3,603,144.85
Qian'an Shoujia Construction Material Co., Ltd.	10,923,584.79	36,270,355.98
Qian'an PetroChina Kunlun Gas Co., Ltd.	10,550,949.94	9,882,348.98
Minmetals Tianwei Steel Co., Ltd.	5,950,818.84	5,867,352.97
<b>Total</b>	<b>276,246,686.56</b>	<b>4,357,517,927.34</b>

Items	Dividend recognized during the year	Accumulated gain	Accumulated loss	Other comprehensive income transferred to retained earnings	Reasons
BAIC Motor Corporation	174,887,280.19	--	--	2,004,210,207.82	
Beijing TIEKE Shougang RAILWAY-TECH Co., Ltd.	1,124,960.00	235,677,270.24	--	--	
Minmetals Special Steel (Dongguan) Co., Ltd.	--	--	1,557,137.25	--	
Qian'an Shoujia Construction Material Co., Ltd.	--	--	11,942,790.21	--	
Qian'an PetroChina Kunlun Gas Co., Ltd.	1,769,049.80	8,750,949.94	--	--	
Minmetals Tianwei Steel Co., Ltd.	--	--	1,269,181.16	--	
<b>Total</b>	<b>177,781,289.99</b>	<b>244,428,220.18</b>	<b>14,769,108.62</b>	<b>2,004,210,207.82</b>	

## 11. Fixed assets

Items	2020.12.31	2019.12.31
Fixed assets	96,220,769,301.39	83,287,788,722.90
Fixed assets to be disposed	--	--
<b>Total</b>	<b>96,220,769,301.39</b>	<b>83,287,788,722.90</b>

Beijing Shougang Co. Ltd  
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Fixed assets

① Details of fixed assets

Items	Plant and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Industrial furnace	Metallurgical equipment	Other tools	Total
Cost:								
1. At 31 December 2019	29,515,263,731.98	24,337,126,503.27	1,813,929,908.64	5,815,964,526.42	479,457,407.73	70,184,082,097.46	292,924,362.63	132,438,748,538.13
2. Increase	5,776,467,873.94	14,281,984,650.05	474,992,827.84	2,682,226,067.15	121,213,670.23	-4,779,561,250.43	810,500,228.01	19,367,824,066.79
(1) Purchase	46,381,681.33	23,863,687.12	6,464,914.34	4,027,831.00	--	20,284,872.64	3,598,354.31	104,621,340.74
(2) Transferred from construction in progress	5,516,842,307.16	9,905,865,890.68	408,059,645.90	1,016,575,558.32	121,213,670.23	2,166,851,345.08	126,757,560.85	19,262,165,978.22
(3) Increase from business combination	--	34,395.58	748,863.44	--	--	--	253,488.81	1,036,747.83
(4) Other increase	213,243,885.45	4,352,220,676.67	59,719,404.16	1,661,622,677.83	--	-6,966,697,468.15	679,890,824.04	--
3. Decrease	--	42,179,852.60	9,921,944.83	5,334,752.31	--	--	216,625.35	57,653,175.09
(1) Disposal or retirement	--	135,068.87	9,921,944.83	5,334,752.31	--	--	216,625.35	15,608,391.36
(2) Other decrease	--	42,044,783.73	--	--	--	--	--	42,044,783.73
4. At 31 December 2020	35,291,731,605.92	38,576,931,300.72	2,279,000,791.65	8,492,855,841.26	600,671,077.96	65,404,520,847.03	1,103,207,965.29	151,748,919,429.83
Accumulated depreciation:								
1. At 31 December 2019	7,463,293,552.89	10,378,282,315.44	1,326,237,077.25	3,094,935,638.98	309,694,325.37	26,482,548,620.93	95,968,284.37	49,150,959,815.23
2. Increase	1,067,837,374.83	2,351,651,059.92	110,988,659.15	1,360,335,580.00	21,980,989.47	1,295,972,331.00	197,666,074.19	6,406,432,068.56
(1) Depreciation	945,702,608.91	1,535,273,675.83	93,552,020.56	504,479,723.46	21,980,989.47	3,286,284,275.70	19,158,774.63	6,406,432,068.56
(2) Other increase	122,134,765.92	816,377,384.09	17,436,638.59	855,855,856.54	--	-1,990,311,944.70	178,507,299.56	--

Beijing Shougang Co. Ltd  
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Items	Plant and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Industrial furnace	Metallurgical equipment	Other tools	Total
3. Decrease	--	14,704,463.78	9,376,046.27	4,956,894.64	--	--	204,350.66	29,241,755.35
(1) Disposal or retirement	--	45,585.90	9,376,046.27	4,956,894.64	--	--	204,350.66	14,582,877.47
(2) Other decrease	--	14,658,877.88	--	--	--	--	--	14,658,877.88
4. At 31 December 2020	8,531,130,927.72	12,715,228,911.58	1,427,849,690.13	4,450,314,324.34	331,675,314.84	27,778,520,951.93	293,430,007.90	55,528,150,128.44
Impairment								
1. At 31 December 2019	--	--	--	--	--	--	--	--
2. Increase	--	--	--	--	--	--	--	--
3. Decrease	--	--	--	--	--	--	--	--
4. At 31 December 2020	--	--	--	--	--	--	--	--
Carrying value								
1. 31 December 2020	26,760,600,678.20	25,861,702,389.14	851,151,101.52	4,042,541,516.92	268,995,763.12	37,625,999,895.10	809,777,957.39	96,220,769,301.39
2. 31 December 2019	22,051,970,179.09	13,958,844,187.83	487,692,831.39	2,721,028,887.44	169,763,082.36	43,701,533,476.53	196,956,078.26	83,287,788,722.90

- ②As of 31 December 2020, there is no temporarily idle fixed asset.
- ③As of 31 December 2020, there is no fixed asset acquired under finance lease.
- ④As of 31 December 2020, there is no fixed asset leased out under operating lease.
- ⑤Fixed assets pending certificates of ownership

Items	Carrying value	Reasons for pending certificates
Building of Beijing Shougang Cold Rolling Co., Ltd.	34,888,371.00	Property certificate is in the process
Building of Shougang Jingtang United Iron & Steel Co., Ltd.	10,517,585,211.34	To be handled after completing the relevant procedures of the occupied phase I project land
Building of Beijing Shougang Steel Trading Investment Management Co., Ltd.	138,218,907.26	Property certificate is in the process

## 12. Construction in progress

Items	2020.12.31	2019.12.31
Construction in progress	7,895,623,444.81	24,632,761,905.24
Construction materials	401,558,503.81	793,534,232.55
<b>Total</b>	<b>8,297,181,948.62</b>	<b>25,426,296,137.79</b>

### (1) Construction in progress

#### ①Details of construction in progress

Items	2020.12.31			2019.12.31		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Jingtang Co. Phase-I project	2,408,662,882.37	--	2,408,662,882.37	2,757,346,793.01	--	2,757,346,793.01
Jingtang Co. Phase-II project	1,366,399,728.62	--	1,366,399,728.62	16,800,493,905.29	--	16,800,493,905.29
Qiangang Co. auxiliary project	--	--	--	1,103,301,808.22	--	1,103,301,808.22
Other projects	4,120,560,833.82	--	4,120,560,833.82	3,971,619,398.72	--	3,971,619,398.72
<b>Total</b>	<b>7,895,623,444.81</b>	<b>--</b>	<b>7,895,623,444.81</b>	<b>24,632,761,905.24</b>	<b>--</b>	<b>24,632,761,905.24</b>

#### ②The major construction projects in progress are as follows (in RMB 0'000):

Project name	2019.12.31	Additions	Transferred to fixed assets	Other deduction	Accumulated interest capitalization	Capitalized Interest during reporting year	% of interest capitalization	2020.12.31
Jingtang Co. Phase-II project	1,680,049.39	161,239.65	1,508,077.33	196,571.74	--	49,910.04	4.62	136,639.97



The major construction projects in progress are as follows (continued): (Unit: RMB hundred million)

Project name	The proportion of project		Progress (%)	Source of fund
	Budget	investment account for budget %		
Jingtang Co.- Phase-II project	238.77	95.43	Main production line has been transferred to fixed assets, others are under commissioning	Self-raised

③As of 31 December 2020, there is no provision for impairment of construction in progress.

## (2) Construction materials

Items	2020.12.31	2019.12.31
Specific materials	45,008,729.80	190,995,418.57
Specific equipments	356,549,774.01	602,538,813.98
<b>Subtotal</b>	<b>401,558,503.81</b>	<b>793,534,232.55</b>
Provision for impairment of construction materials	--	--
<b>Total</b>	<b>401,558,503.81</b>	<b>793,534,232.55</b>

## 13. Intangible assets

### Details of intangible assets

Items	Software	Land use rights	Total
Cost			
1. At 31 December 2019	123,666,818.21	3,501,841,639.42	3,625,508,457.63
2. Increase	252,492,688.75	987,159,762.69	1,239,652,451.44
(1) Purchase	11,825,471.70	--	11,825,471.70
(2) Transferred from construction in progress	240,481,567.26	987,159,762.69	1,227,641,329.95
(3) Increase from business combination	185,649.79	--	185,649.79
3. Decrease	14,782.91	--	14,782.91
Disposal	14,782.91	--	14,782.91
4. At 31 December 2020	376,144,724.05	4,489,001,402.11	4,865,146,126.16
Accumulated amortization			
1. At 31 December 2019	59,905,581.68	638,476,816.66	698,382,398.34
2. Increase	19,729,013.66	91,762,361.28	111,491,374.94
Provision	19,729,013.66	91,762,361.28	111,491,374.94
3. Decrease	7,514.61	--	7,514.61

Items	Software	Land use rights	Total
Disposal	7,514.61	--	7,514.61
4. At 31 December 2020	79,627,080.73	730,239,177.94	809,866,258.67
Impairment			
1. At 31 December 2019	--	--	--
2. Increase	--	--	--
3. Decrease	--	--	--
4. At 31 December 2020	--	--	--
Carrying value			
1. 31 December 2020	296,517,643.32	3,758,762,224.17	4,055,279,867.49
2. 31 December 2019	63,761,236.53	2,863,364,822.76	2,927,126,059.29

#### 14. Long-term prepaid expenses

Item	2019.12.31	Increase	Decrease		2020.12.31
			Amortization	Others	
Renovation costs	1,100,021.04	387,571.07	365,531.66	--	1,122,060.45

#### 15. Deferred income tax assets and deferred income tax liabilities

##### (1) Deferred income tax assets and deferred income tax liabilities without offsetting

Items	2020.12.31		2019.12.31	
	Deductible/taxable temporary differences	Deferred tax assets/liabilities	Deductible/taxable temporary differences	Deferred tax assets/liabilities
<b>Deferred tax assets:</b>				
Asset impairment provision	180,255,923.00	29,932,810.24	138,304,544.01	22,895,507.18
The actual payment amount of payroll payable less than the withdrawal amount	11,860,973.73	1,779,146.06	11,920,536.11	1,788,080.42
Defferred income	231,572,159.49	35,170,511.45	215,965,473.99	32,853,493.78
Asset amortization difference	8,225,748.90	1,233,862.32	10,029,230.35	1,504,384.53
Unrealized internal transaction	244,850,723.70	36,727,608.55	189,374,005.54	28,406,100.82
Joint commissioning cost	287,056,216.51	43,058,432.48	--	--
<b>Subtotal</b>	<b>963,821,745.33</b>	<b>147,902,371.10</b>	<b>565,593,790.00</b>	<b>87,447,566.73</b>
<b>Deferred tax liabilities:</b>				
Joint commissioning cost	1,264,022,611.00	189,603,391.65	1,707,365,518.43	256,104,827.73
Changes in fair value of in other equity instruments investments	229,659,111.56	34,448,866.74	2,296,846,974.63	344,527,046.21

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Return on investment realized by the partnership	227,976,094.59	34,196,414.19	--	--
<b>Subtotal</b>	<b>1,721,657,817.15</b>	<b>258,248,672.58</b>	<b>4,004,212,493.06</b>	<b>600,631,873.94</b>

(2) Details of unrecognized deferred tax assets from deductible temporary differences and deductible tax losses:

Items	2020.12.31	2019.12.31
Deductible temporary differences	82,690,128.78	49,837,698.23
Deductible tax losses	655,600,345.27	1,751,474,549.76
<b>Total</b>	<b>738,290,474.05</b>	<b>1,801,312,247.99</b>

(3) Unrecognized deferred tax liabilities from deductible tax losses will expire in the following years:

Years	2020.12.31	2019.12.31	Note
2020	—	1,124,331,528.68	
2021	522,048,520.82	523,333,244.38	
2022	34,487,825.76	36,829,887.95	
2023	35,278,200.93	36,315,575.20	
2024	34,995,102.07	30,664,313.55	
2025	28,790,695.69	—	
<b>Total</b>	<b>655,600,345.27</b>	<b>1,751,474,549.76</b>	

#### 16. Other non-current assets

Item	Closing balance	Opening balance
Phase II coking project	1,965,717,410.38	--

#### 17. Short-term loans

##### Classification of short-term loans

Items	2020.12.31	2019.12.31
Pledged loans	59,260,000.00	--
Guaranteed loans	7,736,984,828.91	8,809,731,733.54
Unsecured loans	15,916,146,611.34	21,483,489,431.88
<b>Total</b>	<b>23,712,391,440.25</b>	<b>30,293,221,165.42</b>

Note: The loan of RMB 59,260,000.00 is pledged by a discounted but unmatured and non-terminatingly recognized note with a carrying value of RMB 59,260,000.00.

## 18. Notes payable

Item	2020.12.31	2019.12.31
Commercial acceptance notes	6,648,310,000.00	6,723,732,295.34
Bank acceptances	156,500,000.00	206,542,275.20
<b>Total</b>	<b>6,804,810,000.00</b>	<b>6,930,274,570.54</b>

## 19. Accounts payable

Items	2020.12.31	2019.12.31
Payables for goods	21,105,550,686.36	19,980,005,212.70
Payables for construction	5,433,803,694.32	4,106,157,596.17
<b>Total</b>	<b>26,539,354,380.68</b>	<b>24,086,162,808.87</b>

Among which, the material trade payables aged over one year was as follows:

Company name	Closing balance	Reason for non-settlement
Tangshan Shougang Baoye Iron&Steel Co., Ltd.	204,705,446.75	In the execution
Beijing Shougang Mining Investment Co., Ltd	175,708,332.43	In the execution
Beijing Shougang Special Steel Co., Ltd.	101,949,940.33	In the execution
Beijing Teyu Plate Co., Ltd.	81,284,004.50	In the execution
Beijing Shougang Resources Comprehensive Utilization Technology Development Co., Ltd.	70,690,426.64	In the execution
<b>Total</b>	<b>634,338,150.65</b>	

## 20. Advances from customers

Item	2020.12.31	2019.12.31
Advances from customers	—	4,461,511,152.40

## 21. Contract liability

Items	2020.12.31	2020.01.01	2019.12.31
Advance from product sales	4,659,444,741.25	3,948,239,957.88	—
Less: contractual liabilities included in other non-current liabilities	--	--	—
<b>Total</b>	<b>4,659,444,741.25</b>	<b>3,948,239,957.88</b>	—

## 22. Payroll and employee benefits payable

Items	2019.12.31	Increase	Decrease	2020.12.31
Short-term employee benefits	357,405,193.28	3,574,851,106.36	3,478,607,215.78	453,649,083.86
Post-employment benefits (defined contribution plans)	20,486,188.38	142,031,191.84	149,847,082.06	12,670,298.16
Termination benefits	--	34,378,115.22	34,378,115.22	--
Other retirement benefits due within one year	--	--	--	--
<b>Total</b>	<b>377,891,381.66</b>	<b>3,751,260,413.42</b>	<b>3,662,832,413.06</b>	<b>466,319,382.02</b>

### (1) Short-term employee benefits

Items	2019.12.31	Increase during the year	Decrease during the year	2020.12.31
Salaries, bonuses and subsidies	64,699,124.89	2,724,956,455.39	2,669,419,234.09	120,236,346.19
Welfare	--	244,188,810.23	244,188,810.23	--
Social insurance	100,559,631.13	218,352,522.11	195,681,441.81	123,230,711.43
Including:				
1. Medical insurance	99,786,790.80	204,425,664.29	181,093,458.86	123,118,996.23
2. Work-related injury insurance	299,155.00	13,663,812.68	13,881,506.48	81,461.20
3. Maternity insurance	473,685.33	263,045.14	706,476.47	30,254.00
Housing fund	--	286,507,192.76	286,461,505.76	45,687.00
Labor union fee and employee education fee	192,121,282.79	100,198,830.47	82,208,928.49	210,111,184.77
employee education fee				
Short-term paid absences	--	--	--	--
Short-term profit-sharing plan	--	--	--	--
Non-monetary benefits	--	--	--	--
Other short-term employee benefits	25,154.47	647,295.40	647,295.40	25,154.47
<b>Total</b>	<b>357,405,193.28</b>	<b>3,574,851,106.36</b>	<b>3,478,607,215.78</b>	<b>453,649,083.86</b>

### (2) Defined contribution plans

Items	2019.12.31	Increase	Decrease	2020.12.31
Post-employment benefits				
Including:				
1. Pension insurance	8,144,353.83	135,839,460.11	143,229,336.84	754,477.10
2. Unemployment insurance	12,341,834.55	6,191,731.73	6,617,745.22	11,915,821.06
<b>Total</b>	<b>20,486,188.38</b>	<b>142,031,191.84</b>	<b>149,847,082.06</b>	<b>12,670,298.16</b>

(3) Termination benefits

Item		2019.12.31	Increase	Decrease	2020.12.31
Compensation resettlement	for employee	--	34,378,115.22	34,378,115.22	--

23. Taxes payable

Items	2020.12.31	2019.12.31
Value-added tax	328,419,753.24	66,276,854.64
City construction and maintenance tax	8,219,107.89	4,437,451.61
Corporate income tax	204,377,308.95	21,725,069.02
Land use tax	440,536.03	440,536.03
Real estate tax	662,892.50	1,954,766.35
Education surcharge	6,378,667.56	3,185,825.91
Resource tax	8,728,760.60	4,327,645.80
Stamp duty	4,264,130.68	1,760,497.00
Individual income tax	2,817,099.40	1,720,025.93
Environment protection tax	8,226,691.30	8,568,606.28
Other taxes	105,907.85	4,417.27
<b>Total</b>	<b>572,640,856.00</b>	<b>114,401,695.84</b>

24. Other payables

Items	2020.12.31	2019.12.31
Other payables	2,104,822,314.59	2,271,088,907.26

Other payables

Items	2020.12.31	2019.12.31
Deposits	6,832,124.47	7,495,926.88
Guarantee	342,057,412.19	68,653,103.45
Due from other companies	568,204,855.05	517,040,586.18
Due from companies of Shougang Group	1,187,727,922.88	1,677,899,290.75
<b>Total</b>	<b>2,104,822,314.59</b>	<b>2,271,088,907.26</b>

Among which, the material other payables aged over one year was as follows:

Company name	Amount due	Reason for non-settlement
Tangshan Shougang Baoye Iron&Steel Co., Ltd.	86,147,428.50	In the execution

## 25. Current portion of non-current liabilities

Items	2020.12.31	2019.12.31
Long-term loans due within one year	7,216,108,822.29	6,400,574,401.68
Bonds payable due within one year	4,055,334,722.33	3,000,000,000.00
Long-term payables due within one year	1,679,840.43	--
<b>Total</b>	<b>11,273,123,385.05</b>	<b>9,400,574,401.68</b>

### (1) Long-term loans due within one year

Items	2020.12.31	2019.12.31
Guaranteed loans	2,216,958,333.34	1,314,131,944.44
Unsecured loans	4,999,150,488.95	5,086,442,457.24
<b>Total</b>	<b>7,216,108,822.29</b>	<b>6,400,574,401.68</b>

### (2) Bonds payable due within one year

Bond name	Par Value	Issue date	Term to maturity	Amount on offer
Zhongshixiezhu No.[2015] MTN688	2,000,000,000.00	2016/11/3	5 years	2,000,000,000.00
Zhongshixiezhu No.[2015] MTN692	2,000,000,000.00	2016/11/3	5 years	2,000,000,000.00
<b>Subtotal</b>	<b>4,000,000,000.00</b>			<b>4,000,000,000.00</b>

### Bonds payable due within one year (continued)

Bond name	2019.12.31	Current year issuance	Accrued interest by par value	Amortisation of discount	Current year repayment	2020.12.31
Zhongshixiezhu No.[2015] MTN688	2,513,366,666.72	2,000,000,000.00	205,200,000.04	--	2,705,200,000.00	2,013,366,666.76
Zhongshixiezhu No.[2015] MTN692	513,500,000.00	2,000,000,000.00	106,400,000.00	--	606,400,000.00	2,013,500,000.00
20 shouqian 01	--	--	28,468,055.57	--	--	28,468,055.57
<b>Total</b>	<b>3,026,866,666.72</b>	<b>4,000,000,000.00</b>	<b>340,068,055.61</b>	<b>--</b>	<b>3,311,600,000.00</b>	<b>4,055,334,722.33</b>

### (3) Long-term payables due within one year

Items	2020.12.31	2019.12.31
Finance lease payables	1,679,840.43	--

## 26. Other current liabilities

Items	2020.12.31	2019.12.31
Short-term bonds payable	501,195,000.00	--
Tax to be exported	605,727,816.36	--
<b>Total</b>	<b>1,106,922,816.36</b>	<b>--</b>

### Short-term bonds payable:

Bond name	Nominal value	Issue date	Maturity of bond	Issue amount
SCP	500,000,000.00	2020/11/26	110 days	500,000,000.00

### Short-term Bonds Payable (Continued)

Bond name	2019.12.31	Issued during current period	Interest accrued per nominal value	Amortization of premium and discount	Repaid in the current period	2020.12.31
SCP	--	500,000,000.00	1,195,000.00	--	--	501,195,000.00

## 27. Long-term loans

Items	2020.12.31	Range of interest rate	2019.12.31	Range of interest rate
Guaranteed loans	12,016,958,333.34	4.75%-4.90%	10,814,131,944.44	3.8%-4.90%
Unsecured loans	15,838,450,488.95	3.5%-4.90%	14,687,542,457.24	4.41%-4.90%
<b>Subtotal</b>	<b>27,855,408,822.29</b>		<b>25,501,674,401.68</b>	
Less: Long-term loans due within one year	7,216,108,822.29	3.5%-4.90%	6,400,574,401.68	4.41%-4.75%
<b>Total</b>	<b>20,639,300,000.00</b>		<b>19,101,100,000.00</b>	

## 28. Bonds payable

Item	2020.12.31	2019.12.31
Common bond	2,500,000,000.00	4,026,866,666.72

### Increase or decrease in bonds payable

Bond name	Par value	Issue date	Term to maturity	Amount on offer
Zhongshixie zhu No.[2015] MTN688	2,000,000,000.00	2016/11/3	5 years	2,000,000,000.00
Zhongshixie zhu No.[2015] MTN692	2,000,000,000.00	2016/11/3	5 years	2,000,000,000.00
20 shouqian 01	2,500,000,000.00	2020/9/17	5 years	2,500,000,000.00
<b>Subtotal</b>	<b>6,500,000,000.00</b>			<b>6,500,000,000.00</b>

### Bonds payable (continued)



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Bond name	2019.12.31	Current year issuance	Accrued interest by par value	Amortisation of discount	Current year repayment	2020.12.31
Zhongshixie zhu No.[2015] MTN688	4,513,433,333.38	--	205,200,000.04	--	2,705,200,000.00	2,013,433,333.42
Zhongshixie zhu No.[2015] MTN692	2,513,433,333.34	--	106,400,000.00	--	606,400,000.00	2,013,433,333.34
20 shouqian 01	--	2,500,000,000.00	28,468,055.57	--	--	2,528,468,055.57
<b>Subtotal</b>	<b>7,026,866,666.72</b>	<b>2,500,000,000.00</b>	<b>340,068,055.61</b>	<b>--</b>	<b>3,311,600,000.00</b>	<b>6,555,334,722.33</b>
Less: Long-term loans due within one year	3,000,000,000.00	--	--	--	--	4,055,334,722.33
<b>Total</b>	<b>4,026,866,666.72</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2,500,000,000.00</b>

## 29. Long-term payables

Item	2020.12.31	2019.12.31
Long-term payables	6,641,452.29	--
Special payables	2,300,000.00	2,100,000.00
<b>Total</b>	<b>8,941,452.29</b>	<b>2,100,000.00</b>

### (1) Long-term payables

Item	2020.12.31	2019.12.31
Finance lease payables	8,321,292.72	--
Less: Long-term payables due within one year	1,679,840.43	--
<b>Total</b>	<b>6,641,452.29</b>	<b>--</b>

### (2) Special payables

Item	2019.12.31	Increase	Decrease	2020.12.31	Reason
Research and development funds	2,100,000.00	200,000.00	--	2,300,000.00	State Funding

## 30. Deferred revenue

Item	2019.12.31	Adjustment	2020.01.01	Increase during the year	Decrease during the year	2020.12.31	Reason
Government grant	328,422,670.27	--	328,422,670.27	90,450,248.00	20,774,112.62	398,098,805.65	

Notes: The government grants which recognized as deferred revenue refer to Note V. 56 government grants.

### 31. Other non-current liabilities

Item	2020.12.31	2019.12.31
Shougang Group advance payment for construction	4,491,623,817.41	4,711,490,199.06

### 32. Share capital

Item	Changes in current (+/-)						2020.12.31
	2019.12.31	Shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	
<b>Total amount of shares</b>	<b>5,289,389,600.00</b>	--	--	--	--	--	<b>5,289,389,600.00</b>

### 33. Capital reserve

Items	2019.12.31	Increase	Decrease	2020.12.31
Share premium	20,073,825,110.04	148,638,840.00	466,224,200.31	19,756,239,749.73
Other capital reserve	1,040,357.52	1,979,013.15	--	3,019,370.67
<b>Total</b>	<b>20,074,865,467.56</b>	<b>150,617,853.15</b>	<b>466,224,200.31</b>	<b>19,759,259,120.40</b>

Note: the movement of other capital reserve is the change in other equity of joint ventures recognized by the Company in accordance with shareholding ratio.

34. Other comprehensive income

Items	The amount of the year						2020.12.31
	2019.12.31	Pre-tax income for the period	Less: previously recognized amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests	
<b>1. Other comprehensive income that may not be reclassified to profit or loss</b>	1,952,319,928.42	290,706,499.08	2,004,210,207.81	43,605,974.87	247,100,524.21	--	195,210,244.82
Other comprehensive income that may not be reclassified to profit or loss	1,952,319,928.42	290,706,499.08	2,004,210,207.81	43,605,974.87	247,100,524.21	--	195,210,244.82
<b>2. Other comprehensive income that will be reclassified to profit or loss</b>	--	--	--	--	--	--	--
<b>Total</b>	<b>1,952,319,928.42</b>	<b>290,706,499.08</b>	<b>2,004,210,207.81</b>	<b>43,605,974.87</b>	<b>247,100,524.21</b>	<b>--</b>	<b>195,210,244.82</b>

The amount of other comprehensive income after tax for the period is RMB 247,100,524.21. The amount of other comprehensive income after tax for reporting period attributable to the shareholders of parent company is RMB 247,100,524.21; and net-of-tax amount of other comprehensive income attributable to non-controlling interest is RMB 0.00.

### 35. Special reserve

Items	2019.12.31	Increase	Decrease	2020.12.31
Safety fund	15,749,165.64	75,482,135.57	69,653,764.01	21,577,537.20
Maintenance costs	--	--	--	--
<b>Total</b>	<b>15,749,165.64</b>	<b>75,482,135.57</b>	<b>69,653,764.01</b>	<b>21,577,537.20</b>

### 36. Surplus reserve

Items	2019.12.31	Increase	Decrease	2020.12.31
Statutory reserve	1,729,509,055.66	99,168,790.71	--	1,828,677,846.37
Discretionary surplus reserve	--	--	--	--
<b>Total</b>	<b>1,729,509,055.66</b>	<b>99,168,790.71</b>	<b>--</b>	<b>1,828,677,846.37</b>

### 37. Retained earnings

Items	2020	2019	Appropriation/ Distribution ratio
Retained earnings at previous year before adjustment	-2,179,897,484.27	-3,260,964,367.74	
Adjustment of total retained earnings at previous year (Increase in "+", decrease in "-")	--	-62,841,211.49	
Retained earnings at previous year after adjustment	-2,179,897,484.27	-3,323,805,579.23	
Add: Net profit attributable to parent company	1,786,452,832.06	1,185,589,702.44	
Add: Carry-forward retained earnings of other comprehensive income for current period	2,357,894,362.15	--	
Less: Transfer to statutory surplus reserve	99,168,790.71	41,681,607.48	
Transfer to discretionary surplus reserve	--	--	
Transfer to general reserve	--	--	
Common Stock dividends payable	--	--	
Dividends payable to other equity holders	--	--	
Dividends of common stock converted to share capital	--	--	
Retained earnings at current year	1,865,280,919.23	-2,179,897,484.27	
Includes: Surplus reserve attributable to parent company extracted by subsidiaries	--	--	

### 38. Revenue and cost of sales

#### (1) Revenue and cost of sales

Items	2020		2019	
	Revenue	Cost of sales	Revenue	Cost of sales
Main business	76,204,354,719.07	70,025,177,064.76	65,897,466,517.34	59,411,843,385.76
Other business	3,746,827,229.03	3,047,531,257.38	2,943,841,304.57	2,366,053,956.90
<b>Total</b>	<b>79,951,181,948.10</b>	<b>73,072,708,322.14</b>	<b>68,841,307,821.91</b>	<b>61,777,897,342.66</b>

#### (2) Revenue and cost of sales presented as products

Items	2020		2019	
	Revenue	Cost of sales	Revenue	Cost of sales
<b>Main business:</b>				
Billet	265,307,282.20	239,732,815.06	270,552,095.12	224,074,179.83
Hot-rolled steel	32,142,438,742.64	29,683,727,128.66	24,236,080,906.42	21,492,914,828.16
Cold-rolled steel	41,755,926,337.32	38,319,410,072.18	39,541,161,789.88	35,985,703,529.43
Other steels	2,040,682,356.91	1,782,307,048.86	1,849,671,725.92	1,709,150,848.34
<b>subtotal</b>	<b>76,204,354,719.07</b>	<b>70,025,177,064.76</b>	<b>65,897,466,517.34</b>	<b>59,411,843,385.76</b>
<b>Other business</b>				
Power	1,710,794,684.40	1,595,246,088.70	1,266,389,999.29	1,156,398,752.73
Solid waste	1,184,134,242.92	1,103,220,630.68	699,530,951.16	549,304,093.21
Others	851,898,301.71	349,064,538.00	977,920,354.12	660,351,110.96
<b>subtotal</b>	<b>3,746,827,229.03</b>	<b>3,047,531,257.38</b>	<b>2,943,841,304.57</b>	<b>2,366,053,956.90</b>
<b>Total</b>	<b>79,951,181,948.10</b>	<b>73,072,708,322.14</b>	<b>68,841,307,821.91</b>	<b>61,777,897,342.66</b>

#### (3) Breakdown of revenue information

Items	2020
Revenue from main business	76,204,354,719.07
Including: recognised at a certain point in time	76,204,354,719.07
recognised during a certain period of time	--
Revenue from other business	3,746,827,229.03
<b>Total</b>	<b>79,951,181,948.10</b>

As of 31 December 2020, the amount of revenue corresponding to the performance obligations that the company has signed but not yet fulfilled is RMB 4,593,738,182.55. The company expects to recognize all revenue in 2021.

### 39. Taxes and surcharges

Items	2020	2019
Environmental protection tax	30,905,784.13	30,513,521.76
Urban maintenance and construction tax	96,491,361.42	59,842,388.15
Education surcharge	70,770,584.49	46,424,287.10
Resources duty	53,698,875.92	46,958,712.20
Property tax	183,284,662.68	156,620,289.41
Land usage tax	219,267,210.73	280,834,467.33
Vehicle and vessel usage tax	361,812.52	322,443.43
Stamp duty	119,173,635.91	77,707,387.52
Other taxes	120,585.96	377,607.91
<b>Total</b>	<b>774,074,513.76</b>	<b>699,601,104.81</b>

Note: The provision and payment standards of taxes and surcharges refer to Note IV. Taxation.

### 40. Selling and distribution expenses

Items	2020	2019
Staff costs	129,607,334.56	120,209,816.04
Depreciation and amortization	129,921.70	141,260.50
Transportation expenses	--	1,029,354,428.04
Export expenses	--	79,106,533.88
Other regular expenses	37,303,433.87	36,750,642.95
<b>Total</b>	<b>167,040,690.13</b>	<b>1,265,562,681.41</b>

### 41. General and administrative expenses

Items	2020	2019
Staff costs	509,368,436.44	517,208,719.02
Depreciation and amortization	234,968,386.33	238,300,955.22
Other regular expenses	232,089,438.08	195,035,644.76
<b>Total</b>	<b>976,426,260.85</b>	<b>950,545,319.00</b>

#### 42. Research and development expenses

Items	2020	2019
Staff costs	379,551,768.61	350,045,450.18
Depreciation and amortization	--	--
Other regular expenses	100,935,305.78	35,751,384.90
<b>Total</b>	<b>480,487,074.39</b>	<b>385,796,835.08</b>

#### 43. Financial expenses

Items	2020	2019
Interest costs	2,860,147,718.46	2,781,121,685.75
Less: interest capitalized	499,100,376.94	577,303,197.38
Interest expenses	2,361,047,341.52	2,203,818,488.37
Less: interest income	133,289,009.17	91,721,455.32
Discount on notes acceptance	4,308,589.40	2,499,299.88
Exchange losses and gains	669,847.63	3,152,529.68
Less: exchange losses and gains capitalized	--	--
Bank charges and others	-69,644,836.56	-55,807,665.64
<b>Total</b>	<b>2,163,091,932.82</b>	<b>2,061,941,196.97</b>

Note: The amount of interest capitalization is under construction. The capitalization rate used to calculate and determine the capitalization amount of borrowing costs in the current period is 4.62% (previous period: 4.68%).

#### 44. Other income

Items (sources of other income)	2020	2019	Related to assets/income
Engineering informationization project subsidy (Qiangang Co., cold-rolled)	99,999.96	99,999.96	Related to assets
Government grants for energy central project from the Ministry of Industry and Information Technology of the People's Republic of China	1,999,999.96	1,999,999.96	Related to assets
Government grants of hot-rolled steel strip TMCP project	105,263.16	105,263.16	Related to assets
Government grants for heating furnace revamping project (Qiangang Co., hot-rolled)	526,315.80	526,315.80	Related to assets
Government grants for dedusting system upgrading project (Qiangang Co.)	1,105,263.12	1,105,263.12	Related to assets
Government grants for advanced sewage treatment	342,222.24	313,703.72	Related to assets
Special government grants for denitration engineering from the Hebei Provincial Finance Department	245,000.00	245,000.00	Related to assets

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Items (sources of other income)	2020	2019	Related to assets/income
Government grants for online environmental monitoring	500,000.00	500,000.00	Related to assets
National funds for the national 863 project	278,200.00	278,200.00	Related to assets
Special government grants for circular economy development from the Finance Bureau of Caofeidian	1,578,947.36	1,052,631.58	Related to assets
Government grants for the desulfurization of pelletizing flue gas	1,486,105.28	1,486,105.24	Related to assets
Environmental protection government grants for closing limestone yards	80,000.00	80,000.00	Related to assets
Government grants for energy-saving incentive for No.3 hydrogen generator	67,878.96	67,878.96	Related to assets
Galvanized high-strength automobile sheet special production line project	5,263,157.88	--	
Phase II thermal desalination project	1,052,631.56	--	
Government grants for the specialized production line project of Zinc-plated high-strength auto sheet	191,578.96	191,578.95	Related to assets
Other government grants related to assets	5,375,648.38	2,356,178.38	Related to assets
Job stabilization subsidy	21,027,162.60	3,442,355.48	Related to income
Government grants for low-carbon renovation of gas-fired boiler	--	2,009,600.00	Related to income
Government grants for enterprises operat in the region	--	4,200,000.00	Related to income
Other government grants related to income	18,303,448.80	31,837,421.50	Related to income
Tax refund	1,000,295.73	329,604.04	
Value added tax deduction	565,161.68	62,319.78	
<b>Total</b>	<b>61,194,281.43</b>	<b>52,289,419.63</b>	

Notes: (1) The details of government grants refer to Note V. 56 Government grants.

(2) As the government subsidy for recurring gains and losses refer to Note XV 1 for detail reasons.

#### 45. Investment income

Items	2020	2019
Investment income from long-term equity investments under the equity method	379,578,180.14	81,800,924.01
Dividend from other equity instruments investments	177,781,289.99	202,033,784.60
Interest income from entrusted loans	10,361,268.74	8,187,426.69
<b>Total</b>	<b>567,720,738.87</b>	<b>292,022,135.30</b>



46. Credit impairment losses (loss in “-”)

Items	2020	2019
Provision for bad debts of notes receivable	-772,467.65	2,803,952.75
Provision for bad debts of accounts receivable	-9,291,195.46	9,672,684.54
Provision for bad debts of financing receivable	-95,952.27	-496,048.38
Provision for bad debts of other receivables	-1,191,070.88	75,835.42
<b>Total</b>	<b>-11,350,686.26</b>	<b>12,056,424.33</b>

47. Impairment losses on assets (loss in “-”)

Items	2020	2019
Provision for inventory impairment	-156,492,924.46	-98,182,828.73

48. Gains on disposal of assets

Items	2020	2019
Gains from disposal of fixed assets (loss in “-”)	75,385.37	773,665.71

49. Non-operating income

Items	2020	2019	Included in non-recurring gains or losses in 2020
Compensation payments	316,237.90	856,958.95	316,237.90
Others	1,683,124.34	4,876,305.83	1,683,124.34
<b>Total</b>	<b>1,999,362.24</b>	<b>5,733,264.78</b>	<b>1,999,362.24</b>

50. Non-operating expenses

Items	2020	2019	Included in non-recurring gains or losses in 2020
Losses on disposal of assets	768,699.07	8,182,914.32	768,699.07
Public welfare donation	--	300,000.00	--
Compensation and penalty	6,907.06	2,154,080.25	6,907.06
tax overdue fine	1,738,457.13	16,208,622.12	1,738,457.13
Penalty	--	1,720,000.00	--
Others	32,877.54	3,567,727.50	32,877.54
<b>Total</b>	<b>2,546,940.80</b>	<b>32,133,344.19</b>	<b>2,546,940.80</b>

## 51. Income tax expenses

### (1) Details of income tax expenses

Items	2020	2019
Current tax in accordance with tax laws and related regulations	459,569,391.19	224,496,874.20
Deffered income tax expenses	-92,759,826.26	15,654,937.79
<b>Total</b>	<b>366,809,564.93</b>	<b>240,151,811.99</b>

### (2) Reconciliation between income tax expenses and profit before income tax is as follows:

Items	2020	2019
Profit before tax	2,777,952,370.40	1,932,522,078.81
Tax at the applicable tax rate of 15%	416,692,855.56	289,878,311.82
Taxation effect of different tax rates of subsidiaries	5,137,238.32	-194,950.52
Adjustment of income tax in the prior year	-6,929,659.41	-22,487,786.87
Share of profit or loss of joint ventures and associates under the equity method	-22,740,312.83	-12,270,138.60
Income not subject to tax (expressed in "-")	-26,667,193.50	-30,305,067.69
Non-deductible costs, expenses and losses	888,266.93	7,573,662.81
Taxation effect of the change in the applicable tax rate on the beginning disclosure of the deffered income tax	--	2,563,911.18
Taxation effect of utilizing previous unrecognized tax losses and deductible temporary differences (expressed in "-")	-6,237,897.01	-2,272,208.53
Taxation effect of unrecognized tax losses and deductible temporary differences	6,666,266.87	7,666,078.39
Taxation effect of research and development expenses (expressed in "-")	--	--
Others	--	--
Income tax expenses	366,809,564.93	240,151,811.99

## 52. Notes to cash flow statement

### (1) Proceeds from other operating activities

Items	2020	2019
Government grants received	130,166,631.11	95,744,472.16
Non-operating income	1,998,921.76	--
Return of restricted funds	--	1,899,618.00
<b>Total</b>	<b>132,165,552.87</b>	<b>97,644,090.16</b>

(2) Payments for other operating activities

Items	2020	2019
Expenses paid	595,391,580.99	1,667,492,770.07
Non-operating expenses paid	1,778,241.73	23,934,687.79
Restricted funds paid	546,622.77	179,887,738.68
Margin of BMW Brilliance	6,000,000.00	--
Other intercourse funds paid	3,571,092.08	6,070,765.10
<b>Total</b>	<b>607,287,537.57</b>	<b>1,877,385,961.64</b>

(3) Proceeds from other investing activities

Items	2020	2019
Interest income	132,855,246.29	91,721,455.32
Zhuzhou Hi-Tech Group Co., Ltd.-Deposit during construction period	525,000.00	--
Jinshi Investment Co., Ltd. Investment Margin	300,000,000.00	--
<b>Total</b>	<b>433,380,246.29</b>	<b>91,721,455.32</b>

(4) Proceeds from other financing activities

Items	2020	2019
Borrowings from Shougang Group	148,638,840.00	690,938,155.85

(5) Payment for other financing activities

Items	2020	2019
Financial commissions	9,982,295.82	11,735,867.67
Return the loan to Wuhan Zhongxin	1,200,000.00	--
Paying back the borrowings from Shougang Group	300,000,000.00	980,799,000.00
<b>Total</b>	<b>311,182,295.82</b>	<b>992,534,867.67</b>

53. Supplements to statement of cash flows

(1) Supplementary information

Supplementary information	2020	2019
<b>1. Reconciliation of net profit to net cash flows from operating activities:</b>		
Net profit	2,411,142,805.47	1,692,370,266.82
Add: Impairment losses on assets	156,492,924.46	98,182,828.73
Credit impairment losses	11,350,686.26	-12,056,424.33

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Supplementary information	2020	2019
Depreciation of fixed assets	6,406,432,068.56	5,879,746,319.04
Amortization of intangible assets	111,491,374.94	87,770,620.13
Amortization of long-term deferred expenses	365,531.66	247,916.25
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gains as in “-”)	-75,385.37	-773,665.71
Losses on written-off fixed assets (Gains as in “-”)	768,699.07	8,182,914.32
Losses on fair value changes (Gain as in “-”)	--	--
Financial expenses (Income as in “-”)	2,163,091,932.82	2,061,941,196.97
Investment losses (Income as in “-”)	-567,720,738.87	-292,022,135.30
Decrease in deferred tax assets (Increase as in “-”)	-60,454,804.37	8,436,969.27
Increase in deferred tax liabilities (Decrease as in “-”)	-32,305,021.89	-277,138,526.50
Decrease in inventories (Increase as in “-”)	-1,956,489,862.36	-1,264,895,047.45
Decrease in receivables from operating activities (Increase as in “-”)	-1,780,773,229.64	-1,692,113,785.17
Increase in payables from operating activities (Decrease as in “-”)	3,403,848,159.38	-2,710,876,489.76
Others	7,513,656.07	-172,000,941.96
Net cash flow from operating activities	10,274,678,796.19	3,415,002,015.35
<b>2. Significant non-cash payments for investing and financing activities:</b>		
Conversion of debt into capital	--	--
Convertible bonds due within one year	--	--
Fixed assets under finance lease	--	--
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	4,959,913,916.36	4,403,513,394.20
Less: Opening balance of cash	4,403,513,394.20	4,492,161,042.04
Add: Closing balance of cash equivalents	--	--
Less: Opening balance of cash equivalents	--	--
Net increase in cash and cash equivalents	556,400,522.16	-88,647,647.84

Note: The amount of endorsement and transfer of acceptance notes received from goods sales of the company is RMB 55,324.66 million.

(2) Net cash paid to acquisition of subsidiaries during reporting period

Item	Amount
Cash or cash equivalents paid in reporting period for business combinations occurred in reporting period	524,984,710.78
Including: Beijing Shougang Steel Trading Investment Management Co., Ltd.	521,656,810.78
Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	3,327,900.00
Less: Cash and cash equivalents held by subsidiaries at the date of acquisition	12,051,057.95
Including: Beijing Shougang Steel Trading Investment Management Co., Ltd.	--
Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	12,051,057.95
Add: Cash or cash equivalents paid in reporting period for business combinations occurred in prior periods	--
Net cash paid to acquisition of subsidiaries subsidiaries	512,933,652.83

(3) Components of cash and cash equivalents

Items	31.12.2020	31.12.2019
1. Cash	4,959,913,916.36	4,403,513,394.20
Including: Cash on hand	35,022.81	33,137.77
Balances in banks without restriction	4,959,878,880.81	4,403,480,243.69
Other monetary funds without restriction	12.74	12.74
2. Cash equivalents	--	--
Including: bonds investment due within three months	--	--
3. Closing balance of cash and cash equivalents	4,959,913,916.36	4,403,513,394.20
Including: restricted cash and cash equivalents from the parent company or its subsidiaries	--	--

54. Notes to items in the statement of changes in shareholders' equity

Note: The items with significant amount in the item "(VI) Others" are the net profit attributable to the parent company of Beijing Shougang Steel Trading Investment Management Co., Ltd. from January to June 2020, which is RMB 62,397 thousand from the combination under common control. The above items are calculated based on the 51% shareholding ratio. It is RMB 31,822 thousand, which affects the combined capital reserve of RMB -31,822 thousand.

55. Restricted assets

Items	31.12.2020	Restricted reasons
Cash and cash balances	1,332,152,161.49	Security deposits
Notes receivable	650,054,514.79	Pledge billing
<b>Total</b>	<b>1,982,206,676.28</b>	

## 56. Government grants

(1) Government grants recognized as deferred income and subsequently measured via total-value method.

Items	Type	31.12.2019	Increase	Recognition in P/L during 2020	Other changes	31.12.2020	Item recognized in P/L	Related to assets/income
Government grants for engineering informatization project (Qian'an Iron and Steel, cold-rolled)	Financial appropriation	575,000.16	--	99,999.96	--	475,000.20	Other income	Related to assets
Government grants for energy central project from the Ministry of Industry and Information Technology of the People's Republic of China	Financial appropriation	8,000,000.16	--	1,999,999.96	--	6,000,000.20	Other income	Related to assets
Special government grants from the Finance Bureau of Qian'an	Financial appropriation	4,200,000.00	--	--	--	4,200,000.00	Other income	Related to assets
Government grants for hot-rolled steel strip TMCP project	Financial appropriation	1,578,947.36	--	105,263.16	--	1,473,684.20	Other income	Related to assets
Government grants for dedusting system upgrading project (Qian'an Iron and Steel)	Financial appropriation	29,368,421.08	--	1,631,578.92	--	27,736,842.16	Other income	Related to assets
Government grants for advanced sewage treatment	Financial appropriation	5,846,296.28	--	342,222.24	--	5,504,074.04	Other income	Related to assets
Special government grants for denitration engineering from the Hebei Provincial Finance Department	Financial appropriation	1,225,000.00	--	245,000.00	--	980,000.00	Other income	Related to assets
Government grants for online environmental monitoring project from the Finance Bureau of Caofeidian	Financial appropriation	4,000,000.00	--	500,000.00	--	3,500,000.00	Other income	Related to assets
The steelmaking technology and facilities demonstration project through carbon dioxide-oxygen mixed injection, funded by University of Science and Technology Beijing	Financial appropriation	4,000,000.00	--	--	--	4,000,000.00	Other income	Related to assets
National funds for the national 863 project	Financial appropriation	1,391,000.00	--	278,200.00	--	1,112,800.00	Other income	Related to assets
Special government grants for circular economy development from the Finance Bureau of Caofeidian	Financial appropriation	20,000,000.00	--	1,052,631.56	--	18,947,368.44	Other income	Related to assets
Government grants for cold-rolled intelligent manufacturing project	Financial appropriation	13,500,000.00	--	562,500.00	--	12,937,500.00	Other income	Related to assets
Government grants for seawater desalination research, based on reuse of steelmaking waste heat	Financial appropriation	7,650,000.00	1,050,000.00	--	--	8,700,000.00	Other income	Related to assets
Government grants for the desulfurization of pelletizing flue gas	Financial appropriation	25,263,789.50	--	1,486,105.28	--	23,777,684.22	Other income	Related to assets
Environmental protection government grants for closing limestone yards	Financial appropriation	1,840,000.00	--	80,000.00	--	1,760,000.00	Other income	Related to assets
Government grants for improvement of deformation coupling matching in high strength steel production	Financial appropriation	1,701,800.00	128,200.00	--	--	1,830,000.00	Other income	Related to assets
Government grants for intelligent interface closed-loop control technology in multi-target optimize steelmaking and ironmaking	Financial appropriation	2,208,000.00	192,000.00	--	--	2,400,000.00	Other income	Related to assets
Government grants for new metal, ceramic composite powder, and refractory anticorrosion coating	Financial appropriation	771,652.00	66,448.00	--	--	838,100.00	Other income	Related to assets
Government grants for intelligent collaborative allocation technology about material flow and power flow in steelmaking program	Financial appropriation	1,760,000.00	590,000.00	--	--	2,350,000.00	Other income	Related to assets
Government grants for energy-saving incentive for No.3 hydrogen generator	Financial appropriation	1,153,942.09	--	67,878.96	--	1,086,063.13	Other income	Related to assets
Government grants for cold rolling operation department aluminized silicon high strength steel automotive plate renovation project	Financial appropriation	3,448,421.05	--	191,578.96	--	3,256,842.09	Other income	Related to assets
Government grants for cold rolling operation department high strength steel 18 roll single stand project	Financial appropriation	7,000,000.00	4,900,000.00	--	--	11,900,000.00	Other income	Related to assets
Government grants for multi-targets optimization steelmaking	Financial appropriation	2,740,000.00	200,000.00	--	--	2,940,000.00	Other income	Related to assets
Government grants for the operation-control system of	Financial appropriation	20,390,000.00	--	--	--	20,390,000.00	Other income	Related to assets

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Items	Type	31.12.2019	Increase	Recognition in P/L during 2020	Other changes	31.12.2020	Item recognized in P/L	Related to assets/income
production-marketing integration								
Government grants for green and intelligent collaborative mechanism of steel process and comprehensive energy efficiency assessment	Financial appropriation	472,500.00	107,500.00	--	--	580,000.00	Other income	Related to assets
Government grants for key technology of low-emission efficient energy-saving sintering and its utilization project	Financial appropriation	278,600.00	21,400.00	--	--	300,000.00	Other income	Related to assets
Government grants for the specialized production line project of Zinc-plated high-strength auto sheet	Financial appropriation	100,000,000.00	--	5,263,157.88	--	94,736,842.12	Other income	Related to assets
Government grants for reforming of sinter desulfurization and denitrification	Financial appropriation	18,947,368.42	10,000,000.00	1,578,947.36	--	27,368,421.06	Other income	Related to assets
Government grants for thin slab casting and rolling engineering	Financial appropriation	5,000,000.00	--	--	--	5,000,000.00	Other income	Related to assets
Government grants for reform project of reducing oxynitride concentration in emitted flue gas from annealing furnace	Financial appropriation	6,300,000.00	--	--	--	6,300,000.00	Other income	Related to assets
Government grants for industrial mechanism model base	Financial appropriation	--	1,800,000.00	--	--	1,800,000.00	Other income	Related to assets
Government grants for 10,000 tons/d desalination project	Financial appropriation	--	8,900,000.00	--	--	8,900,000.00	Other income	Related to assets
Government grants for enhancing the core competitiveness of the manufacturing industry	Financial appropriation	--	58,510,000.00	--	--	58,510,000.00	Other income	Related to assets
Other government grants related to assets	Financial appropriation	27,661,032.17	3,269,700.00	4,713,148.38	--	26,217,583.79	Other income	Related to assets
Other government grants related to income	Financial appropriation	150,900.00	715,000.00	575,900.00	--	290,000.00	Other income	Related to income
<b>Total</b>		<b>328,422,670.27</b>	<b>90,450,248.00</b>	<b>20,774,112.62</b>	<b>--</b>	<b>398,098,805.65</b>		

(2) Government grants which recognized as profit or loss, measured via total-value method.

Items	Type	Recognized in P/L for the year ended 31.12.2019	Recognized in P/L for the year ended 31.12.2020	Item recognized in P/L	Related to asset/income
Government grants for steady post	Financial appropriation	21,027,162.60	3,442,355.48	Other income	Related to income
Government grants for environmentally-friendly.	Financial appropriation	--	2,009,600.00	Other income	Related to income
Government grants for enterprises operate in the region	Financial appropriation	--	4,200,000.00	Other income	Related to income
Other government grants related to income	Financial appropriation	18,303,448.80	31,837,421.50	Other income	Related to income
<b>Total</b>		<b>39,330,611.40</b>	<b>41,489,376.98</b>		

## VI. Change in the scope of consolidation

### 1. Business combination involving entities not under common control

#### (1) Business combination involving entities not under common control in reporting period

Acquiree	Date of equity acquisition	Consideration of equity acquisition	Equity acquisition ratio	Method of equity acquisition	Acquisition date	Basis for determination of acquisition date	Income of the acquiree from the date of purchase to the end of the period	Net profit of the acquiree from the date of purchase to the end of the period
Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	30/6/2020	3,327,900.00	50.00%	Purchase	30/6/2020	Refer to note	73,282,614.91	3,448,312.47

Note: During the reporting period, the Company has acquired 50% equity of Beijing Shoubao Nuclear Equipment Technology Co., Ltd. at 30 June 2020 with cost of RMB 3,327,900.00 in cash. The acquisition date is decided based on the payment date, the completion date of business registration of change, and date that the Company actually obtains the control of the acquiree.

#### (2) Cost of combination and goodwill

Item	Beijing Shoubao Nuclear Equipment Technology Co., Ltd.
<b>Cost of combination</b>	
Cash and Cash equivalents	3,327,900.00
Fair value of non-cash assets	--
Fair value of debt issued or assumed	--
Fair value of equity securities issued	--
Fair value of contingent consideration	--
Fair value of equity held on the acquisition date before the acquisition	--
<b>Total consideration of business combination</b>	3,327,900.00
Less: fair value of the obtained identifiable net assets	3,327,900.00
Goodwill or combination cost less than the fair value of the obtained identifiable net assets	--

#### (3) Identifiable assets and liabilities of the acquiree on the acquisition date

Item	Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	
	Fair value on the acquisition date	Carrying value on the acquisition date
<b>ASSETS:</b>		
Current assets	61,676,490.29	61,676,490.29
Non-current liabilities	1,222,397.62	1,222,397.62
Includs: Intangible assets	185,649.79	185,649.79
Fixed assets	1,036,747.83	1,036,747.83
Total assets	62,898,887.91	62,898,887.91
<b>LIABILITIES:</b>		
Current liabilities	56,243,087.91	56,243,087.91
Non-current liabilities	--	--
Total liabilities	56,243,087.91	56,243,087.91
Net assets	6,655,800.00	6,655,800.00
Less: non-controlling	3,327,900.00	3,327,900.00



interests		
Net assets acquired	3,327,900.00	3,327,900.00

(4) The Company did not hold any equity in Shoubao Nuclear Power Company prior to the non-common control acquisition date during the reporting period.

## 2. Business combination involving entities under common control

### (1) Business combination involving entities under common control in reporting period

Acquiree	Equity ratio obtained in business combination	Basis of business combination under the common control	Acquisition date	Income of the acquiree from the beginning of the current period to the acquisition date	Net profit of the acquiree from the beginning of the current period to the acquisition date	Income of the acquiree during the comparison period	Net profit of the acquiree during the comparison period
Beijing Shougang Steel Trading Investment Management Co., Ltd.(shorted as Steel Trading Co. hereinafter)	51%	Controlled by the same parent company	30/06/2020	326,345,044.28	61,522,051.81	645,124,444.88	5,124,466.43

On 23 June 2020, approved from annual shareholders' meeting of the Company in 2019, the company purchased 51% share of Steel Trading Co. from Shougang Group by means of cash payment as well as holding 1,028,748,707 domestic shares of BAIC Motor Corporation (shorted as BAIC Motor hereinafter). The valuation of BAIC Motor shares held by the Company is RMB 4,546,865,020.05. On 18 June 2020, the general shareholders' meeting of BAIC Motor approved the 2019 profit and dividend distribution plan. Deducting the dividends receivable, the confirmed transfer price of BAIC Motor is RMB 4,371,977,739.86. The valuation of the 51% share of Steel Trading Co. is RMB 4,893,634,550.64. According to the replacement agreement, the Company paid the difference between the valuation and the transfer price of RMB 521,656,810.78 to Shougang Group on 30 June 2020. Steel Trading Co. was wholly-owned subsidiary of Shougang Group, the parent company of the Company, and since both parties of this transaction before and after the merger are controlled by Shougang Group and the control is not temporary, the combination is a business combination under common control. The Company completed the industrial and commercial change registration of Steel Trading Co. on 24 June 2020, and the combination date is determined as 30 June 2020. The assets and liabilities obtained from the business combination are measured as the carrying value of on the combination date.

### (2) Cost of combination

Item	Beijing Shougang Steel Trading Investment Management Co., Ltd.
Cash and Cash equivalents	521,656,810.78
Carrying value of non-cash assets	4,371,977,739.86
<b>Total</b>	<b>4,893,634,550.64</b>

(3) Carrying value of assets and liabilities of the acquiree

	<b>Beijing Shougang Steel Trading Investment Management Co., Ltd.</b>	
	<b>Acquisition date</b>	<b>Closing balance of prior period</b>
Current assets	7,107,324,379.00	6,513,019,066.50
Non-current liabilities	8,873,039,072.48	903,529,243.88
Current liabilities	7,005,801,941.62	6,394,701,114.62
Non-current liabilities	4,466,801.02	4,586,726.79
NET ASSETS	8,970,094,708.84	1,017,260,468.97
Less: non-controlling interests	4,510,861,660.42	614,419,334.55
Net assets acquired	4,459,233,048.42	402,841,134.42
Cost of combination	4,893,634,550.64	--
Balance (recognized in equity)	-434,401,502.22	--

## VII. Interests in other entities

### 1. Interests in subsidiaries

#### (1) Composition of the Company

Subsidiary	Main Operation place	Registration place	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Shougang Jingtang United Iron & Steel Co., Ltd.	Tangshan, PRC	Tangshan, PRC	Production and sales	51.00	29.82	Business combination under common control
Beijing Shougang Cold Rolling Co., Ltd.	Beijing, PRC	Beijing, PRC	Production and sales	70.28	--	Establish or investment, etc.
Qian'an Shougang Metallurgical Technology Co., Ltd.	Qian'an, PRC	Qian'an, PRC	Consulting service	100.00	--	Business combination under common control
Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd.	Qian'an, PRC	Qian'an, PRC	Production and sales	100.00	--	Establish or investment, etc.
Beijing Shougang New Energy Automobile Material Technology Co., Ltd.	Qian'an, PRC	Qian'an, PRC	Production and sales	64.29	--	Establish or investment, etc.
Beijing Shougang Steel Trading Investment Management Co., Ltd.	Beijing, PRC	Beijing, PRC	Production and sales	51.00	--	Business combination under common control

#### (2). Significant non-wholly owned subsidiaries

Subsidiary	Shareholding of non-controlling interests (%)	Net profit/ (loss) attributable to non-controlling interests in reporting period	Dividends declared and distributed to non-controlling interests in reporting period	Unit: RMB Yuan
				Non-controlling interests at the end of reporting period
Shougang Jingtang United Iron & Steel Co., Ltd.	19.18	392,180,907.49	--	5,472,564,141.02
Beijing Shougang Cold Rolling Co., Ltd.	29.72	12,111,869.67	--	-434,254,382.92
Beijing Shougang Steel Trading Investment Management Co., Ltd.	49.00	220,515,725.92	--	4,703,679,944.23

#### (3) Major financial information of significant non-wholly owned subsidiaries

Subsidiary	Unit: RMB Yuan					
	31/12/2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shougang Jingtang United Iron & Steel Co., Ltd.	14,059,270,920.30	71,145,567,255.55	85,204,838,175.85	37,188,390,465.32	19,992,708,121.06	57,181,098,586.38
Beijing Shougang Cold Rolling Co., Ltd.	1,490,147,711.17	4,268,819,475.85	5,758,967,187.02	1,582,846,978.81	5,633,442,048.18	7,216,289,026.99
Beijing Shougang Steel Trading Investment Management Co., Ltd.	7,412,249,175.07	9,256,712,881.65	16,668,962,056.72	7,300,343,767.67	5,822,605.25	7,306,166,372.92

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Continued (1):

Subsidiary	31/12/2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shougang Jingtang United Iron & Steel Co., Ltd.	11,881,191,449.18	70,776,790,831.56	82,657,982,280.74	36,967,775,096.14	19,344,562,845.34	56,312,337,941.48
Beijing Shougang Cold Rolling Co., Ltd.	1,449,807,066.29	4,549,948,995.36	5,999,756,061.65	1,644,115,581.18	5,858,064,579.96	7,502,180,161.14
Beijing Shougang Steel Trading Investment Management Co., Ltd.	6,513,019,066.50	903,529,243.88	7,416,548,310.38	6,394,701,114.62	4,586,726.79	6,399,287,841.41

Continued (2):

Subsidiary	Current period				Prior period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Shougang Jingtang United Iron & Steel Co., Ltd.	43,685,024,160.13	1,675,290,645.88	1,675,290,645.88	6,825,110,017.00	36,189,924,483.50	1,024,880,097.27	1,024,880,097.27	2,375,586,203.10
Beijing Shougang Cold Rolling Co., Ltd.	8,721,456,245.22	40,753,262.67	40,753,262.67	286,447,510.65	7,696,233,920.49	6,024,982.53	6,024,982.53	-46,591,184.16
Beijing Shougang Steel Trading Investment Management Co., Ltd.	870,677,653.85	450,137,492.87	450,137,492.87	-26,937,175.44	645,124,444.88	5,124,466.43	5,124,466.43	96,373,076.82

## 2. Interests in joint ventures and associates

### (1) Significant joint ventures and associates

Joint ventures or associates	Main operating place	Place of registration	Business nature	Shareholding proportion (%)		Accounting method
				Direct	Indirect	
① Joint ventures						
Tangshan Guoxing Industrial Co., Ltd.	Tangshan, PRC	Tangshan, PRC	Manufacturing	50.00		Equity method
Tangshan Zhonghong Carbon Chemical Co., Ltd.	Tangshan, PRC	Tangshan, PRC	Chemical	50.00		Equity method
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Tangshan, PRC	Tangshan, PRC	Coking	50.00		Equity method
② Associates						
Tangshan Tangcao Railway Co., Ltd.	Tangshan, PRC	Tangshan, PRC	Transportation	16.19		Equity method
Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.	Tangshan, PRC	Tangshan, PRC	Building Material	25.00		Equity method
Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	Qian'an, PRC	Qian'an, PRC	Coking	49.82		Equity method
Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership)	Beijing, PRC	Beijing, PRC	Investment	20.00		Equity method
Beijing Dingshengcheng Packaging Materials Co., Ltd.	Beijing, PRC	Beijing, PRC	Manufacturing	45.00		Equity method
Ningbo Shougang Zhejin Steel Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacturing	40.00		Equity method
Guangzhou Jinghai Shipping Co., Ltd.	Guangzhou, PRC	Guangzhou, PRC	Transportation	20.00		Equity method
Shougang (Qingdao) Steel Industry Co., Ltd.	Qingdao, PRC	Qingdao, PRC	Manufacturing	35.00		Equity method
Guangdong Shougang Zhongshan Metal Steel Processing & Distribution Co., Ltd.	Guangzhou, PRC	Guangzhou, PRC	Manufacturing	20.00		Equity method
Ordos Baotou Steel Shoumi Material Technology Co., Ltd.	Ordos, PRC	Ordos, PRC	Manufacturing	39.00		Equity method
Tianjin Shougang Steel Processing & Distribution Co., Ltd.	Tianjin, PRC	Tianjin, PRC	Manufacturing	35.00		Equity method
Hebei Jingji Industry & Trading Co., Ltd.	Shijiazhuang, PRC	Shijiazhuang, PRC	Manufacturing	35.71		Equity method

(2) Primary financial information of significant joint ventures

Items	Tangshan Guoxing Industrial Co., Ltd.		Tangshan Zhonghong Carbon Chemical Co., Ltd.		Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	
	2020.12.31	2019.12.31	2020.12.31	2019.12.31	2020.12.31	2019.12.31
Current assets	60,318,069.68	32,075,464.41	6,787,445.81	7,161,402.04	2,530,141,759.70	2,270,431,192.01
Including: Cash and cash equivalents	4,039,504.94	183,433.57	6,373,445.81	6,220,631.01	818,794,651.52	418,528,327.82
Non-current assets	63,563,529.32	70,133,241.93	742,585,489.79	736,281,354.41	1,777,873,986.27	2,007,056,849.60
<b>Total assets</b>	123,881,599.00	102,208,706.34	749,372,935.60	743,442,756.45	4,308,015,745.97	4,277,488,041.61
Current liabilities	55,567,287.83	43,831,336.24	531,871,072.97	504,666,538.81	1,825,155,516.05	559,182,858.08
Non-current liabilities	2,492,301.31	945,937.61	--	--	307,787,500.00	1,583,943,750.00
<b>Total liabilities</b>	58,059,589.14	44,777,273.85	531,871,072.97	504,666,538.81	2,132,943,016.05	2,143,126,608.08
Net assets	65,822,009.86	57,431,432.49	217,501,862.63	238,776,217.64	2,175,072,729.92	2,134,361,433.53
Including: Non-controlling interests	--	--	--	--	--	--
Equity attributable to shareholders of the company	65,822,009.86	57,431,432.49	217,501,862.63	238,776,217.64	2,175,072,729.92	2,134,361,433.53
Net assets calculated by shareholding proportion	32,911,004.94	28,715,716.25	108,750,931.30	119,388,108.81	1,087,536,364.97	1,067,180,716.78
Adjustment	--	--	--	--	--	--
Including: Goodwill	--	--	--	--	--	--
Others	--	--	--	--	--	--
<b>Carrying value of equity investment in the joint venture</b>	32,911,004.94	28,715,716.25	108,750,931.30	119,388,108.81	1,087,536,364.97	1,067,180,716.78
Fair value of equity investment with quoted market price	--	--	--	--	--	--

Continued:

Items	Tangshan Guoxing Industrial Co., Ltd.		Tangshan Zhonghong Carbon Chemical Co., Ltd.		Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	
	2020	2019	2020	2019	2020	2019
Operating revenue	80,117,784.81	49,090,881.11	--	--	7,350,697,535.09	7,889,128,204.38
Financial expenses	362,993.70	24,624.02	21,257,882.90	19,788,725.09	91,108,328.10	114,440,567.42
Income tax expense	2,796,859.12	1,532,418.14	--	--	63,800.99	8,833,993.27
Net profit	8,390,577.37	4,526,815.33	-21,274,355.01	-57,668,563.66	80,485,168.88	71,808,140.71
Net profit from discontinuing operations	--	--	--	--	--	--
Other comprehensive income	--	--	--	--	--	--
Total comprehensive income	8,390,577.37	4,526,815.33	-21,274,355.01	-57,668,563.66	80,485,168.88	71,808,140.71
Dividends received from joint venture	--	--	--	--	20,000,000.00	20,000,000.00

(3) Primary financial information of significant associates

Items	Tangshan Tangcao Railway Co., Ltd.		Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.		Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	
	2020.12.31	2019.12.31	2020.12.31	2019.12.31	2020.12.31	2019.12.31
Current assets	196,664,337.03	275,045,534.91	126,778,258.13	112,850,617.01	2,142,096,795.97	2,004,737,886.87
Non-current assets	8,493,568,427.67	8,408,959,115.62	240,277,354.15	264,288,970.95	1,905,205,528.96	1,968,321,630.62
<b>Total assets</b>	8,690,232,764.70	8,684,004,650.53	367,055,612.28	377,139,587.96	4,047,302,324.93	3,973,059,517.49
Current liabilities	746,576,333.70	746,523,936.01	33,073,602.76	66,014,329.99	2,133,031,958.22	1,980,202,119.18

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Non-current liabilities	5,164,162,916.48	5,157,987,200.00	--	--	11,180,546.68	11,878,127.32
<b>Total liabilities</b>	5,910,739,250.18	5,904,511,136.01	33,073,602.76	66,014,329.99	2,144,212,504.90	1,992,080,246.50
Net assets	2,779,493,514.52	2,779,493,514.52	333,982,009.52	311,125,257.97	1,903,089,820.03	1,980,979,270.99
Including: Non-controlling interests	--	--	--	--	--	--
Equity attributable to shareholders of the company	2,779,493,514.52	2,779,493,514.52	333,982,009.52	311,125,257.97	1,903,089,820.03	1,980,979,270.99
Net assets calculated by shareholding proportion	450,000,000.00	450,000,000.00	83,495,502.41	77,781,314.51	948,199,977.34	986,996,372.97
Adjustment-goodwill	--	--	--	--	4,147,420.21	4,147,420.21
<b>Carrying value of equity investment in the associates</b>	450,000,000.00	450,000,000.00	83,495,502.41	77,781,314.51	952,347,397.55	991,143,793.18
Fair value of equity investment with quoted market price	--	--	--	--	--	--

**Continued:**

Items	Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership)		Beijing Dingshengcheng Packaging Materials Co., Ltd.	
	2020.12.31	2019.12.31	2020.12.31	2019.12.31
Current assets	598,504,465.05	1,022,994,630.61	38,077,883.76	36,252,312.04
Non-current assets	2,044,314,439.69	--	485,332.49	328,695.69
<b>Total assets</b>	2,642,818,904.74	1,022,994,630.61	38,563,216.25	36,581,007.73
Current liabilities	483,805,460.10	3,861,658.94	13,372,193.62	13,390,467.77
Non-current liabilities	--	--	--	--
<b>Total liabilities</b>	483,805,460.10	3,861,658.94	13,372,193.62	13,390,467.77
Net assets	2,159,013,444.64	1,019,132,971.67	25,191,022.63	23,190,539.96
Including: Non-controlling interests	--	--	--	--
Equity attributable to shareholders of the company	2,159,013,444.64	1,019,132,971.67	25,191,022.63	23,190,539.96
Net assets calculated by shareholding proportion	431,802,688.93	203,826,594.33	11,335,960.18	10,435,742.99
Adjustment-goodwill	--	--	44,544.87	44,544.87
<b>Carrying value of equity investment in the associates</b>	431,802,688.92	203,826,594.33	11,380,505.05	10,480,287.86
Fair value of equity investment with quoted market price	--	--	--	--

**Continued:**

Items	Tangshan Tangcao Railway Co., Ltd.		Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.		Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	
	2020	2019	2020	2019	2020	2019
Operating revenue	--	--	464,761,681.90	383,670,512.68	6,567,974,662.78	6,913,378,291.52
Net profit	--	--	37,856,751.55	28,665,429.82	222,110,549.04	139,630,811.41
Net profit from discontinuing operations	--	--	--	--	--	--
Other comprehensive income	--	--	--	--	--	--
Total comprehensive income	--	--	37,856,751.55	28,665,429.82	222,110,549.04	139,630,811.41
Dividend received from associates	--	--	3,750,000.00	5,000,000.00	149,460,000.00	--

Items	Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership)		Beijing Dingshengcheng Packaging Materials Co., Ltd.	
	2020	2019	2020	2019
Operating income	--	--	126,204,932.84	101,033,864.73
Net profit	1,139,880,472.97	19,059,518.46	2,000,482.67	3,199,511.77
Net profit from discontinuing operation	--	--	--	--
Other comprehensive income	--	--	--	--
Total comprehensive income	1,139,880,472.97	19,059,518.46	2,000,482.67	3,199,511.77
Dividend received from associates	--	--	--	--

#### (4) Summary financial information of no significant joint ventures and associates

	31.12.2020 or Current period	31.12.2019 or Pervious period
Associates		
Total carrying value of investment	182,983,769.62	189,348,844.85
Items calculated according to shareholding ratio		
Net profit	-3,226,619.53	-9,519,494.11
Other comprehensive income	--	--
Total comprehensive income	-3,226,619.53	-9,519,494.11

### 3. Interests in unconsolidated structured entities

#### (1) Basic information of unconsolidated structured entities

The unconsolidated structured entity is the Limited Partnership initiated by the Company-Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership) (Hereinafter referred to as Shouxin Jinyuan Fund or the Partnership). In accordance with the provisions of the limited partnership agreement, the company has no control over the Partnership.

The purpose of establishing Shouxin Jinyuan Fund is combining the relevant policies of Beijing on the development of sophisticated industry with the market-oriented operation of M&A investment, actively responding to the strategic goal of Beijing to build a sophisticated industrial structure, promoting the upgrading and development of Beijing's sophisticated industry, contributing to the local economic development and industrial structure adjustment of Beijing, and creating satisfactory return on investment for investors.

The total subscribed capital of all partners to Shouxin Jinyuan Fund is no less than RMB one billion. The partners of the Fund are divided into general partner and limited partner, the contribution agreement is as follows: Beijing Shouyuan New Energy Investment Management Co., Ltd., the general partner, contributes RMB 10,000 thousand; and among the limited partners, the Company agrees to contribute RMB 200,000 thousand, and the other limited partners agrees to contribute RMB 790,000 thousand in total.

As at 31 December 2020, Shouxin Jinyuan Fund has completed fund raising and registered on The Chinese Association of Securities Investment Funds.

As at 31 December 2020, Shouxin Jinyuan Fund has conducted investment activities and three external investment projects has been invested with the amount of RMB 987,040.00 thousand. No financing activity has been conducted by the Fund.

(2) Carrying value and maximum loss exposure of interests related assets and liabilities

As at 31 December 2020, no assets and liabilities related to the interests in Shouxin Jinyuan Fund recognized are recognized in the financial statements of the Company except for the partner contribution agreed in the partner agreement. The maximum loss exposure of the company's interests in Shouxin Jinyuan Fund is RMB 197,408.00 thousand.

(3) As at 31 December 2020, the Company had no intention to provide financial support or other support for Shouxin Jinyuan Fund.

(4) As at 31 December 2020, no additional information related to Shouxin Jinyuan Fun should be disclosed by the Company.

## VIII. Financial instruments and risk management

The major financial instruments of the Company include cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current assets, other equity instrument investments, notes payable, accounts payable, other payables, short-term borrowings, current portion of non-current liabilities, long-term borrowings and bond payables. The details of financial instruments are disclosed in the respective notes. Risks relate to these financial instruments and risk management policies used by the Company to minimize the risks are disclosed as below. Management of the Company manages and monitors the risk exposures to ensure the risks are controlled in the limited range.

### 1. Objectives and policies of risk management

The objective of the Company in risk management is to obtain an appropriate equilibrium between risk and return, and also focuses on minimizing potential adverse effects on the financial performance of the Company bring by the unpredictability of financial risk. Based on the objectives of risk management, certain policies are established to recognize and analyze the risk. Also, in order to monitor the risk position of the Company, internal control procedures are designed according to acceptable level of risk. Both the policies and internal control procedures are reviewed and revised regularly to adapt the changes of the market and business activities of the Company.

The primary risks caused by the financial instruments of the Company are credit risk and liquidity risk.

#### (1) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Company.

The Company manages the credit risk on combination basis. Credit risks are mainly caused by cash and cash equivalents, notes receivable, accounts receivable, other receivables etc.

The Company mainly deposits in financial institutions with good reputation and high credit rating therefore no significant credit risk associated with cash and cash equivalents is expected.

In addition, policies related to limit the credit risk exposure on notes receivable, accounts receivable and other receivables are established by the Company. The Company evaluates credit quality and sets credit limits on customers by taking into account their financial position, credit records and other factors such as current market conditions. The credit history



of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

The highest credit risk exposure to the Company is limited to the carrying value of each financial instrument illustrated in the financial statements. The Company has not provided any guarantee that might cause credit risk to the Company.

Among the accounts receivable of the Company, the accounts receivable of the top five customers accounted for 42.24% (2019: 40.25%); among the other receivables of the Company, the other receivables of the top five customers accounted for 64.41% (2019: 68.52%)

## (2) Liquidity risk

Liquidity risk refers to the risks that the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Company maintains and monitors sufficient level of cash and cash equivalents as considered by the management while managing liquidity risk in order to meet operational needs of the Company and reduce the effect of floating cash flow. The usage of bank loan is monitored by the management of the Company and the loan covenants are ensured to be complied. Meanwhile, primary financial institution commits to provide sufficient reserve funds to satisfy the short term and long term fund requirement of the Company.

## 2. Capital management

The capital management policies are made to keep the continuous operation of the Company, to enhance the return to shareholders, to benefit other related parties and to maintain the best capital structure to minimize the cost of capital.

To the maintenance or adjustment of the capital structure, the Company might adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or make an asset disposal to reduce debt liabilities.

The Company monitors the capital structure on the basis of leverage ratio (total liabilities divided total assets). As at 31 December 2020, leverage ratio of the Company is 73.10% (31 December 2019: 72.65%).

## IX. Fair value

Fair value hierarchies are categorized into three levels as the lowest level input that is significant to the entire fair value measurement.

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability.

(1) Fair value of assets and liabilities measured at fair value

As at 31 December 2020, assets and liabilities measured at fair value are shown as follows:

Items	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
<b>I. Recurring fair value measurement</b>				
(1) Financing receivable	--	--	4,532,592,689.43	4,532,592,689.43
(2) Other equity instrument investment	--	245,378,470.24	30,868,216.32	276,246,686.56
<b>Total assets measured at fair value on a recurring basis</b>	--	245,378,470.24	4,563,460,905.75	4,808,839,375.99

The transformation point between different levels is recognized by the Company when the event led to the transformation occurs. During 2020, the Company has no transformation between level 1 and level 2.

For financial instruments with active market, the Company measures fair value at quoted price in active market; for financial instrument without active market, the company measures fair value using valuation techniques. Valuation models used are mainly cash flow discount model and market comparable entity model. Inputs include risk free interest rate, base rate, liquidity premium, lack of liquidity discount, etc.

(2) Fair values of items not measured at fair value

Financial assets and financial liabilities measured at amortized cost include: cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings due within one year, long-term borrowings and bonds payable, etc.

No additional details of financial assets and financial liabilities should be disclosed since the difference between the fair value and carrying value of financial assets and financial liabilities of the Company is approximately equal.

**X. Related parties and related party transactions**

1. Information about the parent company of the Company

Parent company	Registration place	Business nature	Registered capital (RMB0,000)	Shareholding percentage (%)	Percentage of voting rights (%)	of rights
Shougang Group Co., Ltd.	Beijing	Company with limited liability(wholly state-owned)	2,875,502.50	64.38		64.38

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

During the reporting period, the change of the registered capital of the parent company is as follows:

As at 31.12.2019	Addition	Reduction	As at 31.12.2020
2,875,502.50	--	--	2,875,502.50

## 2. Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VII, 1.

## 3. Information about joint ventures and associates of the Company

For information about joint ventures and associates of the Company, refer to Note VII, 2.

Joint ventures and associates that have related transactions with the Company in this year or the previous year are as follows:

Name of joint venture or associate	Relationship with the Company
Tangshan Guoxing Industrial Co., Ltd.	Joint ventures of the Company
Tangshan Zhonghong Carbon Chemical Co., Ltd.	Joint ventures of the Company
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Joint ventures of the Company
Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.	Associates of the Company
Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	Associates of the Company
Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership)	Associates of the Company
Beijing Dingshengcheng Packaging Materials Co., Ltd.	Associates of the Company
Ningbo Shougang Zhejin Steel Co., Ltd.	Associates of the Company
Guangzhou Jinghai Shipping Co., Ltd.	Associates of the Company
Shougang (Qingdao) Steel Industry Co., Ltd.	Associates of the Company
Guangdong Shougang Zhongshan Metal Steel Processing&Distribution Co., Ltd.	Associates of the Company
Ordos Baotou Steel Shourui Material Technology Co., Ltd.	Associates of the Company
Tianjin Shougang Steel Processing&Distribution Co., Ltd.	Associates of the Company
Hebei Jingji Industry & Trading Co., Ltd.	Associates of the Company

## 4. Information about other related parties

Related party	Relationship with the Company
Shougang Group Finance Co., Ltd.	Under the control of the same parent company
Shougang Mining Corporation	Under the control of the same parent company
China Shougang International Trade&Engineering Corporation	Under the control of the same parent company
Beijing Shougang Refractory& Metallurgical Burden Co., Ltd.	Under the control of the same parent company
Beijing Shougang Construction Group Co., Ltd.	Under the control of the same parent company
Beijing Shougang Gas Co., Ltd.	Under the control of the same parent company
Beijing Shougang Automation Information Technology Co., Ltd.	Under the control of the same parent company
Beijing Shougang Machinery&Electric Co., Ltd.	Under the control of the same parent company
Qinhuangdao Shougang Machinery Co., Ltd.	Under the control of the same parent company
Qian'an Shouxin Automation Information Technology Co., Ltd.	Under the control of the same parent company
Qian'an First Real Packaging Service Co., Ltd.	Under the control of the same parent company
Qian'an Shougang Equipment Structure Co., Ltd.	Under the control of the same parent company

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<b>Related party</b>	<b>Relationship with the Company</b>
Beijing Soly Technology Co., Ltd.	Under the control of the same parent company
Beijing Shouye Instruments&Meters Co., Ltd.	Under the control of the same parent company
Beijing Shoujian equipment maintenance Co., Ltd.	Under the control of the same parent company
Beijing Shoujian Hengxin Labor Service Co., Ltd.	Under the control of the same parent company
Beijing Shoujian Hengji Construction Engineering Co., Ltd.	Under the control of the same parent company
Beijing Shougang Landscaping Co., Ltd.	Under the control of the same parent company
Beijing Shougang Huaxia International Trade Co., Ltd.	Under the control of the same parent company
Beijing Shougang International Engineering&Technology Co., Ltd.	Under the control of the same parent company
Beijing Jinanyuan Automobile Transportation Co., Ltd.	Under the control of the same parent company
Beijing Shougang Xinganglian Technology&Trade Co., Ltd.	Under the control of the same parent company
Beijing Huaxia Technology Co., Ltd.	Under the control of the same parent company
Beijing Shougang Catering Co., Ltd.	Under the control of the same parent company
Beijing Shoujia Steel Construction Co., Ltd.	Under the control of the same parent company
Shougang Hospital Co. Ltd.	Under the control of the same parent company
Beijing Shougang Ferroalloy Co., Ltd.	Under the control of the same parent company
Lujiashan Limestone Mining of Shougang Beijing Co., Ltd.	Under the control of the same parent company
Qinhuangdao Shougang Krosaki Refractory Co., Ltd.	Under the control of the same parent company
Yantai Shougang Mining 3D Co., Ltd.	Under the control of the same parent company
Tianjin Shougang Electric Equipment Co., Ltd.	Under the control of the same parent company
Beijing Chengxin Engineering Supervision Co., Ltd.	Under the control of the same parent company
Beijing Shoucheng Packaging Service Co., Ltd.	Under the control of the same parent company
Beijing Shougang Materials Trading Co., Ltd.	Under the control of the same parent company
Beijing Shougang Futong Elevator Co., Ltd.	Under the control of the same parent company
Tangshan Caofeidian Industrial District Shouhanxin Industrial Co., Ltd.	Under the control of the same parent company
Tonghua Iron and Steel Co., Ltd.	Under the control of the same parent company
Beijing Shougang Huaxia Engineering&Technology Co., Ltd.	Under the control of the same parent company
Shougang Environmental Industry Co., Ltd.	Under the control of the same parent company
Beijing Teyu Plate Co., Ltd.	Under the control of the same parent company
Qinhuangdao Zhongshou Logistics Co., Ltd.	Under the control of the same parent company
Beijing Shougang Mining Construction Co., Ltd.	Under the control of the same parent company
Qinhuangdao Shouqin Metal Materials Co., Ltd.	Under the control of the same parent company
Beijing Shougang Industrial Group Co., Ltd.	Under the control of the same parent company
Beijing Shougang Cultural Development Co., Ltd.	Under the control of the same parent company

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<b>Related party</b>	<b>Relationship with the Company</b>
Qinhuangdao Shouqin Steel Machining&Delivery Co., Ltd.	Under the control of the same parent company
Shougang Casey Steel Co., Ltd.	Under the control of the same parent company
Tangshan Caofeidian First Real Industrial Co., Ltd.	Under the control of the same parent company
Beijing Shougang Fulushi Color Coated Plate Co., Ltd.	Under the control of the same parent company
Qiangang Hotel.	Under the control of the same parent company
Beijing Shougang Special Steel Co., Ltd.	Under the control of the same parent company
Beijing Shougang Yunxiang Industrial Technology Co., Ltd.	Under the control of the same parent company
Bohai International Conference Center Co., Ltd.	Under the control of the same parent company
Qian'an Shougang Xingkuang Industrial Co., Ltd.	Under the control of the same parent company
Tangshan Caofeidian Jingshou Industrial Co., Ltd.	Under the control of the same parent company
Beijing Huayue Aviation Service Co., Ltd.	Under the control of the same parent company
Shougang Guiyang Special Steel Co., Ltd.	Under the control of the same parent company
Tangshan Shoukuang Cleaning Iron Co., Ltd.	Under the control of the same parent company
China Peace International Travel Service Co., Ltd.	Under the control of the same parent company
Beijing Shougang Steel Distribution Co., Ltd	Under the control of the same parent company
Beijing Shougang Park Comprehensive Service Co., Ltd.	Under the control of the same parent company
Beijing Shouao Real Estate Co., Ltd	Under the control of the same parent company
Beijing Shouxinsheng Trading Co., Ltd.	Under the control of the same parent company
Tonggang Jilin Welded Pipe Co., Ltd	Under the control of the same parent company
Qinhuangdao Shougang Plate Mill Co., Ltd.	Under the control of the same parent company
Qinhuangdao Shougang Racing Valley Co., Ltd	Under the control of the same parent company
Hebei Shougang Jingtang Machinery Co., Ltd.	Under the control of the same parent company
Jilin Tonggang International Trade Co., Ltd.	Under the control of the same parent company
South China International Leasing Co., Ltd	Under the control of the same parent company
Beijing Shougang Langze New Energy Technology Co., Ltd.	Under the control of the same parent company
Beijing Shougang Equipment Technology Co., Ltd.	Under the control of the same parent company
Beijing Shouronghui Technology Development Co., Ltd.	Under the control of the same parent company
Beijing Shougang Industrial Co., Ltd.	Under the control of the same parent company
Beijing Shougang International Travel Co., Ltd.	Under the control of the same parent company
Beijing Huayu Information Technology Co., Ltd.	Under the control of the same parent company
Ningbo Metallurgical Investigation, Design&Research Co., Ltd.	Under the control of the same parent company
Beijing Shougang Mining Investment Co., Ltd	Under the control of the same parent company
Beijing Shougang Property Management Co., Ltd.	Under the control of the same parent company

Beijing Shougang Co. Ltd  
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<b>Related party</b>	<b>Relationship with the Company</b>
Beijing Beiyue Functional Materials Co., Ltd.	Under the control of the same parent company
Beijing Shougang Jitaian New Material Co., Ltd.	Under the control of the same parent company
Tangshan Caofeidian Industrial Zone Jingtang Industrial Co., Ltd.	Under the control of the same parent company
Beijing Shougang Metal Co., Ltd.	Under the control of the same parent company
Beijing Shoujian Centralized Trading Co., Ltd.	Under the control of the same parent company
Ningbo Shoude Bonded zone Trading Co., Ltd.	Under the control of the same parent company
Shougang Changzhi Steel&Iron Co., Ltd.	Under the control of the same parent company
Guizhou Bohong Industrial Co., Ltd.	Under the control of the same parent company
Shougang Shuicheng Steel (Group) Saide Construction Co., Ltd.	Under the control of the same parent company
Dachang Shougang Machinery&Electric Co., Ltd.	Under the control of the same parent company
Huludao Shougang Donghua Machinery Co., Ltd.	Under the control of the same parent company
Huludao Shougang Donghua Pipe Industry Co., Ltd.	Under the control of the same parent company
Beijing Shoushe Metallurgical Technology Co., Ltd.	Joint ventures or associates of the Company's parent company
Beijing Shougang Kuangshan Hospital Co., Ltd.	Joint ventures or associates of the Company's parent company
Jingxi Shoutang Supply Chain Management Co., Ltd.	Joint ventures or associates of the Company's parent company
Jingxi (Guizhou) Supply Chain Management Co., Ltd.	Joint ventures or associates of the Company's parent company
Jiangsu Capital Holdings Manufacturing Technology Co., Ltd.	Joint ventures or associates of the Company's parent company
Beijing Shougang Resources Comprehensive Utilization Technology Development Co., Ltd.	Joint ventures or associates of the Company's parent company
Beijing Shougang Shape Metal Co., Ltd.	Joint ventures or associates of the Company's parent company
Beijing Thermal Zhongda Heat Exchange Equipment Co., Ltd.	Joint ventures or associates of the Company's parent company
PetroChina Shougang (Beijing) Petroleumsales Co., Ltd.	Joint ventures or associates of the Company's parent company
Beijing Shouyu Industry and Trade Co., Ltd.	Joint ventures or associates of the Company's parent company
Beijing Xingye da Machinery&Electric Equipment Manufacture Co., Ltd.	Joint ventures or associates of the Company's parent company
Chaoyang Shougang Beifang Machinery Co., Ltd.	Joint ventures or associates of the Company's parent company
Tangshan Caofeidian Ganglian Logistics Co., Ltd.	Joint ventures or associates of the Company's parent company
Tangshan Caofeidian Industry Port Co., Ltd.	Joint ventures or associates of the Company's parent company
YASKAWA Shougang Robert Co., Ltd.	Joint ventures or associates of the Company's parent company
Cmi Engineering (Beijing) Co., Ltd.	Joint ventures or associates of the Company's parent company
Hua Xia Bank Co., Ltd.	Joint ventures or associates of the Company's parent company

Related party	Relationship with the Company
Qian'an Shoujia Construction Material Co., Ltd.	Joint ventures or associates of the Company's parent company
Sanhe Shoujia Construction Material Co., Ltd.	Joint ventures or associates of the Company's parent company
Beijing Shoubang New Material Co., Ltd.	Joint ventures or associates of the Company's parent company
Jingtang Port Shougang Terminal Co., Ltd.	Joint ventures or associates of the Company's parent company
Beijing Shougang Zhongye Machinery & Electric Co., Ltd.	Joint ventures or associates of the Company's parent company
Beijing Shoutegang Yuandong Magnesium Alloy Products Co., Ltd.	Joint ventures or associates of the Company's parent company
Suzhou Tonggang Shunye Steel Materials Processing Distribution Co., Ltd.	Joint ventures or associates of the Company's parent company
Directors, Supervisors, CFO and Board Secretary	Key management personnel

## 5. Information about related party transactions

### (1) Details of related purchase and sales

#### ① Purchase of goods and receiving of services from related parties

Related party	Nature of transaction	2020	2019
Shougang Group Co., Ltd.	Raw material	22,475,432,877.92	15,425,330,532.57
Shougang Group Co., Ltd.	Fuel material	839,111,830.96	928,205,109.08
Shougang Group Co., Ltd.	Engineering equipment	184,224,527.54	--
Shougang Group Co., Ltd.	Spare parts	8,688,006.35	20,912,594.33
Shougang Group Co., Ltd.	Production service	21,908,162.53	3,568,781.04
Shougang Group Co., Ltd.	Fund usage charges	80,236,212.32	130,252,367.90
Shougang Group Finance Co., Ltd.	Fund usage charges	261,805,906.55	341,246,766.05
Shougang Mining Corporation	Raw material	10,039,993,073.26	8,574,990,158.95
Shougang Mining Corporation	Power energy	46,362,132.70	37,011,261.81
Shougang Mining Corporation	Spare parts	3,279,442.20	8,952,794.02
Shougang Mining Corporation	Production service	101,071,134.26	68,195,152.75
Shougang Mining Corporation	Engineering equipment	4,189,075.78	1,778,613.63
China Shougang International Trade&Engineering Corporation	Export cost	61,090,346.95	49,965,746.36
China Shougang International Trade&Engineering Corporation	Fuel material	--	15,982,725.00
China Shougang International Trade&Engineering Corporation	Raw material	245,622,956.58	81,188,865.49
Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	Fuel material	5,547,403,153.11	5,709,176,730.89
Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	Power energy	439,201,428.59	427,839,224.47
Beijing Shougang Refractory& Metallurgical Burden Co., Ltd.	Production service	26,199,618.34	23,011,756.44

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Related party	Nature of transaction	2020	2019
Beijing Shougang Refractory& Metallurgical Burden Co., Ltd.	Auxiliary material	2,926,927.87	35,151,689.38
Beijing Shougang Refractory& Metallurgical Burden Co., Ltd.	Engineering service	2,070,531.19	22,588,183.90
Beijing Shougang Construction Group Co., Ltd.	Production service	462,954,574.43	447,111,964.43
Beijing Shougang Construction Group Co., Ltd.	Spare parts	14,198,456.80	12,145,220.50
Beijing Shougang Construction Group Co., Ltd.	Engineering equipment	6,528,973.48	10,057,119.32
Beijing Shougang Construction Group Co., Ltd.	Engineering service	758,031,421.11	862,388,647.36
Beijing Shougang Gas Co., Ltd.	Spare parts	517,927.82	476,100.00
Beijing Shougang Gas Co., Ltd.	Production service	48,834,170.58	42,020,530.72
Beijing Shougang Gas Co., Ltd.	Power energy	88,465,933.43	83,070,684.93
Beijing Shougang Gas Co., Ltd.	Auxiliary material	11,803,452.97	9,186,947.82
Beijing Shougang Automation Information Technology Co., Ltd.	Production service	279,808,663.52	214,498,514.78
Beijing Shougang Automation Information Technology Co., Ltd.	Spare parts	5,778,449.10	7,349,173.00
Beijing Shougang Automation Information Technology Co., Ltd.	Engineering service	128,942,106.56	157,810,593.68
Beijing Shougang Automation Information Technology Co., Ltd.	Engineering equipment	120,428,074.99	262,928,432.01
Beijing Shougang Machinery&Electric Co., Ltd.	Spare parts	104,611,424.62	155,541,128.77
Beijing Shougang Machinery&Electric Co., Ltd.	Production service	210,197,665.05	118,853,124.83
Beijing Shougang Machinery&Electric Co., Ltd.	Engineering equipment	4,834,316.85	30,836,322.22
Beijing Shougang Machinery&Electric Co., Ltd.	Engineering service	--	62,838.18
Qinhuangdao Shougang Machinery Co., Ltd.	Spare parts	48,022,099.00	31,618,421.00
Qinhuangdao Shougang Machinery Co., Ltd.	Production service	113,037,965.98	69,940,621.26
Qinhuangdao Shougang Machinery Co., Ltd.	Auxiliary material	108,800.00	880,000.00
Qinhuangdao Shougang Machinery Co., Ltd.	Engineering equipment	2,799,784.00	20,090,103.92
Qian'an Shouxin Automation Information Technology Co., Ltd.	Production service	111,609,021.92	119,047,982.00
Qian'an First Real Packaging Service Co., Ltd.	Production service	200,751,734.25	161,718,265.73
Qian'an First Real Packaging Service Co., Ltd.	Raw material	7,369,162.70	37,874,035.56
Qian'an Shougang Equipment Structure Co., Ltd.	Spare parts	26,631,135.84	8,747,649.50
Qian'an Shougang Equipment Structure Co., Ltd.	Production service	58,442,769.12	47,815,296.04
Qian'an Shougang Equipment Structure Co., Ltd.	Engineering equipment	1,399,569.04	26,530,109.39
Qian'an Shougang Equipment Structure Co., Ltd.	Engineering service	3,013,922.79	2,443,953.21
Qian'an Shougang Equipment Structure Co., Ltd.	Raw material	211,923,588.96	5,524,164.94
Huludao Shougang Donghua Machinery Co., Ltd.	Spare parts	6,440,584.00	13,503,870.92
Huludao Shougang Donghua Machinery Co., Ltd.	Production service	38,443,490.00	35,447,893.60
Huludao Shougang Donghua Machinery Co., Ltd.	Engineering equipment	7,399,092.61	1,134,823.98



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Related party	Nature of transaction	2020	2019
Beijing Soly Technology Co., Ltd.	Engineering equipment	353,801.34	575,170.00
Beijing Shouye Instruments&Meters Co., Ltd.	Spare parts	39,934,823.79	33,420,805.93
Beijing Shouye Instruments&Meters Co., Ltd.	Engineering equipment	837,828.50	--
Beijing Shoujian Equipment Maintenance Co., Ltd.	Production service	57,321,699.12	52,385,418.90
Beijing Shoujian Equipment Maintenance Co., Ltd.	Auxiliary material	2,138,400.00	--
Beijing Shoujian Hengxin Labor Service Co., Ltd.	Production service	1,935,000.00	1,844,435.55
Beijing Shoujian Hengji Construction Engineering Co., Ltd.	Spare parts	560,348.00	374,702.30
Beijing Shougang Landscaping Co., Ltd.	Life service	14,216,782.92	26,750,116.85
Beijing Shougang Landscaping Co., Ltd.	Engineering service	2,670,354.40	2,234,477.70
Beijing Shougang Huaxia International Trade Co., Ltd.	Spare parts	4,960,000.00	7,891,127.19
Beijing Shougang Huaxia International Trade Co., Ltd.	Raw material	--	57,227,366.92
Beijing Shougang International Engineering&Technology Co., Ltd.	Spare parts	7,746,855.00	3,293,988.00
Beijing Shougang International Engineering&Technology Co., Ltd.	Engineering equipment	267,038,760.67	271,843,498.28
Beijing Shougang International Engineering&Technology Co., Ltd.	Engineering service	1,387,188,083.59	1,159,795,094.46
Beijing Shougang International Engineering&Technology Co., Ltd.	Production service	645,886.79	1,105,774.00
Beijing Jinanyuan Automobile Transportation Co., Ltd.	Production service	67,580,189.65	66,732,849.79
Beijing Shougang Xinganglian Technology&Trade Co., Ltd.	Production service	30,436,073.78	34,507,421.25
Beijing Shougang Xinganglian Technology&Trade Co., Ltd.	Auxiliary material	--	25,650,434.02
Beijing Huaxia Technology Co., Ltd.	Spare parts	3,792,279.26	3,017,378.43
Beijing Huaxia Technology Co., Ltd.	Engineering equipment	6,569,745.73	--
Beijing Huaxia Technology Co., Ltd.	Production service	577,586.00	--
Beijing Shougang Catering Co., Ltd.	Life service	31,571,639.79	30,076,116.28
Beijing Shoujia Steel Construction Co., Ltd.	Production service	25,231,426.92	15,001,207.08
Shougang Hospital Co. Ltd	Life service	6,369,334.59	8,344,330.04
Beijing Shougang Ferroalloy Co., Ltd.	Raw material	279,689,952.60	256,233,245.83
Lujiaoshan Limestone Mining of Shougang Beijing Co.,Ltd.	Raw material	110,828,669.76	106,745,309.77
Lujiaoshan Limestone Mining of Shougang Beijing Co.,Ltd.	Production service	23,047,011.45	6,213,750.99
Lujiaoshan Limestone Mining of Shougang Beijing Co.,Ltd.	Auxiliary material	2,952,512.20	714,241.37
Qinhuangdao Shougang Krosaki Refractory Co., Ltd.	Auxiliary material	126,746,773.19	123,446,064.55
Qinhuangdao Shougang Krosaki Refractory Co., Ltd.	Engineering equipment	--	12,518,192.00
Yantai Shougang Mining 3D Co., Ltd.	Spare parts	10,791.62	291,580.05
Tianjin Shougang Electric Equipment Co., Ltd.	Engineering equipment	15,921,274.20	20,814,461.07
Tianjin Shougang Electric Equipment Co., Ltd.	Spare parts	3,439,500.00	--

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Related party	Nature of transaction	2020	2019
Beijing Chengxin Engineering Supervision Co., Ltd.	Engineering service	6,963,853.88	10,221,801.27
Beijing Chengxin Engineering Supervision Co., Ltd.	Production service	--	182,075.48
Beijing Shoucheng Packaging Service Co., Ltd.	Production service	95,092,358.74	88,764,826.69
Beijing Shougang Materials Trading Co., Ltd.	Fuel material	119,602,059.49	93,412,206.47
Beijing Shougang Materials Trading Co., Ltd.	Raw material	692,506,744.95	501,003,231.60
Beijing Shougang Materials Trading Co., Ltd.	Production service	2,749,073.71	--
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Power energy	905,225,354.25	902,058,261.99
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Fuel material	8,843,642,545.42	8,646,318,959.07
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Raw material	1,507,652.53	1,411,956.90
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Production service	28,235,067.39	--
Beijing Shougang Futong Elevator Co., Ltd.	Spare parts	59,440.00	433,075.00
Beijing Shougang Futong Elevator Co., Ltd.	Production service	1,211,800.00	577,068.97
Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	Production service	64,699,765.33	116,901,828.23
Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	Spare parts	10,676,027.00	16,424,561.47
Tangshan Guoxing Industrial Co., Ltd.	Production service	77,687,880.63	38,316,953.44
Tangshan Guoxing Industrial Co., Ltd.	Spare parts	--	1,976,600.00
Tangshan Guoxing Industrial Co., Ltd.	Fuel material	--	747,170.99
Tangshan Guoxing Industrial Co., Ltd.	Engineering service	988,895.30	3,682,543.70
Tangshan Caofeidian Industrial District Shouhanxin Industrial Co., Ltd.	Production service	346,895,130.34	337,362,439.03
Tonghua Iron and Steel Co., Ltd.	Engineering equipment	--	100,789,692.06
Tonghua Iron and Steel Co., Ltd.	Raw material	2,247,601.84	204,456,645.81
Beijing Shougang Huaxia Engineering&Technology Co., Ltd.	Production service	18,833.33	450,000.00
Beijing Shougang Huaxia Engineering&Technology Co., Ltd.	Engineering equipment	1,362,800.00	--
Shougang Environmental Industry Co., Ltd.	Production service	3,595,964.43	2,917,451.84
Beijing Teyu Plate Co., Ltd.	Raw material	--	3,580,817.93
Beijing Teyu Plate Co., Ltd.	Engineering equipment	85,421,473.13	--
Qinhuangdao Zhongshou Logistics Co., Ltd.	Raw material	1,271,692.78	12,322,833.89
Beijing Shougang Mining Construction Co., Ltd.	Engineering service	7,750,568.08	30,114,337.84
Beijing Shougang Mining Construction Co., Ltd.	Production service	429,992.00	--
Qinhuangdao Shouqin Metal Materials Co., Ltd.	Engineering equipment	--	3,706,128.56
Qinhuangdao Shouqin Metal Materials Co., Ltd.	Raw material	14,565,774.93	2,440,449.31
Beijing Shougang Industrial Group Co., Ltd.	Life service	8,392,406.50	1,587,534.37
Beijing Shougang Shape Metal Co., Ltd.	Raw material	1,448,649.56	1,004,008.95

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Related party	Nature of transaction	2020	2019
Beijing Dingshengcheng Packaging Materials Co., Ltd.	Production service	119,980,137.18	99,899,345.64
Beijing Dingshengcheng Packaging Materials Co., Ltd.	Auxiliary material	1,045,368.00	--
Beijing Shougang Cultural Development Co., Ltd.	Production service	448,351.70	188,679.25
Jing xi (Guizhou) Supply Chain Management Co., Ltd.	Raw material	7,894,247.79	72,644,648.46
Qinhuangdao Shouqin Steel Machining&Delivery Co., Ltd.	Spare parts	158,382.00	66,420.00
Qinhuangdao Shouqin Steel Machining&Delivery Co., Ltd.	Raw material	--	2,792,411.50
Qinhuangdao Shouqin Steel Machining&Delivery Co., Ltd.	Production service	2,672,600.00	5,050,207.48
Shougang Casey Steel Co., Ltd.	Production service	85,312,691.44	74,672,046.11
Tangshan Caofeidian First Real Industrial Co., Ltd.	Life service	25,094,469.60	13,199,256.60
Beijing Shougang Fulushi Color Coated Plate Co., Ltd.	Engineering equipment	--	17,022,018.50
Qiangang Hotel.	Production service	20,242,271.63	606,948.76
Beijing Shougang Special Steel Co., Ltd.	Engineering equipment	--	102,565,023.77
Beijing Shougang Special Steel Co., Ltd.	Production service	7,257,200.37	--
Beijing Shougang Special Steel Co., Ltd.	Power energy	99,547.79	--
Beijing Shougang Yunxiang Industrial Technology Co., Ltd.	Spare parts	4,903,800.00	1,268,805.00
Beijing Shougang Resources Comprehensive Utilization Technology Development Co., Ltd.	Raw material	--	16,002,746.00
Beijing Shougang Resources Comprehensive Utilization Technology Development Co., Ltd.	Engineering equipment	--	32,508,824.69
Bohai International Conference Center Co., Ltd.	Life service	51,282.08	439,362.26
Hebei Shoulang New Energy Technology Co., Ltd.	Power energy	3,807,785.65	2,761,596.34
Qian'an Shougang Xingkuang Industrial Co., Ltd.	Auxiliary material	36,920,253.85	19,491,647.24
Tangshan Caofeidian Jingshou Industrial Co., Ltd.	Spare parts	--	6,853,547.00
Beijing Thermal Zhongda Heat Exchange Equipment Co., Ltd.	Spare parts	19,795,045.90	--
Beijing Thermal Zhongda Heat Exchange Equipment Co., Ltd.	Production service	11,504,293.00	--
Guangzhou Jinghai Shipping Co., Ltd.	Production service	328,058,660.14	230,761,765.54
PetroChina Shougang (Beijing) Petroleum sales Co., Ltd.	Spare parts	42,519,088.05	--
PetroChina Shougang (Beijing) Petroleum sales Co., Ltd.	Production service	789,805.94	--
Beijing Huayue Aviation Service Co., Ltd.	Life service	4,340.72	--
Beijing Shoushe Metallurgical Technology Co., Ltd.	Life service	102,902.26	--
Beijing Shouyu Industry and Trade Co., Ltd.	Auxiliary material	10,164,440.09	--
Beijing Xingyeda Machinery&Electric Equipment Manufacture Co., Ltd.	Auxiliary material	512,301.01	--
Chaoyang Shougang Beifang Machinery Co., Ltd.	Spare parts	675,850.08	--
Shougang Guiyang Special Steel Co., Ltd.	Auxiliary material	8,524,748.29	--
Shougang Guiyang Special Steel Co., Ltd.	Engineering equipment	20,788,717.99	--

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Related party	Nature of transaction	2020	2019
Tangshan Caofeidian Ganglian Logistics Co., Ltd.	Production service	758,402.74	--
Tangshan Caofeidian Industry Port Co., Ltd.	Production service	401,422,352.04	--
Tangshan Shoukuang Cleaning Iron Co., Ltd.	Raw material	109,839,833.78	--
Tangshan Shoukuang Cleaning Iron Co., Ltd.	Production service	132,782,532.37	--
Tianjin Shougang Steel Processing&Distribution Co., Ltd.	Production service	4,954,693.41	3,640,759.36
Tianjin Shougang Steel Processing&Distribution Co., Ltd.	Raw material	35,232,137.78	209,356.21
China Peace International Travel Service Co., Ltd.	Life service	8,000.00	--
Beijing Shougang Steel Distribution Co., Ltd.	Engineering equipment	225,450.78	--
Shougang (Qingdao) Steel Industry Co., Ltd.	Raw material	270,933.68	5,446.89
Guangdong Shougang Zhongshan Metal Steel Processing&Distribution Co., Ltd.	Production service	--	55,459.33
Beijing Shougang Kuangshan Hospital Co., Ltd.	Life service	1,929,427.00	1,476,833.00
Beijing Shougang Park Comprehensive Service Co., Ltd.	Life service	464,322.39	--
YASKAWA Shougang Robert Co., Ltd.	Production service	17,000.00	--
Beijing Shouxinsheng Trading Co., Ltd.	Raw material	60,505,643.28	--
Tonggang Jilin Welded Pipe Co., Ltd.	Auxiliary material	125,440.00	--
Qinhuangdao Shougang Plate Mill Co., Ltd.	Engineering equipment	833,333.33	--
Qinhuangdao Shougang Racing Valley Co., Ltd.	Production service	609,269.80	--
Hebei Shougang Jingtang Machinery Co., Ltd.	Production service	1,092,932.10	--
Beijing Shouao Real Estate Co., Ltd.	Life service	50,400.00	--
Cmi Engineering (Beijing) Co., Ltd.	Engineering equipment	2,740,000.00	--
Jilin Tonggang International Trade Co., Ltd.	Raw material	2,619,614.95	--
Ningbo Shougang Zhejin Steel Co., Ltd.	Production service	12,059.42	--
South China International Leasing Co., Ltd.	Fund usage charges	317,749.91	--
Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership)	Fund usage charges	5,276,712.33	--

②Sale of goods and rendering of services to related parties

Related party	Nature of transaction	2020	2019
Shougang Group Co., Ltd.	Management service	388,673,540.30	370,745,020.29
Shougang Group Co., Ltd.	Interest income	21,582,482.08	--
Shougang Group Co., Ltd.	Production service	16,269,090.54	--
Shougang Mining Corporation	Steel	9,123,594.10	6,791,709.30
Shougang Mining Corporation	Raw fuel material	324,518,330.13	170,297,290.32
Shougang Mining Corporation	Power energy	360,465,665.25	369,371,013.03

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Related party	Nature of transaction	2020	2019
Shougang Mining Corporation	Production service	--	16,286,612.00
Shougang Group Finance Co., Ltd.	Interest income	108,641,085.66	89,697,571.81
Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	Power energy	181,315,533.79	200,061,363.49
Shougang Casey Steel Co., Ltd.	Steel	481,920,723.73	253,514,239.52
Beijing Shougang Xinganglian Technology&Trade Co., Ltd.	Steel	259,068,925.83	1,327,021,632.07
Beijing Shougang Construction Group Co., Ltd.	Power energy	4,352,003.39	7,613,401.69
Beijing Shougang Construction Group Co., Ltd.	Steel	26,296,712.93	32,142,624.82
Beijing Shougang Construction Group Co., Ltd.	Production service	1,802,409.81	208,000.00
Beijing Shougang Gas Co., Ltd.	Power energy	137,638,625.60	134,452,950.60
Beijing Shougang Machinery&Electric Co., Ltd.	Steel	18,541,669.74	13,752,872.81
Beijing Shougang Machinery&Electric Co., Ltd.	Power energy	2,612,156.17	2,389,168.65
Beijing Shougang Machinery&Electric Co., Ltd.	Production service	3,627,733.33	2,840,000.00
Beijing Shougang Ferroalloy Co., Ltd.	Power energy	4,149,978.58	3,661,793.11
Beijing Shougang Ferroalloy Co., Ltd.	Raw fuel material	20,863,176.66	16,542,542.44
Beijing Shougang Ferroalloy Co., Ltd.	Production service	449,154.05	493,044.05
Beijing Shougang Ferroalloy Co., Ltd.	Steel	40,223,043.89	--
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Power energy	597,223,735.88	564,148,285.44
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Production service	174,213,431.05	176,641,061.76
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Raw fuel material	--	172,674.55
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Spare parts	--	343,324.00
Beijing Beiye Functional Materials Co., Ltd.	Billet	9,117,278.51	7,366,113.97
Beijing Beiye Functional Materials Co., Ltd.	Production service	--	384,905.66
Beijing Shougang Jitai New Material Co., Ltd.	Billet	--	1,108,792.50
Beijing Shougang Huaxia Engineering&Technology Co., Ltd.	Power energy	--	39,123.00
Beijing Shougang Huaxia Engineering&Technology Co., Ltd.	Raw fuel material	6,755,827.81	7,750,607.02
Beijing Shougang Huaxia Engineering&Technology Co., Ltd.	Production service	118,539.00	133,523.81
Beijing Shoucheng Packaging Service Co., Ltd.	Steel	16,958,330.51	11,522,208.24
Beijing Shoucheng Packaging Service Co., Ltd.	Power energy	339,453.51	315,078.53
Beijing Shoucheng Packaging Service Co., Ltd.	Production service	1,712,510.00	758,312.49
Qian'an First Real Packaging Service Co., Ltd.	Steel	88,324,141.23	103,759,574.00
Beijing Shouronghui Technology Development Co., Ltd.	Steel	--	6,608,317.76

Beijing Shougang Co. Ltd  
Notes to the Financial Statements  
FY20 (Unit: RMB, unless otherwise specified)

Related party	Nature of transaction	2020	2019
Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.	Raw fuel material	220,204,663.36	169,307,874.01
Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.	Power energy	116,463,776.95	97,078,359.14
Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.	Production service	23,682,420.06	14,439,797.30
Jilin Tonggang International Trade Co., Ltd.	Steel	--	107,008,056.82
Beijing Shougang Engineering&Technology Co., Ltd.	International Steel	--	2,857,231.84
Beijing Shougang Engineering&Technology Co., Ltd.	International Power energy	171,321.90	2,462,539.74
Beijing Shougang Engineering&Technology Co., Ltd.	International Production service	1,530,566.04	--
Beijing Shougang Metal Co., Ltd.	Steel	41,942,213.93	19,773,832.46
Beijing Shougang Metal Co., Ltd.	Power energy	1,543,520.62	689,706.52
Beijing Shougang Metal Co., Ltd.	Production service	2,521,467.89	2,399,908.26
Huludao Shougang Donghua Machinery Co., Ltd.	Production service	--	68,571.43
Qinhuangdao Shouqin Metal Materials Co., Ltd.	Steel	507,696,108.99	352,885,301.56
Beijing Shougang Mining Construction Co., Ltd.	Steel	3,680,894.15	6,158,563.95
Tangshan Caofeidian Industrial District Shouhanxin Industrial Co., Ltd.	Steel	--	21,165,858.24
Qinhuangdao Shougang Machinery Co., Ltd.	Raw fuel material	443,666,813.98	345,954,765.97
Qinhuangdao Shougang Machinery Co., Ltd.	Power energy	304,923.67	124,916.40
Qian'an Shougang Equipment Structure Co., Ltd.	Power energy	20,002.50	17,638.22
Qian'an Shougang Equipment Structure Co., Ltd.	Production service	144,000.00	130,285.71
Qian'an Shougang Equipment Structure Co., Ltd.	Steel	3,911,445.31	--
Tangshan Guoxing Industrial Co., Ltd.	Power energy	783,910.67	280,770.63
Tangshan Guoxing Industrial Co., Ltd.	Raw fuel material	57,837.12	261,251.65
Tangshan Guoxing Industrial Co., Ltd.	Production service	1,259,047.62	629,523.81
Tangshan Caofeidian Industrial Zone Jingtang Industrial Co., Ltd.	Power energy	119,962.50	77,437.50
Tangshan Caofeidian First Real Industrial Co., Ltd.	Power energy	906,346.18	794,987.04
Beijing Shougang Automation Technology Co., Ltd.	Information Power energy	80,430.00	138,558.00
Beijing Shougang Automation Technology Co., Ltd.	Information Spare parts	1,443,067.62	430,317.54
Beijing Shougang Automation Technology Co., Ltd.	Information Production service	237,735.85	--
Hebei Shoulang New Energy Technology Co., Ltd.	Power energy	124,893,707.64	125,702,137.33
Hebei Shoulang New Energy Technology Co., Ltd.	Production service	5,142,857.14	92,567.10
Beijing Jinanyuan Automobile Transportation Co., Ltd.	Production service	215,148.25	205,714.29

Beijing Shougang Co. Ltd  
Notes to the Financial Statements  
FY20 (Unit: RMB, unless otherwise specified)

Related party	Nature of transaction	2020	2019
Tonghua Iron and Steel Co., Ltd.	Raw fuel material	137,737,917.92	93,907,786.53
Lujishan Limestone Mining of Shougang Beijing Co.,Ltd.	Raw fuel material	2,248,938.88	102,525.30
Beijing Shoujian Centralized Trading Co., Ltd.	Steel	--	39,244,874.65
Qinhuangdao Shouqin Steel Machining&Delivery Co., Ltd.	Steel	245,150.45	--
Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	Power energy	50,400.00	105,930.45
Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	Production service	342,857.14	665,142.86
Beijing Shougang Refractory& Metallurgical Burden Co., Ltd.	Power energy	--	216,711.69
Beijing Shougang Materials Trading Co., Ltd.	Raw fuel material	5,226,123.89	31,584,175.47
Beijing Shougang Materials Trading Co., Ltd.	Production service	22,669.81	--
Beijing Shougang Materials Trading Co., Ltd.	Steel	14,122,416.76	42,540,754.02
Qinhuangdao Shougang Krosaki Refractory Co., Ltd.	Raw fuel material	--	1,508,943.59
Shougang Shuicheng Steel (Group) Saide Construction Co., Ltd.	Steel	--	1,516,749.02
Shougang Changzhi Steel&Iron Co., Ltd.	Raw fuel material	8,612,048.19	46,433,676.10
Shougang Changzhi Steel&Iron Co., Ltd.	Production service	566,037.74	--
Tangshan Caofeidian Industry Port Co., Ltd.	Power energy	7,431,690.00	--
Tangshan Zhonghong Carbon Chemical Co., Ltd.	Interest income	10,361,268.74	8,187,426.69
Guangdong Shougang Zhongshan Metal Steel Processing&Distribution Co., Ltd.	Steel	103,615,972.75	240,259,549.34
Ningbo Shougang Zhejiang Steel Co., Ltd.	Steel	387,404,125.34	206,636,029.91
Shougang (Qingdao) Steel Industry Co., Ltd.	Steel	2,068,145,685.62	1,760,014,068.46
Shougang (Qingdao) Steel Industry Co., Ltd.	Production service	1,191,850.64	349,368.93
Tianjin Shougang Steel Processing&Distribution Co., Ltd.	Steel	122,868,391.48	470,715,373.63
Ordos Baotou Steel Shourui Material Technology Co., Ltd.	Steel	43,172,333.19	18,641,068.22
Qian'an Shoujia Construction Material Co., Ltd.	Power energy	20,849,860.72	--
Qian'an Shoujia Construction Material Co., Ltd.	Raw fuel material	72,638,182.03	--
Qian'an Shoujia Construction Material Co., Ltd.	Production service	261,988.18	--
Beijing Dingshengcheng Packaging Materials Co., Ltd.	Power energy	37,950.34	--
Guizhou Bohong Industrial Co., Ltd.	Production service	95,464.82	--
Sanhe Shoujia Construction Material Co., Ltd.	Raw fuel material	1,944,917.36	--
Beijing Shougang Landscaping Co., Ltd.	Power energy	5,424.66	--
Dachang Shougang Machinery&Electric Co., Ltd.	Steel	9,954,118.15	--
Guangzhou Jinghai Shipping Co., Ltd.	Production service	30,107,927.27	--

Beijing Shougang Co. Ltd  
Notes to the Financial Statements  
FY20 (Unit: RMB, unless otherwise specified)

Related party	Nature of transaction	2020	2019
Ningbo Shoude Bonded Zone Trading Co., Ltd.	Raw fuel material	41,366,049.77	--
PetroChina Shougang (Beijing) Petroleumsales Co., Ltd.	Power energy	23,415.00	--
PetroChina Shougang (Beijing) Petroleumsales Co., Ltd.	Steel	76,412,124.74	--
Qingdao Shouyi Free Trade Zone Logistics Service Co., Ltd.	Raw fuel material	8,278,494.73	--
Beijing Shouhua Technology Development Co., Ltd.	Production service	297,169.81	--
Shougang Guiyang Special Steel Co., Ltd.	Steel	2,110,641.08	--
Qian'an Shougang Xingkuang Industrial Co., Ltd.	Steel	18,076,509.17	--
Beijing Shougang Gas Tangshan Co., Ltd.	Production service	565,714.29	--
Chaoyang Shougang Beifang Machinery Co., Ltd.	Spare parts	88,887.10	--
Beijing Shougang Catering Co., Ltd.	Power energy	708,263.81	--
Beijing Jingxi Supply Chain Management Co., Ltd.	Steel	2,355,838.60	--
Beijing Shouxinsheng Trading Co., Ltd.	Steel	23,747,794.65	--
Chengde Xintongshoucheng Mining Co., Ltd.	Production service	6,981.14	--
Guizhou Liupanshui Shenghongda Mechanical Equipment Manufacturing Co., Ltd	Production service	28,478.78	--
Guizhou Shuigang Logistics Co., Ltd.	Production service	4,491.51	--
Shougang Shuicheng Iron & Steel (Group) Xingyuan Development Investment Co., Ltd.	Production service	43,601.42	--
Hebei Jingji Industry & Trading Co., Ltd.	Steel	4,904,947.45	--
Jingtang Port Shougang Terminal Co., Ltd.	Production service	1,325,021.21	--

(2) Details of related party leases

The Company as a lessor

Lessee	Type of assets leased	Lease income recognized in 2020	Lease income recognized in 2019
Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	Land use right	824,536.83	824,536.83
Beijing Shougang Langze New Energy Technology Co., Ltd.	Land use right	165,333.33	165,333.33
Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.	Land use right	2,380,761.90	2,042,666.68
Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	Land use right	25,252,761.92	24,976,236.65

The Company as a lessee

Lessor	Type of assets leased	Lease expenses recognized in 2020	Lease expenses recognized in 2019
Shougang Group Co., Ltd.	Property	2,908,102.36	1,725,822.97
Beijing Shougang Special Steel Co., Ltd.	Property	413,519.99	293,586.53

(3) Details of related party guarantees



### The Company as a guarantee

Guarantor	Amount of guarantee	Beginning date	Maturity date	Status of guarantee
Shougang Group Co., Ltd.	7,736,984,828.91	2020/1/15	2021/12/02	Incomplete
Shougang Group Co., Ltd.	12,016,958,333.34	2019/3/29	2031/8/23	Incomplete
Shougang Group Co., Ltd.	4,026,866,666.76	2016/11/3	2021/11/3	Incomplete
Shougang Group Co., Ltd.	90,000,000.00	2020/8/28	2021/10/11	Incomplete

### (4) Details of related party funding

Related party	Amount of funding	Beginning date	Maturity date	Note
Funds received:				
Shougang Group Co., Ltd.	4,205,075.00	2020/8/3	2021/8/3	Short-term borrowings
Shougang Group Co., Ltd.	2,663,088.56	2019/3/6	2023/3/25	Long-term borrowings
Shougang Group Finance Co., Ltd.	8,683,939,552.19	2019/5/20	2021/9/18	Short-term borrowings
Shougang Group Finance Co., Ltd.	5,964,050,000.00	2020/6/29	2021/6/29	Notes payable
South China International Leasing Co., Ltd	8,321,292.72	2020/1/7	2025/1/6	Long-term payable
Funds provided:				
Tangshan Zhonghong Carbon Chemical Co., Ltd.	245,455,297.98	—	—	Other current assets

### (5) Details of transfer of assets and debt restructuring

Related party	Nature of transaction	2020	2019
Shougang Group Co., Ltd.	Share Transfer of Beijing Automobile Investment Co., Ltd.	4,371,977,739.86	--
Shougang Group Co., Ltd.	Share Purchase of Beijing Shougang Steel Trade Investment Management Co., Ltd.	4,893,634,550.64	--
Beijing Shougang Equipment Technology Co., Ltd.	Share Purchase of Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	3,327,900.00	--
Shougang Group Co., Ltd.	Material	--	990,621,384.00

### (6) Remuneration of key management personnel

The Company has 21 key management personnel in 2020, and 21 key management personnel in 2019. The remuneration payment is as follows:

Item	2020	2019
Remuneration of key management personnel	6.5804 million	4.7885 million

## 6. Receivables from and payables to related parties

### (1) Receivables from related parties

Item	Related party	As at 31.12.2020		As at 31.12.2019	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Bank deposit	Shougang Group Finance Co., Ltd.	5,840,053,539.02	--	5,639,058,204.86	--
Bank deposit	Hua Xia Bank Co., Ltd.	2,151,464.94	--	--	--
Accounts receivable	Beijing Shougang Gas Co., Ltd.	--	--	6,417,820.87	207,459.01
Accounts receivable	Shougang Group Co., Ltd.	--	--	1,151,785.00	37,231.98
Accounts receivable	Shougang Casey Steel Co., Ltd.	154,836,520.71	5,264,260.70	159,556,205.55	5,157,727.80
Accounts receivable	Beijing Shougang Huaxia Engineering&Technology Co., Ltd.	2,382,464.89	923,413.27	2,323,825.34	317,087.83
Accounts receivable	Hebei Shoulang New Energy Technology Co., Ltd.	47,946,382.54	1,630,120.96	68,164,731.53	2,203,456.33
Accounts receivable	Qian'an Shoujia Construction Material Co., Ltd.	64,498,577.06	2,192,876.22	--	--
Accounts receivable	Sanhe Shoujia Construction Material Co., Ltd.	11,275,968.24	5,998,186.89	--	--
Accounts receivable	Qinhuangdao Shouqin Metal Materials Co., Ltd.	1,479,233.93	50,292.22	--	--
Accounts receivable	Tonghua Iron and Steel Co., Ltd.	95,230,146.73	3,237,713.67	--	--
Accounts receivable	Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.	11,199,223.84	380,760.52	--	--
Accounts receivable	Beijing Shougang International Engineering&Technology Co., Ltd.	1,156,700.00	318,437.01	--	--
Accounts receivable	Beijing Shougang Materials Trading Co., Ltd.	435,425.96	14,803.97	6,338,113.96	221,833.99
Accounts receivable	Qian'an Shougang Xingkuang Industrial Co., Ltd.	7,222,280.17	245,549.08	--	--
Accounts receivable	Beijing Shougang Mining Construction Co., Ltd.	12,987.00	441.54	--	--
Accounts receivable	Beijing Shouxinsheng Trading Co., Ltd.	285,008.00	9,689.94	--	--
Accounts receivable	Tianjin Shougang Steel Processing&Distribution Co., Ltd.	5,670,128.78	192,777.75	--	--
Prepayments	Shougang Group Co., Ltd.	--	--	1,333,506,134.45	--
Prepayments	Qinhuangdao Zhongshou Logistics Co., Ltd.	--	--	8,510,097.67	--
Prepayments	Tonghua Iron and Steel Co., Ltd.	87,647.33	--	203,057,519.77	--
Prepayments	Tangshan Caofeidian Ganglian Logistics Co., Ltd.	39,092,233.65	--	--	--
Prepayments	Qinhuangdao Shouqin Metal Materials Co., Ltd.	813,907.90	--	1,101,686.93	--

Beijing Shougang Co. Ltd

Notes to the Financial Statements

FY20 (Unit: RMB, unless otherwise specified)

Item	Related party	As at 31.12.2020		As at 31.12.2019	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments	Beijing Shouronghui Technology Development Co., Ltd.	--	--	21,515.80	--
Prepayments	Tangshan Caofeidian Industry Port Co., Ltd.	22,055.88	--	--	--
Prepayments	Huludao Shougang Donghua Machinery Co., Ltd.	933,792.77	--	--	--
Other receivables	Beijing Shougang Materials Trading Co., Ltd.	1,000,000.00	90,000.00	1,000,000.00	50,000.00
Dividend receivable	Hebei Jingji Industry & Trading Co., Ltd.	4,892,288.48	--	2,754,886.56	--
Other current assets	Tangshan Zhonghong Carbon Chemical Co., Ltd.	245,455,297.98	--	229,012,500.00	--

## (2) Payables to related parties

Item	Related party	As at 31.12.2020	As at 31.12.2019
Accounts payable	Shougang Group Co., Ltd.	424,300,384.98	485,181,342.50
Accounts payable	Shougang Mining Corporation	4,758,872,958.16	4,954,955,975.46
Accounts payable	Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	522,003,740.47	562,563,215.95
Accounts payable	Tangshan Shougang Jingtang Xishan Coking Co., Ltd.	898,085,897.55	1,127,800,443.39
Accounts payable	Beijing Shoucheng Packaging Service Co., Ltd.	12,194,373.08	11,922,547.50
Accounts payable	Beijing Shougang Automation Information Technology Co., Ltd.	323,142,973.59	241,556,645.81
Accounts payable	Beijing Shougang Equipment Technology Co., Ltd.	--	11,280,854.02
Accounts payable	Beijing Shougang Construction Group Co., Ltd.	1,037,734,728.65	734,160,598.73
Accounts payable	Beijing Shoujian Equipment Maintenance Co., Ltd.	85,061,141.78	30,144,217.54
Accounts payable	Beijing Shougang Landscaping Co., Ltd.	9,860,436.91	26,989,729.75
Accounts payable	Beijing Shougang Catering Co., Ltd.	4,531,782.45	5,774,228.25
Accounts payable	Beijing Huaxia Technology Co., Ltd.	5,781,199.34	3,938,004.10
Accounts payable	Qinhuangdao Shougang Machinery Co., Ltd.	88,702,058.87	61,540,108.69
Accounts payable	Beijing Shougang Huaxia International Trade Co., Ltd.	5,564.75	4,794,021.27
Accounts payable	Beijing Shougang Machinery&Electric Co., Ltd.	165,812,736.46	126,063,646.01
Accounts payable	Beijing Shouye Instruments&Meters Co., Ltd.	14,344,260.92	18,297,061.23
Accounts payable	Huludao Shougang Donghua Machinery Co., Ltd.	9,207,347.77	11,811,553.01
Accounts payable	Tianjin Shougang Electric Equipment Co., Ltd.	11,468,267.73	12,409,340.28
Accounts payable	Beijing Shougang Gas Co., Ltd.	88,190,353.60	35,582,951.80
Accounts payable	Beijing Shougang International Engineering&Technology Co., Ltd.	681,763,620.48	47,746,731.92
Accounts payable	Beijing Jinanyuan Automobile Transportation Co., Ltd.	14,257,362.30	11,162,310.52
Accounts payable	Lujishan Limestone Mining of Shougang Beijing Co.,Ltd.	29,007,357.23	30,073,742.97
Accounts payable	Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	--	20,303,487.07
Accounts payable	Beijing Shougang Huaxia Engineering&Technology Co., Ltd.	597,800.00	235,000.00
Accounts payable	Beijing Shougang Xinganglian Technology&Trade Co., Ltd.	4,558,161.84	7,610,949.74
Accounts payable	Qian'an Shougang Equipment Structure Co., Ltd.	105,856,397.86	61,865,188.47
Accounts payable	Yantai Shougang Mining 3D Co., Ltd.	914,117.76	671,563.74
Accounts payable	Beijing Shoujian Hengji Construction Engineering Co., Ltd.	1,346,603.21	1,256,807.44
Accounts payable	Beijing Soly Technology Co., Ltd.	1,325,147.26	1,444,906.52
Accounts payable	Qian'an Shouxin Automation Information Technology Co., Ltd.	23,932,561.21	17,153,131.40
Accounts payable	Shougang Hospital Co. Ltd	3,278,331.90	73,261.90
Accounts payable	Qian'an First Real Packaging Service Co., Ltd.	84,336,199.76	21,186,571.85
Accounts payable	Beijing Shougang Refractory& Metallurgical Burden Co., Ltd.	10,707,679.21	20,827,383.10
Accounts payable	Beijing Shoujia Steel Construction Co., Ltd.	4,070,335.14	3,156,322.62
Accounts payable	Beijing Shougang Ferroalloy Co., Ltd.	49,538,592.23	23,776,008.52
Accounts payable	Beijing Shougang Materials Trading Co., Ltd.	115,225,146.51	139,751,742.43
Accounts payable	Beijing Shougang Resources Comprehensive Utilization Technology Development Co., Ltd.	70,690,426.64	90,690,426.64
Accounts payable	Shougang Environmental Industry Co., Ltd.	692,794.10	271,509.00
Accounts payable	China Shougang International Trade&Engineering Corporation	303,356,345.33	26,266,404.95
Accounts payable	Beijing Chengxin Engineering Supervision Co., Ltd.	6,032,842.86	5,489,009.00
Accounts payable	Qinhuangdao Shougang Plate Mill Co., Ltd.	141,274.84	--
Accounts payable	Qinhuangdao Shougang Krosaki Refractory Co., Ltd.	72,232,078.18	75,109,604.80
Accounts payable	Tangshan Shoukuang Cleaning Iron Co., Ltd.	137,489,080.84	255,466,259.07
Accounts payable	Tangshan Guoxing Industrial Co., Ltd.	27,550,753.14	24,005,948.59
Accounts payable	Tangshan Caofeidian Industrial District Shouhanxin Industrial Co., Ltd.	168,050,365.63	152,232,033.84
Accounts payable	Beijing Shougang Futong Elevator Co., Ltd.	2,677,608.70	745,205.78
Accounts payable	Beijing Teyu Plate Co., Ltd.	85,095,430.63	84,256,276.75

Beijing Shougang Co. Ltd

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Item	Related party	As at 31.12.2020	As at 31.12.2019
Accounts payable	Jingxi Shoutang Supply Chain Management Co., Ltd	1,388,650.02	8,527,751.77
Accounts payable	Beijing Shougang Mining Construction Co., Ltd.	8,858,144.66	10,459,861.34
Accounts payable	Qinhuangdao Shouqin Metal Materials Co., Ltd.	16,537,107.72	32,939,235.34
Accounts payable	Qinhuangdao Shouqin Steel Machining&Delivery Co., Ltd.	528,208.91	1,233,757.39
Accounts payable	Beijing Shoushe Metallurgical Technology Co., Ltd.	26,672.40	1,851,378.60
Accounts payable	Beijing Shougang Fulushi Color Coated Plate Co., Ltd.	16,666,004.85	16,666,004.85
Accounts payable	Beijing Shougang Industrial Co., Ltd.	6,740,763.21	3,008,626.21
Accounts payable	Beijing Shougang International Travel Co., Ltd.	178,263.50	256,216.50
Accounts payable	Beijing Shougang Cultural Development Co., Ltd.	--	200,000.00
Accounts payable	Beijing Shougang Yunxiang Industrial Technology Co., Ltd.	2,752,728.69	477,946.69
Accounts payable	Qiangang Hotel.	5,741,588.83	3,676,701.60
Accounts payable	Beijing Dingshengcheng Packaging Materials Co., Ltd.	11,814,696.28	31,025.28
Accounts payable	Beijing Shouxinsheng Trading Co., Ltd.	2,458,032.74	99,956.00
Accounts payable	Beijing Huayu Information Technology Co., Ltd.	--	1,020,730.20
Accounts payable	Beijing Huayue Aviation Service Co., Ltd.	--	69,032.60
Accounts payable	Beijing Shougang Special Steel Co., Ltd.	101,949,940.33	101,949,940.33
Accounts payable	Hebei Shougang Jingtang Machinery Co., Ltd.	1,525,293.86	93,066.99
Accounts payable	Ningbo Metallurgical Investigation, Design&Research Co., Ltd.	7,253,031.40	10,506,278.89
Accounts payable	Qian'an Shougang Xingkuang Industrial Co., Ltd.	5,935,224.42	9,794,718.39
Accounts payable	Bohai International Conference Center Co., Ltd.	--	5,890.00
Accounts payable	Beijing Thermal Zhongda Heat Exchange Equipment Co., Ltd.	24,662,319.86	--
Accounts payable	Beijing Shougang Kuangshan Hospital Co., Ltd	1,949,405.50	--
Accounts payable	Beijing Shouyu Industry and Trade Co., Ltd.	5,817,793.42	--
Accounts payable	PetroChina Shougang (Beijing) Petroleum Sales Co., Ltd.	9,581,118.29	--
Accounts payable	YASKAWA Shougang Robert Co., Ltd.	634,464.46	--
Accounts payable	Beijing Shoubang New Material Co., Ltd.	629,938.31	--
Accounts payable	Beijing Xingyeda Machinery&Electric Equipment Manufacture Co., Ltd.	124,606.53	--
Accounts payable	Chaoyang Shougang Beifang Machinery Co., Ltd.	1,051,936.50	--
Accounts payable	Guangzhou Jinghai Shipping Co., Ltd.	95,572,579.06	66,711,475.10
Accounts payable	Jingtang Port Shougang Terminal Co., Ltd.	2,927.40	--
Accounts payable	Tangshan Caofeidian Industry Port Co., Ltd.	98,535,542.27	--
Accounts payable	Beijing Shougang Zhongye Machinery & Electric Co., Ltd.	433,770.00	--
Accounts payable	Shougang Guiyang Special Steel Co., Ltd.	17,565,638.66	--
Accounts payable	Tianjin Shougang Steel Processing&Distribution Co., Ltd.	1,357,127.53	815,909.97
Accounts payable	Cmi Engineering (Beijing) Co., Ltd.	4,096,520.00	--
Accounts payable	Beijing Shoutegang Yüandong Magnesium Alloy Products Co., Ltd.	200,408.00	--
Accounts payable	Shougang (Qingdao) Steel Industry Co., Ltd.	--	149,421.35
Accounts payable	Huludao Shougang Donghua Pipe Industry Co., Ltd.	176,817.81	--
Accounts payable	Tonggang Jilin Welded Pipe Co., Ltd	31,747.20	--
Accounts payable	Beijing Shougang Mining Investment Co., Ltd	175,708,332.43	--
Accounts payable	Qinhuangdao Shougang Racing Valley Co., Ltd	259,520.00	--
Accounts payable	Beijing Shougang Property Management Co., Ltd.	59,727.00	--
Accounts payable	Beijing Shougang Park Comprehensive Service Co., Ltd.	9,620.00	--
Accounts payable	Jiangsu Capital Holdings Manufacturing Technology Co., Ltd.	250,000.00	--
Accounts payable	Beijing Shouao Real Estate Co., Ltd	16,800.00	--
Accounts payable	Guangdong Shougang Zhongshan Metal Steel Processing&Distribution Co., Ltd.	29,597.98	--
Contract liability	Beijing Shoucheng Packaging Service Co., Ltd.	140,353.75	60,349.05
Contract liability	Beijing Shougang Huaxia Engineering&Technology Co., Ltd.	1,484,689.80	1,959,106.22
Contract liability	Beijing Beiyue Functional Materials Co., Ltd.	129,484.80	551,053.97

Beijing Shougang Co. Ltd

Notes to the Financial Statements

FY20 (Unit: RMB, unless otherwise specified)

Item	Related party	As at 31.12.2020	As at 31.12.2019
Contract liability	Beijing Shougang Jitaian New Material Co., Ltd.	43,809.62	69,810.40
Contract liability	Beijing Shougang Xinganglian Technology&Trade Co., Ltd.	12,812,385.43	31,287,940.73
Contract liability	Huludao Shougang Donghua Machinery Co., Ltd.	1,729,808.14	729,808.14
Contract liability	Beijing Shouronghui Technology Development Co., Ltd.	1,359,852.64	1,359,852.64
Contract liability	Beijing Shougang Machinery&Electric Co., Ltd.	308,844.95	365,757.09
Contract liability	Beijing Shougang Construction Group Co., Ltd.	119,407.58	112,035.58
Contract liability	Tangshan Caofeidian Industrial District Shouhanxin Industrial Co., Ltd.	--	110,580.19
Contract liability	Jilin Tonggang International Trade Co., Ltd.	--	864,766.91
Contract liability	Qinhuangdao Shougang Machinery Co., Ltd.	847,647.78	1,038,445.65
Contract liability	Tangshan Caofeidian Industrial Zone Jingtang Industrial Co., Ltd.	33,744.95	50,000.00
Contract liability	Tangshan Guoxing Industrial Co., Ltd.	40,000.00	90,000.00
Contract liability	Beijing Shougang International Engineering&Technology Co., Ltd.	113,815.14	46,739.83
Contract liability	Beijing Shoubao Nuclear Equipment Technology Co., Ltd.	--	9,492.00
Contract liability	Beijing Shougang Automation Information Technology Co., Ltd.	--	49,999.87
Contract liability	Qian'an First Real Packaging Service Co., Ltd.	5,000,088.04	8,404,074.16
Contract liability	Tangshan Caofeidian Dunshi New Construction Material Co., Ltd.	--	1,901,647.96
Contract liability	Beijing Shougang Industrial Co., Ltd.	52,984.32	81,591.43
Contract liability	Beijing Jinanyuan Automobile Transportation Co., Ltd.	--	10,000.00
Contract liability	Beijing Shougang Metal Co., Ltd.	--	142,999.07
Contract liability	Beijing Shoujian Centralized Trading Co., Ltd.	--	320,533.42
Contract liability	Ningbo Shoude Bonded Zone Trading Co., Ltd.	--	28,410,000.00
Contract liability	Qian'an Shougang Equipment Structure Co., Ltd.	6,019.15	4,891.98
Contract liability	Qinhuangdao Shougang Plate Mill Co., Ltd.	13,028.81	13,028.81
Contract liability	Qinhuangdao Shougang Krosaki Refractory Co., Ltd.	102,297.31	102,297.31
Contract liability	Shougang Changzhi Steel&Iron Co., Ltd.	--	4,860,000.00
Contract liability	Lujiasan Limestone Mining of Shougang Beijing Co.,Ltd.	1,952,166.12	299.98
Contract liability	Qian'an Shougang Xingkuang Industrial Co., Ltd.	50,000.00	--
Contract liability	Beijing Shougang Materials Trading Co., Ltd.	119,506.25	--
Contract liability	Guizhou Bohong Industrial Co., Ltd.	50,000.00	--
Contract liability	Huludao Shougang Donghua Pipe Industry Co., Ltd.	50,000.00	--
Contract liability	Beijing Shougang Mining Construction Co., Ltd.	41,153.42	--
Contract liability	Tianjin Shougang Electric Equipment Co., Ltd.	169.19	--
Contract liability	Qinhuangdao Shouqin Steel Machining&Delivery Co., Ltd.	8,180.36	--
Contract liability	Shougang Shuicheng Steel (Group) Saide Construction Co., Ltd.	805.61	--
Contract liability	Dachang Shougang Machinery&Electric Co., Ltd.	697,971.31	--
Contract liability	Ningbo Shougang Zhejin Steel Co., Ltd.	7,713,107.90	1,569,460.66
Contract liability	Guangzhou Jinghai Shipping Co., Ltd.	7,151,356.77	5,000,000.00
Contract liability	Suzhou Tonggang Shunye Steel Materials Processing Distribution Co., Ltd.	2,046.68	--
Contract liability	Beijing Shougang Shape Metal Co., Ltd.	6,729,383.91	--
Contract liability	Ordos Baotou Steel Shourui Material Technology Co., Ltd.	1,312,200.50	10,456,035.46
Contract liability	PetroChina Shougang (Beijing) Petroleumsales Co., Ltd.	11,593,447.04	10,121,074.25
Contract liability	Shougang Casey Steel Co., Ltd.	0.05	1,005,490.09
Contract liability	Shougang (Qingdao) Steel Industry Co., Ltd.	111,428,733.94	88,224,954.41
Contract liability	Tianjin Shougang Steel Processing&Distribution Co., Ltd.	1,604,220.81	14,828,502.62
Contract liability	Guangdong Shougang Zhongshan Metal Steel Processing&Distribution Co., Ltd.	5,255,500.85	26,679,883.60
Contract liability	Beijing Shougang Ferroalloy Co., Ltd.	50,000.00	--
Contract liability	Shougang Guiyang Special Steel Co., Ltd.	21,353.73	--
Contract liability	Chaoyang Shougang Beifang Machinery Co., Ltd.	114.02	--
Contract liability	Beijing Shouyu Industry and Trade Co., Ltd.	50,000.00	--

Item	Related party	As at 31.12.2020	As at 31.12.2019
Contract liability	Hebei Jingji Industry & Trading Co., Ltd.	460,409.38	--
Other payable	Shougang Group Co., Ltd.	1,187,727,922.88	1,677,899,290.75
Other payable	Beijing Shougang Automation Information Technology Co., Ltd.	749,720.20	3,133,536.09
Other payable	Beijing Shougang Construction Group Co., Ltd.	3,458,000.00	21,645,486.00
Other payable	Beijing Shougang Landscaping Co., Ltd.	19,893.26	275,150.20
Other payable	Beijing Chengxin Engineering Supervision Co., Ltd.	269,324.00	269,324.00
Other payable	Beijing Shougang Catering Co., Ltd.	--	667,619.99
Other payable	Beijing Jinanyuan Automobile Transportation Co., Ltd.	--	45,924.29
Other payable	Tianjin Shougang Electric Equipment Co., Ltd.	--	553,368.26
Other payable	Beijing Shougang International Engineering&Technology Co., Ltd.	--	7,479,548.00
Other payable	Beijing Shougang Mining Construction Co., Ltd.	--	50,000.00
Other payable	Beijing Shougang Xinganglian Technology&Trade Co., Ltd.	300,000.00	300,000.00
Other payable	Qiangang Hotel.	--	1,027,929.08
Other payable	Beijing Shougang Industrial Co., Ltd.	200,000.00	200,000.00
Other payable	Tangshan Guoxing Industrial Co., Ltd.	--	31,453.76
Other payable	Ningbo Metallurgical Investigation, Design&Research Co., Ltd.	190,000.00	190,000.00
Other payable	Beijing Shougang Equipment Technology Co., Ltd.	--	162,740.00
Other payable	Hebei Jingji Industry & Trading Co., Ltd.	--	1,820.70
Other payable	Guangzhou Jinghai Shipping Co., Ltd.	300,000.00	--
Other payable	Beijing Shougang Gas Co., Ltd.	1,123,099.67	--
Other payable	Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership)	95,276,712.33	--
Other non-current liability	Shougang Group Co., Ltd.	4,491,623,817.41	4,711,490,199.06

## XI. Commitments and contingencies

### 1. Material commitments

As at 31 December 2020, there is no material commitment to be disclosed.

### 2. Contingencies

As at 31 December 2020, there is no material contingency arising from pending litigation and guarantee provided to other entities.

## XII. Events after balance sheet date

On April 21, 2021, the Company received “Approval for Beijing Shougang Co., Ltd. to issue shares to Beijing Investment Holding Co., Ltd. to purchase assets and raise supporting funds” (zjxk [2021] No. 1400) from China Securities Regulatory Commission, the company will handle the issuance of shares to purchase assets and raise supporting funds as soon as possible according to the requirements of the approval.

As of 28 April 2021, the Company has no subsequent events that should be disclosed after the balance sheet date.

## XIII. Other significant events

### 1. Segment information

According to internal organizational structure, management requirement and requirement of internal reporting system, the Company divides businesses into iron and steel segment. The segment information is determined based on the financial information required by routine internal management of the Company. The management periodically evaluates the operating results of the segment to determine its allocation of resources and evaluate the performance of the segment.

The segment information of the Company includes: iron and steel segment.

The segment information is disclosed in accordance with the accounting policies and measurement basis used in the reports of the management, which are in line with those adopted in financial statements.

(1) Segment profit or loss, assets and liabilities

<b>For the year ended 31 December 2020 or as at 31 December 2020</b>	<b>Iron and steel Segment</b>	<b>Offset</b>	<b>Total</b>
Operating revenue	79,951,181,948.10	--	79,951,181,948.10
Including: External revenue	79,951,181,948.10	--	79,951,181,948.10
Inter-segment revenue	--	--	--
Including: Main operating revenue	76,204,354,719.07	--	76,204,354,719.07
Cost of sales	73,072,708,322.14	--	73,072,708,322.14
Including: Main operating cost of sales	70,025,177,064.76	--	70,025,177,064.76
Operating expenses	2,398,028,539.13	--	2,398,028,539.13
Operating profit/(loss)	2,778,499,948.96	--	2,778,499,948.96
Total assets	144,367,221,971.10	--	144,367,221,971.10
Total liabilities	105,536,042,064.13	--	105,536,042,064.13
Supplementary information:			
1.Capital expenditure	3,032,549,847.59	--	3,032,549,847.59
2.Depreciation and amortisation	6,518,288,975.16	--	6,518,288,975.16
3.Non-cash expenses other than depreciation and amortisation	--	--	--
4. 4.Assets impairment losses	167,843,610.72	--	167,843,610.72

<b>For the year ended 31 December 2019 or as at 31 December 2019</b>	<b>Iron and steel Segment</b>	<b>Offset</b>	<b>Total</b>
Operating revenue	68,841,307,821.91	--	68,841,307,821.91
Including: External revenue	68,841,307,821.91	--	68,841,307,821.91
Inter-segment revenue	--	--	--



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Including: Main operating revenue	65,897,466,517.34	--	65,897,466,517.34
Cost of sales	61,777,897,342.66	--	61,777,897,342.66
Including: Main operating cost of sales	59,411,843,385.76	--	59,411,843,385.76
Operating expenses	3,301,505,940.30	--	3,301,505,940.30
Operating profit/(loss)	1,958,922,158.22	--	1,958,922,158.22
Total assets	146,872,471,898.20	--	146,872,471,898.20
Total liabilities	106,705,737,493.66	--	106,705,737,493.66

Supplementary information:

1.Capital expenditure	5,574,697,638.95	--	5,574,697,638.95
2.Depreciation and amortisation	5,967,764,855.42	--	5,967,764,855.42
3.Non-cash expenses other than depreciation and amortisation	--	--	--
4.Assets impairment losses	86,126,404.40	--	86,126,404.40

(2) Other segment information

① External revenue of goods and services

Item	2020	2019
Iron and steel	79,951,181,948.10	68,841,307,821.91

② Geographical information

No more details of geographical information should be disclosed as the production and sales of the Company are all located in mainland China.

**XIV. Notes to the financial statements of parent company**

1. Notes receivable

Items	2020.12.31		
	Book balance	Bad debt provision	Net carrying value
Bank acceptances	--	--	--
Commercial acceptances	2,840,061,486.24	2,840,061.49	2,837,221,424.75
<b>Total</b>	<b>2,840,061,486.24</b>	<b>2,840,061.49</b>	<b>2,837,221,424.75</b>

Items	2019.12.31		
	Book balance	Bad debt provision	Net carrying value

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Bank acceptances	8,804,600.00	8,804.60	8,795,795.40
Commercial acceptances	2,486,187,980.47	2,486,187.98	2,483,701,792.49
<b>Total</b>	<b>2,494,992,580.47</b>	<b>2,494,992.58</b>	<b>2,492,497,587.89</b>

(1) The pledged notes receivable of the Company at the end of the year

Items	Pledged amount at the end of the year	
Bank acceptances		--
Commercial acceptances		200,600,000.00
<b>Total</b>		<b>200,600,000.00</b>

(2) Outstanding endorsed or discounted notes that have not matured at the end of the year

Items	Amount derecognized at year end	Amount not-derecognized at year end
Bank acceptances	--	--
Commercial acceptances	--	2,537,148,976.44
<b>Total</b>	<b>--</b>	<b>2,537,148,976.44</b>

(3) The Company has no notes transferred to accounts receivable due to non-performance of the issuers at the end of the year.

(4) Classified by bad debt provision method

Category	2020.12.31					Net carrying value
	Book balance		Bad debt provision			
	Amount	Proportion (%)	Amount	Expected credit loss (%)		
Assessed bad debt provision individually	--	--	--	--	--	--
Assessed bad debt provision in portfolios based on credit risk characteristics	2,840,061,486.24	100.00	2,840,061.49	0.10		2,837,221,424.75
Portfolio 1	--	--	--	--		--
Portfolio 2	2,840,061,486.24	100.00	2,840,061.49	0.10		2,837,221,424.75
<b>Total</b>	<b>2,840,061,486.24</b>	<b>100.00</b>	<b>2,840,061.49</b>	<b>0.10</b>		<b>2,837,221,424.75</b>

Category	2019.12.31					Net carrying value
	Book balance		Bad debt provision			
	Amount	Proportion (%)	Amount	Expected credit loss (%)		
Assessed bad debt provision individually	--	--	--	--	--	--

Assessed bad debt provision in portfolios based on credit risk characteristics	2,494,992,580.47	100.00	2,494,992.58	0.10	2,492,497,587.89
Group 1	--	--	--	--	--
Group 2	2,494,992,580.47	100.00	2,494,992.58	0.10	2,492,497,587.89
<b>Total</b>	<b>2,494,992,580.47</b>	<b>100.00</b>	<b>2,494,992.58</b>	<b>0.10</b>	<b>2,492,497,587.89</b>

## (5) Provision, recovery or reversal of bad debt

Items	Bad debt provision
As at 31 December 2019	2,494,992.58
Provision	345,068.91
Recovery or reversal	--
Written-off	--
<b>As at 31 December 2020</b>	<b>2,840,061.49</b>

(6) The Company has no notes receivable actually written off in reporting period.

## 2. Accounts receivable

## (1) Disclosed by ageing of account receivables

Ageing	2020.12.31	2019.12.31
Within 1 year	1,615,240,518.65	1,178,784,486.91
1 – 2 years	4,327,199.80	8,547,951.56
2 – 3 years	--	200,000.00
Over 3 years	4,751,011.82	7,401,011.82
<b>Subtotal</b>	<b>1,624,318,730.27</b>	<b>1,194,933,450.29</b>
Less: provision for bad debts	8,893,085.98	14,819,047.23
<b>Total</b>	<b>1,615,425,644.29</b>	<b>1,180,114,403.06</b>

## (2) Disclosed by bad debt provision

Category	2020.12.31				Net carrying value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Assessed bad debt provision individually	4,751,011.82	0.29	4,751,011.82	100.00	--
Assessed bad debt provision in portfolios based on credit risk characteristics	1,619,567,718.45	99.71	4,142,074.16	0.26	1,615,425,644.29
Portfolio of aging analysis	91,671,974.87	5.64	4,142,074.16	4.52	87,529,900.71

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Portfolio of consolidation scope	1,527,895,743.58	94.07	--	--	1,527,895,743.58
<b>Total</b>	<b>1,624,318,730.27</b>	<b>100.00</b>	<b>8,893,085.98</b>	<b>0.55</b>	<b>1,615,425,644.29</b>

Continued:

Category	2019.12.31				Net carrying value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Assessed bad debt provision individually	7,401,011.82	0.62	7,401,011.82	100.00	--
Assessed bad debt provision in portfolios based on credit risk characteristics	1,187,532,438.47	99.38	7,418,035.41	0.62	1,180,114,403.06
Portfolio of aging analysis	164,189,440.62	13.74	7,418,035.41	4.52	156,771,405.21
Portfolio of consolidation scope	1,023,342,997.85	85.64	--	--	1,023,342,997.85
<b>Total</b>	<b>1,194,933,450.29</b>	<b>100.00</b>	<b>14,819,047.23</b>	<b>1.24</b>	<b>1,180,114,403.06</b>

Assessed bad debt provision individually:

Accounts receivable (by debtor)	2020.12.31			
	Book balance	Bad debt provision	Expected credit loss (%)	Reason for bad debts
Accounts receivable over 3 years	4,751,011.82	4,751,011.82	100.00	Long aging

Accounts receivable (by debtor)	2019.12.31			
	Book balance	Bad debt provision	Expected credit loss (%)	Reason for bad debts
Accounts receivable over 3 years	7,401,011.82	7,401,011.82	100.00	Long aging

Assessed bad debt provision in portfolios:

Item	2020.12.31		
	Accounts receivable	Bad debt provision	Expected credit loss (%)
Within 1 year	1,615,240,518.65	2,969,620.25	0.18
1 – 2 years	4,327,199.80	1,172,453.91	27.09
2 – 3 years	--	--	--
Over 3 years	--	--	--

<b>Total</b>	<b>1,619,567,718.45</b>	<b>4,142,074.16</b>	<b>0.26</b>
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Item	2019.12.31		
	Accounts receivable	Bad debt provision	Expected credit loss (%)
Within 1 year	1,178,784,486.91	5,024,717.69	0.43
1 – 2 years	8,547,951.56	2,258,354.68	26.42
2 – 3 years	200,000.00	134,963.04	67.48
Over 3 years	--	--	--
<b>Total</b>	<b>1,187,532,438.47</b>	<b>7,418,035.41</b>	<b>0.62</b>

(3) Provision, recovery or reversal of bad debt

Item	Bad debt provision
As at 31 December 2019	14,819,047.23
Adjustment amount for the first implementation of the new revenue standards	--
As at 1 January 2020	14,819,047.23
Provision	--
Recovery or reversal	5,925,961.25
Written-off	--
<b>As at 31 December 2020</b>	<b>8,893,085.98</b>

(4) The Company has no accounts receivable write-off during the reporting period.

(5) The top five accounts receivable classified by debtors are as follows:

During the year, the total amount of the top five accounts receivable collected by debtors at the end of the period is RMB 1,583,386,163.93, accounting for 97.47% of the total amount of accounts receivable at the end of the period, and the total amount of the corresponding bad debt provision at the end of the period is RMB 8,453,351.79.

Company Name	Closing balance of accounts receivable	Percentage %	Closing balance of provision
Beijing Shougang Cold Rolling Co., Ltd.	842,519,458.14	51.87	--
Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd.	657,377,522.36	40.47	--
Qian'an Shoujia Construction Material Co., Ltd.	64,498,577.06	3.97	2,192,876.22
Sanhe Shoujia Construction Material Co., Ltd.	11,275,968.24	0.69	5,998,186.89
Nantong Zhongji Energy Equipment Co., Ltd.	7,714,638.13	0.47	262,288.68
<b>Total</b>	<b>1,583,386,163.93</b>	<b>97.47</b>	<b>8,453,351.79</b>

### 3. Financing receivables

Items	2020.12.31	2019.12.31
Notes receivable	1,199,574,277.29	1,825,294,953.86
Accounts receivable	--	--
<b>Subtotal</b>	<b>1,199,574,277.29</b>	<b>1,825,294,953.86</b>
Less: Other comprehensive income - fair value changes	--	--
<b>Closing balance of fair value</b>	<b>1,199,574,277.29</b>	<b>1,825,294,953.86</b>

#### (1) Classified by bad debt provision method

Category	2020.12.31				Net carrying value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Assessed bad debt provision individually	--	--	--	--	--
Assessed bad debt provision in portfolios based on credit risk characteristics	1,199,814,240.14	100.00	239,962.85	0.02	1,199,574,277.29
Portfolio 1	1,199,814,240.14	100.00	239,962.85	0.02	1,199,574,277.29
Portfolio 2	--	--	--	--	--
<b>Total</b>	<b>1,199,814,240.14</b>	<b>100.00</b>	<b>239,962.85</b>	<b>0.02</b>	<b>1,199,574,277.29</b>

Category	2019.12.31				Net carrying value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Assessed bad debt provision individually	--	--	--	--	--
Assessed bad debt provision in portfolios based on credit risk characteristics	1,825,660,085.88	100.00	365,132.02	0.02	1,825,294,953.86
Portfolio 1	1,825,660,085.88	100.00	365,132.02	0.02	1,825,294,953.86
Portfolio 2	--	--	--	--	--
<b>Total</b>	<b>1,825,660,085.88</b>	<b>100.00</b>	<b>365,132.02</b>	<b>0.02</b>	<b>1,825,294,953.86</b>

#### (2) The pledged notes receivable of the Company at the end of the year

Item	Pledged amount at the end of the year
Bank acceptance notes	99,400,000.00
Commercial acceptance notes	--

<b>Total</b>	<b>99,400,000.00</b>
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(3) Outstanding endorsed or discounted notes that have not matured at the end of the year

<b>Item</b>	<b>Amount derecognized at year</b>	<b>Amount not-derecognized at year end</b>
Bank acceptance notes	7,175,843,852.22	--
Commercial acceptance notes	--	--
<b>Total</b>	<b>7,175,843,852.22</b>	<b>--</b>

(4) Provision, recovery or reversal of bad debt

<b>Item</b>	<b>Bad debt provision</b>
As at 31 December 2019	365,132.02
Adjustment amount for implementation of the new revenue standards	--
As at 1 January 2020	365,132.02
Provision	--
Recovery or reversal	125,169.17
Written-off	--
<b>As at 31 December 2020</b>	<b>239,962.85</b>

4. Other receivables

<b>Item</b>	<b>2020.12.31</b>	<b>2019.12.31</b>
Interest receivable	--	--
Dividends receivable	600,000,000.00	--
Other receivables	1,018,249,934.67	1,673,247.41
<b>Total</b>	<b>1,618,249,934.67</b>	<b>1,673,247.41</b>

(1) Dividends receivable

<b>Item</b>	<b>2020.12.31</b>	<b>2019.12.31</b>
Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd.	600,000,000.00	--
Less: Bad debt provision	--	--
<b>Total</b>	<b>600,000,000.00</b>	<b>--</b>

(2) Other receivables

① Disclosed by the ageing of other receivables

<b>Ageing</b>	<b>2020.12.31</b>	<b>2019.12.31</b>
Within 1 year	1,018,521,102.28	1,761,313.06
1 to 2 years	300,000.00	--
Subtotal	<b>1,018,821,102.28</b>	<b>1,761,313.06</b>
Less: provision for bad debts	571,167.61	88,065.65
<b>Total</b>	<b>1,018,249,934.67</b>	<b>1,673,247.41</b>

② Disclosed by nature of other receivables

<b>Item</b>	<b>2020.12.31</b>		
	<b>Book balance</b>	<b>Provision for bad debts</b>	<b>Carrying value</b>
Petty cash	699,503.93	43,975.20	655,528.73
Deposits	200,000.00	10,000.00	190,000.00
Due from other companies	18,088.12	904.41	17,183.71
Due from intra-companies	1,017,387,222.23	--	1,017,387,222.23
Court attachment	516,288.00	516,288.00	--
<b>Total</b>	<b>1,018,821,102.28</b>	<b>571,167.61</b>	<b>1,018,249,934.67</b>

<b>Item</b>	<b>2019.12.31</b>		
	<b>Book balance</b>	<b>Provision for bad debts</b>	<b>Carrying value</b>
Petty cash	1,510,560.20	75,528.01	1,435,032.19
Deposits	200,000.00	10,000.00	190,000.00
Due from other companies	50,752.86	2,537.64	48,215.22
<b>Total</b>	<b>1,761,313.06</b>	<b>88,065.65</b>	<b>1,673,247.41</b>

③ Provision for bad debts

As at 31 December 2020, bad debts provision for Phase I:

<b>Category</b>	<b>Book balance</b>	<b>Expected credit loss within 12 months (%)</b>	<b>Provisions</b>	<b>Carrying value</b>	<b>Reasons</b>
Assessed bad debt provision individually	--	--	--	--	
Assessed bad debt provision in portfolios	1,018,004,814.28	--	30,879.61	1,017,973,934.67	
Petty cash and deposits	599,503.93	5.00	29,975.20	569,528.73	



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Due from other companies	18,088.12	5.00	904.41	17,183.71
Due from intra-companies	1,017,387,222.23	--	--	1,017,387,222.23
<b>Total</b>	<b>1,018,004,814.28</b>	<b>--</b>	<b>30,879.61</b>	<b>1,017,973,934.67</b>

As at 31 December 2020, bad debts provision for Phase II:

Category	Book balance	Expected credit loss within 12 months (%)	Provisions	Carrying value	Reasons
Assessed bad debt provision individually	--	--	--	--	
Assessed bad debt provision in portfolios	300,000.00	8.00	24,000.00	276,000.00	
Petty cash and deposits	300,000.00	8.00	24,000.00	276,000.00	
Due from other companies	--	--	--	--	
<b>Total</b>	<b>300,000.00</b>	<b>8.00</b>	<b>24,000.00</b>	<b>276,000.00</b>	

As at 31 December 2020, bad debts provision for Phase III:

Category	Book balance	Expected credit loss within 12 months (%)	Provisions	Carrying value	Reasons
Assessed bad debt provision individually	--	--	--	--	
Yinchuan Intermediate People's Court	516,288.00	100.00	516,288.00	--	

④ Provision, recovery or reversal of bad debt

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit loss within 12 months	Expected credit loss over the lifetime (no credit impairment)	Expected credit loss over the lifetime (credit impairment occurred)	
As at 31 December 2019	88,065.65	--	--	88,065.65
Closing balance as at 31 December 2019 shifts to:	--	--	--	--
-- Shift to Phase II	--	--	--	--
-- Shift to Phase III	--	--	--	--
-- Back to Phase II	--	--	--	--
-- Back to Phase I	--	--	--	--
Provision	--	24,000.00	516,288.00	540,288.00
Reversal	57,186.04	--	--	57,186.04

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit loss within 12 months	Expected credit loss over the lifetime (no credit impairment)	Expected credit loss over the lifetime (credit impairment occurred)	
Converse	--	--	--	--
Written-off	--	--	--	--
Other movements	--	--	--	--
As at 31 December 2020	30,879.61	24,000.00	516,288.00	571,167.61

⑤ No write-off of provision for bad debts during the reporting period.

⑥ The top five other receivables classified by debtors are as follows:

Company Name	Nature of transaction	Closing balance	Ageing	Percentage (%)	Closing balance of provisions
Shougang Jingtang United Iron & Steel Co., Ltd.	Due from intra-companies	1,011,387,222.23	Within 1 year	99.27	--
Shenyang Shougang steel processing and Distribution Co., Ltd.	Due from intra-companies	6,000,000.00	Within 1 year	0.59	--
Petty cash	Petty cash	699,503.93	1-2 years	0.07	43,975.20
Yinchuan Intermediate People's Court deducting the execution payment of bills dispute	Court attachment	516,288.00	Within 1 year	0.05	516,288.00
Qian'an Administration of Work Safety	Deposits	200,000.00	Within 1 year	0.02	10,000.00
<b>Total</b>		<b>1,018,803,014.16</b>		<b>100.00</b>	<b>570,263.20</b>

## 5. Long-term equity investments

Items	2020.12.31			2019.12.31		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	24,941,718,854.54	--	24,941,718,854.54	17,688,480,283.43	--	17,688,480,283.43
Investment in associates	1,395,530,591.52	--	1,395,530,591.52	1,205,450,675.37	--	1,205,450,675.37
<b>Total</b>	<b>26,337,249,446.06</b>	<b>--</b>	<b>26,337,249,446.06</b>	<b>18,893,930,958.80</b>	<b>--</b>	<b>18,893,930,958.80</b>

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(1) Investments in subsidiaries

Subsidiaries	2019.12.31	Increase	Decrease	2020.12.31	Provision for impairment	Impairment at the end of the year
Shougang Jingtang United Iron & Steel Co., Ltd.	10,715,504,383.43	--	--	10,715,504,383.43	--	--
Beijing Shougang Cold Rolling Co., Ltd.	1,831,075,900.00	--	--	1,831,075,900.00	--	--
Qian'an Shougang Metallurgical Technology Co., Ltd.	1,900,000.00	--	--	1,900,000.00	--	--
Shougang Zhixin Qian'an Electromagnetic materials Co., Ltd.	5,005,000,000.00	2,479,005,522.69	--	7,484,005,522.69	--	--
Beijing Shougang New Energy Automobile Material Technology Co., Ltd.	135,000,000.00	315,000,000.00	--	450,000,000.00	--	--
Beijing Shougang Steel Trading Investment Management Co., Ltd.	--	4,459,233,048.42	--	4,459,233,048.42	--	--
<b>Total</b>	<b>17,688,480,283.43</b>	<b>7,253,238,571.11</b>	<b>--</b>	<b>24,941,718,854.54</b>	<b>--</b>	<b>--</b>

(2) Investments in associates

Associates	2019.12.31	Changes during the year							2020.12.31	Impairment at the end of the year	
		Increase	Decrease	Investment income under the equity method	Other comprehensive income	Other equity movement	Cash dividend	Provision for impairment			Others
Qian'an Sinochem Coal Chemical Industrial Co., Ltd.	991,143,793.18	--	--	110,663,604.37	--	--	149,460,000.00	--	--	952,347,397.55	--
Beijing Shouxin Jinyuan Management Consulting Center (Limited Partnership)	203,826,594.33	--	--	227,976,094.59	--	--	--	--	--	431,802,688.92	--
Beijing Dingshengcheng Packaging Materials Co., Ltd.	10,480,287.86	--	--	900,217.19	--	--	--	--	--	11,380,505.05	--
<b>Total</b>	<b>1,205,450,675.37</b>	<b>--</b>	<b>--</b>	<b>339,539,916.15</b>	<b>--</b>	<b>--</b>	<b>149,460,000.00</b>	<b>--</b>	<b>--</b>	<b>1,395,530,591.52</b>	<b>--</b>

## 6. Operating revenue and costs of sales

### (1) Operating revenue and costs of sale

Items	2020		2019	
	Revenue	Cost of sales	Revenue	Cost of sales
Main business	29,175,440,421.27	28,079,198,768.30	27,165,864,018.15	25,670,609,173.34
Other business	1,801,855,515.31	1,372,703,636.28	1,689,424,521.46	1,259,654,818.02
<b>Total</b>	<b>30,977,295,936.58</b>	<b>29,451,902,404.58</b>	<b>28,855,288,539.61</b>	<b>26,930,263,991.36</b>

### (2) Operating revenue and operating costs of sale by product

Product type	2020		2019	
	Revenue	Cost of sales	Revenue	Cost of sales
<b>Main business:</b>				
Billet	244,422,016.30	219,026,618.16	320,263,818.33	273,800,756.11
Hot rolled	28,356,414,900.52	27,280,962,500.45	26,340,384,895.69	24,899,525,385.53
Cold rolled	--	--	--	--
Other steel products	574,603,504.45	579,209,649.69	505,215,304.13	497,283,031.70
<b>Subtotal</b>	<b>29,175,440,421.27</b>	<b>28,079,198,768.30</b>	<b>27,165,864,018.15</b>	<b>25,670,609,173.34</b>
<b>Other business:</b>				
power	836,991,211.41	838,261,326.64	772,232,137.04	728,423,399.38
Solid waste	220,388,929.41	198,806,089.16	118,749,408.75	115,969,944.59
Others	744,475,374.49	335,636,220.48	798,442,975.67	415,261,474.05
<b>Subtotal</b>	<b>1,801,855,515.31</b>	<b>1,372,703,636.28</b>	<b>1,689,424,521.46</b>	<b>1,259,654,818.02</b>
<b>Total</b>	<b>30,977,295,936.58</b>	<b>29,451,902,404.58</b>	<b>28,855,288,539.61</b>	<b>26,930,263,991.36</b>

### (3) Breakdown of operating revenue

Items	2020
<b>Main operating revenue</b>	29,175,440,421.27
Including: recognized at a certain point	29,175,440,421.27
Recognized during a certain period of time	--
<b>Other revenue</b>	1,801,855,515.31
<b>Total</b>	<b>30,977,295,936.58</b>

## 7. Investment income

Item	2020	2019
Investment income from long-term investment under cost method	600,000,000.00	--
Investment income from long-term investment under equity method	339,539,916.15	74,820,864.46
Dividend from other equity instruments investments	177,781,289.99	202,033,784.60
Interest income from entrusted loans	109,329,908.27	98,019,261.01
<b>Total</b>	<b>1,226,651,114.41</b>	<b>374,873,910.07</b>

## XV. Supplementary information

### 1. Non-recurring gains or losses

Items	2020	Notes
Gains or losses on disposal of non-current assets	-633,491.79	
Government grants recognized in profit or loss during reporting period (excluding those close related to the Company's normal business, conforming to the national policies and regulations and enjoying ongoing fixed amount or quantity according to certain standard)	58,640,213.30	
Net profit and loss of subsidiaries from the beginning of the period to the combination date arising from business combination under common control	61,522,051.81	
Gains or losses from external entrusted loans	10,361,268.74	
Non-operating income/(expenses) except the above	-289,865.40	
Other profit and loss items satisfy the definition of non-recurring profit and loss	-6,922,580.64	
Total non-recurring gains or losses	122,677,596.02	
Less: income tax effect on non-recurring gains or losses	7,022,263.80	
Net non-recurring gains or losses	115,655,332.22	
Less: non-recurring gains or losses attributable to non-controlling interests of the Company (after tax)	43,642,220.99	
Non-recurring gains or losses attributable to shareholders of the Company	72,013,111.23	

### 2. Return on net assets and earnings per share

Profit of reporting period	Weighted average return on net assets %	Earnings per share	
		Basic	Diluted
Net profit/ (loss) attributable to shareholders of the company	6.40%	0.3377	--
Net profit/ (loss) attributable to shareholders of the Company excluding non-recurring gains or losses	6.14%	0.3241	--

3. Differences of accounting data under domestic and foreign accounting standards

(1) The differences of net profit and net assets in financial statements disclosed according to International Financial Reporting Standards and Chinese Accounting Standards

Applicable  Non Applicable

(2) The difference of net profit and net assets in financial statements disclosed according to foreign accounting standards and Chinese Accounting Standards

Applicable  Non Applicable

(3) The description on the difference between the domestic and foreign accounting standards, the overseas audit firms shall be indicated if you have adjusted the overseas audited financial data

4. Others

None

## **Section XIII. Documents Available for Reference**

1. Original Accounting Statement of 2020 carrying the signatures and seals of the Chairman, General Manager, Chief accountant and Head of Accounting Department;
2. Original Auditors' Report carrying the seals of accounting firms, and signatures and seals of the CPA;
3. All original documents and notifications of the Company disclosed in newspapers that designated by CSRC in report period;
4. Articles of Association and others.

Board of Directors of Beijing Shougang Company Limited  
28 April 2021