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鞍 鋼 股 份 有 限 公 司

ANGANG STEEL COMPANY LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0347)

ANGANG STEEL COMPANY LIMITED*
2021 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB136,674 million
- Total profit amounted to RMB8,920 million
- Profit attributable to shareholders of the Company amounted to RMB6,925 million
- Basic earnings per share amounted to RMB0.736 (2020: basic earnings per share amounted to RMB0.210)
- The financial information contained in this announcement is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC

In this announcement, the following expressions shall have the following meanings unless the context indicates otherwise:

“Company” or “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司)
“Group”	Angang Steel Company Limited* (鞍鋼股份有限公司) and its subsidiaries
“Angang Holding”	Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司), the controlling shareholder of the Company
“Anshan Iron & Steel Group Complex”	Angang Holding and the companies in which it holds 30% or above interests (excluding the Group)
“Angang”	Angang Group Company Limited* (鞍鋼集團有限公司), the de facto controller of the Company
“Angang Group”	Angang and the companies in which it holds 30% or above interests (excluding the Group)
“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
“Karara”	Karara Mining Limited (卡拉拉礦業有限公司*)
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團釩鈦資源股份有限公司)
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries
“Reporting Period”	year ended 31 December 2021
“Supply of Materials and Services Agreement (2019–2021)”	the Supply of Materials and Services Agreement (2019–2021) entered into between the Company and Angang on 16 October 2018, which was approved at the third extraordinary general meeting of the Company in 2018
“Supply of Materials Agreement (2019–2021)”	the Supply of Materials Agreement (2019–2021) entered into between the Company and Pangang Vanadium & Titanium on 16 October 2018, which was approved at the third extraordinary general meeting of the Company in 2018

“Financial Service Agreement (2019–2021)”	the Financial Service Agreement (2019–2021) entered into between the Company and Angang Financial Company on 16 October 2018, which was approved at the third extraordinary general meeting of the Company in 2018
“Continuing Connected Transaction Agreements”	collectively, the Supply of Materials and Services Agreement (2019–2021), the Supply of Materials Agreement (2019–2021) and the Financial Service Agreement (2019–2021)
“Supplemental Agreement of the Continuing Connected Transaction Agreements”	the Supplemental Agreement of the Supply of Materials and Services Agreement (2021) entered into between the Company and Angang, which was approved at the second extraordinary general meeting of the Company in 2021
“Bayuquan Iron & Steel Branch Company”	Bayuquan Iron & Steel Branch Company* of Angang Steel (鞍鋼股份鮫魚圈鋼鐵分公司)
“Chaoyang Iron and Steel”	Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司)
“Chemical Technology”	Angang Chemical Technology Co., Ltd.* (鞍鋼化學科技有限公司)
“Energy Technology”	Angang Energy Technology Co., Ltd.* (鞍鋼能源科技有限公司)
“Angang International Trade”	Angang Group International Economic and Trade Co., Ltd. *(鞍鋼集團國際經濟貿易有限公司)
“Angang Beijing Research Institute”	Angang Group Beijing Research Institute Co., Ltd. *(鞍鋼集團北京研究院有限公司)
Hong Kong Stock Exchange Listing Rules	the Listing Rules of The Stock Exchange of Hong Kong Limited

PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Whether the Company needs to retroactively adjust or restate the accounting data for previous year

Yes No

Reason for retroactive adjustment or restatement: changes in accounting policies

Unit: RMB million

Items	2021	2020		Changes over the preceding year (%)	2019	
		before adjustment	after adjustment		before adjustment	after adjustment
Operating income	136,674	100,903	100,903	35.45	105,587	105,587
Operating profit	8,985	2,482	2,482	262.01	2,025	2,025
Total profit	8,920	2,403	2,403	271.20	1,972	1,972
Net profit attributable to shareholders of the Company	6,925	1,978	1,978	250.10	1,787	1,787
Net profit attributable to shareholders of the Company after extraordinary items	6,941	1,975	1,975	251.44	1,716	1,716
Net cash flow from operating activities	12,846	9,916	9,916	29.55	10,020	10,020
Basic earnings per share (<i>RMB/share</i>)	0.736	0.210	0.210	250.48	0.190	0.190
Diluted earnings per share (<i>RMB/share</i>)	0.720	0.198	0.198	263.64	0.187	0.187
Weighted average return on net assets (%)	12.26	3.74	3.74	Increased by 8.52 percentage points	3.43	3.43
Total assets	97,526	88,046	88,046	10.77	87,808	87,808
Total liabilities	37,334	34,188	34,188	9.20	35,260	35,260
Owner's equity attributable to shareholders of the Company	59,666	53,365	53,365	11.81	52,079	52,079
Assets-liability ratio (%)	38.28	38.83	38.83	Decreased by 0.55 percentage point	40.16	40.16
Total share capital	9,405	9,405	9,405	-	9,405	9,405

Reasons for changes in accounting policies:

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

Total share capital of the Company as at the trading day before the date of disclosure:

Total share capital of the Company as at the trading day before the date of disclosure (<i>shares</i>)	9,403,020,451
Fully diluted earnings per share calculated based on the latest share capital (<i>RMB/share</i>)	0.736

MAJOR FINANCIAL INDICATOR BY QUARTER

Unit: RMB million

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

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

Yes No

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

Unit: RMB million

Items of Non-Recurring Gain and Losses	2021	2020	2019	Description
1. Gains/losses from disposal of non-current assets	-33	-78	-54	-
2. Government grant recorded in to profit/ loss for current period except that relevant to enterprise operation and in compliance with government policies and continuously entitled for standard amount or quantities	43	66	83	-
3. Changes in fair value of financial assets held for trading	9	-4	3	-
4. Changes in fair value of other non-current liabilities (part of derivative financial instruments)	-55	14	60	-
5. Other non-operating revenue and expenses except those mentioned above	15	6	3	-
Subtotal	<u>-21</u>	<u>4</u>	<u>95</u>	-

Items of Non-Recurring Gain and Losses	2021	2020	2019	Description
Less: Effect on income tax	-5	1	24	-
Effect on minority investors (after tax)	-	-	-	-
Total	<u>-16</u>	<u>3</u>	<u>71</u>	-

Note: For the figures of non-recurring gains and losses items, “+” indicates gains or income, “-” indicates losses or expenses.

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

Applicable Not Applicable

OPERATING RESULTS FOR 2021

The Group recorded a net profit attributable to shareholders of the Company of RMB6,925 million and basic earnings per share of RMB0.736 for the year ended 31 December 2021. Net profit attributable to shareholders of the Company was RMB1,978 million and basic earnings per share was RMB0.210 for the year ended 31 December 2020.

PROFIT DISTRIBUTION

Net profit attributable to shareholders of the Company amounted to RMB6,925 million for the year of 2021, provision of statutory surplus reserve amounted to RMB603 million, the Group’s undistributed profit amounted to RMB12,179 million as at 31 December 2021, in accordance with the PRC Accounting Standard for Business Enterprise, as audited and confirmed by ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所 (特殊普通合夥)).

The Board recommended distributing cash dividend of RMB2.21 (tax inclusive) per 10 shares to all shareholders of the Company, based on the total number of shares which were entitled to the distribution on the record date at the time of the implementation of distribution plan in the future, the estimated total profit to be distributed amounted to approximately RMB2,078 million, representing approximately 30% of the net profit attributable to the shareholders of the Company. The funds to be used for profit distribution are from the Company's own funds. If there is a change in the total number of shares entitled to the distribution prior to the implementation of the distribution plan, the total amount of cash distribution will be adjusted based on the total number of shares entitled to the distribution on the record date in accordance with the principle that the amount of cash distribution per share will remain unchanged. The profit distribution proposal is in line with the profit distribution policy as stipulated in the Articles of Association of the Company. There are no material differences between the level of cash dividends paid by the Company and the average level of listed companies in the industry where the Company operates. This proposal is subject to approval at the 2021 annual general meeting.

Information regarding the record date and the date of closure of register of members will be announced by the Company in due course in order to ascertain the entitlement to receive the final dividend and to attend the annual general meeting. The final dividend is expected to be distributed on or around 23 June 2022.

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

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

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

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

BUSNIESS REVIEW

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

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

- Internal drivers by deepening the reform. The Company promoted the optimization of human resources, built a talent empowerment center at different levels, and recorded each increase of 65.9% and 13% year-on-year in terms of the productivity of full-employee output labor and the productivity of physical labor, respectively. The Company established a sound classification management system, and implemented the dynamic evaluation management featuring the “combination of vertical grading and horizontal classification” for the enterprises under the Company to guide enterprises to promote by themselves in pursuit of excellence, and to enhance their own value creation capacity. The Company promoted the reform experience of Chaoyang Iron & Steel by implementing the market-oriented operation of the Anshan base, and established a new market-oriented management model for bases on overall plan and coordination and centralization, thus to accelerate lean management and build a characteristic defined management system and defined corporate culture.

- Innovation dynamics via breakthroughs in science and technology. By taking the science and technology leadership program, the science and technology excellence project and the project rewarding by means of open competition mechanism to select the best candidates as the carriers, the Company has been striving to be the “source” of original technology and developed a number of first products and leading technologies, thus achieving continuous improvement in its scientific and technological innovation capability. Major breakthrough was made for oriented silicon steel production technology, composite yield rate improved steadily, the “development and application of oxidation behavior control technology in steel hot-rolled process (鋼材熱軋過程氧化行為控制技術開發及應用)” was awarded the Second Prize of National Science and Technology Progress, 16 projects including “Key Technology Innovation and Engineering Application for High Strength Performance Steel with High Toughness and Good Weldability Used for Marine Equipment under Extremely Cold Environment (極寒環境用高強韌易焊接海洋裝備用鋼關鍵技術創新及工程應用)” won ministerial & provincial-level science and technology awards, and the “5G+Smart Steelmaking System” Project won the excellence award in the SASAC Third Yixing Innovation Competition (國資委第三屆熠星創新創意大賽).
- New progress in digitalization construction. The Company launched the “four modernization” tackles in the two major directions of intelligent operation and intelligent factory by improving the intelligent operation level of the whole value chain. The intelligent operation integrated control system of Anshan Iron & Steel was put into full operation. The Company completed the layout of 11 intelligent production lines, and 34 projects, such as the steel-making centralized control center, were successfully put into operation with Bayuquan Iron & Steel Branch Company’s Smart Transparent Factory achieving initial results.
- Remarkable results in cost reform. The Company strengthened cost reduction efforts by optimizing energy system management and outsourcing energy costs, and performed better in history in terms of the indicators of integrated energy consumption per tonne of steel, new water consumption per tonne of steel and wasted heat and energy recovery. The raw material yield rate and composite rate increased by 0.05 percentage point and 0.07 percentage point as compared with the previous year, respectively. The Company also overcame the adverse effects of resource shortages and high prices through the expansion of procurement channels for raw materials as shown by the increase of 19.52% year-on-year in the reduction of procurement cost at differentiated manner compare with the precious year. The Company strengthened the capital control with the financial expenses decreased by 36.94% compared with the previous year, thus financing costs continuing to decrease.

- **A new landscape from marketing.** Focusing on the strategic layout of “focusing on both domestic and international markets” and the “three points and four dimensions” price evaluation system, the Company cultivated the regional market deeply and increased the proportion of direct supply by 2.7 percentage points as compared with the previous year. The Company optimized the variety structure and increased the proportion of fist products by 3 percentage points year-on-year. The Company successfully entered into the “Sinopec 2021 Long Pipeline Framework Procurement Agreement” and entered into a strategic agreement with the PipeChina, with brand strengths continuously increasing. The Company created an invisible champion with full cover of wear-resistant steel specification.
- **Solid step into green and low-carbon development.** The Company formulated a low-carbon action plan and increased the efforts of environmental protection ultra-low emission transformation. The Company implemented 74 ultra-low emission renovation projects, including the closed shed for the raw material yard of the Baiyuquan Steel Branch Company, with an investment of RMB2.12 billion. The Company enhanced pollution control, the emission of SO₂, NO_X and COD decreased 7%, 1.1% and 2.8% as compared with the previous year, respectively. In 2021, the Company had no major environmental pollution accidents, and the implementation rate of “three simultaneous” environmental protection projects, hazardous waste disposal rate and radioactive source compliance rate were 100%.

DEVELOPMENT PLAN OF THE COMPANY FOR 2022

1. Development Strategy and Operation Plan for 2022

In 2022, the Company will embark on a new development stage, carry out the new development concept, serve to build a new development pattern, anchor the goal of “steel flagship”, comprehensively improve the “five strengths”, strive to become a leading benchmark enterprise, and promote the enterprise to achieve high quality development.

- (1) To take strategic planning as a guide, and achieve new development by the special industrial clusters. With the goal of improving efficiency, coordinating and collaborating among bases and concentrating on the same within the bases, the Company will keep the development fundamentals firmly in place and make the main steel industry more refined and better. The Company will insist on the principle of “relying on the main industry, developing industries and cultivating core enterprises”, integrate internal resources, promote the development of related industries, and construct special industrial clusters with professional advantages and development vitality.
- (2) To take lean management as the grip to achieve a new enhancement of governance capability. It will enhance lean management capabilities and upgrade to a lean enterprise, also improve the governance system, deepen the classification and differentiation control system and market-oriented incentive mechanism. The Company will optimize the overall budget management system, improve quota management, and strengthen rigid budget execution. The Company will deepen cost reform, dig deeper into cost reduction potential, promote system cost reduction, management cost reduction, collaborative cost reduction and technology cost reduction, and build a cost-saving enterprise.

- (3) To focus on customer service and achieve new improvements in brand value. The Company will focus on customer perception, improve customer perceived value, build a multi-dimensional service, future-oriented marketing system, and improve customer satisfaction across the board. The Company will focus on core value customers and strategic industry needs to achieve simultaneous increase in market share and profitability of fist products. The Company will consolidate the status of core suppliers and enhance brand influence and product competitiveness.
- (4) To achieve new leaps in corporate development, driven by reform and innovation. The Company will deepen the market-oriented reform, improve the “Authorization + Common Benefit” mechanism, promote the successful experience of internal reform, and release the vitality of the enterprise by point to point. The Company will complete the three system reform to stimulate the enthusiasm of employees and cadres to start their own business. The Company will strengthen the key core technologies, increase the research and development of science and technology and the construction of scientific and technological innovation system, and give full play to the main role of scientific and technological innovation, so as to promote the leapfrog development of the enterprise by reform and innovation.
- (5) To take intelligent manufacturing, green manufacturing as a guide, and to achieve a new pace in green development. The Company will implement the concept of green development, accelerate the pace of green manufacturing and digital Angang construction. The Company will promote the construction of intelligent factories and build a number of intelligent manufacturing pilot demonstration bases and production lines such as the intelligent and transparent factory in Bayuanquan. The Company will carry out the publicity featuring carbon peak and carbon neutrality of Angang Group, by taking multiple measures to save energy and reduce carbon, and realize green and low carbon development.
- (6) To take risk prevention and control as the bottom line, and to achieve new protection with safety and compliance. The Company will focus on the word “stability”, to achieve safety and smooth, legal compliance double protection. It will establish the concept of safe development, strengthen safety and fire management, prevent and resolve market and operational risks, operate in compliance with the law, constantly prevent and control epidemics, improve the risk prevention and control system throughout the process and chain, improve the ability to prevent and control, thus to promote the sustainable and healthy development of enterprises.

3. Plans for Funding Requirements

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

In 2022, the sources of funding for the Group will mainly include internal fund, supplemented by bank loans and issuing bonds.

ANALYSIS OF FINANCIAL INFORMATION

1. Overview

Unit: RMB million

Items	Reporting Period	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
Operating income	136,674	100,903	35.45	The operating income increased by RMB35,771 million in 2021 as compared to the same period of the previous year, which was mainly due to the impact of the increase in product prices.
Operating costs	123,434	94,313	30.88	The operating costs increased by RMB29,121 million in 2021 as compared to the same period of the previous year, which was mainly due to the impact of the increase in raw fuel prices.
Marketing expenses	596	496	20.16	–
Administrative expenses	1,459	1,329	9.78	–
Financial expenses	490	777	-36.94	The finance expenses decreased by RMB287 million in 2021 as compared to the same period of the previous year, which was mainly due to the decrease in the interests on bank borrowings.

Items	Reporting Period	Corresponding period of the previous year	Increase/decrease during the Reporting Period as compared with the corresponding period of the previous year (%)	Explanation and reasons for significant change
R&D expenditure	640	417	53.48	The R&D expenditure increased by RMB223 million in 2021 as compared to the same period of the previous year, which was mainly due to the impact of the increase in trial research expenses for new products.
Total profit	8,920	2,403	271.20	In 2021, in the context of overall operation with good momentum in the steel industry, the Company grasped the market opportunities, actively adapted to the market changes and the adjustment of the national industrial policy. It properly coped with the impact of uncertain factors such as epidemic repetition, extreme weather, production and power restrictions, and strived its effort to overcome the impact of unfavorable factors such as high raw fuel prices, by effectively organizing the production and operation activities, optimizing the procurement and marketing strategies, and vigorously adjusting the variety structure. Meanwhile, the Company strengthened lean management, promoted continuous improvement and upgrading of various technical and economic indicators through benchmarking and tapping potential, achieving remarkable results in cost reduction in the process. The production and operation were stable with good momentum, and the total profit and net profit attributable to shareholders of the listed company increased significantly as compared with the previous year.
Net profit attributable to shareholders of the Company	6,925	1,978	250.10	

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

2. Income and Cost

(1) Composition of operating income

Unit: RMB million

	2021		2020		Year-on-year increase/decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total operating Income	136,674	100	100,903	100	35.45
By industries					
Steel rolling and processing industry	136,023	99.52	100,403	99.50	35.48
Others	651	0.48	500	0.50	30.20
By products					
Steel products	126,845	92.81	92,639	91.81	36.92
Others	9,829	7.19	8,264	8.19	18.94
By geographical locations					
Domestic China	131,169	95.97	98,003	97.13	33.84
Export sales	5,505	4.03	2,900	2.87	89.83
By sales modes					
Direct selling	75,201	55.02	60,604	60.06	24.09
Distribution	61,473	44.98	40,299	39.94	50.54

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

Unit: RMB million

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

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

Applicable Not Applicable

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

Yes No

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

Reasons for the year-on-year change of over 30% in the relevant data:

Applicable Not Applicable

In 2021, in order to increase customer stickness, the Company increased the proportion of direct supply of steel and increased the scale of spot sales, resulting an increase in the inventory of finished products.

(4) Performance of material sales contracts and material procurement contracts entered into by the Company as of the end of the Reporting Period

Applicable Not Applicable

(5) Composition of operating costs

Unit: RMB million

Industry Classification	Items	2021		2020		Year-on-year increase/decrease in operating costs (%) (Percentage point)
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Steel rolling and processing industry	Raw materials and fuel	103,591	84.23	75,176	80.12	4.11
	Others	19,401	15.77	18,648	19.88	-4.11
	Total	<u>122,993</u>	<u>100.00</u>	<u>93,824</u>	<u>100.00</u>	<u>-</u>

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

Applicable Not Applicable

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

Applicable Not Applicable

(8) Major customers and suppliers

Sales to major customers of the Company

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

Top five customers of the Company

No.	Customer name	Sales amount (<i>RMB million</i>)	Proportion of sales amount over total sales amount for the year (%)
1	Customer A	12,683	9.32
2	Customer B	12,185	8.96
3	Customer C	11,944	8.78
4	Customer D	4,798	3.53
5	Customer E	3,959	2.91
Total		<u>45,569</u>	<u>33.50</u>

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

Major suppliers of the Company

Total purchase amount from the top five suppliers (RMB million)	56,644
Proportion of total purchase amount of the top five suppliers over total purchase amount for the year (%)	53.14
Proportion of purchase from related parties of total purchase amount of the top five suppliers over total purchase amount for the year (%)	49.14

Top five suppliers of the Company

No.	Supplier name	Proportion of purchase amount over total purchase amount for the	
		Purchase amount year (RMB million)	(%)
1	Supplier A	25,470	23.89
2	Supplier B	12,095	11.35
3	Supplier C	10,844	10.17
4	Supplier D	4,263	4.00
5	Supplier E	3,972	3.73
Total		<u>56,644</u>	<u>53.14</u>

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

In 2021, saved as disclosed in this annual results announcement, none of the directors or supervisors whose associates or any shareholders (who hold 5% or more of the Company's shares as known to the Board) has an interest in the Company's top five suppliers or customers.

3. Expenses

Unit: RMB million

	2021	2020	Year-on-year increase/decrease	Explanations on material changes
Marketing expenses	596	496	20.16	–
Administrative expenses	1,459	1,329	9.78	–
Financial expenses	490	777	-36.94	The finance costs decreased by RMB287 million in 2021 as compared to the same period of the previous year, which was mainly due to the decrease in interest on bank borrowings.
R&D expenditure	640	417	53.48	The research and development expenses increased by RMB223 million in 2021 as compared to the same period of the previous year, which was mainly due to the impact of the increase in trial research expenses for new products.
Income tax expenses	1,961	407	381.82	The income tax expenses increased by RMB1,554 million as compared to the same period of the previous year, which was mainly due to (i) the increase in total profit for the year, as a result of the increase in the current income tax expenses by RMB622 million as compared to the same period of the previous year; (ii) the increase of RMB932 million in deferred income tax assets recognized in the reversal of uncovered losses from the previous year during current period as compared to the same period of the previous year.

4. R&D expenditure

Applicable Not Applicable

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
Blast furnace twin data cockpit and production and operation evaluation platform	To create a new iron production management and control mode based on intelligent smelting operation, to break through the bottlenecks in traditional technologies, improve the operating efficiency of the Company's production and the efficiency of resource and energy utilization, and reduce smelting costs	Basic data collection and integration and system analysis has been completed, and the construction of the blast furnace twin data cockpit has been completed	To construct the blast furnace digital data cockpit and establish the mutual evaluation system for blast furnace to achieve intelligent operation	The long-term stable and smooth operation of the blast furnace will be ensured, so as to achieve the increase in output
Development and application of data-mining based Angang Bayuquan coal blending model	Since imported coal is significantly affected by global situation, in order to prevent the occurrence of coke quality being affected by significant changes of coal type due to force majeure, it is necessary to represent coking coal through all indicators and develop a quick responsive coal blending model by means of artificial intelligence, so as to improve the ability of the Company to respond to emergencies	A complete coking coal indicator representation system and a complete coke quality indicator system have been established	To reduce the response time of coal blending plan, to improve coal blending efficiency and form production management and control standard, through the adoption of coal blending model	The problem of low coal blending efficiency and quality will be effectively addressed, so as to reduce the production cost and improve the Company's competitiveness

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
Research of key production technology for steel used for polar ship under low temperature and extreme environment- steel used for shipbuilding and marine projects in polar regions and under low temperature	To develop high strength performance steel with high low-temperature toughness and good weldability	A full set of technologies for smelting, continuous casting and rolling of steel used for shipbuilding and marine projects in polar regions under low temperature have been developed, producing steel plates with high low-temperature toughness and good low-temperature weldability	A R&D, production, evaluation and standard system for cryogenic steel has been systematically established, achieving the breakthrough of localization and engineering demonstration application of high-grade steel with large thickness used for ships and marine projects in polar regions under low temperature	The quality of steel billet used for polar ships under low temperature and extreme environment will be guaranteed, the technology breakthrough achieved will fill in the blank at home, achieving stable industrialization production and engineering application, to provide a strong material support for the manufacturing of polar ships and marine equipment in our country
National new material production and application demonstration platform (materials for advanced offshore engineering & high-tech ships)	To carry out the construction of production and application demonstration platform according to the major needs of national economic development,	Three kinds of typical materials have been developed, all of which have been mass-produced and promoted for application	To carry out large thickness crack arrest steel production and application demonstration platform construction, mainly including the construction of material production and demonstration line related to such material	The Company's corporate image will be improved, reflecting the courage to meet the difficulties head of the Company as a central enterprise, to contribute strength to meet the major needs of national economic development

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
Research and development of steel used for high performance bridge-steel used for 420MPa grade weatherproof bridge and high strength bolts	To realize the key manufacturing of steel used for 420MPa grade high performance bridge and develop matching key technologies, such as bolts manufacturing and installation	New type of steel used for 420MPa grade weatherproof bridge has been designed, the evaluation of matching welding consumables, bolt connections and welding have been carried out, and 3 types of matching welding consumables have been developed	To make breakthrough in key manufacturing technology for steel plates used for 420MPa grade weatherproof bridge, and apply the this kind of steel plates without coating in the Heihe river bridge built jointly by China and Russia	It marks the leading position of Angang Company in steel for bridges at home. In the future, the steel used for 420MPa grade weatherproof bridge will have a large market potential in steel structure bridges, power towers and construction projects
Development of steel for ultra-high capacity third-generation pipelines	To develop ultra-high capacity high-strength X80M pipeline coil and its manufacturing technology, so as to meet the construction needs of domestic oil and gas energy pipelines and ensure national energy security	The single furnace trial production and evaluation of X80M plate coils with thickness of 22mm have been completed, where both plate coils and steel pipes have passed the certification, and we have undertaken L555M coil contract of 30,000 tons	To develop ultra-high capacity high-strength X80M pipeline steel coils and its stabilized manufacturing technology	The profitability of Angang Company's pipeline steel will be improved and the quality range will be expanded, to enhance the competitiveness of high-end products and the brand influence of Angang

Names of main R&D projects	Purpose	Progress	Proposed objectives	Expected effects on the future development of the Company
Development of highly-purified and homogenized continuous casting used for nuclear power large forgings and research and manufacturing of extra thick plates used for structure of containment	To address a series of technical problems occurred in the manufacturing of large nuclear power forgings	Highly purified and homogenized continuous casting billets production technology has been successfully developed and the engineering verification of the application of composite rolling technology to nuclear power extra thick plates has been realized	To develop steel continuous casting billets for nuclear power pressure vessels and steel for nuclear power containment	It will provide strong guarantee for the localization of important equipment of large advanced pressurized water reactors and high-temperature gas-cooled reactor nuclear power stations in China, which has significant social and economic benefits
Development of high Al-Zn Al-Mg steel plate product	To research and develop high Al-Zn Al-Mg plating products to increase market share and promotion volumes	The effect of Mg content of the plating on the organization structure and the representation of the surface roughness and corrugation of the plating layer have been completed, and bulk supply has been completed	To complete the development of high Al-Zn Al-Mg stamping grade products; make the product surface quality reach FB grade; form the production capacity of 240,000 tons/year of high Al-Zn Al-Mg plating steel plates; the corrosion resistance performance of the surface of high Al-Zn Al-Mg plating steel plates is 50% higher than Al-Zn plating steel plates	Al-Zn Al-Mg steel plate is an upgrade of Al-Zn plating, which is the development trend of future products. The research and development of the product will be conducive to increasing the profitability of the products of the Company

R&D staff of the Company:

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

R&D expenditure of the Company:

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

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

5. Cash flow

Unit: RMB million

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

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

Applicable Not Applicable

- (1) Cash inflow from operating activities increased by RMB39,796 million as compared to the previous year, which was mainly due to the fact that, as a result of the increase of products price, cash received from sales of goods and provision of services increased by RMB39,566 million as compared with the same period of the previous year.
- (2) Cash outflow from operating activities increased by RMB36,866 million as compared with the previous year, which was mainly due to the fact that, as a result of the increase of crude fuel price, the cash paid for purchase of goods and receipt of services increased by RMB34,124 million as compared with the same period of the previous year. Taxes and expenses paid increased by RMB2,031 million as compared with the same period of the previous year.
- (3) The cash inflow from investing activities increased by RMB201 million as compared to the previous year, which was mainly due to the fact that (i) net cash recovered from disposal of fixed assets, intangible assets and other long-term assets increased by RMB59 million as compared with the same period of the previous year; (ii) earnings from futures contracts increased by RMB109 million as compared with the same period of the previous year.
- (4) Cash inflow from financing activities decreased by RMB7,584 million as compared to the same period of the previous year, which was mainly due to the fact that the cash received from borrowings decreased by RMB7,676 million as compared to the same period of the previous year.
- (5) Net cash outflow from financing activities decreased by RMB2,922 million as compared to the same period of the previous year, which was mainly due to the fact that (i) the cash received from borrowings decreased by RMB7,676 million as compared to the same period of the previous year; (ii) the cash payment for the repayment of debts decreased by RMB4,361 million as compared to the same period of the previous year;
- (6) The net increase in cash and cash equivalents decreased by RMB611 million as compared to the same period of the previous year, which was mainly due to (i) the increase of RMB2,930 million in net cash inflow from operating activities as compared to the same period of the previous year; (ii) the increase of RMB619 million in net cash outflow from investing activities as compared to the same period of the previous year; (iii) the increase of RMB2,922 million in net cash outflow from financing activities as compared to the same period of the previous year.

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

Applicable Not Applicable

Unit: RMB million

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

6. Liquidity and financial resources

As at 31 December 2021, the Group had long-term loans (exclusive of loans due within one year) of RMB3,650 million with average interest rate of 3.28% per annum. The terms of such loans range from 2 to 5 years. The loans are mainly used for replenishing the working capital. The Group's long-term loans due within one year amounted to RMB601 million.

In 2021, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) with a credit rating of "AAA". In 2021, 20 financial institutions that had cooperated with the Company provided credit facilities to the Company. The Group is capable of repaying its debts when they become due.

As at 31 December 2021, cash and bank balances of the Group denominated in foreign currencies was RMB1 million (31 December 2020: RMB1 million).

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

	<i>Unit: RMB million</i>	
	31 December 2021	31 December 2020
RMB	5375	5,328
US dollars	1	1
HK dollars	–	–
Others	–	–
	<hr/>	<hr/>
Sub-totals	<u>5376</u>	<u>5,329</u>

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

7. Pension scheme

In accordance with the requirements of national insurance policies of the PRC, the Group provides all employees with basic pension (which are contributed as to 16% by the employer and as to 8% by the individual employee), pursuant to which the employee is entitled to receive pension payments on a monthly basis after retirement. For each month, the Group makes contribution to the basic pension scheme at 16% of the gross salary recognized as cost (expenses) of the previous month. In addition, the Group maintains corporate annuity scheme for all of its employees, the contribution to which was made by the Group at 4% of the gross salary recognized as cost (expenses) of the previous year.

The Group, as an employer, cannot use forfeited contributions (i.e. contributions that are handled by an employer on behalf of an employee when the employee leaves the scheme before the contributions invest in him/her) to reduce the existing level of contributions.

8. Foreign exchange risk

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

The Group issued HK\$1.85 billion of H-share convertible bonds (current balance is HKD1.818 billion), the foreign exchange risk of which depends on the exchange rate of the Renminbi against the Hong Kong dollar at the time of redemption of the unconverted bonds.

Analysis of Non-Principal Businesses

Unit: RMB million

Item	Amount	As a percentage of total profit (%)	Reasons for the changes	Sustainable or not
Investment income	331	3.71	Mainly included investment income from long-term equity investments accounted by equity method and other equity instruments during holding period.	Yes
Gains arising from changes in fair value	-65	-0.73	Mainly included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Impairment losses on asset (“-” for losses)	-306	-3.43	Mainly included provision for impairment of inventory.	No
Credit impairment loss (“-” for losses)	-89	-1.00	Mainly included credit impairment loss on account receivables	No
Other gains	38	0.43	Mainly included gains on government grants.	Yes
Non-operating income	58	0.65	Mainly included gains on damaged or destroyed and retirement of non-current assets, and unpayable payables.	Yes
Non-operating expenses	123	1.38	Mainly included losses on destroy or scrap of non-current assets.	Yes

ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in composition of assets

Unit: RMB million

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

2. Assets and liabilities measured at fair value

Unit: RMB million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Changes in cumulative fair value reported in equity	Impairment made for the period	Purchases during the period	Disposals during the period	Other changes	Closing balance
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	34	9						43
2. Derivative financial assets	0	3						3
3. Other credit investment								
4. Other equity instrument investment	476		60				-151	496
Sub-total of financial assets	510	12	60				-151	542
Investment properties								
Productive biological assets								
Others								
Total	510	12	60				-151	542
Financial liabilities	43	73						116

Material changes in measurement of major assets during the Reporting Period

Yes No

3. Gearing ratio

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

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

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

5. Contingent liabilities

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

ANALYSIS ON THE CORE COMPETITIVENESS

1. Product brand advantages

The Company's steel products are comprehensive in types and specifications and have certain differentiation advantages and its brand has high popularity and credibility. The products are sold to various regions in China and dozens of countries in the world. It has a leading position in producing steel for shipbuilding and marine engineering, automotive steel plates, home appliance plates, container plates and heavy rails. Its railway steels, container steels and shipbuilding plates won the title of "China Famous Brand Products". Its dozens of products, including hot rolling pickling steel strip, cold rolling hot dip aluminized and galvanized plates and structural steel for bridges, are awarded as "Gold Cup" high quality products, and 7 products such as the wire rods for steel cords are acknowledged as "Famous Brand in Liaoning". Assuming the task of "Backbone of the Nation (大國重器)", the Company's products are applied to the national key projects, including Hong Kong-Zhuhai-Macao Bridge, "Blue Whale I" drilling platform, and "Hualong One" nuclear power project.

2. Secured strategic resources supply advantages

The areas of Anshan have abundant reserves of iron ore, Mining companies of Angang Group have iron ore resources of 8,800 million tons and production stripping capacity of 280 million tons per year, mineral processing capacity of 65 million tons per year, and iron ore concentrate production capacity of 22 million tons, which ranked the first in China and are in leading positions in the world. In addition, Angang Group also owns Karara iron ore base with annual output of 8 million tons overseas, and has relative strong international trading capacity of iron ore. All of these provide strong secured supply of resources for the production and operation of the Company.

3. Technological innovation advantages

The Company has mastered a number of core, leading, basic and cutting-edge key technologies. The progress regarding intellectual property rights marked by patent applications, number of licenses and number of know-hows are in the “first echelon” in the metallurgical industry; it takes an important role in the modification of national project research and development, national standards and industry standards. Many achievements in intellectual property rights have been made in the fields of iron and steel smelting systems, iron and steel products, environmental resources, etc.

The Company’s comprehensive research and development strength in products leads in the iron and steel industry. The Company developed a series of products, including the steels for shipbuilding and marine projects in polar regions under low temperature, represented by steel used for 120mm-thickness and FH690, X80 grade pipeline which are used in polar regions under low temperature, which have successfully replaced the import products, and some products have made their debut at home and abroad; the innovative key technologies of steel for high-strength and toughness and good weldability marine equipment used in extreme cold environment and the third generation of steel plates for third-generation ultra-high capacity pipelines have reached the international leading level and filled in the blank at home.

4. Scale and technical equipment advantages

Crude steel production exceeded 27 million tons, ranking among the top 10 in the domestic steel industry, with a certain advantage of scale.

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

Bayuquan production base led the world in equipment and craft. It boasts large equipment, constant processing, indicator modeling, automatic operation, IT application in management and information digitization. The 1,580mm hot rolling plate production line uses multiple internationally advanced hot rolling technology; the 5,500mm thick plate production line is currently one of the largest wide and thick plate mills in the world.

5. Corporate culture advantages

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

6. Green development advantages

The Company actively responds to climate change, establishes a sound environmental management system, vigorously implements renewable energy substitution on the basis of improving energy use efficiency, explores the potential of energy saving and carbon emission reduction, realizing resources use reduction, harmless emissions, clean energy and ecological environment. The Company spares no efforts to expand new energy-saving and emission-reducing technologies, improve energy use efficiency, perfect an energy system featuring green and low-carbon and circular development, promoting green manufacturing. The Company adheres to green and low-carbon development. The Company's environmental protection indicators are at an advanced level in China, with Anshan head office, Bayuquan and Chaoyang branches meeting the emission standards. The Company was rated as "Environmentally Friendly Enterprise for Clean Production in China's Steel Industry" in 2020.

SIGNIFICANT EVENTS

(I) Performance of Undertaking

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

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Industry competition commitments	The Non-competition Undertaking Letter of Anshan Iron & Steel Group Complex (《鞍山鋼鐵集團公司避免同業競爭承諾函》): (1) Angang Holding and its wholly-owned and holding subsidiaries have complied with relevant requirements of the state on the non-competition. (2) Angang Holding and its wholly-owned and holding subsidiaries have never engaged in any business which directly or indirectly competes with the iron and steel business, the principal business of the Company.	20 May, 2007	Indefinite	There was no breach of such undertaking

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>(3) Angang Holding undertakes that the Company is entitled to the pre-emptive rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the iron and steel business of the Company.</p> <p>(4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that it will transfer all the capital contribution, shares or equity interests and grant the Company preemptive rights for such capital contribution, shares or equity interests.</p> <p>(5) If Angang Holding and its wholly-owned and holding subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes the purchase requirement, Angang Holding and its wholly-owned and holding subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.</p> <p>(6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first for the opportunity of new business.</p> <p>If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and holding subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.</p>			

Reason for Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
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If the Company proposes the purchase requirement in the future, Angang Holding and its wholly-owned and holding subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions.

- (7) Other effective measures to avoid and eliminate horizontal competition.

The above undertakings do not limit the business of Angang Holding and its wholly-owned and holding subsidiaries which do not compete with the Company, especially the business of provision of required materials or services necessary for the operation of the Company.

All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible for engaging in business not prohibited by the state.

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

- (1) Angang Holding ceases to be the controlling shareholder of the Company.
- (2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of the shares of the Company due to any reason)
- (3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.

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

Whether the commitments are fulfilled on time Yes

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

Applicable Not Applicable

(II) Misappropriation of Non-operating Funds of the Company by Controlling Shareholders and Its Related Persons

Applicable Not Applicable

(III) Non-complied External Guarantee

Applicable Not Applicable

(IV) The Board of Directors' Explanation Regarding the Related Information of the Latest "Non-standard Audit Opinion"

Applicable Not Applicable

(V) The Explanation of the Board of Directors, the Supervisory Committee and the Independent Directors (if any) Regarding the Accounting Firm’s “Non-standard Audit Opinion” for the Reporting Period

Applicable Not Applicable

(VI) Explanation of Changes in Accounting Policies and Accounting Estimates and Correction of Major Accounting Errors During this Year as Compared with the Financial Report of the Previous Year

Applicable Not Applicable

1. Changes of accounting policies

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

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

Unit: RMB million

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

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

Unit: RMB million

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

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

(VII) Explanation of Changes of Scope in Consolidated Statements As Compared With the Financial Report of the Previous Year

Applicable Not Applicable

(VIII) Appointment and Dismissal of Accounting Firm

1. Accounting Firm Currently Engaged by the Company

Name of the PRC accounting firm	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration of the PRC accounting firm	RMB5 million
Continued term of auditing service of the PRC accounting firm	Four years
Name of certified public accountants of the PRC accounting firm	Fan Jianping (范建平) and Fu Yangyi (付羊意)
Continued term of auditing services by certified public accountants of the PRC accounting firm	Four years

2. Whether Appointed Another Accounting Firm During the Period

Yes No

3. Particulars on Appointment of Accounting Firms, Financial Consultants or Sponsors for Internal Control and Auditing Purposes

Applicable Not Applicable

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

4. Whether the Accounting Firms Has Changed in the Last Three Years

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

(IX) Delisting Risks after the disclosure of Annual Report

Applicable Not Applicable

(X) Bankruptcy Reorganization

Applicable Not Applicable

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

(XI) Material Litigation and Arbitration

Applicable Not Applicable

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

Non-material litigation and arbitration are as follows:

Background of litigation (arbitration)	Amount involved (RMB0'000)	Any estimated liabilities incurred	Status of litigation (arbitration)	Trial outcome and impact of litigation (arbitration)	Enforcement of the judgment on litigation (arbitration)
Non-material proceedings	118,819	No	The majority of the successful cases have entered the enforcement process, while the remaining cases are still under trial.		
Non-material response to proceedings	1,640	No	Most of the cases were concluded in favour of the Company, while individual cases are still under trial.		

(XII) **Penalties and Rectifications**

Applicable Not Applicable

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

(XIII) **Credibility of the Company, its Controlling Shareholders and De Facto Controllers**

Applicable Not Applicable

(XIV) **Major Connected Transactions**

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

1. Related party transactions related to daily operations

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

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase main materials	Market principle	-	217	0.28	-	-	In cash	-
Sub-total	-	-	Purchase main materials	-	-	30,969	39.64	-	-	-	-
Pangang Group Company Limited	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase steel products	Market principle	-	611	6.04	-	-	In cash	-
Angang Cold Rolled Steel Plate (Putian) Co., Ltd. (鞍鋼冷軋鋼板(莆田)有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase steel products	Market principle	-	359	3.55	1,216	No	In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase steel products	Market principle	-	141	1.39	-	-	In cash	-
Sub-total	-	-	Purchase steel products	-	-	1,111	10.98	-	-	-	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	962	9.08	-		In cash	-
Angang Engineering Technology Development Co., Ltd.	Connected person of the controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	430	4.06	-		In cash	-
Angang Refractory Co., Ltd	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	721	6.80	3,614	No	In cash	-
Ansteel Group Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	362	3.42	-		In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Purchase auxiliary materials	Market principle	-	939	8.86	-		In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	3,414	32.22	-		-	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angang Holding	Controlling shareholder	Purchase goods/Receive services	Procurement of energy and power	Market principle	-	996	37.30	-	No	In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Procurement of energy and power	Market principle	-	47	1.76	1,848	No	In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	1,043	39.06	-	-	-	-
Ansteel Group Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	999	7.72	-	-	In cash	-
Delin Land Port Supply Chain Service Co., Ltd. (德鄰陸港供應總服務有限公司)	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	1,420	10.98	-	-	In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	1,079	8.34	9,303	No	In cash	-
Angang Holding	Controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	972	7.51	-	-	In cash	-
Angang Group Energy-saving Technology Service Co., Ltd. (鞍鋼集團節能技術服務有限公司)	Connected person of controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	639	4.94	-	-	In cash	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angang Cold Rolled Steel Plate (Pituan) Co., Ltd. (鞍鋼冷軋鋼板(青田)有限公司)	Connected person of the controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	459	3.55	-		In cash	-
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	441	3.41	-		In cash	-
Ansteel Information Industry Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	331	2.56	-		In cash	-
Ansteel Group Engineering Technology Development Co., Ltd.	Connected person of the controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	917	7.09	-		In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/Receive services	Receive supporting services	Market principle	-	1,084	8.38	-		In cash	-
Sub-total	-	-	Receive supporting services	-	-	8,341	64.48	-		-	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Dejin Land Port Supply Chain Service Co., Ltd. (德錦港供應總務有限公司)	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	5,372	4.15	-	No	In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	1,039	0.80	-	No	In cash	-
Angang Group International Economic and Trade Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	906	0.70	10,172	No	In cash	-
Angang Group Engineering Technology Development Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	330	0.25	-	No	In cash	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	740	0.57	-	No	In cash	-
Sub-total	-	-	Sales of products	-	-	8,387	6.47	-	-	-	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sell scrap steel material, abandoned material, minus sieve powder	Market principle	-	356	94.68	-	-	In cash	-

Related party	Related relationship	Type of related transaction	Content of related party transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Sub-total	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	356	94.68	437	No	-	-
Angang Holding	Controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	-	691	22.93			In cash	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	-	391	12.97	2,240	No	In cash	-
Sub-total	-	-	Provide comprehensive services	-	-	1,082	35.90			In cash	-

Related party	Related relationship	Type of related transaction	Content of related transaction	Pricing principle of related party transaction	Related party transaction price	Related party transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction Cap (RMB million)	Whether exceeding approved cap	Settlement method of related party transactions	Market price of available similar transactions
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interest	Market principle	-	39	40.63	50	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	3,480	-	3,500	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	9	1.72	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	0	0	120	No	In cash	-

Particulars on refund of bulk sale

Estimated total amount for continuing connected transactions to be conducted during the period and their actual implementing during the Reporting Period

- The estimated data of continuing connected transactions of the Company in 2021 was based on the content and estimated caps of transactions set out in the Continuing Connected Transaction Agreements and the Supplemental Agreement of the Continuing Connected Transaction Agreements of the Company. The total amount of continuing connected transactions of the Company in 2021 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements and the Supplemental Agreement of the Continuing Connected Transaction Agreements. The difference between actual amounts of certain connected transactions and estimated amounts was relatively larger, due to the impact of changes in prices of commodities and trading volumes during actual operation. As the originally estimated data represented the estimated caps of transactions, the existence of difference was reasonable which did not prejudice the interests of non-controlling shareholders and the Company.

Reason for the difference between transaction price and market reference price

Relevant explanation on connected transactions

- As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary support services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.

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

Applicable Not Applicable

Related Party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Carrying value of assets transferred (0'000)	Appraised value of assets transferred (0'000)	Transfer price (0'000)	Means of settlement of related party transaction	Transaction gains or losses (0'000)
Angang Holding	Controlling shareholder	Acquisition of assets	Purchase of use right assets of abovementioned 4 parcels of land	Price was determined based on the appraisal results issued by Liaoning Guodi Land Assets Appraisal Co., Ltd. (遼寧國地土地資產評估有限公司)	27,274.4	27,793.63	27,793.63	Cash	0
Reasons for the substantial differences between the transfer price and the carrying value or appraised value (if any)				-					
Impact on the operating results and financial condition of the Company				Nil					
Results realization status during the Reporting Period if relevant transaction involves agreement on results				-					

3. *Related party transactions in relation to joint external investments*

During the Reporting Period, the Group had no non-operating claims and liabilities with related parties.

4. *Related party credit and debt transaction*

There were no claims or obligations for non-operating purpose during the Reporting Period.

5. *Transaction with connected financial company*

Applicable Not Applicable

Unit: RMB million

Deposit business

Connected party	Connected relationship	Maximum daily deposit limit	Range of deposit interest rate	Balance as at the beginning of the period	Amount during the period		Balance as at the end of the period
					Total amount deposited during the period	Total amount withdrawn during the period	
Angang Financial Company	Controlled by the same controlling shareholder	3500	1.725%	3,411	427,456	427,392	3,475

Loan business

Connected party	Connected relationship	Loan facility	Range of loan interest rate	Balance as at the beginning of the period	Amount during the period		Balance as at the end of the period
					Total loan amount for the period	Total amount repaid during the period	
Angang Financial Company	Controlled by the same controlling shareholder	3000	3.48%	0	500	500	0

Credit extension or other financial business

Connected party	Connected relationship	Type of business	Total amount	Actual amount
Angang Financial Company	Controlled by the same controlling shareholder	Credit extension	3000	500

6. Transaction with connected financial company which is under the control of the Company

Applicable Not Applicable

7. Other major related party transactions

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

On 10 August 2021, the Resolution on Cooperation in Conducting Technology Development Projects between Angang Group Beijing Research Institute Co., Ltd. and the Company was approved at the forty-sixth meeting of the eighth session of the Board. Angang Beijing Research Institute is a controlled subsidiary of Angang, which is the actual controller of the Company. In order to improve the basic, cutting-edge and leading technology research and development level, and enhance the leading force of scientific and technological innovation of the Company, the Company cooperated with Angang Beijing Research Institute to conduct twelve technology development projects. The total technology development fee is RMB114.24 million.

On 30 December 2021, the Resolution on the Acquisition of Assets of the Second Power Plant of Anshan Iron & Steel Co. Ltd. by the Company was approved at the fifty-fifth meeting of the eighth session of the Board of the Company. In order to enhance its energy support capacity, reduce production and operation costs and continuously enhance its overall competitiveness, the Company intended to acquire the relevant assets of the Second Power Plant of Angang Holding. Based on the appraised value of the net assets of the Second Power Plant held by Angang Holding issued by China United Assets Appraisal Group Co., Ltd., the transaction price was determined to be RMB1,125,908,300. The acquisition has not yet been completed.

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

8. *Opinions of independent non-executive Directors*

(1) The Continuing Connected Transactions of the Company in 2021 were carried out in the ordinary and usual course of business of the Company; (2) the Continuing Connected Transactions of the Company in 2021 were conducted (A) in accordance with the normal commercial terms (with reference to transactions of a similar nature made by similar entities in the PRC); (B) on terms no less favorable than the terms available to or offered by the third parties (if no comparable case is available); and (C) on terms which are fair and reasonable to shareholders of the Company (if no reference is available); (3) the Continuing Connected Transactions of the Company in 2021 were conducted in accordance with the terms set out in the Continuing Connected Transaction Agreements and the Supplemental Agreement of the Continuing Connected Transaction Agreements, which are fair and reasonable and in the interest of the Company and shareholders as a whole; (4) the total amount of Continuing Connected Transactions of the Company in 2021 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements. The difference between actual amounts of certain connected transactions and estimated amounts was relatively large, due to the impact of changes in prices of commodities and trading volumes during actual operation. As the originally estimated data represented the estimated caps of transactions, the existence of difference was reasonable which did not prejudice the interests of non-controlling shareholders and the Company.

9. *Opinions of auditors*

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

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

XV. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. *Trust, contractual or lease arrangement*

(1) Trust arrangement

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

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

(2) Contractual arrangement

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

(3) Lease arrangement

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

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

2. *Material guarantee*

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

3. *Entrusted cash assets management. Entrusted wealth management*

(1) Entrusted cash assets management.

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

(2) Entrusted loans

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

4. *Other significant contracts*

Applicable Not Applicable

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable Not Applicable

XVII SIGNIFICANT EVENTS OF THE COMPANY'S SUBSIDIARIES

Applicable Not Applicable

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company completed the repurchase of 52,450,023 A shares held by the public through centralized bidding transactions during the period from 10 to 24 December 2020 pursuant to the Resolution on the Repurchase of Part of A Shares of the Company (《關於回購公司A 股部分社會公眾股的議案》) held by the Public approved at the thirty-second meeting of the eighth session of the Board of the Company for the purpose of implementing the share-based incentives or the employee stock ownership scheme. On 8 January 2021, the Resolution on the First Grant of the Restricted Shares to Incentive Participants (《關於向激勵對象首次授予限制性股票的議案》) was approved at the thirty-eighth meeting of the eighth session of the Board of the Company. On 27 January 2021, the Company completed the registration of the first grant under the 2020 Restricted Share Incentive Scheme, and granted 46,800,000 restricted shares to 174 incentive participants. On 28 January 2022, the Company completed the registration of the grant of reserved portion of the restricted shares under the 2020 Restricted Share Incentive Scheme and granted 5,241,400 restricted shares to 37 incentive participants. On 25 February 2022, the Company completed the repurchase and cancellation of 2,229,750 restricted shares granted but not yet unlocked held by 8 former incentive participants.

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds (the “**Convertible Bonds**”) on the Hong Kong Stock Exchange, which were listed and traded on the Hong Kong Stock Exchange since 28 May 2018 and will mature on 25 May 2023. In accordance with the terms of the issue of the Convertible Bonds and the requirements of the holders of the bonds, on 25 May 2021, the Company redeemed the convertible bonds in the principal amount of HK\$32,000,000 at HK\$32,726,720 in cash. To date, the Company has outstanding convertible bonds in the principal amount of HK\$1,818,000,000.

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

CORPORATE GOVERNANCE PRACTICE

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

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

AUDIT COMMITTEE

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

ANNUAL GENERAL MEETING

The 2021 annual general meeting will be held on Thursday, 26 May 2022. A notice to convene the annual general meeting of the Company and the 2021 annual report of the Company will be published and delivered to H shareholders of the Company as required by the Listing Rules of Hong Kong Stock Exchange in due course.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

Prepared by: Angang Steel Company Limited

Monetary unit: RMB million

Items	Notes	December 31, 2021	December 31, 2020
Current assets:			
Cash and cash equivalents		5,376	5,329
Derivative financial assets		3	
Notes receivable		25	63
Accounts receivable	2	1,889	2,593
Receivables financing		1,844	1,009
Prepayments		2,949	3,117
Other receivables		62	56
Including: Interests receivable			
Dividends receivable			
Inventories		18,969	10,618
Other current assets		1,306	231
Total current assets		32,423	23,016
Non-current assets:			
Long-term equity investments		3,071	2,965
Other investments in equity instruments		496	476
Other non-current financial assets		43	34
Fixed assets		47,895	50,372
Construction in progress		4,644	1,814
Right-of-use assets		689	822
Intangible assets		6,085	5,988
Deferred income tax assets		744	1,369
Other non-current assets		1,436	1,190
Total non-current assets		65,103	65,030
Total assets		97,526	88,046

CONSOLIDATED BALANCE SHEET (CONTINUED)

Items	<i>Notes</i>	December 31, 2021	December 31, 2020
Current liabilities:			
Short-term loans		650	8,505
Derivative financial liabilities		116	43
Notes payable		8,086	2,620
Accounts payable	3	9,907	7,939
Contract liabilities		8,631	5,611
Employee benefits payable		214	228
Tax payable		189	387
Other payables		2,156	1,960
Including: Interests payable		2	15
Dividends payable			
Non-current liabilities due within 1 year		<u>601</u>	<u>409</u>
Total current liabilities		<u>30,550</u>	<u>27,702</u>
Non-current liabilities:			
Long-term loans		3,650	3,478
Bonds payable		1,463	1,476
Lease liability		346	665
Long-term payables		480	
Long-term employee benefits payable		106	125
Deferred income		543	595
Deferred income tax liabilities		157	112
Other non-current liabilities		<u>39</u>	<u>35</u>
Total non-current liabilities		<u>6,784</u>	<u>6,486</u>
Total liabilities		<u>37,334</u>	<u>34,188</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

Items	<i>Notes</i>	December 31, 2021	December 31, 2020
Shareholders' equity:			
Share capital		9,405	9,405
Capital reserve		33,604	33,485
Less: Treasury shares		100	166
Other comprehensive income		44	(80)
Special reserve		82	74
Surplus reserve		4,452	3,849
Undistributed profit	4	12,179	6,798
Subtotal of Shareholders' equity attributable to shareholders of parent company		59,666	53,365
Minority interests		526	493
Total shareholders' equity		60,192	53,858
Total liabilities and shareholders' equity		97,526	88,046

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

*Person-in-charge of
accounting department:*
Qin Lianyu

CONSOLIDATED INCOME STATEMENT
For the twelve months Ended 31 December 2021

Prepared by: Angang Steel Company Limited

Monetary unit: RMB million

Items	<i>Notes</i>	Current period cumulative	Preceding period comparative
Operating income		136,674	100,903
Including: operating income	5	136,674	100,903
Operating costs		127,650	98,325
Less: operating costs	5	123,434	94,313
Tax and surcharges	6	1,031	993
Marketing expenses		596	496
Administrative expenses		1,459	1,329
Research and development expenses		640	417
Financial expenses	8	490	777
Including: Interests expenses		576	899
Interests revenue		79	66
 Add: Other income		 38	 65
Investment income (“-” for losses)		331	212
Including: income from investment in jointly ventures and associates		318	191
Gains/losses from fair value variation (“-” for losses)		(65)	(18)
Impairment losses on assets (“-” for losses)		(306)	(39)
Credit impairment loss (“-” for losses)		(89)	(324)
Asset disposal income (“-” for losses)		52	8

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Items	<i>Notes</i>	Current period cumulative	Preceding period comparative
Operating profit (“-” for losses)		8,985	2,482
Add: Non-operating income		58	33
Less: Non-operating expenses		123	112
Profit before income tax (“-” for losses)		8,920	2,403
Less: Income tax expenses	9	1,961	407
Net profit for the period (“-” for losses)		6,959	1,996
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		6,959	1,996
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		6,925	1,978
ii. Minority interest income		34	18
The net amount after tax of other comprehensive income		(27)	(10)
Net after-tax net of other comprehensive income attributable to the parent company owner		(27)	(10)
I. The other comprehensive income which can not be reclassified into profit or loss		(26)	(9)
i. Changes in fair value of other investments in equity instrument investment		(26)	(9)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Items	<i>Notes</i>	Current period cumulative	Preceding period comparative
II. The other comprehensive income which can be classified into profit or loss		(1)	(1)
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method		(1)	(1)
Net after-tax net of other comprehensive income attributable to minority shareholders			
Total comprehensive income		6,932	1,986
The other comprehensive income attributed to the owners of the company		6,898	1,968
The other comprehensive income attributed to the minority		34	18
Earnings per share:			
Basic earnings per share (<i>RMB/share</i>)	10	0.736	0.210
Diluted earnings per share (<i>RMB/share</i>)	10	0.720	0.198

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

*Person-in-charge of
accounting department:*
Qin Lianyu

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(Expressed in million RMB unless otherwise indicated)

1. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The Group has evaluated the continuous operations ability for the 12 months from December 31, 2021, and has not found any matters or circumstances that have significant doubts about the continuous operations ability. Therefore, the financial statements are prepared on the assumption of going concern principle. In addition, the Group has prepared this report based on the actual transactions and events and in accordance with the Basic Standard and 42 specific standards of the Accounting Standards for Business Enterprises(abbreviated as ASBE) (Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as the Accounting Standards for Business Enterprises or CAS) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

According to the relevant provisions of Accounting Standards, the Group adopted an accrual accounting basis. Except for certain financial instruments, the financial statements are reported at historical cost. If assets are impaired, relevant provisions are made in accordance with relevant standards.

2. ACCOUNTS RECEIVABLE

2.1 Classification of accounts receivable

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

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

2. ACCOUNT RECEIVABLE (Continued)

2.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	31 December 2021			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Tianjin Resources Group Finance Co., Ltd. (Department of finance)	604	485	80.30	Notes overdue
HNA Group Finance Co., Ltd. (HNA Finance Division)	270	230	85.19	Notes overdue
Chongqing Lifan Finance Co., Ltd. (Lifan Finance)	77	34	44.16	Notes overdue
Anshan Zhongyou Tianbao Steel Pipe Co., Ltd.	67	66	98.51	Business is in trouble. It does not have repayment ability
Dongbei Special Steel Group Dalian material trading Co., Ltd	15	15	100.00	The company has gone into liquidation
Total	<u>1,033</u>	<u>830</u>	<u>-</u>	<u>-</u>

2.3 Accounts receivable classified by aging

Aging	31 December 2021	31 December 2020
Within 1 year	1,640	2,234
1 to 2 years	10	968
2 to 3 years	956	14
3 to 4 years	6	14
4 to 5 years	12	16
Over 5 years	97	92
Total	<u>2,721</u>	<u>3,338</u>

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

2. ACCOUNT RECEIVABLE (Continued)

2.4 Bad debt provision

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

2.5 Accounts receivable written off this period

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

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

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

2.7 Accounts receivable derecognized resulting from transfer of financial assets

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

3. ACCOUNTS PAYABLE

3.1 Aging of accounts payable

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

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

3.2 Significant account payable aging over 1 year

Creditors	Balance	Aging
Angang Construction Group Co., Ltd	9	1 to 2 years 、 2 to 3 years 、 3 to 4 years
Anshan Metallurgical Group Power Engineering Co., Ltd	5	1 to 2 years 、 2 to 3 years 、 3 to 4 years 、 4 to 5 years 、 Over 5 years
Anshan Metallurgical Group Construction and installation Co., Ltd	5	1 to 2 years 、 2 to 3 years 、 3 to 4 years 、 4 to 5 years 、 Over 5 years
Total	<u>19</u>	

4. UNDISTRIBUTED PROFIT

Items	This period	Last period
Balance as of 31 Dec. 2020	6,798	5,551
Changes in accounting policies		
Business combination under the common control		
Balance as of 1 Jan. 2021	6,798	5,551
Increase in 2021	6,925	1,978
Including: Net profit transferred this year	6,925	1,978
Other adjustment factors		
Decrease in 2021	1,544	731
Including: Extraction of surplus reserve this year	603	126
Extraction of general risk provisions in this year		
Distribution of cash dividend this year (Note 1)	790	536
Conversed capital		
Other decreases (Note 2)	151	69
	<u>12,179</u>	<u>6,798</u>
Balance as of 31 Dec. 2021	<u><u>12,179</u></u>	<u><u>6,798</u></u>

Note 1: According to the resolution of the 2020 Annual General Meeting of Shareholders held on May 26, 2021, the Company distributed cash dividends to all shareholders at RMB0.84 every 10 shares. Calculated based on the total number of shares entitled to distribution rights of 9,399,600,178 shares, a total of RMB790 million. All of them have been released as of 31 December 2021.

Note 2: Other decrease RMB151 million of undistributed profit for the period was the Company's write-off of other investments in equity instrument of Dalian Steel. Changes in fair value that have been included in other comprehensive income in previous years are transferred to undistributed profits for the period at the time of write-off.

Note 3: The board of directors recommended that, based on the total number of shares currently entitled to the distribution of 9,402,611,828 shares, a cash dividend of RMB2.21 (tax included) should be distributed to all shareholders of the company for every 10 shares. The estimated total profit distribution is approximately RMB2,078 million. If the total number of shares that the Company is eligible to distribute changes before the implementation of the distribution plan, the total amount of cash dividends will be adjusted by the total number of shares entitled to the distribution right when cash dividend can be distributed, based on the principle that the amount of cash dividend per share remains unchanged. This plan still needs to be submitted to the 2021 Annual General Meeting of Shareholders for deliberation. The cash dividends proposed after the balance sheet date are not recognized as liabilities on the balance sheet date.

5. OPERATING INCOME AND OPERATING COSTS

5.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	136,023	122,993	100,403	93,824
Other operating	651	441	500	489
Total	<u>136,674</u>	<u>123,434</u>	<u>100,903</u>	<u>94,313</u>

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

5.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	131,169	98,003
Foreign exchange income from outside borders	5,505	2,900
Total	<u>136,674</u>	<u>100,903</u>

5.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	136,674	100,903
Total	<u>136,674</u>	<u>100,903</u>

6. TAX AND SURCHARGES

Items	This period	Last period
City maintenance and construction tax	136	133
Educational surcharge and local educational surcharge	97	95
Land use tax	427	427
Property tax	157	155
Stamp tax	111	84
Resources tax	3	3
Environmental protection tax	99	95
Others	1	1
Total	<u>1,031</u>	<u>993</u>

7. DEPRECIATION AND AMORTIZATION

Items	This period	Last period
Depreciation of fixed assets	3,587	3,555
Amortization of intangible asset	190	186
Depreciation of right-of-use asset	130	133
Total	<u>3,907</u>	<u>3,874</u>

8. FINANCIAL EXPENSES

Items	This period	Last period
Interest expense	578	908
Including: interests expense from the long-term loans and long-term bonds	146	284
Interests expense from the short-term loans and letters of credit	169	503
Other interest expenditures	263	121
Less: Interest income	79	66
Less: Capitalized interest expense	2	9
Exchange gain or loss	(40)	(95)
Less: Capitalized exchange gain or loss		
Others	33	39
Total	<u>490</u>	<u>777</u>

9. INCOME TAX EXPENSES

9.1 Income tax expenses

Items	This period	Last period
Income tax during this period	1,370	748
Changes on deferred income tax expenses	<u>591</u>	<u>(341)</u>
Total	<u><u>1,961</u></u>	<u><u>407</u></u>

9.2 The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	8,920
Income tax expenses calculated at statutory/applicable tax rates	2,230
Effect of different tax rates applied by subsidiary companies	(5)
Effect of adjustments for income tax for prior period	(17)
Effect of income not subject to tax	(66)
Effect of costs, expenses and loss not deductible for tax purpose	59
Effect of deductible loss of deferred income tax assets not recognized in prior periods	(36)
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets	
Changes in the balance of deferred income tax assets/liabilities at the beginning of the year resulting from tax rate adjustments	
Others	<u>(204)</u>
Income tax expenses	<u><u>1,961</u></u>

10. RETURN ON EQUITY (ROE) AND EARNINGS PER SHARE (EPS)

Profit in this period	Weighted average(ROE) (%)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	12.26	0.736	0.720
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	<u>12.29</u>	<u>0.738</u>	<u>0.722</u>

11. SEGMENT INFORMATION

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

12. COMMITMENTS

Items	31 December 2021	31 December 2020
Investment contracts entered but not yet performed or performed partially	1,200	14
Construction and renovation contracts entered but not yet performed or performed partially	<u>2,448</u>	<u>4,279</u>
Total	<u>3,648</u>	<u>4,293</u>

13. SUBSEQUENT EVENTS

13.1 Reduction of registered capital

The company held a general meeting of shareholders on January 6, 2022, and passed the “Proposal on the Repurchase and Cancellation of Restricted Shares that have been granted to Some Incentive Objects of the 2020 Restricted Stock Incentive Plan but have not yet been released from restricted sales”, “Proposal on Changing the Registered Capital of The Company and Corresponding Amendments to the <Articles of Association>And other motions. According to the provisions of the 2020 incentive plan and relevant laws and regulations, the 8 original incentive objects granted by the 2020 incentive plan for the first time no long meet the incentive conditions, and the company will repurchase and cancel all the restricted shares that have been granted but have not been released from restricted sales, with a total of 2,229,750 shares. After the completion of the repurchase and cancellation, the total share capital of the company will be reduced from 9,405,250,201 shares to 9,403,020,451 shares, and the registered capital will be reduced from 9,405,250,201 yuan to 9,403,020,451 yuan.

13.2 Acquisition of the Second Power Plant

In order to improve energy guarantee capabilities, reduce production and operation costs, and continuously enhance the company’s comprehensive competitiveness. On December 30, 2021, the Company signed an agreement with Anshan Iron and Steel on the acquisition of relevant assets of the Second Power Plant affiliated to Anshan Iron and Steel. The valuation base date of October 31, 2021, the book value of the net assets of the Second Power Plant was 1,035 million yuan, and the assessed value was 1,126 million yuan. Both parties agree and confirm that the asset delivery date is January 1, 2022, and Anshan Iron and Steel will enjoy or undertake the increase in net assets due to the realization of profits and other reasons or the decrease in net assets due to operating losses and other reasons during the transition period.

14. NET CURRENT ASSETS

Items	31 December 2021	31 December 2020
Current assets	32,423	23,016
Less : Current liabilities	<u>30,550</u>	<u>27,702</u>
Net current assets/(liabilities)	<u><u>1,873</u></u>	<u><u>(4,686)</u></u>

15. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	31 December 2021	31 December 2020
Total assets	97,526	88,046
Less: Current liabilities	<u>30,550</u>	<u>27,702</u>
Total assets less current liabilities	<u><u>66,976</u></u>	<u><u>60,344</u></u>

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
Wang Yidong
Executive Director and Chairman of the Board

Anshan City, Liaoning Province, the PRC
31 March 2022

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:

Wang Yidong
Xu Shishuai
Wang Baojun

Independent Non-executive Directors:

Feng Changli
Wang Jianhua
Wang Wanglin
Zhu Keshi

* For identification purpose only