重慶鋼鐵股份有限公司

Chongqing Iron & Steel Company Limited

(H Share Stock Code: 1053) (A Share Stock Code: 601005)

2025

ANNUAL REPORT

Contents

Documents Available for Inspection	A full text of the annual report, containing the signature of the head of the Company and company seal
	Financial statements, containing signatures of the head of the Company, the person in charge of the accounting function and the person in charge of the accounting department and company seal
	Original copy of the auditor's report sealed by accounting firm and signed and sealed by certified public accountants
	Original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by CSRC for information disclosure purpose and on the website of SSE during the Reporting Period
	Annual reports released through the HKEx

IMPORTANT NOTICE

I. The board of directors (the "Board"), the directors and members of senior management of the Company guarantee the authenticity, accuracy and completeness of the contents of the annual report, in which there are no false representations, misleading statements contained or material omissions, and assume the several and joint legal responsibilities as well.

II. All directors of the Company attended the Board meeting.

III. Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued a standard and unqualified audit report for the Company.

IV. Wang Huxiang, the head of the Company, Kuang Yunlong, the Chief Financial Officer, and Lei Xiaodan, the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the annual report.

V. The profit distribution proposal or proposal to transfer capital reserve to share capital for the Reporting Period as passed by the Board meeting

According to the auditing by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the realized net profit attributable to the parent company for 2025 amounted to RMB-2,507 million, and the unappropriated profit by parent company as of the end of 2025 amounted to RMB-14,842 million. As the parent company recorded a negative unappropriated profit as at the end of 2025, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2025 pursuant to Article 213 of the Articles of Association.

Information on unappropriated losses of the parent company as at the end of the Reporting Period and the impact on matters such as the Company's dividend distribution

☑ Applicable ☐ Not applicable

As at the end of the Reporting Period, the parent company had uncompensated losses; pursuant to the Articles of Association, the conditions for profit distribution were not met for 2025.

VI. Risk warning in respect of forward-looking statements

☑ Applicable ☐ Not applicable

The forward-looking statements set out in this annual report of the Company such as operating plans, future plans and development strategies, due to the uncertainties involved, do not constitute the Company's substantial commitment to investors. Investors are advised to be aware of investment risks and make prudent investments.

VII. Is there any non-operational fund occupancy by the controlling shareholder or its related party?

No

VIII. Is there any provision of external guarantee by the Company in violation of the stipulated decision-making procedure?

No

IX. Whether more than half of the directors cannot guarantee the authenticity, accuracy and completeness of the annual report disclosed by the Company?

No

X. Major Risk Warning

Nil

XI. Others

☐ Applicable ☑ Not applicable

Section I Definitions

I. DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this report:

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
HKEx, the Stock Exchange	The Stock Exchange of Hong Kong Limited
China Iron and Steel Association or CISA	China Iron and Steel Association
China Baowu, Baowu Group	China Baowu Steel Group Corporation Limited
Strategic Emerging Fund	Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership)
Sichuan Desheng, Desheng Group	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.
Changshou Iron & Steel, controlling shareholder	Chongqing Changshou Iron & Steel Company Limited
Company, Chongqing Iron & Steel	Chongqing Iron & Steel Company Limited
Group	Chongqing Iron & Steel Company Limited and its subsidiaries
General Meeting	the general meeting of Chongqing Iron & Steel Company Limited
Board of Directors	the board of directors of Chongqing Iron & Steel Company Limited
Supervisory Committee	the supervisory committee of Chongqing Iron & Steel Company Limited
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Reporting Period	From 1 January 2025 to 31 December 2025

Section II Company Profile and Major Financial Indicators

I. COMPANY INFORMATION

The Company' s Chinese name	重慶鋼鐵股份有限公司
Abbreviation of Chinese name	重慶鋼鐵
The Company' s English name	Chongqing Iron & Steel Company Limited
Abbreviation of English name	CISC
Legal representative	Wang Huxiang

II. CONTACT INFORMATION

	Secretary to the Board	**Securities affairs representative**
Name	Kuang Yunlong	Peng Guoju
Correspondence address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Tel	86-23-6898 3482	86-23-6898 3482
Fax	86-23-6887 3189	86-23-6887 3189
E-mail	ir_601005@baowugroup.com	ir_601005@baowugroup.com

III. BASIC INFORMATION

Registered address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Historical changes in registered address	No. 30 Gangtie Road, Dadukou District, Chongqing and No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing
Office address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Postal code of office address	401258
Website	http://www.cqgt.cn
E-mail	ir_601005@baowugroup.com

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Names and websites of media for annual report disclosure	Shanghai Securities News (https://www.cnstock.com)
Websites of stock exchanges for annual report disclosure	http://www.sse.com.cn (SSE) https://sc.hkex.com.hk (HKEx)
Place for inspection of annual reports	Secretariat of the Board of the Company

V. BASIC INFORMATION ABOUT THE SHARE OF THE COMPANY

Basic information about the share of the Company

Stock type	Relevant Exchange that stock listed on	Stock abbreviation	Stock code	Stock abbreviation before change
A Share	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	N/A
H Share	The Stock Exchange of Hong Kong Limited	Chongqing Iron & Steel	01053	N/A

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)
	Office address	30/F, Bund Center, 222 Yan'an East Road, Shanghai, the PRC
	Name of accountants signing-off the report	Jiang Jian (蔣健) and Ouyang Qianli (歐陽千力)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS

i. Key accounting data

Unit: RMB'000 Currency: RMB

Key accounting data	**2025**	2024	Increase/ decrease from last year *(%)*	2023
Operating income	**24,001,657**	27,244,169	-11.90	39,318,142
Operating revenue net of business revenue not related to principal business and income lacking commercial substance	**23,700,571**	26,997,779	-12.21	39,030,451
Total profit	**-2,734,532**	-3,291,641	Not applicable	-1,744,259
Net profit attributable to shareholders of listed company	**-2,721,832**	-3,195,561	Not applicable	-1,494,417
Net profit attributable to shareholders of listed company, netting non-recurring gains and losses	**-2,745,542**	-3,206,738	Not applicable	-1,514,298
Net cash flow from operating activities	**1,648,910**	1,309,863	25.88	1,022,039

	At the end of 2025	At the end of 2024	Increase/ decrease from last year *(%)*	At the end of 2023
Net assets attributable to shareholders of listed company	**13,911,785**	16,606,636	-16.23	19,854,331
Total assets	**32,086,178**	35,479,244	-9.56	37,357,035

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS (Continued)

ii. Key financial indicators

Key financial indicators	**2025**	2024	Increase/ decrease from last year *(%)*	2023
Basic earnings per share *(RMB/share)*	**-0.31**	-0.36	Not applicable	-0.17
Diluted earnings per share *(RMB/share)*	**Not applicable**	Not applicable	Not applicable	Not applicable
Basic earnings per share, netting non-recurring gains or losses *(RMB/ share)*	**-0.31**	-0.36	Not applicable	-0.17
Weighted average return on net assets *(%)*	**-17.84**	-17.53	Decreased by 0.31 percentage points	-7.26
Weighted average return on net assets, netting extraordinary gains or losses *(%)*	**-17.99**	-17.59	Decreased by 0.40 percentage points	-7.35

Explanation on the key accounting data and financial indicators for the last three years at the end of the Reporting Period

☐ Applicable ☑ Not applicable

VIII. DIFFERENCE IN ACCOUNTING DATA UNDER THE PRC ACCOUNTING STANDARDS AND OVERSEAS ACCOUNTING STANDARDS

i. Difference between the net profit and net assets attributable to shareholders of listed companies as disclosed in the financial report under International Accounting Standards and those under PRC Accounting Standards

☐ Applicable ☑ Not applicable

ii. Difference between net profit and net assets attributable to shareholders of listed companies as disclosed in the financial report under overseas accounting standards and those under PRC Accounting Standards

☐ Applicable ☑ Not applicable

iii. Explanation on the differences between the PRC accounting standards and overseas accounting standards:

☐ Applicable ☑ Not applicable

IX. MAJOR FINANCIAL DATA OF EACH QUARTER OF 2025

Unit: RMB'000 Currency: RMB

	1st Quarter (January– March)	2nd Quarter (April– June)	3rd Quarter (July– September)	4th Quarter (October– December)
Operating income	6,614,112	6,471,097	6,006,074	4,910,374
Net profit attributable to shareholders of listed company	-117,415	-13,602	-87,309	-2,503,506
Net profit attributable to shareholders of listed company, netting non-recurring gains and losses	-118,020	-22,488	-90,770	-2,514,264
Net cash flow from operating activities	408,717	471,725	952,300	-183,832

Explanation on the differences between quarterly data and disclosed regular reporting data

☐ Applicable ☑ Not applicable

X. EXTRAORDINARY GAINS OR LOSSES AND AMOUNTS

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Extraordinary gains or losses	**Amount for 2025**	Note (if applicable)	Amount for 2024	Amount for 2023
Gains or losses on disposal of non-current assets, inclusive of write-off of impairment provision for assets	**16,987**	Not applicable	2,556	4,500
Government grants included in the profit or loss for the period (except for those closely related to the ordinary businesses of the Company, in compliance with the requirements under the State's policies, entitled to enjoy according to certain standards and continuously affecting the profit or loss of the Company)	**6,552**	Not applicable	3,333	13,432
Fund occupancy fee from non-financial enterprises recognized through profit or loss	**7,551**	Not applicable	2,125	1,433
Other non-operating income and expenses apart from the above mentioned	**-3,196**	Not applicable	5,135	4,025
Less: Effects on income tax	**4,184**	Not applicable	1,972	3,508
Total	**23,710**	Not applicable	11,177	19,882

Reasons shall be given with respect to the Company classifying the items not listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Issuing Their Securities to the Public – Non-recurring Gain or Loss Items as non-recurring profit and loss items with significant amounts, and classifying the non-recurring profit and loss items listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Issuing Their Securities to the Public – Non-recurring Gain or Loss Items as recurring profit and loss items.

☐ Applicable ☑ Not applicable

XI. TABLE OF DEDUCTION OF REVENUE

Unit: RMB'000 Currency: RMB

Item	Current year	Specific circumstances of deduction	Prior year	Specific circumstances of deduction
Amount of revenue	**24,001,657**	/	27,244,169	/
Aggregate amount of revenue deduction items	**301,086**	/	246,390	/
Aggregate amount of revenue deduction items as a percentage of revenue (%)	**1.25**	/	0.90	/
I.Revenue from businesses unrelated to principal operations				
1.Other operating revenue outside ordinary course, such as revenue from leasing fixed assets, intangible assets and packaging materials, sale of materials, non-monetary asset exchanges using materials, entrusted management operations, and revenue included in principal operating revenue but arising outside the ordinary course of business of the listed company.	**301,086**	Revenue from materials, scrap, leasing of fixed assets and others	246,390	Revenue from materials, scrap, leasing of fixed assets and others
Sub-total of revenue from businesses unrelated to principal operations	**301,086**	/	246,390	/
II.Revenue without commercial substance				
Sub-total of revenue without commercial substance	**0**	/	0	/
III.Other revenue unrelated to principal operations or without commercial substance	**0**	/	0	/
Amount of revenue after deduction	**23,700,571**	/	26,997,779	/

XII. COMPANIES THAT HAVE SHARE INCENTIVE SCHEMES OR EMPLOYEE SHARE OWNERSHIP SCHEMES MAY ELECT TO DISCLOSE NET PROFIT AFTER EXCLUDING THE EFFECT OF SHARE-BASED PAYMENTS

☐ Applicable ☑ Not applicable

XIII. ITEMS MEASURED AT FAIR VALUE

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Item	Opening balance	Closing balance	Changes in the Reporting Period	Effects on profit for the Reporting Period
Other equity investments	60,364	**60,364**	–	–
Receivables financing	898,747	**459,630**	-439,117	–
Total	959,111	**519,994**	-439,117	–

XIV. FINANCIAL HIGHLIGHTS

Unit: RMB'000 Currency: RMB

	2021	2022	2023	2024	**2025**
Income and profit					
Income	39,849,418	36,561,531	39,318,142	27,244,169	**24,001,657**
Profit before tax	2,262,884	(1,201,895)	(1,744,259)	(3,291,641)	**(2,734,532)**
Taxation	(11,509)	182,486	(249,842)	(96,080)	**(12,700)**
Profit for the year	2,274,393	(1,019,409)	(1,494,417)	(3,195,561)	**(2,721,832)**
Attributable to shareholders of the Company	2,274,393	(1,019,409)	(1,494,417)	(3,195,561)	**(2,721,832)**
Non-controlling interests	–	–	–	–	**–**
Earnings per share attributable to shareholders of the Company – Basic *(RMB)*	0.26	(0.11)	(0.17)	(0.36)	**(0.31)**
Assets and liabilities					
Non-current assets	29,645,294	30,850,578	31,305,047	29,191,863	**27,241,106**
Current assets	13,350,662	8,514,222	6,051,987	6,287,381	**4,845,072**
Current liabilities	15,411,421	13,062,530	13,863,584	16,927,242	**15,296,556**
Non-current liabilities	5,209,326	4,960,353	3,639,120	1,945,366	**2,877,837**
Net assets	22,375,209	21,341,918	19,854,331	16,606,636	**13,911,785**
Equity attributable to shareholders of the Company	22,375,209	21,341,918	19,854,331	16,606,636	**13,911,785**
Non-controlling interests	–	–	–	–	**–**

XV. OTHERS

☐ Applicable ☑ Not applicable

I. BUSINESS ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD

The Company operates in the ferrous metal smelting and rolling processing industry within the manufacturing sector, and is principally engaged in the production and sale of hot rolled sheets, medium plates, steel billets, steel by-products, coke, coal chemical products, water granulated slag and other products. The Company has an annual steel production capacity of ten million tonnes. Its main production lines include a 4,100mm wide heavy plate production line, a 2,700mm medium plate production line, a 1,780mm hot rolled sheet production line, among others.

The Company's products are widely used in railways, airports, bridges, tunnels, ships, high-rise buildings and other fields. In 2025, the Company completed full-process ultra-low emission publicity and was rated Class A under Chongqing's air pollution prevention and control performance scheme. The Company has successively received honours such as the National May 1st Labour Award, National Advanced Enterprise in Implementing the Excellence Performance Model, Chongqing Famous Trademark, and National Intellectual Property Advantage Enterprise.

In 2025, the domestic steel industry continued to operate under a pattern of "high output, high cost, high inventory, low demand, low prices and low efficiency", and the sector as a whole remained in a deep adjustment phase. The Company firmly established the mindset that "all costs can be reduced", deepened accounting-based operations, optimised its product mix, promoted process efficiency gains and fine cost control, strengthened marginal contribution and cash flow management, and directed resources towards higher-margin products and higher-profit regions. Through structural cost reduction and strategic efficiency gains, it is building an industrial cluster ecosystem and striving to enhance risk resilience and sustainable development capability.

Explanation of newly added material non-principal businesses during the Reporting Period

☐ Applicable ☑ Not applicable

II. INDUSTRY CONDITIONS IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD

In 2025, China's steel industry applied the new development philosophy; sector operations remained stable overall, exhibiting the overall operating characteristics of "deeper output control, shifting demand structure, narrowing profit margins and accelerated green transformation".

1. Output and demand: seeking a new balance amid dual declines, with demand structure shifting faster.

   In 2025, the industry strictly implemented national output control policies; annual crude steel output was 960 million tonnes, maintaining a year-on-year decline. On the demand side, as noted in the "Work Programme for Steady Growth of the Steel Industry (2025-2026)", "steel consumption has peaked and demand continues to decline"; demand for steel from real estate is unlikely to recover in the short term, and demand for traditional construction steel has decreased. At the same time, demand structure has changed profoundly: manufacturing has become the main support for steel demand; industries such as automobiles, shipbuilding and home appliances continued to show strong momentum, offsetting the decline in construction. Overall, the decline in consumption was greater than the decline in output, and the industry is accelerating the formation of a new dynamic balance of supply and demand.

2. Profitability and costs: profit margins remained under pressure, and operating pressure on enterprises persisted.

   Affected by weak demand, steel prices in 2025 ran at low levels, and the China Steel Price Index (CSPI) declined year on year. Although prices of raw materials such as iron ore and coke fell from historical highs, absolute prices remained elevated; cost pressure eased to some extent but remained material. According to industry analysis, although aggregate profit of key statistically surveyed steel enterprises in the first three quarters grew year on year, the sales profit margin remained low; the industry as a whole stayed in a "low-profit" state, and the foundation for a profit recovery was not yet solid.

II. INDUSTRY CONDITIONS IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD (Continued)

3. Transformation and upgrading: green development and smart manufacturing as twin drivers, with new growth drivers gradually strengthening.

   On green and low-carbon development, the “dual carbon” goals are leading the industry’s green revolution into greater depth. Under national policy requirements, by the end of 2025 over 80% of steel capacity was required to complete ultra-low emission retrofitting, and the industry has moved from a campaign phase to routine operation. On smart manufacturing, digital transformation is advancing from “point applications” to “full-process coordination”. The digital transformation scenario map for the steel industry issued by the Ministry of Industry and Information Technology points the way for the sector’s shift from “scale expansion” to “quality and efficiency”; application scenarios for artificial intelligence and big data in production scheduling, quality control, energy management and customer service are increasingly rich. As China Iron and Steel Association has stressed, digitalisation has become a core path for the industry to reduce costs, improve efficiency and enhance competitiveness.

III. DISCUSSION AND ANALYSIS OF OPERATING RESULTS

In 2025, Chongqing Iron & Steel, guided by the “four modernisations” development direction (high-end, intelligent, green and efficient) and the “four haves” operating principles (production with orders, output with margin, revenue with profit, profit with cash), applied the management approaches of “accounting-based operations” and “integration and synergy”, overcame difficulties and delivered solid work, achieving phased results in safety and environmental protection, production and operations, reform and innovation, among other areas, laying a foundation for the enterprise to “survive and thrive”.

1. Energy and environmental protection strengthened, with green and low-carbon results highlighted

   On environmental protection, the Company completed ultra-low emission key technical retrofits such as fine desulphurisation of coke oven gas, achieved full-process ultra-low emission retrofitting and publicity, and was rated Class A under Chongqing’s air pollution prevention and control performance scheme; treatment of the “three wastes” was effective: total COD emissions fell by 45.9%, comprehensive utilisation of solid waste reached 100%, and return-to-production utilisation was 22.5%. On energy, the Company adhered to an ultimate energy efficiency path, vigorously promoted energy saving and carbon reduction projects, with annual energy savings of 24,000 tce, CO_2 emissions reduced by 33,000 tonnes, annual cumulative carbon emission intensity of 1.8 tCO_2/t, self-generated power ratio of 90.8%, and a noticeable improvement in energy utilisation efficiency.

III. DISCUSSION AND ANALYSIS OF OPERATING RESULTS (Continued)

2. Production and manufacturing: efficiency up and costs down, with process competitiveness steadily improving

   In ironmaking, the Company optimised coal blending and ore burden structure, rolled out "peripheral coke charging" technology at No. 3 blast furnace, significantly improved gas utilisation, continuously reduced fuel ratio, and achieved a marked reduction in hot metal cost.

   In steelmaking, the Company promoted efficient smelting and continuously shortened converter cycle times; billet quality steadily improved, with key indicators such as NDT pass rates and downgrade rates from defects continuously improving; hot delivery rates for hot rolled coils and heavy plate increased and both set new historical records.

   In rolling, the Company broke through product bottlenecks: for heavy plate it developed 22 new grades/specifications such as wind power steel, weathering steel, bridge steel and high-rise building steel, achieving stable supply in wind power, transport, bridge and construction; for hot rolling it developed 25 new grades/specifications such as automotive steel, electrical steel and high-strength low-alloy steel, widely used in automotive, power, construction machinery and other industries.

3. Innovation-driven development, with notable results in commercialising scientific and technological achievements

   The Company adhered to innovation as a core driver and continued to increase R&D investment. In 2025, it added 26 company-level scientific research projects and 50 tackling projects, completed the drafting of 4 national and industry standards, and won 2 second prizes in Baowu's major technological innovation achievement awards.

4. Multi-dimensional operation and control to effectively enhance risk response capability

   Procurement and sales both outperformed the market to a visible extent: on the procurement side, the M-month share of ore increased significantly; on the sales side, the proportion of fixed-price heavy plate sales rose materially, effectively addressing downside market risk. On efficiency, turnover days for the "two funds" shortened year on year, capital utilisation efficiency improved markedly, asset turnover accelerated, and operating effectiveness reached a new level. On treasury, innovative financing models effectively reduced funding costs, full-year treasury value creation was strong, treasury management became leaner, and the Company maintained a sound record of "zero treasury safety incidents".

IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

☑ Applicable ☐ Not applicable

1. Flexible systems and mechanisms advantages

The Company continues to improve its modern corporate governance structure, establish market-oriented operating mechanisms and incentive and constraint mechanisms, and advance organisational reform and efficiency gains to align the interests of employees, management and shareholders. By optimising its organisational structure, clarifying front-, middle- and back-office roles, compressing management layers, and accelerating integrated procurement and sales, it ensures rapid linkage between manufacturing cost and marketing pricing, forming an agile and efficient operating mechanism and providing institutional support for sustainable development.

2. Relative target market and logistics advantages

The Company is located in Chongqing, a major city in southwest China, adjacent to the golden waterway of the Yangtze River, with convenient transport. It is the only large integrated iron and steel enterprise in the Chongqing area. The Company owns self-owned raw material and finished product wharves, with a sound logistics system and significant transport cost advantages. Leveraging national strategies such as the New Western Land–Sea Corridor and the Chengdu–Chongqing economic circle, its products are mainly sold in Chongqing and the southwest region, giving it significant regional market advantages and good development prospects.

3. Brand advantages

The Company has a diverse range of production lines, with products covering medium plates, hot rolled coils and other varieties; the “Sanfeng” brand enjoys high recognition in the region, and the Company maintains long-term stable cooperation with certain central enterprises in infrastructure and other sectors, with growing brand influence. Steel for ship hull structures and steel for boilers and pressure vessels continue to carry the “China Top Brand Product” designation, and four other products have been rated “Chongqing Famous Brand”.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Group produced 6.2359 million tonnes of iron, 7.2258 million tonnes of steel and 7.1081 million tonnes of commodity billets, representing year-on-year decreases of 7.86%, 4.71% and 6.63%, respectively. The sales volume of commodity billet was 7.1199 million tonnes, representing a year-on-year decrease of 6.31%. The revenue was RMB24.002 billion, while the total profit was RMB-2.735 billion.

i. Main business analysis

1. *Analysis of changes in certain items from Income Statement and Cash Flow Statement*

Unit: RMB'000 Currency: RMB

Item	Current period	Corresponding period of last year	Change (%)
Operating income	**24,001,657**	27,244,169	-11.90
Operating cost	**23,804,751**	28,599,482	-16.77
Selling expenses	**68,888**	56,788	21.31
Administrative expenses	**228,810**	370,595	-38.26
Financial expenses	**166,047**	200,673	-17.25
R&D expenses	**45,007**	41,784	7.71
Net cash flow from operating activities	**1,648,910**	1,309,863	25.88
Net cash flow from investing activities	**-1,627,653**	-789,202	Not applicable
Net cash flow from financing activities	**-893,790**	459,916	-294.34

Reasons for changes in general and administrative expenses: The decrease in general and administrative expenses was mainly due to the decrease in the provision for termination benefits.

Reasons for changes in net cash flow from investing activities: The increase in net cash flow from investing activities was mainly due to the increase in investment expenditures resulting from the purchase of time deposits.

Reasons for changes in net cash flow from financing activities: The decrease in net cash flow from financing activities was mainly due to the repayment of bank loans.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

1. *Analysis of changes in certain items from Income Statement and Cash Flow Statement (Continued)*

Detailed description of the major changes in the Company's business types, profits structure or profits sources in the period

☐ Applicable ☑ Not applicable

2. *Revenue and cost analysis*

☑ Applicable ☐ Not applicable

In 2025, the Group realized a total profit of RMB-2,735 million, representing a year-on-year decrease of RMB557 million in loss, which was mainly due to the following reasons: the sale price of commodity billet amounted to RMB3,146/tonne, representing a year-on-year decrease of 6.56%, and resulting in a decrease of RMB1,726 million in profit of commodity billet; the sales volume of commodity billet reached 7,119,900 tonnes, representing a year-on-year decrease of 6.31%, and profit increased by RMB230 million due to the impact of products structure; the decline in prices of ore, coal, scrap steel, and alloys contributed an additional profit of RMB2,680 million; the Company deeply advanced cost reduction and potential tapping efforts, achieving cost reduction in production processes and an additional profit of RMB240 million; adhering to the principle that all expenses could be reduced, the Company lowered sales, logistics, and periodic expenses, resulting in a year-on-year increase of RMB264 million in profit; other items collectively reduced profit by RMB1,135 million, among which asset impairment losses totaled RMB2,442 million, representing a year-on-year decrease of RMB1,209 million in profit, while other income amounted to RMB157 million, representing a year-on-year increase of RMB74 million in profit.

In 2025, the Group's revenue from main business amounted to RMB23,701 million, representing a year-on-year decrease of 12.21%. In particular, the income from sales of commodity billet products amounted to RMB22,401 million, representing a decrease of RMB3,184 million compared with the same period of the previous year. Firstly, the sales volume of commodity billet was 7,119,900 tonnes, representing a year-on-year decrease of 6.31%, resulting in a decrease in the sales income of RMB1,458 million; secondly, the sales price of commodity billet was RMB3,146/tonne, representing a year-on-year decrease of 6.56%, resulting in a decrease in the sales income of RMB1,726 million.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

2. *Revenue and cost analysis (Continued)*

Composition of income from main businesses:

Type	2025 Amount (RMB' 000)	2025 Percentage (%)	2024 Amount (RMB'000)	2024 Percentage (%)	Year-on-year Increase in amount (%)
Medium plates	**7,742,589**	32.67	8,355,106	30.95	-7.33
Hot rolled sheets	**14,539,856**	61.35	15,085,578	55.88	-3.62
Bars	**–**	–	–	–	–
Double high rods	**–**	–	940,105	3.48	-100.00
Wire rods	**–**	–	165,320	0.61	-100.00
Billets	**118,565**	0.50	1,038,791	3.85	-88.59
Subtotal	**22,401,010**	94.52	25,584,900	94.77	-12.44
Other	**1,299,562**	5.48	1,412,879	5.23	-8.02
Total	**23,700,572**	100.00	26,997,779	100.00	-12.21

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

Sales prices of commodity billet:

Item	2025 Sales price (RMB/tonne)	2024 Sales price (RMB/tonne)	Year-on-year growth (%)	Income increase (RMB'000)
Medium plates	3,418	3,547	-3.64	-292,250
Hot rolled sheets	3,020	3,318	-8.98	-1,434,512
Bars	–	–	–	–
Double high rods	–	3,224	–	–
Wire rods	–	3,518	–	–
Billets	2,921	2,893	0.97	1,137
Total of commodity	3,146	3,367	-6.56	-1,725,625

Sales volumes of commodity billet:

Item	Sales volume for 2025 (Ten thousand tonnes)	Sales volume for 2024 (Ten thousand tonnes)	Year-on-year growth (%)	Income increase (RMB'000)
Medium plates	226.55	235.54	-3.82	-320,267
Hot rolled sheets	481.38	454.64	5.88	888,790
Bars	–	–	–	–
Double high rods	–	29.15	-100.00	-940,105
Wire rods	–	4.70	-100.00	-165,320
Billets	4.06	35.91	-88.69	-921,363
Total of commodity	711.99	759.94	-6.31	-1,458,265

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

2. *Revenue and cost analysis (Continued)*

(1) Main business by sectors, products and regions and sales model

Unit: RMB'000 Currency: RMB

Main business by sectors

By sectors	Operating income	Operating cost	Gross margin *(%)*	Year-on-year increase/ decrease in operating income *(%)*	Year-on-year increase/ decrease in operating cost *(%)*	Year-on-year increase/ decrease in gross margin *(%)*
Iron and steel	23,700,572	23,552,312	0.63	-12.21	-17.02	Increased by 5.76 percentage points

Main business by products

By products	Operating income	Operating cost	Gross margin *(%)*	Year-on-year increase/ decrease in operating income *(%)*	Year-on-year increase/ decrease in operating cost *(%)*	Year-on-year increase/ decrease in gross margin *(%)*
Commodity billet	22,401,010	22,232,711	0.75	-12.44	-17.55	Increased by 6.14 percentage points
Others	1,299,562	1,319,601	-1.54	-8.02	-6.94	Decreased by 1.17 percentage points

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(1) Main business by sectors, products and regions and sales model (Continued)

Main business by regions

By regions	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/ decrease in operating income (%)	Year-on-year increase/ decrease in operating cost (%)	Year-on-year increase/ decrease in gross margin (%)
Southwest	19,090,046	19,035,577	0.29	-7.65	-12.49	Increased by 5.50 percentage points
Other regions	4,610,526	4,516,735	2.03	-27.11	-31.88	Increased by 6.85 percentage points

Description on main business by sectors, products and regions and sales model

Nil

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

2. *Revenue and cost analysis (Continued)*

(2) Table of production and sales volume analysis

☑ Applicable ☐ Not applicable

Main products	Unit	Production volume	Sales volume	Inventory volume	Year-on-year increase/decrease in production volume (%)	Year-on-year increase/decrease in sales volume (%)	Year-on-year increase/decrease in inventory volume (%)
Medium plates	10,000 tonnes	228.56	226.55	3.94	-3.56	-3.82	59.51
Hot rolled sheets	10,000 tonnes	478.22	481.38	1.37	4.49	5.88	-70.91
Bars	10,000 tonnes	–	–	–	–	–	–
Double high rods	10,000 tonnes	–	–	–	-100.00	-100.00	–
Wire rods	10,000 tonnes	–	–	–	-100.00	-100.00	–
Commodity billets	10,000 tonnes	4.03	4.06	–	-88.79	-88.69	-100.00

Explanation on production and sales

Nil

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(3) Performance of major procurement contracts and major sales contracts

☐ Applicable ☑ Not applicable

(4) Cost analysis table

Unit: RMB'000 Currency: RMB

By sectors

By sectors	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)	Explanation
Iron and steel	Raw material	18,444,049	78.31	23,278,452	82.02	-20.77	N/A
Iron and steel	Energy	957,042	4.06	920,090	3.24	4.02	N/A
Iron and steel	Labor and other costs	4,151,221	17.63	4,183,021	14.74	-0.76	N/A

By products

By products	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)	Explanation
Commodity billet	Raw material and energy costs	22,232,711	94.40	26,963,525	95.00	-17.55	N/A
Other	Raw material and energy costs	1,319,601	5.60	1,418,038	5.00	-6.94	N/A

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(4) Cost analysis table (Continued)

Other information on cost analysis

Nil

(5) Changes in the scope of consolidation due to changes in equity of major subsidiaries during the Reporting Period

☐ Applicable ☑ Not applicable

(6) Significant changes or adjustments to the Company's business, products or services during the Reporting Period

☐ Applicable ☑ Not applicable

(7) Major sales customers and major suppliers

A. Major sales customers and major suppliers

☑ Applicable ☐ Not applicable

Sales to the top five customers amounted to RMB13,991.90 million, representing 58.30% of total annual sales; of this, sales to related parties among the top five were RMB7,497.65 million, representing 31.24% of total annual sales. Sales to the largest customer accounted for 16.68% of total sales for the year.

Purchases from the top five suppliers amounted to RMB13,159.78 million, representing 55.28% of total annual purchases; of this, purchases from related parties among the top five were RMB11,039.27 million, representing 46.37% of total annual purchases. Purchases from the largest supplier accounted for 37.20% of total purchases for the year.

Other than Baowu Group and its directly/indirectly held companies, the Company's top five suppliers or customers are all independent third parties.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(7) Major sales customers and major suppliers (Continued)

B. Whether the proportion of sales to a single customer exceeded 50% of the total amount, whether there were new customers among the top five, or whether the Company relied heavily on few customers for sales during the Reporting Period

☐ Applicable ☑ Not applicable

Whether the proportion of purchases from a single supplier exceeded 50% of the total amount, whether there were new suppliers among the top five, or whether the Company relied heavily on few suppliers for purchase during the Reporting Period

☐ Applicable ☑ Not applicable

C. Whether the Company's shares were subject to delisting risk warning or other risk warning during the Reporting Period

☐ Applicable ☑ Not applicable

Top five suppliers

☐ Applicable ☑ Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

2. *Revenue and cost analysis (Continued)*

(7) Major sales customers and major suppliers (Continued)

D. Whether the Company had trading business revenue during the Reporting Period

☐ Applicable ☑ Not applicable

Top five sales customers where the proportion of trading business revenue to operating revenue exceeded 10%

☐ Applicable ☑ Not applicable

Top five suppliers where the proportion of trading business revenue to operating revenue exceeded 10%

☐ Applicable ☑ Not applicable

Other explanation:

Nil

3. *Expenses*

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Item	**Current period**	Corresponding period of last year	Change *(%)*	Principal reason for change
Selling expenses	**68,888**	56,788	21.31	–
General and administrative expenses	**228,810**	370,595	-38.26	Lower provision for termination benefits
Financial expenses	**166,047**	200,673	-17.25	–
R&D expenses	**45,007**	41,784	7.71	–

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

4. *R&D investment*

(1) Table of R&D investment

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Expensed R&D investment for the period	968,967
Capitalized R&D investment for the period	–
Total R&D investment	968,967
Percentage of total R&D investment to operating income *(%)*	4.04
Percentage of capitalized R&D investment *(%)*	–

(2) R&D personnel

☑ Applicable ☐ Not applicable

Number of R&D personnel of the Company	841
Percentage of R&D personnel in the total number of employees of the Company (%)	16.16

Educational structure of R&D personnel

Educational category	Number
Doctoral graduate	2
Master's graduate	74
Undergraduate	513
Junior college	249
High school and below	3

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

4. R&D investment (Continued)

(2) R&D personnel (Continued)

Age Structure of R&D Staff

Age category	Age number
Under 30 years old (exclusive)	108
30–40 years old (including 30 years old, excluding 40 years old)	418
40–50 years old (including 40 years old, excluding 50 years old)	200
50–60 years old (including 50 years old, excluding 60 years old)	115
60 and above	0

(3) Explanation

☐ Applicable ☑ Not applicable

(4) Reasons for major changes in the composition of R&D personnel and their impact on the future development of the Company

☐ Applicable ☑ Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

i. Main business analysis (Continued)

5. Cash flow

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Item	2025	2024	Change (%)	Main reasons for changes
Net cash flow from operating activities	**1,648,910**	1,309,863	25.88	/
Net cash flow from investing activities	**-1,627,653**	-789,202	N/A	Higher investing cash outflows from purchases of time deposits.
Net cash flow from financing activities	**-893,790**	459,916	-294.34	The decrease in net cash flow from financing activities was mainly due to repayment of bank borrowings.

ii. Explanation on material change in profit due to non-principal business

☐ Applicable ☑ Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

iii. Analysis of assets and liabilities

☑ Applicable ☐ Not applicable

1. *Assets and liabilities*

Unit: RMB'000 Currency: RMB

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets *(%)*	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets *(%)*	Year-on-year change *(%)*	Explanation
Cash and cash equivalents	2,712,339	8.45	3,019,606	8.51	-10.18	/
Notes receivable	4,186	0.01	294,742	0.83	-98.58	Bills endorsed or discounted at the beginning of the year that could not be derecognized have matured.
Trade receivables	10,948	0.03	16,605	0.05	-34.07	Decrease in receivables from credit facilities.
Receivables financing	459,630	1.43	898,747	2.53	-48.86	Payment by endorsement of bills during the period.
Prepayments	171,896	0.54	187,853	0.53	-8.49	/
Other receivables	53,775	0.17	38,074	0.11	41.24	Increase in balance of policy-related funds.
Inventories	1,396,761	4.35	1,706,277	4.81	-18.14	/
Other current assets	35,537	0.11	125,476	0.35	-71.68	Decrease in input VAT pending deduction compared to the beginning of the year.
Long-term equity investments	141,954	0.44	108,765	0.31	30.51	Final payment for investment projects from previous years.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

iii. Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Other equity instrument investments	60,364	0.19	60,364	0.17	–	/
Property, plant and equipment	23,585,898	73.51	24,523,532	69.12	-3.82	/
Construction in progress	170,112	0.53	861,172	2.43	-80.25	Mainly due to the capitalization of construction in progress.
Right-of-use assets	73,173	0.23	163,281	0.46	-55.19	Purchase of leased assets.
Intangible assets	2,476,069	7.72	2,470,418	6.96	0.23	/
Goodwill	42,871	0.13	328,055	0.92	-86.93	Impairment provision made during the period.
Deferred tax assets	690,665	2.15	676,275	1.91	2.13	/
Short-term borrowings	975,503	3.04	919,368	2.59	6.11	/
Notes payable	3,255,609	10.15	1,933,511	5.45	68.38	Increase in payments by issuing bills.
Trade payables	4,105,402	12.79	4,960,413	13.98	-17.24	/
Contract liabilities	1,137,073	3.54	1,812,206	5.11	-37.25	Decrease in advance receipts for steel payments for the following month.
Employee benefits payables	116,943	0.36	136,436	0.38	-14.29	/
Taxes payable	12,616	0.04	16,332	0.05	-22.75	/
Other payables	3,118,211	9.72	2,660,297	7.5	17.21	/

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

iii. Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Non-current liabilities due within one year	2,432,156	7.58	4,253,093	11.99	-42.81	Decrease due to reclassification of long-term borrowings due within one year.
Other current liabilities	143,044	0.45	235,587	0.66	-39.28	Decrease in taxes on advance receipts from customers.
Long-term borrowings	2,526,396	7.87	1,652,075	4.66	52.92	Repayment of borrowings during the period.
Lease liabilities	59,245	0.18	30,545	0.09	93.96	Purchase of leased assets.
Long-term payables	20,549	0.06	27,492	0.08	-25.25	/
Long-term employee benefits payables	57,009	0.18	118,872	0.34	-52.04	Decrease in termination benefits.
Provisions	8,026	0.03	3,135	0.01	156.01	Decrease in onerous contracts pending execution.
Deferred income	200,222	0.62	107,052	0.3	87.03	New special appropriations for environmental governance.
Deferred tax liabilities	6,390	0.02	6,194	0.02	3.16	/

Other explanation:

Nil

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

iii. Analysis of assets and liabilities (Continued)

2. Overseas assets

☐ Applicable ☑ Not applicable

3. Major restricted assets at the end of the Reporting Period

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Item	Carrying balance	Carrying amount	Type of restriction	Restricted situation
Cash and cash equivalents – Time deposits	**412,089**	412,089	Pledge	Pledge of time deposits
Cash and cash equivalents – Other cash equivalents	**135,182**	135,182	Security deposits, Frozen	Security deposits for bills and letters of credit, frozen deposits, etc.
Notes receivable and receivables financing	**1,497**	1,497	Other	Endorsed/discounted but not derecognised
Property, plant and equipment	**125,106**	125,106	Security	Secured borrowings, sale and leaseback arrangements
Intangible assets	**264,584**	264,584	Security	Secured borrowings
Total	**938,458**	938,458	/	/

4. Other explanation

☐ Applicable ☑ Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

iv. Analysis on industry operating information

☑ Applicable ☐ Not applicable

Please refer to "II. Industry conditions in which the Company operated during the Reporting Period" in this section. The Company's analysis of industry operating information is as follows:

Iron and steel industry operational information analysis

1. Manufacturing and sales of steel material based on processing techniques

☐ Applicable ☑ Not applicable

2. Manufacturing and sales of steel material based on forms of finished products

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Types based on forms of finished	Production volume (tonne)		Sales volume (tonne)		Operating income		Operating cost		Gross margin (%)	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
Plates and strips	**7,067,859**	6,946,471	**7,079,312**	6,901,794	**22,282,445**	23,440,684	**21,920,998**	24,351,663	**1.62**	-3.89
Others	**40,277**	666,426	**40,590**	697,633	**1,418,127**	3,557,095	**1,631,314**	4,029,900	**-15.03**	-13.29

3. Sales of steel material based on sales channels

☐ Applicable ☑ Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

iv. Analysis on industry operating information (Continued)

Iron and steel industry operational information analysis (Continued)

4. Supply of iron ore

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Supply source of iron ore	Supply volume *(tonne)*		Expenditure	
	Current year	Previous year	**Current year**	Previous year
Self supply	**–**	–	**–**	–
Domestic source	**510,539**	1,496,326	**468,357**	1,394,603
Overseas import	**9,091,366**	8,953,785	**7,051,611**	8,087,631
Total	**9,601,905**	10,450,111	**7,519,968**	9,482,234

5. Supply of scrap steel

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Supply sources of scrap steel	Supply volume *(tonne)*		Expenditure	
	Current year	Previous year	**Current year**	Previous year
Self supply	**272,789**	264,064	**607,278**	689,974
Domestic source	**1,325,049**	1,502,833	**2,804,273**	3,466,601
Overseas import	**–**	–	**–**	–
Total	**1,597,838**	1,766,897	**3,411,551**	4,156,575

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

iv. Analysis on industry operating information (Continued)

Iron and steel industry operational information analysis (Continued)

6. Other explanation

☐ Applicable ☑ Not applicable

v. Investment analysis

General analysis of external equity investment

☐ Applicable ☑ Not applicable

1. Significant equity investment

☐ Applicable ☑ Not applicable

2. Significant non-equity investment

☑ Applicable ☐ Not applicable

On 16 June 2025, the Company entered into an Asset Transfer Agreement with Chongqing Iron & Steel (Group) Co., Ltd. ("Chonggang Group"), pursuant to which the Company acquired, through a competitive bidding process, certain assets owned by Chonggang Group, including the No. 2 steelmaking series, the 4100mm wide and heavy plates, 2700mm sheets, wires, bars and section production lines for the steel rolling and other related assets, at a total consideration of RMB1,080,659,977.20 (inclusive of tax). For details, please refer to the Company's announcements titled Announcement on Participation in Competitive Bidding for Assets including the 4100mm Wide and Heavy Plates Production Line and Announcement in relation to Progress on Acquisition of Assets including the 4100mm Wide and Heavy Plates Production Line published on the website of the Shanghai Stock Exchange on 28 March 2025 and 17 June 2025 respectively, and the Company's announcements titled Potential Discloseable Transaction Announcement – Participation in Auction for the Target Assets and Discloseable Transaction Announcement – Completion of Auction for the Target Assets published on the website of The Stock Exchange of Hong Kong Limited on 27 March 2025 and 16 June 2025 respectively.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

v. Investment analysis (Continued)

General analysis of external equity investment (Continued)

3. Financial assets measured at fair value

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Asset type	Opening balance	Gains or losses on changes in fair value during the period	Accumulated fair value changes taken to equity	Impairment charged during the period	Purchase amount during the period	Amount sold/ redeemed during the period	Other changes	Closing balance
Others	60,364	–	–	–	–	–	–	60,364
Total	60,364	–	–	–	–	–	–	60,364

Securities investment

☐ Applicable ☑ Not applicable

Description of securities investment

☐ Applicable ☑ Not applicable

Private equity investment

☐ Applicable ☑ Not applicable

Derivatives investment

☐ Applicable ☑ Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

v. Investment analysis (Continued)

General analysis of external equity investment (Continued)

4. The specific progress of major asset restructuring and integration during the Reporting Period

☐ Applicable ☑ Not applicable

vi. Major assets and equity disposal

☐ Applicable ☑ Not applicable

vii. Analysis of major holding and investees

☑ Applicable ☐ Not applicable

Details of major subsidiaries and associates contributing 10% or more to the Company's net profit

☑ Applicable ☐ Not applicable

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

vii. Analysis of major holding and investees (Continued)

Unit: RMB'000 Currency: RMB

Company Name	Type of Company	Principal Business	Principal Place of Operation	Place of Incorporation	Registered Capital	Total Assets	Net Assets	Revenue	Operating Profit	Net Profit
Chongqing Iron & Steel Energy Environmental Protection Company Limited*（重慶鋼鐵能源環保有限公司）	Subsidiary	Electricity production and sales	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	525,695	807,969	735,173	281,442	6,454	6,354
Chongqing Xin Gang Chang Long Logistics Company Limited*（重慶新港長龍物流有限責任公司）	Subsidiary	Transportation and warehousing	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	110,000	190,059	126,567	50,106	9,476	7,982
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd.*（寶武環科重慶資源循環利用有限公司）	Associate	Comprehensive utilization of waste resources	Changshou District, Chongqing	Changshou District, Chongqing	100,000	227,764	112,656	309,687	10,022	10,182
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd.*（寶武精成（舟山）礦業科技有限公司）	Associate	Mining specialty and auxiliary activities	China (Zhejiang) Pilot Free Trade Zone	China (Zhejiang) Pilot Free Trade Zone	180,000	361,372	143,563	24,563	-32,854	-32,854
Chongqing Baocheng Carbon Co., Ltd.*（重慶寶丞炭材有限公司）	Associate	Manufacturing	Changshou District, Chongqing	Changshou District, Chongqing	33,333	291,137	145,857	427,892	23,966	20,069
Baowu Raw Material Supply Co., Ltd.*（寶武原料供應有限公司）	Associate	Trading	Shanghai Free Trade Zone	Shanghai Free Trade Zone	500,000	1,623,363	576,084	2,989,074	55,907	41,881

Note: The financial data of the above associates is unaudited; all of the above major subsidiaries are limited liability companies and have not issued any bonds.

V. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

vii. Analysis of major holding and investees (Continued)

Acquisition and disposal of subsidiaries during the Reporting Period

☐ Applicable ☑ Not applicable

Other explanations

☐ Applicable ☑ Not applicable

viii. Structured entities under the control of the Company

☐ Applicable ☑ Not applicable

VI. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

i. Industry competition pattern and development trend

☑ Applicable ☐ Not applicable

According to the policy guidance of the National Development and Reform Commission, the Ministry of Industry and Information Technology and other ministries, as well as the industry analysis of the China Iron and Steel Association, China's steel industry has entered a new stage of comprehensive stock optimization and high-quality development, with core trends focusing on the following three major directions:

(1) Green and Low-Carbon Transformation: Driven by the "dual carbon" goals, ultra-low emission retrofitting has become an industry standard. The "Special Action Plan for Energy Conservation and Carbon Reduction in the Steel Industry" issued by the National Development and Reform Commission and other departments has set clear energy efficiency improvement targets. Meanwhile, five departments including the Ministry of Industry and Information Technology explicitly support the research, development and industrialization of low-carbon frontier technologies such as hydrogen metallurgy in the "Work Plan for Stabilizing Growth in the Steel Industry (2025-2026)".

VI. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

i. Industry competition pattern and development trend (Continued)

(2) High-End and Intelligent Upgrading: The industry strictly implements the requirement of "prohibiting new capacity additions" and promotes equipment upgrading through capacity replacement. The focus of research and development has shifted to high value-added steel products required by new energy and high-end manufacturing sectors, such as high-performance bearing steel, gear steel and other key materials. In addition, the industry is deeply integrating smart manufacturing, and several national-level smart manufacturing demonstration factories have emerged.

(3) Demand Structure Transition: Traditional construction demand has slowed, with growth momentum shifting to fields such as new energy, new energy vehicles and high-end equipment. According to data from the China Iron and Steel Association, the proportion of steel used in China's manufacturing sector reached 51% in 2025, exceeding steel used in the construction sector for the first time in history, marking a fundamental transformation in demand structure.

ii. Development strategy of the Company

☑ Applicable ☐ Not applicable

Guided by the mission of "inheritance of the nation's steel heritage to create a green and better life" (傳承民族鋼鐵血脈，創造綠色美好生活), the Company is committed to building "Beautiful Chonggang, Landscape Chonggang", and establishing itself as the most competitive plate manufacturing base in Southwest China. The Company strives to become a leader in the steel industry in Southwest China, and contribute Chonggang's strength to social development.

During the "15th Five-Year Plan" period, the Company will fully implement national strategic deployments, embrace China Baowu's strategic path of "Three Creates" (strengthening through innovation, optimizing through efficiency, expanding through entrepreneurship) and the "Four Modernizations" direction of high-end, intelligent, green and efficient development, and adhere to the "Four Haves" business principle of production with orders, output with margin, revenue with profit, and profit with cash. The Company will focus on the 20-character business policy of "ultimate efficiency, structural optimization, regionalization, industrial chain, ecosystem and industrial park" (極致效率、結構優化、近地化、產業鏈、生態圈、工業園). Through production line upgrades and process enhancement, the Company will build three major value engines, namely smart logistics, green energy and industrial park and material services, to advance the transformation from a material supplier to a regional industrial chain organizer and service provider, thereby achieving high-quality development.

VI. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

ii. Development strategy of the Company (Continued)

Leveraging Chongqing's geographical advantages, the Company will deeply integrate itself into the construction of the Chengdu-Chongqing twin-city economic circle, contribute to the development of the Yangtze River Economic Belt, and support the Western Development Strategy. By driving intelligent manufacturing through technological innovation, the Company will continuously transform regional strategic opportunities into development momentum, deeply cultivate the market in Southwest China, and strive to become a steel enterprise featuring a sound governance structure, efficient management system, leading production technology, significant economies of scale, low-carbon and environmental protection, and a dominant market position.

iii. Business plan

☑ Applicable ☐ Not applicable

In 2026, the Company plans to produce 6.07 million tonnes of iron, 7.05 million tonnes of steel and 6.78 million tonnes of materials.

The year 2026 marks the beginning of the "15th Five-Year Plan" and is also a year of deepening reform in "lean management" for Chongqing Iron & Steel. The Company will focus on advancing the following key areas:

VI. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

iii. Business plan (Continued)

(1) tightening the chain of responsibility, strictly guarding against risks and hidden dangers, and comprehensively strengthening the safety defense line; (2) solidifying the operation and maintenance of environmental protection, and enhancing resource utilization to achieve green and low-carbon development; (3) focusing on enhancing efficiency throughout the entire process, striving for ultimate efficiency, and unleashing the potential of production and operation; (4) making breakthroughs in four major initiatives, deepening the coordination between steelmaking and rolling, and enhancing cost competitiveness; (5) focusing on dual drivers, activating business centers, and unleashing the potential for value creation; (6) deepening organizational reform, optimizing the performance system, and stimulating intrinsic motivation among all employees; (7) facilitating total productive maintenance, deepening integration of operation, inspection, maintenance, and adjustment, and enhancing equipment support capability; (8) laying out industrial synergy, building a "1+X" system, and cultivating diversified profit growth poles; (9) coordinating procurement and sales efforts, and focusing on value creation to drive the quality improvement and upgrading of business operations; (10) strengthening foundational management, deepening lean operations, and enhancing the level of management refinement; (11) adhering to the bottom line of compliance, strengthening risk prevention and control, and ensuring stable operations; (12) refining staffing and position management and deepening reforms in cooperative labor to enhance human resource efficiency; and (13) expediting the layout of industrial parks and ecosystem to create a new model of harmonious coexistence.

iv. Potential risks

☑ Applicable ☐ Not applicable

In 2026, the external environment has become increasingly complex and uncertain, with the spread of international trade protectionism, the raising of trade barriers by some economies, and heightened risks of supply chain decoupling. The iron and steel industry will continue to face a pronounced imbalance between strong supply and weak demand, maintaining a trend of "reducing production volume and optimizing existing capacity," while steel enterprises will face sustained pressure on profitability. The Company will continue to face numerous risks, including the transition to green and low-carbon operations, maintaining safety and environmental control, and achieving full production capacity and operational efficiency for investment projects. It must further strengthen the enterprise's internal momentum and risk-resilience, maintain strategic resolve, adhere to a high-quality development model, continuously improve corporate governance and internal control standards, and effectively enhance risk prevention capabilities.

VI. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

v. Others

☐ Applicable ☑ Not applicable

VII. EXPLANATION OF THE CIRCUMSTANCES AND REASONS FOR THE COMPANY'S NON-DISCLOSURE AS REQUIRED BY THE RULES DUE TO THE INAPPLICABILITY OF THE RULES SUCH AS STATE SECRETS AND BUSINESS SECRETS

☐ Applicable ☑ Not applicable

Section IV Corporate Governance, Environment and Society

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE

☑ Applicable ☐ Not applicable

i. Corporate governance

Operating in strict accordance with relevant requirements of regulatory documents such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant regulations of the CSRC, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has established a relatively complete corporate governance system and an effective internal control system.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the directors. All directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2025.

To the best of the Board's knowledge, the Company had complied with the requirements of Part 2 of the Corporate Governance Code, Appendix C1 to the Listing Rules during the Reporting Period, and no deviation from the code provisions has been identified.

The Company firmly believes that the adherence to good corporate governance principles, the enhancement of the transparency and independence of corporate operation and the establishment of an effective accountability system can help the Company ensure steady development and increase shareholders' value. During the Reporting Period, the Company's actual governance status was consistent with the requirements of the Code of Corporate Governance for Listed Companies and the Corporate Governance Code.

1. Shareholders and General Meetings: The Company convenes General Meetings in strict accordance with relevant laws and regulations and the Articles of Association and the Rules of Procedure for General Meetings to review and decide on major matters of the Company, to respond to shareholders' enquiries and to listen to shareholders' opinions and suggestions, so as to ensure that the shareholders exercise their rights in accordance with the law and to safeguard the legitimate rights and interests of all shareholders.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

i. Corporate governance (Continued)

2. Controlling shareholder and listed company: The Company is completely separate from the controlling shareholder in terms of business, staff, organization and finance. The Company is an independently operating entity responsible for its own profits and losses. The Company's controlling shareholder exercises shareholders' rights in strict compliance with relevant requirements of the Company Law and the Articles of Association, without overriding the General Meetings to directly or indirectly intervene in the Company's production, operation or important decision-making. At the end of the Reporting Period, none of the Company's capital or assets had been appropriated by its substantial shareholders.

3. Directors and the Board: In accordance with applicable laws, regulations and the provisions of the Articles of Association, the Company has established internal policies including the Rules of Procedure for the Board of Directors, Terms of Reference for the Strategy and ESG Committee of the Board of Directors, Terms of Reference for the Audit and Risk Committee of the Board of Directors, Terms of Reference for the Remuneration and Appraisal Committee of the Board of Directors, and Terms of Reference for the Nomination Committee of the Board of Directors. The Board strictly implements all regulatory requirements, convenes and holds General Meetings, diligently executes resolutions passed at such meetings, and fulfils the review and approval procedures for material matters within its scope of authority. The Board maintains a clear strategic positioning, continuously strengthens its core competitiveness, comprehensively implements the concept of innovation-driven development, enhances compliance management and value creation, improves risk prevention and control capabilities as well as internal control systems, standardises and optimises corporate governance, promotes the Company's high-quality development, and safeguards the overall interests of the Company and its shareholders. Each of the specialised committees of the Board holds meetings in accordance with their respective responsibilities and provides recommendations or opinions on the Company's business plans, financial reports, effectiveness of internal controls, structure of the Board, and other matters, thereby effectively promoting the standardised operation and scientific decision-making of the Board. The directors acknowledge their responsibilities for the preparation of the financial statements of the Company for the year ended 31 December 2025.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

i. Corporate governance (Continued)

3. (Continued)

As at 31 December 2025, the Board of the Company comprised nine members, including one employee director, three independent directors, and one independent director possessing professional accounting qualifications. The Board has established four specialised committees, namely the Strategy and ESG Committee, the Audit and Risk Committee, the Remuneration and Appraisal Committee, and the Nomination Committee. The composition of members of each of the Board's specialised committees complies with the relevant regulatory requirements.

4. The supervisory committee: the Supervisory Committee of the Company complies with the laws and regulations, adheres to the principles of objectivity, impartiality and diligence, earnestly implements the supervisory requirements, carries out supervisory inspections in accordance with the laws and regulations, and continuously enhances the effectiveness of supervision, promotes the establishment and standardized operation of the Company's corporate governance, and safeguards the legitimate rights and interests of the Company and its shareholders. The Supervisory Committee convenes meetings of the Supervisory Committee in accordance with the law, carefully reviews resolutions and issues opinions, carries out daily supervision in a solid manner, continues to supervise the performance of the Board, its members and senior management, strengthens the supervision of major issues and financial supervision, and supervises, inspects and issues opinions on the Company's regular operation, financial situation, the selection of the accounting firm, and internal control construction, etc. in accordance with the law.

To continuously enhance the Company's corporate governance standards and standardized operation capabilities, and to align with and implement the Company Law, the Guidelines for the Articles of Association of Listed Companies, and other laws, regulations and regulatory requirements, on 26 November 2025, upon review and approval by the General Meeting, the Company abolished the Supervisory Committee, and the powers and functions of the Supervisory Committee as prescribed under the Company Law shall be exercised by the Audit and Risk Committee.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

i. Corporate governance (Continued)

5. Information disclosure and transparency: The Company strictly implements the systems related to information disclosure, specifies the person responsible for information disclosure, continuously improves the quality of information disclosure, and treats all investors fairly to ensure that investors have an equal right to know, and have a true, accurate, complete and timely understanding of the Company's information. In 2025, the Company continuously maintained standardized information disclosure.

6. Building of the internal control system: For details, please refer to "Section IV. X" of this report.

7. Insider registration management: In accordance with relevant requirements, the Company has formulated the Administrative System for Persons with Inside Information. During the Reporting Period, the Company effectively managed confidentiality, registration and filing of insider information and and relative persons with inside information strictly as stipulated, without experiencing any inside information leakage or insider transaction.

ii. Corporate governance practice

(This section is prepared in accordance with relevant requirements of the Corporate Governance Code and the Corporate Governance Report of the HKEx.)

Taking corporate governance as part of value creation, the Company has always been committed to improving its corporate governance to demonstrate the fulfilment of commitments made by the Board of Directors and senior management in terms of corporate governance, maintain the transparency and accountability to shareholders, and create the maximum value for all shareholders.

As at 31 December 2025, the Company had practiced the corporate governance principles and all the code provisions (if applicable, including most of the recommended best practices) of the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

1. *Securities dealings by directors*

1.1 Directors' interests in the shares of the Company or associated corporation

As at 31 December 2025, the interests and short positions (including interests or short positions which they were taken to have or deemed to have under relevant provisions of the Securities and Futures Ordinance ("SFO")) of the directors or senior management members in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporation	Capacity	Nature of interest	Total number of shares held *(share)*	Percentage of number of A Shares of the Company *(%)*	Percentage of total share capital of the Company *(%)*	Class of share
Xie Chao	The Company	Senior Vice President	Beneficial interests	1,057,400 (Long position)	0.0127	0.0119	A share
Chen Yingming	The Company	Director	Beneficial interests	100 (Long position)	0.0000	0.0000	A share

Save as disclosed above, as at 31 December 2025, none of the directors or their respective associates had any interest in the shares of the Company or its associated corporations.

During the year of 2025, none of the Company's directors or their spouses or children aged below 18 was granted by the Company the right to subscribe for the Company's shares.

At no time during the year of 2025 was the Company, its fellow subsidiaries or its parent company a party to any principal contract in relation to the Company's business in which a director or supervisor of the Company had material interests, either directly or indirectly.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

1. *Securities dealings by directors (Continued)*

1.1 Directors' interests in the shares of the Company or associated corporation (Continued)

None of the Company, its fellow subsidiaries or its parent company was a party to any arrangement in 2025 whereby a director or supervisor of the Company may obtain benefits by acquiring shares or debentures of the Company or any other body corporate.

1.2 Service contracts of directors

The directors of the Company have entered into service contracts valid to the 2026 annual general meeting of the Company. There were neither terms regarding compensation for termination of service prior to the expiry of the service contracts nor terms regarding compensation for no renewal of service upon the expiry of such service contracts.

1.3 Directors' interests in the contracts

The Company did not enter into any important contract (except service contracts) in which a director of the Company is enabled to have any material interest or is having a critical interest, whether directly or indirectly, and there was no such contract subsisting at the end of the Reporting Period or at any time during the Reporting Period.

At the end of the Reporting Period or at any time during the Reporting Period, none of the directors or their respective associates was regarded as having any interest in any business which competes or may compete with the business of the Group.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

1. Securities dealings by directors (Continued)

1.4 Model Code for securities transactions by directors

The Company takes the Model Code as set out in Appendix C3 to the Listing Rules and the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof issued by the CSRC as the code for securities transactions by its directors. Upon specific enquiries with all directors, the Company confirmed that all its directors had complied with the requirements of the above code and rules concerning the securities transactions by directors as at the date hereof.

2. Board

2.1 Composition of the Board

For details, please refer to “Section IV. III. i.” of this report.

2.2 Number of board meetings during the financial year

For details, please refer to “Section IV. IV. i” of this report.

2.3 Directors’ attendance of the Board meetings and General Meetings

For details, please refer to “Section IV. IV. i.” of this report.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

2. Board (Continued)

2.4 Division of responsibilities between the Board and the management

The Board of Directors is collectively responsible for the Company's management and operation under the leadership of its chairman. The Board formulates the Company's overall strategy, sets the Company's business direction and financial performance target, and ensures the establishment and implementation of the Company's framework and procedures for corporate governance. The Board reports the Company's performance and business to the Company's shareholders. The Board is the Company's final decision-making organ on matters not subject to approval by shareholders pursuant to the Company's Articles of Association, the Listing Rules or other applicable laws and regulations.

The management takes charge of the Company's business operation and so as to successfully implement policies formulated by the Board. The management shall report work to the Board, and make decisions on matters stipulated by the Executive Committee or seek prior approval of the Executive Committee before making commitments on behalf of the Company. The Executive Committee monitors the management's performance according to the Company's corporate goals, missions and business plans which are determined and approved by the Board of Directors from time to time.

2.5 The Company strictly complied with relevant provisions under Rule 3.10(1) and (2) and Rule 3.10(A) of the Listing Rules during the Reporting Period.

2.6 The Company strictly complied with the provisions under Rule 3.13 of the Listing Rules during the Reporting Period.

2.7 There are no relationships of the kind required to be disclosed among the members of the Board of Directors and the senior management of the Company.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

2. Board (Continued)

2.8 Particulars of directors and senior management training

During the Reporting Period, the Company ensured that directors and senior management received training on applicable laws and regulatory requirements by organising their participation in training programmes conducted by securities regulatory authorities, listed companies associations, and professional institutions, and by regularly providing them with materials on laws, regulations and regulatory developments relevant to the discharge of their duties. In addition, individual directors also attended training related to their respective expertise or business areas to further enhance their management capabilities. All newly appointed directors obtained an appropriate understanding of their legal and regulatory responsibilities and duties prior to assuming office. In 2025, the training programmes for directors and senior management covered topics including the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, compliance in the performance of duties, anti-corruption, and Environmental, Social and Governance (ESG) matters:

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

2. *Board (Continued)*

2.8 Particulars of directors and senior management training (Continued)

No.	Name	Training date	Training hour(s)	Training institution(s)	Training content
1	Mr. Wang Huxiang	17 November	2	China Listed Companies Association	Key Points of the Capital System under the New Company Law and Related Responsibilities of Directors, Supervisors and Senior Management
2	Mr. Sheng Xuejun	14-18 February	5	Shanghai Stock Exchange	Training on Discharge of Duties by Directors, Supervisors and Senior Management
3	Mr. Zhao Shiqing	17 November	2	China Listed Companies Association	Key Points of the Capital System under the New Company Law and Related Responsibilities of Directors, Supervisors and Senior Management
4	Mr. Kuang Yunlong	25 June	3	Chongqing Listed Companies Association	Training on Discharge of Duties by Directors, Supervisors and Senior Management
5	Mr. Kuang Yunlong	4-11 July	1.2	Shanghai Stock Exchange	Market Value Management
6	Mr. Kuang Yunlong	18 July-1 August	25	Shanghai Stock Exchange	2025 Phase 3 Continuing Training for Board Secretaries of Listed Companies
7	Mr. Kuang Yunlong	15 August	3	Responsibility Cloud Research Institute, Huabao Securities	2025 Training on Social Responsibility Work
8	Mr. Kuang Yunlong	23 October	2	Shanghai Stock Exchange	Recent Regulatory Policies and Key Supervision Points for Listed Companies
9	Mr. Kuang Yunlong	17 November	2	China Listed Companies Association	Key Points of the Capital System under the New Company Law and Related Responsibilities of Directors, Supervisors and Senior Management
10	Mr. Kuang Yunlong	26 December	3	Chongqing Listed Companies Association	Training on Discharge of Duties by Directors and Senior Management
11	Mr. Xie Chao	17 November	2	China Listed Companies Association	Key Points of the Capital System under the New Company Law and Related Responsibilities of Directors, Supervisors and Senior Management
12	Directors and Senior Management who served during the Reporting Period	Monthly during the Reporting Period	66	The Company	Corporate Governance, Information Disclosure, ESG Rules

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

2. Board (Continued)

2.9 Board diversity policy

Recognizing the benefits of Board diversity, the Company has always sought to enhance the effectiveness of the Board of Directors and maintain the highest level of corporate governance. In determining the appointment of directors, the Company believes that Board diversity can be achieved through consideration of a number of factors, including but not limited to skills, regional and industrial experience, cultural and educational background, race, gender, age, service term and other factors that the Board of Directors deems applicable.

The Nomination Committee assumes the principal responsibility for studying and making recommendations on the selection of directors and relevant selection criteria and procedures, and will fully consider the Board diversity policy in performing its duties.

During the Reporting Period, there was one female independent director among the members of the Board. Female directors currently represent 11% of the Board, achieving the target of having at least one female director. The Board and the Nomination Committee endeavour to identify potential female director candidates who match the Company's development needs through various channels, including industry self-regulatory associations and recommendations from professionals, to ensure gender diversity on the Board.

As at 31 December 2025, the Group had 4,336 male employees, representing approximately 83.32% of the total workforce; and 868 female employees, representing approximately 16.68% of the total workforce. The Group's recruitment strategy is to employ suitable staff for suitable positions, achieving diversity among all employees (including senior management) in terms of gender, age, cultural and educational background, professional experience, skills and knowledge. With female employees representing approximately 16.68% of the total workforce, the Group has achieved gender diversity among its employees.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

2. *Board (Continued)*

2.10 Access to independent views by directors

The Company has put in place mechanisms to ensure that the Board is provided with independent views and opinions, including but not limited to:

(1) Participation of non-executive directors (including independent non-executive Directors) in Board meetings and/or Board committees (including meetings of the Strategy and ESG Committee, the Audit and Risk Committee, the Remuneration and Appraisal Committee, and the Nomination Committee) to provide independent views, recommendations and judgements on important issues relating to the Company;

(2) The independence of all independent non-executive directors is assessed annually by the Nomination Committee in accordance with the requirements of the Listing Rules;

(3) For any independent non-executive director who has served for more than nine years, the Nomination Committee further assesses his or her role as an independent non-executive director to ensure that he or she meets the relevant independence requirements.

3. *Chairman and president*

Elected and removed by a majority vote of all directors, the chairman serves for a term of three years, and is eligible for re-election. The chairman is responsible for the day-to-day presiding work of the Board.

The president takes charge of the day-to-day production and operation. The president is appointed by the Board for a term of three years and is eligible for re-appointment.

The roles of chairman and president of the Company were performed by different individuals.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

4. Non-executive director

Non-executive directors of the Company serve for a term of three years and are eligible for re-election.

5. Committees under the Board

5.1 Functions of special committees

(1) Primary responsibilities of the Strategy and ESG Committee

Its main duties are as follows:

1) To conduct studies and make recommendations on the Company's long-term development strategies and major investment decisions.

2) In accordance with the regulatory requirements of domestic and overseas places where the Company's shares are listed, the Strategy and ESG Committee is also responsible for the Company's environmental, social and governance (ESG) work and makes relevant recommendations to the Board.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(2) Primary responsibilities of the Audit and Risk Committee

1) To monitor and assess the work of the external auditors, and to propose the appointment or replacement of external auditors.

2) To monitor, assess and provide guidance on the internal audit function, and to be responsible for coordinating the internal and external audit functions.

3) To review the Company's financial information and its disclosure.

4) To monitor and assess the effectiveness of the Company's internal control systems.

5) To study and make recommendations on the establishment and improvement of the Company's comprehensive risk management framework.

6) To perform supervisory duties as prescribed under relevant laws, regulations and the Listing Rules.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(3) Primary responsibilities of the Remuneration and Appraisal Committee

1) To formulate and review the remuneration policies and proposals for directors and senior management based on the achievement of the Company's operational objectives.

2) To establish appraisal criteria for directors and senior management, and to be responsible for organising the performance evaluation of directors and senior management.

3) To review the performance of directors and senior management in discharging their duties, and to make recommendations to the Board on the following matters: remuneration of directors and senior management; the formulation or amendment of share incentive schemes or employee share ownership plans, and the conditions for grantees to be granted or to exercise rights under such incentives; and the arrangement of share ownership plans for directors and senior management in respect of subsidiaries proposed to be spun off.

4) To monitor the implementation of the remuneration systems for directors and senior management of the Company and to make recommendations thereon. Where the Board does not adopt or does not fully adopt the recommendations of the Remuneration and Appraisal Committee, the Board resolution shall record the views of the Remuneration and Appraisal Committee and the specific reasons for non-adoption, and such information shall be disclosed. The Company may engage third-party professionals to conduct performance evaluations.

5) Other matters prescribed by laws, administrative regulations, the provisions of the China Securities Regulatory Commission, and the Articles of Association.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(4) Primary responsibilities of the Nomination Committee

1) To review the structure, number of members and composition of the Board of Directors (including skills, knowledge and experience, and promotion of the diversification of gender, social and racial backgrounds, cognition and personal strengths) at least annually, and provide suggestions to the Board of Directors in respect of proposed changes of the Board of Directors for corporate strategy of the Company based on the actual situation of the Company in such aspects as shareholding structure, asset size, strategic planning and operating activity.

2) To study the criteria and procedures for selecting directors, the president and other senior management, and provide relevant suggestions to the Board of Directors.

3) To select competent candidates of directors and the senior management such as presidents.

4) To review and provide suggestions for candidates of directors and the senior management such as presidents.

5) To evaluate the independence of independent directors.

6) To review the Board diversity policy and recommend any changes to the Board of Directors in this regard; review the progress regularly with reference to all measurable goals set by the Board of Directors in terms of board diversity.

7) To handle other matters authorised by the Board.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(4) Primary responsibilities of the Nomination Committee (Continued)

Pursuant to the relevant provisions of the Articles of Association and Work Regulations of the Nomination Committee of the Board of Directors, the Nomination Committee is responsible for formulating the selection criteria and procedures for directors, and for screening and reviewing candidates for directorship and their qualifications. The Nomination Committee reports to the Board, and its proposals are submitted to the Board for consideration and approval.

Where the Board does not adopt or does not fully adopt the recommendations of the Nomination Committee, the Board resolution shall record the views of the Nomination Committee and the specific reasons for non-adoption, and such information shall be disclosed.

5.2 Composition of all special committees

Strategy and ESG Committee	Audit and Risk Committee	Nomination Committee	Remuneration and Appraisal Committee
Wang Huxiang* (Executive Director)	Guo Jiebin* (Independent Director)	Sheng Xuejun* (Independent Director)	Tang Ping* (Independent Director)
Song De An (Non-executive Director)	Zhou Ping (Non-executive Director)	Song De An (Non-executive Director)	Song De An (Non-executive Director)
Lin Changchun (Non-executive Director)	Sheng Xuejun (Independent Director)	Tang Ping (Independent Director)	Sheng Xuejun (Independent Director)
Kuang Yunlong (Executive Director)	Tang Ping (Independent Director)	Guo Jiebin (Independent Director)	Guo Jiebin (Independent Director)
Zhou Ping (Non-executive Director)			

Note: *Chairman of special committees.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

5. Committees under the Board (Continued)

5.3 Work of special committees

For details, please refer to "Section IV. V" of this report.

6. Remuneration of auditors

For details, please refer to "Section V. VI" of this report.

7. Company secretary

During the Reporting Period, Ms. Chiu Hoi Shan and Mr. Kuang Yunlong were the Joint Company Secretaries. During the Reporting Period, the Joint Company Secretaries, Ms. Chiu Hoi Shan and Mr. Kuang Yunlong, have each received not less than 15 hours of relevant professional training.

8. Shareholders' rights

8.1 Shareholders' right to convene an extraordinary general meeting

Shareholders individually or collectively holding more than 10% of the Company's shares are entitled to request, in writing, the Board to hold an extraordinary general meeting. The Board shall, in accordance with laws, regulations and the Articles of Association, give a written feedback indicating its consent or objection to the holding of an extraordinary general meeting within 10 days upon receipt of the request.

If the Board agrees to hold an extraordinary general meeting, it shall issue a notice on holding the general meeting within 5 days after making corresponding decision, and shall obtain the consent of relevant shareholders in case of any change to the original request.

If the Board disagrees to hold an extraordinary general meeting or fails to give any feedback within 10 days upon receipt of the request, shareholders individually or collectively holding more than 10% of the Company's shares have the right to request, in writing, the Audit and Risk Committee to hold the extraordinary general meeting.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

8. Shareholders' rights (Continued)

8.1 Shareholders' right to convene an extraordinary general meeting (Continued)

In case the Audit and Risk Committee agrees to convene the extraordinary general meeting, it shall publish a notice on convening the extraordinary general meeting within five (5) days upon receiving the request. If the notice comprises changes on the original proposals, it shall obtain the consent of the shareholders concerned.

Should the Audit and Risk Committee fail to publish the notice on convening the extraordinary general meeting before the deadline, it shall be assumed that the Audit and Risk Committee will not convene and host the General Meetings, and the shareholders of the Company individually or jointly holding 10% or more of the shares with ninety (90) consecutive days or more may convene and host the meeting.

8.2 Enquiry procedure and available information

In accordance with the provisions of the Articles of Association, shareholders are entitled to access relevant information, including: the Articles of Association, the register of members, minutes of General Meetings, resolutions of Board meetings, and financial and accounting reports. Shareholders who meet the relevant requirements may inspect the Company's books of accounts and accounting vouchers.

8.3 Procedure for proposing a proposal

Shareholders holding individually or collectively 1% or more of the Company's shares may submit a provisional proposal to the convener in writing no later than ten days prior to the convening of a General Meeting. Upon receipt of such proposal, the convener shall issue a supplementary notice of the General Meeting within two days, announcing the contents of the provisional proposal and submitting it to the General Meeting for consideration. However, this shall not apply if the provisional proposal violates any laws, administrative regulations or the provisions of the Articles of Association, or falls outside the scope of authority of the General Meeting.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

8. Shareholders' rights (Continued)

8.4 Detailed Contact Information

Shareholders may send their aforementioned inquiries or requests to the Company's registered address at:

No. 2, Jiangnan Avenue, Jiangnan Subdistrict, Changshou District, Chongqing

Attn: Ms. Peng Guoju

For the avoidance of doubt, shareholders must submit and dispatch the duly signed original hard copy of any written requisition, notice, statement or inquiry (as the case may be) to the above address, together with their full name, detailed contact information and proof of identity, in order for such requisition, notice, statement or inquiry to be valid. Shareholders' information may be subject to disclosure as required by law.

9. Investor relations

The Company discloses any disclosable and material matters on the websites designated by the relevant regulatory authorities on a timely basis in accordance with the disclosure requirements of the Listing Rules in order to safeguard shareholders' right to know and their right to participate.

I. EXPLANATION ON ISSUES RELATED TO CORPORATE GOVERNANCE (Continued)

ii. Corporate governance practice (Continued)

9. *Investor relations (Continued)*

The Company has established a dedicated department responsible for maintaining investor relations and maintaining open and ongoing communication with investors. In accordance with regulatory requirements, the Company discloses information, conducts results briefings, engages in interactive exchanges with investors, responds to investor inquiries via telephone, addresses investors' concerns raised on interactive platforms, and communicates with investors on matters related to market value management, production and operations, thereby conveying the Company's value. To foster a positive relationship between the Company and its investors and to enhance the transparency of corporate operations, the Company promotes its development strategy through external channels including its official website, WeChat official account, and WeChat video account, guiding the public and investors to rationally and sustainably follow the Company's development. During the reporting period, the Company reviewed the implementation and effectiveness of its shareholders' communication policy. Based on comprehensive feedback from investors through the aforementioned channels, the Company considers that the shareholders' communication policy has been effective.

Whether there are material differences between corporate governance and laws, administrative regulations, and the provisions of CSRC on the listed company's governance; if there are material differences, the reasons should be explained.

☐ Applicable ☑ Not applicable

10. *Material Amendments to Constitutional Documents*

On 26 November 2025, the General Meeting of the Company considered and approved the relevant resolutions regarding the amendments to the Articles of Association and appendices and the abolition of the Supervisory Committee. In order to continuously promote the enhancement of the Company's corporate governance standards and operational compliance capabilities, in accordance with relevant laws, regulations and regulatory requirements, as well as taking into account the Company's corporate governance requirements, the Company has comprehensively amended the Articles of Association and its appendices, and simultaneously abolished the Supervisory Committee, with the powers of the Supervisory Committee as prescribed by the Company Law being exercised by the Audit and Risk Committee.

II. SPECIFIC MEASURES TAKEN BY THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER OF THE COMPANY TO ENSURE THE COMPANY'S INDEPENDENCE IN SUCH ASPECTS AS ASSET, PERSONNEL, FINANCE, ORGANISATION AND BUSINESS, AS WELL AS SOLUTIONS ADOPTED IN RESPONSE TO THE IMPACT ON THE COMPANY'S INDEPENDENCE, WORK PROGRESS, AND FOLLOW-UP WORK PLANS

☑ Applicable ☐ Not applicable

For details, please refer to "Section V. I. i." of this report.

Engagement of the controlling shareholder, the de facto controller or any other unit under their control in a business identical to or similar with any business of the Company, impact of horizontal competition or major changes to horizontal competition on the Company, resolution measures taken, resolution progress, and follow-up resolution plans

☑ Applicable ☐ Not applicable

For details, please refer to "Section V. I. i." of this report.

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF

i. Changes in shareholdings of directors and senior management currently holding office or having resigned during the Reporting Period and their remuneration

☑ Applicable ☐ Not applicable

Unit: share

Name	Title	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding at the beginning of the year	Shareholding at the end of the year	Increase/ Decrease in shareholding during the year	Reason for changes in shareholding	Total remuneration before tax received from the Company during the Reporting Period *(RMB0'000)*	Whether received remuneration from the related parties of the Company
Wang Huxiang	Chairman, Executive Director	M	55	19 September 2024	30 June 2027	0	0	0	-	79.99	Yes
Song De an	Vice Chairman, Non-executive Director	M	60	21 May 2019	30 June 2027	0	0	0	-	-	Yes
Meng Wenwang (ceased to hold office)	Executive Director, President	M	52	21 November 2022	30 June 2027	0	0	0	-	82.48	No
Lin Changchun	Non-executive Director	M	49	28 June 2023	30 June 2027	0	0	0	-	-	Yes
Kuang Yunlong	Executive Director, Senior Vice President, Chief Financial Officer, Secretary to the Board of Directors, General Counsel	M	41	19 September 2024	30 June 2027	0	0	0	-	86.93	No
Chen Yingming	Employee Director, Executive Director	M	53	11 December 2025	30 June 2027	100	100	0	-	3.82	No
Zhou Ping	Non-executive Director	M	51	9 July 2020	30 June 2027	0	0	0	-	-	Yes
Sheng Xuejun	Independent Director	M	56	12 August 2021	30 June 2027	0	0	0	-	18.00	No
Guo Jiebin	Independent Director	M	45	12 August 2021	30 June 2027	0	0	0	-	18.00	No
Tang Ping	Independent Director	F	63	27 June 2024	30 June 2027	0	0	0	-	18.00	No
Xie Chao	Senior Vice President	M	44	1 January 2020	30 June 2027	1,057,400	1,057,400	0	-	77.69	No
Zhao Shiqing	Senior Vice President (Acting)	M	45	20 November 2023	30 June 2027	0	0	0	-	66.65	No
Total	/	/	/	/	/	1,057,500	1,057,500	0	/	451.56	/

Note: The total pre-tax remuneration received from the Company during the reporting period does not include other remuneration costs accrued by the Company, such as insurance premiums, provident fund, welfare fund, etc., which will be disclosed in detail in the notes to the financial statements. Remunerations for the Company's incumbent and resigned directors and senior management represent the remunerations received by them from the Company during their tenures of such positions in the Reporting Period.

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

i. Changes in shareholdings of directors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Wang Huxiang	Born in April 1970, Wang Huxiang is a professor-level senior engineer. Mr. Wang currently serves as the chairman and secretary of the CPC committee of Chongqing Iron & Steel Company Limited, and a director and general manager of Chongqing Changshou Iron & Steel Company Limited* (重慶長壽鋼鐵有限公司). He successively served as the director of the technology department, the director of the steelmaking plant, the general manager of the wide plate division, the vice president, the senior vice president, the safety director, the president, the deputy secretary of the CPC committee, a director, the vice chairman, the secretary of the CPC committee, and the chairman of Baowu Group Echeng Iron and Steel Co., Ltd.* (寶武集團鄂城鋼鐵有限公司). Mr. Wang graduated from Wuhan Institute of Iron and Steel in 1992, majoring in iron and steel metallurgy, and obtained a master's degree in metallurgical engineering from Wuhan University of Science and Technology in 2002.
Song De An	Born in February 1965, Song De An is a senior economist. He currently serves as the vice chairman of the Company. He attended the EMBA programme at PBC School of Finance, Tsinghua University* (清華大學五道口金融學院). He currently serves as the vice chairman of the Company, the chairman of the board of directors of Sichuan Desheng Group* (四川德勝集團). Mr. Song founded Sichuan Desheng Group in 1997, which has since developed into a China Top 500 enterprise group with the comprehensive utilisation of vanadium-titanium resources as its core business, and diversified operations spanning vanadium-titanium steel, investment and other industries. Mr. Song had served as a deputy to the People's Congress of Sichuan, a standing member of the 10th session of the Executive Committee of Sichuan Federation of Industry and Commerce, a standing member of the 6th and 7th session of Leshan Municipal Committee of the CPPCC, a standing member of the 6th session of Leshan Federation of Industry and Commerce, the vice chairman of the Chamber of Commerce and the vice-chairman of Leshan Charity Federation. He had been granted the titles of "Outstanding Entrepreneur of Yunnan Province", "Outstanding Private Entrepreneurs of Leshan City", "Outstanding Private Entrepreneurs of Sichuan Province", "Builder of the 2nd Session of Sichuan Outstanding Builders of Socialism with Chinese Characteristics" and many other awards.

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

i. Changes in shareholdings of directors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Lin Changchun	Born in August 1976, Lin Changchun is an accountant, a Chinese certified public accountant and currently serves as a standing committee member of the Party committee, senior vice president, general counsel, chief compliance officer of Baowu Group Zhongnan Steel Co., Ltd.* (寶武集團中南鋼鐵有限公司). Mr. Lin served as the secretary to the board of directors of Baosteel Chemical and the general manager of Ouyeel Chemical Operation Centre, an executive director of Baosteel Chemical International, the chairman of Ouyeel Huagongbao, the secretary to the board of directors of Baowu Carbon Material and the general manager of Ouyeel Chemical Operation Centre, an executive director of Baosteel Chemical International, the chairman of Ouyeel Huagongbao, the deputy general manager of Shanghai Baosteel Stainless Steel Co., Ltd.* (上海寶鋼不銹鋼有限公司), Baosteel Special Steel Co., Ltd.* (寶鋼特鋼有限公司) and Baosteel Stainless Steel Co., Ltd.* (寶鋼不銹鋼有限公司), the chief financial officer of Shanghai Baodi Shangshi City Development Co., Ltd.* (上海寶地上實產城發展有限公司), the deputy general manager of Baowu Logistics Property Co., Ltd.* (寶武物流資產有限公司), the senior vice president of Baowu Group Echeng Iron & Steel Co., Ltd.* (寶武集團鄂城鋼鐵有限公司), and served as the non-executive director of Da Ming International Holdings Limited (stock code: 1090) from June 2019 to June 2021. Mr. Lin graduated from the Management School of Wuhan University, majoring in chrematistics in 1998, and obtained a bachelor's degree in management.
Kuang Yunlong	Born in November 1984, Kuang Yunlong is a senior accountant. Mr. Kuang currently serves as the senior vice president, chief financial officer, director, secretary to the Board of directors and general counsel of the Company, and successively served as the budget and performance manager of the business finance department of Shanghai Baosteel International Economic and Trade Co., Ltd.* (上海寶鋼國際經濟貿易有限公司), the finance manager of the finance department of Zhengzhou Hongzhongbao Metal Processing Co., Ltd.* (鄭州紅忠寶金屬加工有限公司), the finance manager of the finance department of Wuhan Baozhang Automobile Steel Parts Co., Ltd.* (武漢寶章汽車鋼材部件有限公司), the finance manager of Baosteel Singapore Pte Ltd.* (寶鋼新加坡有限公司), the deputy director (acting head) and the director of the business finance department of Baowu Heavy Industry Co., Ltd.* (寶武重工有限公司). Mr. Kuang graduated from the School of Accounting of Zhongnan University of Economics and Law in 2007, majoring in financial management, with a bachelor's degree in management.

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

i. Changes in shareholdings of directors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Chen Yingming	Born in February 1971, Chen Yingming is a senior engineer. He currently serves as an employee director, the vice chairman of the labour union, the head of the administration and management department (party-mass work department), and the secretary of the Organ Party Committee of the Company. He previously served as assistant to the director of the hot rolling workshop at the medium plate plant of the Company, deputy general manager of Chongqing Iron & Steel Trading Company* (重慶鋼鐵商貿公司), deputy general manager of the procurement department of the Company, and deputy head, secretary of the party committee, secretary of the disciplinary committee, and chairman of the labour union of the logistics and transportation department. Mr. Chen graduated from the Department of Metallurgy, majoring in Metal Pressure Processing, at Xi'an University of Architecture and Technology in July 1995, and subsequently obtained a Master of Engineering degree from Chongqing University.
Zhou Ping	Born in December 1974, Zhou Ping is a senior engineer. He currently serves as a director of the Company, a director of Chongqing Changshou Iron & Steel Company Limited* (重慶長壽鋼鐵有限公司), and the chairman of Sichuan Desheng Group Vanadium & Titanium Co., Ltd.* (四川德勝集團釩鈦有限公司). Mr. Zhou has extensive experience in engineering management, management and operation of steel enterprises (including mines). He successively served as an assistant to general manager and a technical transformation commander of Yunnan Chuxiong Desheng Iron and Steel Company* (雲南楚雄德勝鋼鐵公司); technical transformation commander, general manager and chairman of Tengchong Mining Co., Ltd.* (騰沖礦業有限公司) and technical transformation commander and general manager of Qinggangping Mining Co., Ltd.* (青槓坪礦業有限公司); an assistant to general manager and a technical transformation commander of Sichuan Desheng Group Iron and Steel Co., Ltd.* (四川德勝集團鋼鐵有限公司), general manager and executive director of Sichuan Desheng Machinery Manufacturing Co., Ltd.* (四川德勝機械制造有限公司), general manager of Sichuan Desheng Group Iron and Steel Co., Ltd., and general manager of Sichuan Desheng Group Vanadium & Titanium Co., Ltd.. Mr. Zhou graduated from Leshan Industrial School* (樂山市工業學校) with a major in machinery manufacturing and processing in July 1994, and he holds a master's degree in business administration from Southwestern University of Finance and Economics and obtained an EMBA from Cheung Kong Graduate School of Business* (長江商學院).

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

i. Changes in shareholdings of directors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Sheng Xuejun	Born in August 1969, Sheng Xuejun is currently an independent director of the Company, a professor and a PhD supervisor of Southwest University of Political Science and Law, and also serves as a legislative consultation expert of the Standing Committee of the Chongqing Municipal People's Congress, an expert of the Intermediate People's Court of Shenzhen Municipality and the Fifth Intermediate People's Court of Chongqing Municipality, as well as an independent director of Chongqing Brewery Co. Ltd.* (重慶啤酒股份有限公司), Chongqing Zaisheng Technology Company Limited* (重慶再升科技股份有限公司).
Tang Ping	Born in October 1962, Tang Ping, PhD, currently serves as an independent director of the Company, is a professor in the Department of Metallurgy, School of Materials, Chongqing University, a PhD supervisor, an editorial board member of Steelmaking magazine, and a committee member of the China Society of Metals (CSM) on Secondary Refining Branch* (爐外精煉分會). Ms. Tang is responsible for presiding over four general projects of the National Natural Science Foundation of China, as well as the key sub-projects of the National Science and Technology Support Program of the Ministry of Science and Technology, and the National Chunhui Program, etc.. She was awarded the third prize of Scientific and Technological Advancement by the State Education Commission and the third prize of Scientific and Technological Advancement by Sichuan Province. She has published more than 200 papers in domestic and international journals and conferences, and has been granted 24 patents for inventions.
Guo Jiebin	Born in July 1980, Guo Jiebin is a fellow member of the Hong Kong Institute of Certified Public Accountants, an independent director of the Company, and deputy general manager and chief financial officer of Shandong Innovation Group Co., Ltd.* (山東創新集團有限公司). Mr. Guo was an audit manager, senior audit manager and partner of KPMG and KPMG Huazhen LLP (Special General Partnership), a director, deputy general manager and chief financial officer of Jiaozuo Wanfang Aluminum Company Limited* (焦作萬方鋁業股份有限公司), and a director of Jiaozuo Coal Group Zhao Gu (Xinxiang) Energy Company Limited* (焦作煤業集團趙固(新鄉)能源有限責任公司). Mr. Guo has extensive experience in accounting theory and practice, and corporate management. Mr. Guo obtained a bachelor's degree in Business Administration with honours from the Chinese University of Hong Kong in 2002.

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

i. Changes in shareholdings of directors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major working experience
Xie Chao	Born in September 1981, Xie Chao is a member of Communist Party of China, an engineer and currently serves as a senior vice president and a member of the Party committee of Chongqing Iron & Steel Company Limited. Mr. Xie successively served as the secretary to the Party branch and director of the steel mill, director of the rolling mill and head of the marketing department in Sichuan Desheng Group Vanadium & Titanium Co., Ltd., general manager of Sichuan Jinde Investment Co., Ltd.* (四川金德投資有限責任公司), general manager of Chongqing Deqin Investment Co., Ltd.* (重慶德欽投資有限公司), head of the marketing department and the purchase and supply department in Sichuan Desheng Group Vanadium & Titanium Co., Ltd* (四川德勝集團釩鈦有限公司), executive deputy general manager and head of the marketing department in Sichuan Desheng Supply Chain Management Co., Ltd.* (四川德勝供應鏈管理有限公司), an executive director and general manager of Sichuan Jiaye Investment and Development Co., Ltd.* (四川佳業投資發展有限公司) and deputy general manager and secretary to the Party's branch of the purchase, supply and marketing department of Sichuan Desheng Group Vanadium & Titanium Co., Ltd. Mr. Xie graduated from Chongqing University of Science & Technology majoring in metallurgy in 2000, and later obtained a graduate degree in finance from Hong Kong Finance & Economics College.
Zhao Shiqing	Born in August 1980, Zhao Shiqing is a senior engineer and is currently the Senior Vice President (acting in charge) and deputy secretary of the party committee of the Company. Mr. Zhao once served as the secretary of the party committee, executive director and general manager of Chongqing Qianxin Energy Environmental Protection Company Limited* (重慶千信能源環保有限公司); the secretary to the party branch, chairman of the board of directors and general manager of Chongqing Qianxin New Energy Co., Ltd.* (重慶千信新能源有限公司); the head of the ironmaking plant of Chongqing Iron & Steel Company Limited and Vice President of the Company; the director of each of the operation and management center and the technical research center, the head of each of the technical research institute, the safety supervision department and the energy and environmental protection department, respectively and vice president of Baowu Group Zhongnan Steel Co., Ltd.* (寶武集團中南鋼鐵有限公司); from June 2018 to June 2020, Mr. Zhao worked as a temporary deputy director in the Economic and Information Technology Commission of Changshou District, Chongqing. Mr. Zhao graduated from Chongqing University of Science and Technology* (重慶科技學院), majoring in ironmaking in 2003 and obtained a doctorate in engineering as a metallurgical engineering major from Chongqing University in 2022.

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

i. Changes in shareholdings of directors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Other information

☑ Applicable ☐ Not applicable

1. On 14 November 2025, Mr. Meng Wenwang resigned from his positions as a director, president, and member of the Strategy and Risk Committee of the Board of Directors of the Company.

2. In accordance with the provisions of the Articles of Association, the Board of the Company comprises nine directors, including one director who is an employee representative. On 11 December 2025, the Company convened the 15th Joint Meeting of the second session of the employee representative meeting, at which Mr. Chen Yingming was elected as the employee director of the 10th session of the Board of Directors. On the same date, such director has obtained the legal opinion as referred to in Rule 3.09D of the Listing Rules, confirming that he understands all the requirements and reponsibilities under the Listing Rules applicable to him as a director of the Company, and the possible consequences of making a false statement or providing false information to the HKEx.

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

ii. Positions by directors and senior management currently holding office or having resigned during the Reporting Period

1. *Positions held at shareholders*

☑ Applicable ☐ Not applicable

Name	Name of shareholder entity	Position held at the shareholders	Starting date of the tenure	Ending date of the tenure
Wang Huxiang	Chongqing Changshou Iron & Steel Company Limited* (重慶長壽鋼鐵有限公司)	Director, general manager	December 2024	/
Zhou Ping	Chongqing Changshou Iron & Steel Company Limited* (重慶長壽鋼鐵有限公司)	Director	June 2021	/
Zhou Ping	Chongqing Changshou Iron & Steel Company Limited* (重慶長壽鋼鐵有限公司)	Deputy general manager	November 2020	March 2026
Lin Changchun	Baowu Group Zhongnan Steel Co., Ltd.* (寶武集團中南鋼鐵有限公司)	Head of the operation and finance department	December 2022	March 2026
Lin Changchun	Baowu Group Zhongnan Steel Co., Ltd.* (寶武集團中南鋼鐵有限公司)	General counsel	March 2023	/
Lin Changchun	Baowu Group Zhongnan Steel Co., Ltd.* (寶武集團中南鋼鐵有限公司)	Chief compliance officer	June 2023	/
Lin Changchun	Baowu Group Zhongnan Steel Co., Ltd.* (寶武集團中南鋼鐵有限公司)	Standing committee member of the Party committee, senior vice president	July 2024	/
Kuang Yunlong	Sinosteel Xi'an Heavy Machinery Co., Ltd.* (中鋼集團西安重機有限公司)	Supervisor	July 2023	September 2025
Positions held at shareholders	Nil			

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

ii. Positions by directors and senior management currently holding office or having resigned during the Reporting Period (Continued)

2. Positions held at other entities

☑ Applicable ☐ Not applicable

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Song De An	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.* (四川德勝集團釩鈦有限公司)	Chairman of the Board	August 1997	/
Zhou Ping	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.* (四川德勝集團釩鈦有限公司)	Chairman	February 2016	/
Sheng Xuejun	Southwest University of Political Science and Law* (西南政法大學)	Professor	September 2006	/
Sheng Xuejun	Chongqing Brewery Co. Ltd.* (重慶啤酒股份有限公司)	Independent director	May 2022	/
Sheng Xuejun	Chongqing Zaisheng Technology Company Limited* (重慶再升科技股份有限公司)	Independent director	April 2023	/
Kuang Yunlong	Shanghai Court Roller Surface Treatment Co., Ltd.* (上海科德軋輥表面處理有限公司)	Supervisor	September 2020	September 2025
Kuang Yunlong	Baosteel Roll Science & Technology Co., Ltd.* (寶鋼軋輥科技有限責任公司)	Supervisor	October 2022	August 2025
Guo Jiebin	Shandong Innovation Group Co., Ltd.* (山東創新集團有限公司)	Deputy general manager and chief financial officer	November 2022	/
Positions held at other entities	Nil			

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

iii. Remuneration of directors and senior management

☑ Applicable ☐ Not applicable

Procedure for determining remunerations of directors and senior management	The Remuneration and Appraisal Committee of the Board of Directors provides opinions on the remuneration proposals for Directors and senior management. The remuneration proposals for senior management are implemented upon approval by the Board, while the remuneration proposals for Directors are implemented upon approval by the General Meeting.
Whether a director recuses himself from the Board's discussion of his remuneration	Yes
The specific circumstances under which the Remuneration and Appraisal Committee or the special meeting of independent directors has issued recommendations on matters relating to the remuneration of directors and senior management	The Remuneration and Appraisal Committee reviewed the remuneration of Directors and senior management disclosed in the annual report and considered that the Company's Directors and senior management strictly complied with relevant regulations, performed their duties with diligence and integrity, and maintained standardised corporate governance. The Company organised and conducted annual performance evaluations for members of the management layer and formulated performance bonus settlement plans based on the evaluation results, which were consistent with the established remuneration design framework.

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

iii. Remuneration of directors and senior management (Continued)

Basis for determining remunerations of directors and senior management	A Director does not receive remuneration or allowances for his/her serving as a director, but receives remuneration based on his/her position and duties and responsibilities in the Company. The annual remuneration consists of basic salary, performance salary and allowances/subsidies. (1) The remuneration of the relevant directors who are actually serving in the business and management positions of the Company specifically includes: base salary: RMB480,000 to RMB640,000/year (before tax); performance salary: the performance salary is a floating salary, which is determined based on the achievement of the annual performance indicators and other factors; and allowances: allowances are implemented in accordance with the Company's relevant systems. (2) Directors who are not actually serving in business or management positions of the Company do not receive remuneration and allowances from the Company. (3) The annual fixed allowance for each of the independent non-executive directors is RMB180,000 per person (before tax).

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

iii. Remuneration of directors and senior management (Continued)

Actual Payment of Remuneration to Directors and Senior Management	See "(I) Changes in shareholdings of and remuneration for current and resigned directors and senior management during the Reporting Period" under "III. Directors, Senior Management and Staff" in this section.
Total remuneration actually received by all Directors and senior management at the end of the Reporting Period	RMB4,515,600
Appraisal basis and completion status for remuneration actually received by all Directors and senior management at the end of the Reporting Period	In 2025, allowances for independent Directors are not subject to appraisal; executive Directors and senior management received remuneration in accordance with the Company's performance appraisal provisions. Performance appraisal was effectively carried out and completed in accordance with the Company's performance appraisal provisions.
Deferred payment arrangements for remuneration actually received by all Directors and senior management at the end of the Reporting Period	Not applicable
Clawback and withholding of remuneration actually received by all Directors and senior management at the end of the Reporting Period	Not applicable

III. DIRECTORS, SENIOR MANAGEMENT AND STAFF (Continued)

iv. Changes in directors and senior management of the Company

☑ Applicable ☐ Not applicable

Name	Position held	Nature of change	Reason for change
Meng Wenwang	Director and president	Ceased to hold office	Reassignment due to work arrangements
Chen Yingming	Employee representative director	Elected	Elected at the joint meeting of the employee representative meeting

v. Punishments imposed by securities regulatory authorities in the last three years

☐ Applicable ☑ Not applicable

vi. Others

☐ Applicable ☑ Not applicable

IV. DUTY PERFORMANCE OF DIRECTORS

i. Directors' attendance of Board meetings and General Meetings

		Attendance of Board meetings							Attendance of General Meetings
Name of director	Independent director or not	Number of Board meetings scheduled for the Year	Attendance in person	Attendance via communication	Attendance by proxy	Absence	Attendance rate	Whether failed to attend 2 consecutive meetings in person	Number of attendances/ meetings
Wang Huxiang	No	13	13	8	0	0	13/13	No	2/3
Song De An	No	13	13	12	0	0	13/13	No	0/3
Meng Wenwang	No	10	10	10	0	0	10/13	No	0/3
Lin Changchun	No	13	13	13	0	0	13/13	No	0/3
Kuang Yunlong	No	13	13	8	0	0	13/13	No	3/3
Chen Yingming	No	2	2	1	0	0	2/13	No	0/3
Zhou Ping	No	13	13	12	0	0	13/13	No	0/3
Sheng Xuejun	Yes	13	13	11	0	0	13/13	No	2/3
Tang Ping	Yes	13	13	11	0	0	13/13	No	2/3
Guo Jiebin	Yes	13	13	12	0	0	13/13	No	2/3

Explanations on failure to attend 2 consecutive Board meetings in person

☐ Applicable ☑ Not applicable

Number of Board meetings during the year	13
Including: Number of physical meetings	0
Number of virtual meetings	8
Number of meetings by both physical and virtual means	5

IV. DUTY PERFORMANCE OF DIRECTORS (Continued)

ii. Objections raised by directors in respect of relevant matters of the Company

☐ Applicable ☑ Not applicable

iii. Others

☐ Applicable ☑ Not applicable

V. SPECIAL COMMITTEES UNDER THE BOARD

☑ Applicable ☐ Not applicable

(1). Membership of special committees under the Board

Category	Name
Audit and Risk Committee	Guo Jiebin, Zhou Ping, Sheng Xuejun, Tang Ping
Nomination Committee	Sheng Xuejun, Song De An, Tang Ping, Guo Jiebin
Remuneration and Appraisal Committee	Tang Ping, Song De An, Sheng Xuejun, Guo Jiebin
Strategy and ESG Committee	Wang Huxiang, Song De An, Lin Changchun, Kuang Yunlong, Zhou Ping

V. SPECIAL COMMITTEES UNDER THE BOARD (Continued)

(2). During the Reporting Period, the Audit and Risk Committee held seven meetings

Meeting date	Meeting content	Key opinions and recommendations
27 March 2025	Received the communication report on the 2024 annual audit results and related matters, and exchanged views on the audit overview, audit results and key audit areas; the meeting also received the summary of the Company's 2024 internal audit work and the work plan for 2025 internal audit. Reviewed and approved eight proposals: Proposal on the Provision for Asset Impairment for 2024, 2024 Annual Financial Final Accounts Report, 2024 Annual Report (Full Text and Abstract), 2024 Profit Distribution Plan, 2025 Budget Plan, Report on the Audit Committee's Supervision of the Accounting Firm's Performance of Duties, 2024 Annual Work Report of the Board Audit Committee, and 2024 Internal Control Evaluation Report.	The Committee considered that the Company's financial statements comply with the requirements of the Ministry of Finance, the China Securities Regulatory Commission and other relevant authorities, and fairly present the Company's financial position, operating results and cash flows. The Committee endorsed the Company's internal control self-assessment report, noting that the Company's internal control system is generally effective and no material deficiencies in internal control over financial reporting or non-financial reporting were identified.
22 April 2025	Reviewed and approved the 2025 First Quarterly Report.	The content and format of the 2025 First Quarterly Report comply with the relevant requirements of the China Securities Regulatory Commission, the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. The report fairly reflects the Company's financial position and operating results during the reporting period, and no false records, misleading statements or material omissions were identified in the information contained therein.
26 May 2025	Reviewed and approved the Proposal on the Re-appointment of the 2025 Annual Audit Accounting Firm.	Agreed to re-appoint Ernst & Young Hua Ming LLP (Special General Partnership) as the Company's annual audit accounting firm for 2025.

V. SPECIAL COMMITTEES UNDER THE BOARD (Continued)

(2). During the Reporting Period, the Audit and Risk Committee held seven meetings (Continued)

Meeting date	Meeting content	Key opinions and recommendations
30 June 2025	Reviewed and approved the Proposal on the 2025 Financial Derivatives Trading Plan.	The Committee considered that the Company possesses the financial strength and risk resilience commensurate with the proposed business activities, and unanimously approved the proposal for submission to the Board of Directors for consideration.
27 August 2025	Reviewed and approved the 2025 Interim Report.	The content and format of the 2025 Interim Report comply with the relevant requirements of the China Securities Regulatory Commission, the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. The report fairly reflects the Company's financial position and operating results during the Reporting Period, and no false records, misleading statements or material omissions were identified in the information contained therein.
30 October 2025	Reviewed and approved the 2025 Third Quarterly Report and the Proposal on the Appointment of the 2025 Annual Audit Accounting Firm.	The content and format of the 2025 Third Quarterly Report comply with the relevant requirements of the China Securities Regulatory Commission, the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. The report fairly reflects the Company's financial position and operating results during the reporting period, and no false records, misleading statements or material omissions were identified in the information contained therein. Agreed to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) as the Company's annual audit accounting firm for 2025.

V. SPECIAL COMMITTEES UNDER THE BOARD (Continued)

(2). During the Reporting Period, the Audit and Risk Committee held seven meetings (Continued)

Meeting date	Meeting content	Key opinions and recommendations
25 December 2025	Reviewed and approved the Comprehensive Risk Management Work Report for the Third Quarter of 2025.	The Company is progressing with the implementation of key risk project control measures in accordance with plan, and the overall risk profile remains under control.

(3). During the Reporting Period, the Remuneration and Appraisal Committee held three meetings

Meeting date	Meeting content	Key opinions and recommendations
27 March 2025	Reviewed and approved the Report on the Implementation of Remuneration for Directors, Supervisors and Senior Management for 2024.	The actual payment of remuneration to Directors, supervisors and senior management of the Company for 2024 was consistent with the established remuneration design framework.
30 June 2025	Reviewed and approved the Proposal on the 2025 Performance Responsibility Undertakings for Management Personnel.	The 2025 Performance Responsibility Undertakings strengthen the tenure-based and contract-based management of operational management personnel, effectively incentivising them to perform their duties with diligence and commitment, and ensuring the effective implementation of the various objectives and tasks under the Company's strategic plan.
11 December 2025	Reviewed and approved the Proposal on the 2024 Performance Evaluation and Remuneration Settlement for Members of the Management Layer.	The Company's management layer strictly complied with relevant regulations and legal requirements, performing their duties with diligence, integrity and commitment, and maintaining standardised corporate governance. The Company organised and conducted the 2024 annual performance evaluation for members of the management layer and formulated the performance bonus settlement plan based on the evaluation results, which was consistent with the established remuneration design framework.

V. SPECIAL COMMITTEES UNDER THE BOARD (Continued)

(4). During the Reporting Period, the Strategy and ESG Committee held three meetings

Meeting date	Meeting content	Key opinions and recommendations
27 March 2025	Reviewed and approved three proposals: Proposal on Chongqing Iron & Steel's Participation in the Bidding for Assets Including the 4100mm Wide and Heavy Plate Production Line, 2024 Environmental, Social and Governance Report, and Proposal on the 2025 Annual Investment Plan.	Agreed to the Proposal on Chongqing Iron & Steel's Participation in the Bidding for Assets Including the 4100mm Wide and Heavy Plate Production Line and submitted it to the Board of Directors for consideration; considered that the 2024 Environmental, Social and Governance Report complies with relevant laws, regulations and the rules of the ESG indicator framework for social responsibility; agreed to the Proposal on the Company's 2025 Annual Investment Plan.
30 July 2025	Reviewed and approved the Comprehensive Risk Management Work Report for 2024 and the Work Reports for the First and Second Quarters of 2025.	The Company is advancing and implementing various tasks in accordance with the 2024 Comprehensive Risk Management Work Plan. The comprehensive risk management situation is maintaining stability with positive momentum and remains generally under control.
11 December 2025	Reviewed and approved the Proposal on the Mid-year Adjustment to the 2025 Annual Investment Plan.	The Company's mid-year adjusted investment plan for 2025 aligns with the needs of production and operations, and the Committee agreed to this proposal.

All then-serving members of each special committee attended special committee meetings in person, with no absences or proxies.

(5). The specific circumstances of the objection

☐ Applicable ☑ Not applicable

VI. EXPLANATION ON THE RISKS OF THE COMPANY FOUND BY THE AUDIT COMMITTEE

☐ Applicable ☑ Not applicable

The Audit and Risk Committee had no objection to the matters relating to supervision during the Reporting Period.

VII. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES DURING THE REPORTING PERIOD

i. Employees

Number of in-service employees of the Parent Company	5,067
Number of in-service employees of major subsidiaries	137
Total number of in-service employees	5,204
Number of retired employees for whom the Parent Company and major subsidiaries need to bear certain expenses	461

Structure of profession

Type of profession	Number of people
Production staff	4,069
Sales staff	99
Technical staff	719
Finance staff	44
Administrative staff	273
Total	5,204

Educational background

Education level	Number of people
Doctor's degree	2
Master's degree	91
Undergraduate	1,090
Junior college	1,892
Polytechnic school level and below	2,129
Total	5,204

VII. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES DURING THE REPORTING PERIOD (Continued)

ii. Remuneration policy

☑ Applicable ☐ Not applicable

Employees' remuneration refers to payments the Company makes to employees in cash for their work. Currently, employees' remuneration mainly comprises base salary, subsidies and allowances (including shift allowances, high-temperature allowances, etc.) and bonus.

The Company determines the system, method and level of remuneration payment within the budgeted total amount of salary based on the Company's profitability and results of business performance with a focus on "value creation and value sharing".

The Company implements a minimum salary system, and provides a remuneration of not lower than the minimum salary standard prescribed by Chongqing municipal government for employees who offer normal labour in legitimate working time (including the trial period, probationary period and inspection period).

With respect to Note 23 "Employee Benefits" under the notes to the financial statements in this report, the Group had no forfeited contributions (i.e., contributions handled by the employer on behalf of employees who leave the defined contribution plans before the relevant contributions vest in them) under its defined contribution plans. As at 31 December 2025, there were no forfeited contributions under the defined contribution plans available to the Group to reduce the existing level of contributions.

iii. Training program

☑ Applicable ☐ Not applicable

The Company adheres to its talent-driven enterprise development strategy. Closely aligned with the annual operational objectives and key tasks, and with reference to the high-quality development plan and the three-year human capability enhancement roadmap, the Company has formulated an annual training implementation plan. Through a combination of in-house independent training and external training programmes, the Company further strengthens the development of three categories of talent teams, provides targeted empowerment to key personnel, and promotes the enhancement of overall employee competence.

VII. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES DURING THE REPORTING PERIOD (Continued)

iii. Training program (Continued)

In accordance with the Company's production, operation and development needs and the advancement requirements of key tasks, and focusing on management talent, professional and technical talent, and skilled talent, the Company conducted comprehensive employee training through various formats including in-house organised training sessions, benchmarking and gap analysis, online training programmes, specialised external training assignments, mentor-apprentice programmes, and skills competitions as a training mechanism. The average training hours per employee amounted to 111 hours. All key training indicators, including the training plan implementation rate, skills level certification completion, and average training hours per employee, achieved the annual plan targets.

iv. Outsourcing

☐ Applicable ☑ Not applicable

VIII. SCHEME FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

i. Formulation, implementation and adjustment of cash dividend distribution policies

☑ Applicable ☐ Not applicable

The Articles of Association laid out detailed requirements on the basic principles, forms and conditions for profit distribution, the consideration and deliberation procedures, as well as decision-making mechanism in respect of the profit distribution plan and adjustment to profit distribution policies.

In order further to standardise and improve the Company's profit distribution policy, establish a scientific, continuous and stable shareholder return mechanism, increase transparency and operability of decisions on the profit distribution policy, and safeguard the lawful rights and interests of minority shareholders, in accordance with the Company Law of the People's Republic of China, Guidelines No. 3 of the China Securities Regulatory Commission for Listed Companies – Cash Dividends of Listed Companies and other relevant laws and regulations and the Articles of Association and other relevant documents, and taking into consideration of the actual circumstances of the Company, the Board of Directors formulated the Chongqing Iron & Steel Company Limited Shareholder Return Plan for the Next Three Years (2026-2028) (for details see the Shareholder Return Plan for the Next Three Years (2026–2028) published on the website of the Shanghai Stock Exchange by the Company on 20 December 2025).

VIII. SCHEME FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL (Continued)

i. Formulation, implementation and adjustment of cash dividend distribution policies (Continued)

Audited by Deloitte Touche Tohmatsu, the parent company realised a net profit of RMB-2.507 billion for 2025, and unappropriated profit of the parent company at the end of 2025 was RMB-14.842 billion. As unappropriated profit of the parent company at the end of 2025 was negative, in accordance with Article 213 of the Articles of Association, the Board recommends: no profit distribution for 2025 and no transfer from capital reserve to share capital.

ii. Special explanation on cash dividend policy

☑ Applicable ☐ Not applicable

Whether in compliance with the provisions of the Articles of Association or the requirements of resolutions of General Meetings	☑ Yes	☐ No
Whether the dividend criteria and ratios are explicit and clear	☑ Yes	☐ No
Whether the relevant decision-making procedures and mechanisms are comprehensive	☑ Yes	☐ No
Whether the independent Directors have performed their duties with diligence and played their proper role	☑ Yes	☐ No
Whether minority shareholders have adequate opportunities to express their views and concerns, and whether their legitimate rights and interests have been fully protected	☑ Yes	☐ No

iii. If the Company records profits and the parent company records a positive distributable profit during the Reporting Period but there is no plan for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in detail

☐ Applicable ☑ Not applicable

iv. Profit distribution and transfer of capital reserve to share capital during the Reporting Period

☐ Applicable ☑ Not applicable

VIII. SCHEME FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL (Continued)

v. Cash dividend in the past three accounting years

☑ Applicable ☐ Not applicable

Unit: RMB0,000 Currency: RMB

Accumulated amount of cash dividends (tax inclusive) in the past three accounting years (1)	0
Aggregate amount of repurchase and cancellation in the past three accounting years (2)	6,975.25
Accumulated amount of cash dividends and repurchase and cancellation in the past three accounting years (3) = (1) + (2)	6,975.25
Average net profit amount for the past three accounting years (4)	-247,060.33
Cash dividend ratio (%) for the past three accounting years (5) = (3)/(4)	Not applicable
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements for the past accounting year	-272,183.20
The undistributed profit at the end of the past accounting year in the parent company's statements (RMB hundred million)	-148.42

IX. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

i. Relevant incentive events disclosed in provisional announcements but without subsequent development or changes during implementation

☐ Applicable ☑ Not applicable

ii. Incentive events not disclosed in provisional announcements or with subsequent development

Equity incentives

☐ Applicable ☑ Not applicable

Other explanation:

☐ Applicable ☑ Not applicable

Employee stock ownership plan

☐ Applicable ☑ Not applicable

Other incentives

☐ Applicable ☑ Not applicable

iii. Equity incentives granted to Directors and senior management during the Reporting Period

☐ Applicable ☑ Not applicable

IX. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (Continued)

iv. Establishment and implementation of senior management appraisal and incentive mechanisms during the Reporting Period

☑ Applicable ☐ Not applicable

The Company has formulated the remuneration scheme for directors, supervisors and senior management for 2024-2026 in accordance with its strategic development, production and operation objectives, actively implementing the new operational responsibility system and the tenure system and contractual management for management members, focusing on the enhancement of the process of management and control of the operational performance, and the timely transmission of pressure. The remuneration structure is based on an annual salary system plus allowances, in which the annual salary is determined based on the value of the position and the regional market salary level, taking into account the actual situation of the Company, and the annual operating performance responsibility letter is signed focusing on the Company's business development. Monthly remuneration is paid in advance based on the Company's production and operation, and is settled in the following year in accordance with the regulations on the management of remuneration and performance evaluation, as well as the Company's performance and individual performance, with the excess being refunded and the shortfall being compensated.

X. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

☑ Applicable ☐ Not applicable

For details regarding risk management and internal control, please refer to the 2025 Environmental, Social and Governance Report.

The Board acknowledges its responsibility for the risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

In 2025, the Company, in accordance with the Basic Standard for Enterprise Internal Control and related supporting guidelines, comprehensively promoted implementation and deepening of the internal control system, adhered to a risk-prevention orientation, closely focused on industry characteristics, risk appetite and tolerance, systematically assessed the rationality of design and effectiveness of implementation of existing internal control systems, integrated internal control risk requirements into strategic decision-making, translated them into management systems and embedded them in business processes, and strengthened supervision and inspection, achieving effective management and control of internal control risks. In 2025, through lean management, process optimisation and special supervision, the Company further strengthened the risk and internal control system. In accordance with optimisation of organisational structure, allocation of authority and responsibility and business processes, it revised 221 internal control systems; added 17 internal control systems; streamlined and integrated systems that did not match production and operating reality, and abolished 66 internal control systems in total; the Company currently has 457 effective internal control systems in total.

In accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines and other internal control regulatory requirements (hereinafter referred to as the "enterprise internal control standard system"), combined with the Company's internal control systems and evaluation methods, and on the basis of routine and special supervision of internal control, the Company evaluated annual internal control effectiveness as at 31 December 2025. For details see the 2025 Annual Internal Control Evaluation Report published on the same day on the websites of the Shanghai Stock Exchange and Hong Kong Exchanges.

Explanation on material defects regarding the internal control during the Reporting Period

☐ Applicable ☑ Not applicable

XI. MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD

☑ Applicable ☐ Not applicable

In 2025, the Company continued to implement a unified management policy for the business decision-making, financial management, and personnel management of two subsidiaries, Chongqing Iron & Steel Energy Environmental Protection Company Limited and Chongqing Xin Gang Chang Long Logistics Company Limited, thus promoting the standardized operation and healthy development of the Company, and improving overall operational efficiency and risk resistance ability.

Risk warning regarding abnormal management control over subsidiaries

☐ Applicable ☑ Not applicable

XII. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

☑ Applicable ☐ Not applicable

Deloitte Touche Tohmatsu Certified Public Accountants LLP, in accordance with the relevant requirements of the Guidelines for Internal Control Audit of Enterprises and the Professional Standards for Chinese Certified Public Accountants, audited the effectiveness of the Company's internal control over financial reporting as at 31 December 2025. For details of the audit opinion, please refer to the 2025 Internal Control Audit Report of the Company published on the same date on the websites of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Whether to disclose the audit report on internal control: Yes

Type of opinion on the Audit Report on Internal Control: Standard and unqualified opinion

Whether a non-standard audit opinion on internal control was issued for the Reporting Period or the preceding financial year

☐ Yes ☑ No

XIII. SELF-EXAMINATION AND RECTIFICATION ON SPECIAL ACTIONS REGARDING GOVERNANCE OF LISTED COMPANY

Nil

XIV. ENVIRONMENTAL INFORMATION OF LISTED COMPANIES AND THEIR MAJOR SUBSIDIARIES INCLUDED IN THE LIST OF ENTERPRISES SUBJECT TO MANDATORY ENVIRONMENTAL INFORMATION DISCLOSURE

☑ Applicable ☐ Not applicable

Number of enterprises included in the list of enterprises subject to mandatory environmental information disclosure	2

No.	Enterprise name	Query index for legally disclosed environmental information report
1	Chongqing Iron & Steel Company Limited	http://cqtpf.cqree.cn:10001/eps/index/enterprise-search
2	Chongqing Iron & Steel Energy and Environmental Protection Co., Ltd.	http://cqtpf.cqree.cn:10001/eps/index/enterprise-search

Other explanations

☐ Applicable ☑ Not applicable

XV. SOCIAL RESPONSIBILITY WORK

(I) Whether a standalone social responsibility report, sustainability report or ESG report is disclosed

☑ Applicable ☐ Not applicable

The Company will disclose the relevant report in April 2026, detailing the implementation of its social responsibility initiatives during 2025.

(II) Specific details of social responsibility work

☐ Applicable ☑ Not applicable

Further explanations

☐ Yes ☑ No

XVI. SPECIFIC DETAILS ON CONSOLIDATING AND EXPANDING POVERTY ALLEVIATION ACHIEVEMENTS, RURAL REVITALISATION AND RELATED WORK

☑ Applicable ☐ Not applicable

Poverty alleviation and rural revitalisation projects	Quantity/ content	Explanation
Total input (RMB'0,000)	319.04	Supporting China Baowu's designated paired-assistance regions in consolidating and expanding poverty alleviation achievements and advancing rural revitalisation, with total assistance amounting to RMB3,190,400, comprising direct financial assistance of RMB760,700 and procurement of local agricultural and sideline products from paired-assistance regions totalling RMB2,429,700 during Labour Day, Dragon Boat Festival and Mid-Autumn Festival.
Of which: financial input (RMB'0,000)	319.04	
In-kind Contributions (RMB'0,000)	/	
Number of beneficiaries	/	
Form of assistance (e.g., industrial poverty alleviation, employment-based poverty alleviation, education-based poverty alleviation, etc.)	Industrial poverty alleviation	

Further explanations

☐ Applicable ☑ Not applicable

XVII. OTHERS

☐ Applicable ☑ Not applicable

Distributable Reserves

As at 31 December 2025, the Company had no distributable reserves (the unappropriated profit as at the end of 2025 was RMB-14.842 billion, and in accordance with the Articles of Association, the conditions for distribution were not met).

Section V Significant Events

I. FULFILMENT OF COMMITMENTS

1. Commitments of the Company' s de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period

☑ Applicable ☐ Not applicable

1. Changshou Iron & Steel, China Baowu and Strategic Emerging Fund made undertakings in December 2017 in relation to the regulation of connected transactions and the maintenance of independence of listed companies. Details of which are set out in the Report on Detailed Changes in Equity of *ST Chongqing Iron & Steel (《重慶鋼鐵詳式權益變動報告書》) published on the website of the SSE on 5 December 2017, the Report on Detailed Changes in Equity of Chongqing Iron & Steel (《重慶鋼鐵詳式權益變動報告書》) published on the website of the SSE on 19 September 2020 and the annual reports for the years 2020-2023, and the undertakings have not been breached by the undertakings holders during the Reporting Period.

2. In September 2020, China Baowu made a commitment regarding the avoidance of competition in the same industry within five years of the commitment letter, and strives to use a shorter timeframe, in accordance with the requirements of relevant securities regulatory authorities, and in compliance with the laws and regulations applicable at the time and relevant regulatory rules. Based on the principles of being conducive to the development of the listed company and safeguarding the interests of shareholders, especially minority shareholders, China Baowu will comprehensively utilize methods such as asset restructuring, business adjustments, and entrusted management to prudently advance the integration of relevant businesses to resolve the horizontal competition issues.

   Since making the above commitment, China Baowu has been actively exploring ways to resolve the horizontal competition issues through business adjustments and other means. On 28 August 2025, China Baowu issued a Letter on the Extension of the Commitment to Avoid Horizontal Competition, extending the validity period of the commitment by three years from the original commitment letter. (For details, please refer to the Announcement on the Extension of the Actual Controller China Baowu Steel Group Corporation Limited's Commitment to Avoid Horizontal Competition (Announcement No.: 2025-032)) published on the website of the Shanghai Stock Exchange by the Company on 29 August 2025.

I. FULFILMENT OF COMMITMENTS (Continued)

1. Commitments of the Company' s de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

3. Commitments relating to the issuance of A shares to specific targets on 19 December 2025:

Committing Party	Type of Commitment	Content of Commitment	Commitment Period
China Baowu Steel Group Corporation Limited	Share lock-up	For a period of eighteen months from the date of completion of this issuance, China Baowu and its controlled subsidiaries, as persons acting in concert with Huabao Investment Co., Ltd., shall not transfer the Chongqing Iron & Steel shares held prior to this issuance; however, transfers between different entities under the control of the same actual controller shall not be subject to the aforesaid eighteen-month restriction.	For a period of eighteen months from the date of completion of this issuance.
	Other	As the actual controller of Chongqing Iron & Steel Company Limited, China Baowu hereby makes the following commitments to ensure that the measures to fill the dilution of immediate returns caused by the Company's issuance of A shares to specific targets can be effectively performed: 1. not to exceed its authority in interfering with the Company's operations and management activities, not to encroach upon the interests of the Company, and to urge the Company to effectively perform the relevant measures to fill the dilution of immediate returns; 2. from the date of this commitment to the completion of the Company's issuance of A shares to specific targets, if the CSRC or the SSE issues any new regulatory provisions regarding measures to fill returns and commitments that are not covered by the aforesaid commitment, China Baowu undertakes to issue supplementary commitments in accordance with the latest provisions of the CSRC and the SSE;	Long-term.

I. FULFILMENT OF COMMITMENTS (Continued)

1. Commitments of the Company' s de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

3. Commitments relating to the issuance of A shares to specific targets on 19 December 2025: (Continued)

Committing Party	Type of Commitment	Content of Commitment	Commitment Period
		3. as one of the responsible parties for the measures to fill returns, if the above commitments are violated or China Baowu refuses to perform the above commitments, China Baowu agrees to be subject to relevant penalties or management measures by the CSRC and the SSE in accordance with their formulated or published relevant provisions and rules. If China Baowu violates the above commitments and causes losses to the Company or investors, China Baowu is willing to bear compensation liability to the Company or investors in accordance with the law.	
Huabao Investment Co., Ltd.	Share lock-up	From the date of the pricing benchmark date of this issuance to six months after the completion of this issuance, Huabao Investment Co., Ltd. shall not reduce its holdings of Chongqing Iron & Steel shares, and shall comply with other relevant provisions of the CSRC and the SSE. If the above commitment is violated and Chongqing Iron & Steel shares are reduced, Huabao Investment Co., Ltd. undertakes that all proceeds from the reduction shall belong to Chongqing Iron & Steel.	From the date of the pricing benchmark date of this issuance to six months after the completion of this issuance.
		For a period of eighteen months from the date of completion of this issuance, Huabao Investment Co., Ltd. shall not transfer the Chongqing Iron & Steel shares held prior to this issuance; however, transfers between different entities under the control of the same actual controller shall not be subject to the aforesaid eighteen-month restriction.	For a period of eighteen months from the date of completion of this issuance.
		For a period of thirty-six months from the date of completion of this issuance, Huabao Investment Co., Ltd. shall not transfer the shares subscribed and acquired in this issuance.	For a period of thirty-six months from the date of completion of this issuance.

I. FULFILMENT OF COMMITMENTS (Continued)

1. Commitments of the Company' s de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

3. Commitments relating to the issuance of A shares to specific targets on 19 December 2025: (Continued)

Committing Party	Type of Commitment	Content of Commitment	Commitment Period
Chongqing Changshou Iron & Steel Co., Ltd.	Other	As the controlling shareholder of Chongqing Iron & Steel Company Limited, Changshou Iron & Steel, hereby makes the following commitments to ensure that the measures to fill the dilution of immediate returns caused by the Company's issuance of A shares to specific targets can be effectively performed: 1. not to exceed its authority in interfering with the Company's operations and management activities, not to encroach upon the interests of the Company, and to urge the Company to effectively perform the relevant measures to fill the dilution of immediate returns; 2. from the date of this commitment to the completion of the Company's issuance of A shares to specific targets, if the CSRC or the SSE issues any new regulatory provisions regarding measures to fill returns and commitments that are not covered by the aforesaid commitment, Changshou Iron & Steel, undertakes to issue supplementary commitments in accordance with the latest provisions of the CSRC and the SSE;	Long-term.

I. FULFILMENT OF COMMITMENTS (Continued)

1. Commitments of the Company' s de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

3. Commitments relating to the issuance of A shares to specific targets on 19 December 2025: (Continued)

Committing Party	Type of Commitment	Content of Commitment	Commitment Period
		3. as one of the responsible parties for the measures to fill returns, if the above commitments are violated or Changshou Iron & Steel, refuses to perform the above commitments, Changshou Iron & Steel, agrees to be subject to relevant penalties or management measures by the CSRC and the SSE in accordance with their formulated or published relevant provisions and rules. If Changshou Iron & Steel, violates the above commitments and causes losses to the Company or investors, Changshou Iron & Steel, is willing to bear compensation liability to the Company or investors in accordance with the law.	
Directors and Senior Management of the Company	Other	As a director/senior management of Chongqing Iron & Steel Company Limited, the undersigned hereby makes the following commitments to ensure that the measures to fill the dilution of immediate returns caused by the Company's issuance of A shares to specific targets can be effectively performed: 1. not to transfer benefits to other entities or individuals without compensation or on unfair terms, nor to adopt other methods to damage the interests of the Company; 2. to restrain the undersigned's official consumption behavior; 3. not to use the assets of the Company for investment or consumption activities unrelated to the performance of the undersigned's duties;	Long-term.

I. FULFILMENT OF COMMITMENTS (Continued)

1. Commitments of the Company' s de facto controller, shareholders, related parties, and acquirers and the Company during or sustained to this Reporting Period (Continued)

3. Commitments relating to the issuance of A shares to specific targets on 19 December 2025: (Continued)

Committing Party	Type of Commitment	Content of Commitment	Commitment Period
		4. within the scope of the undersigned's legal authority, to endeavor to cause the compensation system formulated by the Board of Directors or the Remuneration and Appraisal Committee to be linked to the implementation of the Company's measures to fill returns; 5. if the Company subsequently implements an equity incentive plan, the undersigned undertakes that the exercise conditions of the equity incentive plan shall be linked to the implementation of the Company's measures to fill returns; 6. from the date of this commitment to the completion of the Company's issuance of A shares to specific targets, if the CSRC or the SSE issues any new regulatory provisions regarding measures to fill returns and commitments that are not covered by the aforesaid commitment, the undersigned undertakes to issue supplementary commitments in accordance with the latest provisions of the CSRC and the SSE; 7. the undersigned undertakes to effectively perform the relevant measures to fill returns formulated by the Company and any commitments made by the undersigned in respect thereof. If the undersigned violates such commitments and causes losses to the Company or investors, the undersigned is willing to bear compensation liability to the Company or investors in accordance with the law.	

The aforesaid commitments currently within their performance period are being performed normally.

I. FULFILMENT OF COMMITMENTS (Continued)

2. Explanation of whether the Company fulfilled its profits forecast in relation to assets or projects, if there is any profits forecast in relation to the Company' s assets or projects, and if the Reporting Period is within the profits forecast period and the reasons therefore

☐ Fulfilled ☐ Not Fulfilled ☑ Not applicable

3. Performance commitment status

☐ Applicable ☑ Not applicable

Changes to performance commitments

☐ Applicable ☑ Not applicable

Other explanations

☐ Applicable ☑ Not applicable

II. APPROPRIATION OF NON-OPERATING FUNDS BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES DURING THIS REPORTING PERIOD

☐ Applicable ☑ Not applicable

III. NON-COMPLIANCE GUARANTEE

☐ Applicable ☑ Not applicable

IV. EXPLANATION FROM THE BOARD OF DIRECTORS OF THE COMPANY FOR THE "NON-STANDARD AUDIT OPINION REPORT" ISSUED BY THE ACCOUNTING FIRM

☐ Applicable ☑ Not applicable

V. ANALYSIS AND EXPLANATION OF THE REASONS AND IMPACT OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS BY THE COMPANY

1. The Company' s analysis and explanation of the reasons for and impact of changes on accounting policy and accounting estimates

☐ Applicable ☑ Not applicable

2. The Company' s analysis of the cause and impact of correction of material errors of accounting

☐ Applicable ☑ Not applicable

3. Communication with the previous accounting firm

☑ Applicable ☐ Not applicable

The Company has conducted prior communication with Ernst & Young Hua Ming LLP regarding the change of accounting firm, and Ernst & Young Hua Ming LLP has no objection thereto. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Ernst & Young Hua Ming LLP have, in accordance with the relevant provisions of China Standard on Auditing No. 1153 – Communications Between Predecessor and Successor Auditors, completed the necessary communication and coordination work.

4. Approval procedures and other explanation

☑ Applicable ☐ Not applicable

The Company convened meetings of the Audit Committee, the Board of Directors on 30 October 2025, and the second extraordinary general meeting of 2025 on 26 November 2025, which respectively considered and approved the Resolution regarding the Appointment of the Annual Auditors for 2025, agreeing to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's audit firm for the 2025 annual financial statements and internal control audit.

VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Unit: RMB0'000 Currency: RMB

	Previously Engaged	Currently Engaged
Name of the domestic accounting firm	Ernst & Young Hua Ming LLP	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of the domestic accounting firm	200	190
Term of service of the domestic accounting firm	7	1
Names of the certified public accountants of the domestic accounting firm	Chen Xiaoxiang (陳曉祥), Wang Dan (王丹)	Jiang Jian (蔣健), Ouyang Qianli (歐陽千力)
Cumulative term of service of the certified public accountants of the domestic accounting firm	Chen Xiaoxiang: 2 years, Wang Dan: 5 years	Jiang Jian: 1 year, Ouyang Qianli: 1 year

	Name	Remuneration
Accounting firm for audit of internal control	Deloitte Touche Tohmatsu Certified Public Accountants LLP	50.83

Explanations for appointment and removal of accounting firms

☑ Applicable ☐ Not applicable

In accordance with the provisions of the Measures for the Administration of the Selection and Engagement of Audit Firms by State-Owned Enterprises and Listed Companies jointly issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, and the CSRC, state-owned enterprises shall not, in principle, engage the same audit firm for more than eight consecutive years. Ernst & Young Hua Ming LLP has provided audit services to the Company for seven consecutive years, approaching the upper limit of the audit tenure. Taking into account the Company's operational and audit service requirements, Deloitte Touche Tohmatsu was engaged as the Company's financial and internal control audit firm for 2025 through a bidding process and appointment by the General Meeting. There were no disagreements between the Company and the predecessor audit firm regarding work arrangements, fees, or opinions.

Save as disclosed above, the Company has not had any other changes of auditors in the past three years.

Explanations for change of the accounting firm during the auditing period

☐ Applicable ☑ Not applicable

Explanation for the decrease of 20% or more (inclusive) in the audit fee as compared with that of the previous year

☐ Applicable ☑ Not applicable

VII. RISKS OF DELISTING

1. Reason for risk warning of delisting

☐ Applicable ☑ Not applicable

2. Measures taken by the Company to cancel the suspension of listing

☐ Applicable ☑ Not applicable

3. Statuses and causes of termination of listing

☐ Applicable ☑ Not applicable

VIII. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

☐ Applicable ☑ Not applicable

IX. MATERIAL LITIGATION AND ARBITRATION

☐ Material litigations and arbitrations ☑ No material litigations or arbitrations occurred during the year

X. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS FOR SUSPECTED UNLAWFULNESS AND RECTIFICATION MEASURES

☐ Applicable ☑ Not applicable

XI. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS DURING THE REPORTING PERIOD

☐ Applicable ☑ Not applicable

XII. MATERIAL CONNECTED TRANSACTIONS

i. Related party transactions related to day-to-day operation

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

☐ Applicable ☑ Not applicable

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

☑ Applicable ☐ Not applicable

On 10 November 2023, the Resolution in relation to the Entering into of the Service and Supply Agreement from 2024 to 2026 between the Company and China Baowu and the Continuing Connected Transactions (Including the Annual Caps) was deliberated and approved through voting at the 30th meeting of the ninth session of the Board of the Company. According to the Service and Supply Agreement entered into on the same date, the total amount of materials and/or services provided by the Group to China Baowu, the indirect substantial shareholder of the Company, and its subsidiaries ("China Baowu Group") and the total amount of materials and/or services provided by China Baowu Group to the Group shall not exceed RMB30,100 million and RMB102,330 million, respectively, for the period from 1 January 2024 to 31 December 2026.

For details, please refer to the Announcement on 2024 to 2026 Continuing Related Party Transactions (Announcement No.: 2023-029) disclosed by the Company on 11 November 2023.

During the Reporting Period, the actual amount of the continuing connected transaction with China Baowu and its subsidiaries was within the annual caps, the details of which are as follows:

Transaction type	Pricing principle	Transaction amount in 2025 *(Unit: RMB'000)*
Procurement of goods and acceptance of services	Market price	8,855,824
Sale of goods	Market price	4,003,635

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

i. Related party transactions related to day-to-day operation (Continued)

2. Events disclosed in provisional announcements with subsequent development or changes during implementation (Continued)

On 10 November 2023, the Resolution in relation to the Entering into of the Financial Service Agreement from 2024 to 2026 between the Company and Baowu Group Finance Co., Ltd. and the Related Party Transactions was considered and approved through voting at the 30th meeting of the ninth session of the Board of the Company. According to the Financial Service Agreement entered into by the Company and Baowu Group Finance Co., Ltd. (a company controlled by China Baowu, the indirect substantial shareholder of the Company) on the same date: (1) For settlement services, during the term of the agreement, the maximum service fee paid to Baowu Finance Company for providing settlement services to the Company and its subsidiaries shall not exceed RMB200,000 per annum (excluding acceptance fee, settlement handling fee, L/C issuance fee and other fees charged by the concerned bank on behalf). (2) During the term of the deposit service agreement, the maximum daily deposit balance of the Company in Baowu Finance Company shall not exceed RMB2 billion in principle. (3) During the term of the credit service agreement, the maximum daily credit provided by Baowu Finance Company to the Company and its subsidiaries shall be RMB2 billion. Both parties shall separately sign an agreement on special matters concerning credit services. (4) During the term of the agreement on other financial services, the maximum service fee paid to Baowu Finance Company for providing other financial services to the Company and its subsidiaries shall not exceed RMB1 million per annum (excluding acceptance fee, settlement handling fee, L/C issuance fee and other fees charged by the concerned bank on behalf). Please refer to the relevant announcements and circulars disclosed by the Company on 11 November 2023 and 7 December 2023 for further details and defined terms. The connected transactions were considered and approved at the 2023 first extraordinary general meeting of the Company held on 28 December 2023.

The above connected transactions constitute connected transactions under Chapter 14A of the Listing Rules, and the Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules. The Company further confirms that the prices and terms of the continuing connected transactions conducted during the Reporting Period were in accordance with its pricing policy.

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

i. Related party transactions related to day-to-day operation (Continued)

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation (Continued)*

Annual review by independent non-executive Directors and the auditors

The independent non-executive Directors of the Company have reviewed the continuing connected transactions of the Company during the Reporting Period and confirmed that such transactions were:

1) entered into in the ordinary course of business of the Company;

2) conducted on normal commercial terms; and

3) carried out in accordance with the agreements of relevant transactions, the terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership), was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)-Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the Hong Kong Institute of Certified Public Accountants and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules. Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) has issued an unqualified confirmation letter in respect of the continuing connected transactions disclosed by the Company pursuant to Rule 14A.56 of the Listing Rules.

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

i. Related party transactions related to day-to-day operation (Continued)

3. Events not disclosed in provisional announcements

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Ouyeel Cloud Commerce Corporation Limited	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	2,922,654	12.57	/	/	/
Chongqing Baocheng Carbon Materials Co., Ltd.	Other related party	Sale of goods	Sale of goods, energy medium and rendering of services	With reference to the market price	/	321,096	1.34	/	/	/
Shanghai Ouyeel Supply Chain Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	200,292	0.86	/	/	/
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd.	Other related party	Sale of goods	Sale of goods, energy medium and rendering of services	With reference to the market price	/	186,163	0.78	/	/	/
Baowu Water Technology Limited	Other related party	Sale of goods	Sale of energy medium and rendering of services	With reference to the market price	/	132,581	17.64	/	/	/
Chongqing Chaoyang Gas Co., Ltd.	Other related party	Sale of goods	Sale of goods and energy medium	With reference to the market price	/	66,637	8.87	/	/	/
Ma Steel International Trade & Economic Corporation	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	57,957	0.25	/	/	/
Baoshan Iron & Steel Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	42,895	0.18	/	/	/
Chongqing Iron & Steel Group Mining Co., Ltd.	Other related party	Sale of goods	Sale of energy medium	With reference to the market price	/	40,810	9.12	/	/	/
Wisco Xiangyang Heavy Equipment Material Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	9,757	0.04	/	/	/

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

i. Related party transactions related to day-to-day operation (Continued)

3. Events not disclosed in provisional announcements (Continued)

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions *(%)*	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Chengdu Baosteel West Trade Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	8,888	0.04	/	/	/
Chongqing Iron & Steel Group Transportation Co., Ltd.	Other related party	Sale of goods	Sale of energy medium and rendering of services	With reference to the market price	/	5,165	0.69	/	/	/
OUYEEL SINGAPORE PTE. LTD.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	4,769	0.02	/	/	/
Chongqing Iron & Steel Group Industry Co., Ltd.	Other related party	Sale of goods	Sale of goods	With reference to the market price	/	1,694	0.38	/	/	/
Others	Other related party	Sale of goods	Sale of goods, energy medium and rendering of services	With reference to the market price	/	2,277	0.01	/	/	/
Ma Steel International Trade & Economic Corporation	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	3,776,871	21.41	/	/	/
Ouyeel Industrial Products Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials, materials, equipment and spare parts, and receipt of services	With reference to the market price	/	984,208	4.40	/	/	/
Baowu Raw Material Supply Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	778,121	4.41	/	/	/
Baosteel Resources (International) Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	629,883	3.57	/	/	/
Shanghai Baoding Energy Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials and receipt of services	With reference to the market price	/	530,724	2.37	/	/	/
Baowu Resources Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	453,554	2.57	/	/	/
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	296,854	1.68	/	/	/

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

i. Related party transactions related to day-to-day operation (Continued)

3. *Events not disclosed in provisional announcements (Continued)*

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Baowu Water Technology Co., Ltd., Chongqing Branch	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	282,652	6.00	/	/	/
Shanghai Ouyeel Logistics Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	197,077	4.18	/	/	/
Chongqing Chaoyang Gas Co., Ltd.	Other related party	Purchase of goods	Procurement of energy medium	With reference to the market price	/	134,241	2.85	/	/	/
Baowu Equipment Intelligent Technology Co., Ltd.	Other related party	Purchase of goods	Procurement of materials, equipment and spare parts, receipt of services, and engineering construction	With reference to the market price	/	132,667	0.56	/	/	/
Baosteel Engineering & Technology Group Co., Ltd.	Other related party	Purchase of goods	Procurement of materials, equipment and spare parts, receipt of services, and engineering construction	With reference to the market price	/	117,927	0.50	/	/	/
Wuhan Yangguang Industrial Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	81,258	0.46	/	/	/
Shanghai Baosight Software Co., Ltd.	Other related party	Purchase of goods	Procurement of materials, equipment and spare parts, receipt of services, and engineering construction	With reference to the market price	/	58,879	0.25	/	/	/
Chongqing Iron & Steel Group Mining Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	54,687	1.16	/	/	/
Guangdong Shaogang Engineering Technology Co., Ltd.	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	47,625	3.28	/	/	/
Baowu Wisdom Roll Technical Service (Shanghai) Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	40,474	0.86	/	/	/
BAOSTEEL RESOURCES SINGAPORE COMPANY PTE. LTD.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	33,913	0.19	/	/	/

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

i. Related party transactions related to day-to-day operation (Continued)

3. *Events not disclosed in provisional announcements (Continued)*

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions *(%)*	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Chongqing Iron & Steel Group Transportation Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	33,681	0.71	/	/	/
Wisco MCC Industrial Technical Service Co., Ltd.	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	26,670	0.43	/	/	/
Shanghai Jinyi Testing Technology Co., Ltd.	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	26,051	0.42	/	/	/
Baowu Water Technology Limited	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	25,775	1.78	/	/	/
Shanghai Baosteel Energy Conservation and Environmental Protection Technology Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	11,800	0.25	/	/	/
Chongqing Iron & Steel Group Industry Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	10,945	0.23	/	/	/
Shanghai Baosteel Shipping Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	10,075	0.21	/	/	/
Guangdong Kunlun Information Technology Co., Ltd.	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	8,615	0.14	/	/	/
Chongqing Sangang Steel Industry Co., Ltd.	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	8,422	0.14	/	/	/
Wisco Resources Group Ezhou Pellets Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials	With reference to the market price	/	7,853	0.04	/	/	/
Chongqing Iron & Steel Group Electronics Co., Ltd.	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	7,571	0.12	/	/	/
Baowu Group Echeng Steel Co., Ltd.	Other related party	Purchase of goods	Procurement of raw materials and receipt of services	With reference to the market price	/	6,159	0.03	/	/	/

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

i. Related party transactions related to day-to-day operation (Continued)

3. *Events not disclosed in provisional announcements (Continued)*

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions *(%)*	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Shanghai Baosteel Xinyue Talent Technology Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	5,018	0.11	/	/	/
Baosight Software (Wuhan) Co., Ltd.	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	4,441	0.31	/	/	/
Baoshan Iron & Steel Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	4,091	0.09	/	/	/
Baosteel Development Co., Ltd.	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	3,882	0.06	/	/	/
Guangdong Baodi Nanhua Industrial City Development Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	3,500	0.07	/	/	/
Chongqing Sanhuan Construction Supervision Consulting Co., Ltd.	Other related party	Receipt of services	Receipt of services and engineering construction	With reference to the market price	/	3,268	0.05	/	/	/
Shanghai Meishan Industrial and Civil Engineering Design Research Institute Co., Ltd.	Other related party	Receipt of services	Engineering construction	With reference to the market price	/	2,914	0.2	/	/	/
Sinosteel Xi'an Heavy Machinery Co., Ltd.	Other related party	Purchase of goods	Procurement of materials, equipment and spare parts	With reference to the market price	/	2,429	0.01	/	/	/
Wuhan Iron and Steel Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	2,387	0.05	/	/	/
Zhejiang Zhoushan Wugang Wharf Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	2,143	0.05	/	/	/
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	1,263	0.03	/	/	/
Baowu Shared Services Co., Ltd.	Other related party	Receipt of services	Receipt of services	With reference to the market price	/	1,200	0.03	/	/	/

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

i. Related party transactions related to day-to-day operation (Continued)

3. *Events not disclosed in provisional announcements (Continued)*

Related party	Connected relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price of related transaction	Transaction amount of related party	As a percentage of the amount of similar transactions *(%)*	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Others	Other related party	Purchase of goods	Procurement of raw materials and receipt of services	With reference to the market price	/	4,056	0.01	/	/	/
Total				/	/	12,859,459		/	/	/

Particulars of substantial sales return	Nil
Explanation on related party transactions	They enabled the Company to obtain stable and reliable service supply at a reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output.

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

ii. Connected transactions related to acquisition of assets or acquisition or disposal of equity interests

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

   ☐ Applicable ☑ Not applicable

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

   ☐ Applicable ☑ Not applicable

3. *Events not disclosed in provisional announcements*

   ☐ Applicable ☑ Not applicable

4. *Disclosure of the performance of the results relating to the results agreement during the Reporting Period*

   ☐ Applicable ☑ Not applicable

iii. Material connected transactions related to joint external investment

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

   ☐ Applicable ☑ Not applicable

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

   ☐ Applicable ☑ Not applicable

3. *Events not disclosed in provisional announcements*

   ☐ Applicable ☑ Not applicable

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

iv. Claims and liabilities between related parties

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

☐ Applicable ☑ Not applicable

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

☐ Applicable ☑ Not applicable

3. *Events not disclosed in provisional announcements*

☐ Applicable ☑ Not applicable

v. Financial business between the Company and related financial companies, financial companies controlled by the Company and related parties

☑ Applicable ☐ Not applicable

1. *Deposit business*

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Related parties	Connected relationship	Maximum daily deposit limit	Deposit interest rate range	Opening balance	Amount incurred for the period Total amount deposited during the period	Total amount withdrawn during the period	Closing balance
Baowu Group Finance Co., Ltd.	Other related party	/	0.10%-1.15%	927,846	5,145,522	5,284,933	788,435
Total	/	/	/	927,846	5,145,522	5,284,933	788,435

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

v. Financial business between the Company and related financial companies, financial companies controlled by the Company and related parties (Continued)

2. *Money lending business*

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Related parties	Connected relationship	Credit line	Loan interest rate range	Opening balance	Amount incurred for the period Total amount of loans during the period	Amount incurred for the period Total amount of repaid loans during the period	Closing balance
Baowu Group Finance Co., Ltd.	Other related party	–	2.11%-2.34%	500,000	800,000	505,000	795,000
Total	/	/	/	500,000	800,000	505,000	795,000

3. *Credit granting business or other financial services*

☑ Applicable ☐ Not applicable

Unit: RMB'000 Currency: RMB

Related parties	Connected relationship	Business type	Gross amount	Actual amount incurred
Baowu Group Finance Co., Ltd.	Other related party	Comprehensive credit facilities	1,700,000	1,581,939

4. *Other explanation*

☐ Applicable ☑ Not applicable

XII. MATERIAL CONNECTED TRANSACTIONS (Continued)

vi. Others

☐ Applicable ☑ Not applicable

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

i. Custody, contracting and leasing affairs

1. Custody

☐ Applicable ☑ Not applicable

2. Contracting

☐ Applicable ☑ Not applicable

3. Leasing

☐ Applicable ☑ Not applicable

ii. Guarantees

☐ Applicable ☑ Not applicable

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

iii. Entrusted cash assets management

1. Entrusted wealth management

(1) Overview of entrusted wealth management

☐ Applicable ☑ Not applicable

Others

☐ Applicable ☑ Not applicable

(2) Individual cases of entrusted wealth management

☐ Applicable ☑ Not applicable

Others

☐ Applicable ☑ Not applicable

(3) Provision for impairment of entrusted wealth management

☐ Applicable ☑ Not applicable

2. Entrusted loans

(1) Overview of entrusted loans

☐ Applicable ☑ Not applicable

Others

☐ Applicable ☑ Not applicable

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

iii. Entrusted cash assets management (Continued)

2. Entrusted loans (Continued)

(2) Individual cases of entrusted loans

☐ Applicable ☑ Not applicable

Others

☐ Applicable ☑ Not applicable

(3) Provision for impairment of entrusted loans

☐ Applicable ☑ Not applicable

3. Others

☐ Applicable ☑ Not applicable

iv. Other material contracts

☐ Applicable ☑ Not applicable

XIV. EXPLANATION ON THE PROGRESS OF USE OF PROCEEDS

☐ Applicable ☑ Not applicable

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS

☑ Applicable ☐ Not applicable

(1) Issuance of A Shares to specific target subscriber

On 19 December 2025, the Board of the Company considered and approved the issuance of A Shares to specific target subscriber, namely Huabao Investment Co., Ltd. ("Huabao Investment"), at an issue price of RMB1.32 per share, with a total number of 757,575,757 A Shares to be issued. Regarding this matter, relevant resolutions were submitted for consideration and approved at the Extraordinary General Meeting, the Class Meeting of A Shareholders and the Class Meeting of H Shareholders on 13 March 2026; on 25 March 2026, the Company received the "Notice on Acceptance of the Application for Issuance of Securities by Chongqing Iron & Steel Company Limited, a Listed Company on the Shanghai Stock Exchange Main Board" issued by the SSE. For details, please refer to the Company's announcements published on the same day on the websites of the Shanghai Stock Exchange and the Stock Exchange.

(2) Relevant disclosures made according to the Listing Rules

1. *Compliance with Corporate Governance Code*

To the best knowledge of the Board, the Company has complied with the requirements of Part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules during the Reporting Period, and no deviation from the code provisions has been identified.

2. *Model Code for securities transactions by directors*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors. All directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2025.

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (Continued)

(2) Relevant disclosures made according to the Listing Rules (Continued)

3. Purchase, sale or redemption of listed shares of the Company

On 18 February 2025, the Company completed the cancellation of 66,838,500 shares repurchased in 2024, and the total number of issued shares of the Company changed from 8,918,602,267 shares to 8,851,763,767 shares.

Save as disclosed above, during the Reporting Period, there were no other purchases, sales or redemptions of the Company's listed securities by the Company.

4. Major acquisition and disposal of subsidiaries and affiliates

No major acquisition and disposal of subsidiaries and affiliates of the Company occurred during the Reporting Period.

5. Audit and Risk Committee

The Audit and Risk Committee of the Company consists of three independent non-executive Directors and one non-executive Director, namely Mr. Guo Jiebin, Mr. Sheng Xuejun, Ms. Tang Ping and Mr. Zhou Ping. Mr. Guo Jiebin is the chairman of the Audit and Risk Committee.

The annual report of the Company for 2025 had been reviewed by the members of the Audit and Risk Committee before being submitted to the Board for approval.

6. Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association and the relevant laws of the People's Republic of China which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

7. Public float of H shares

As of the date hereof, to the best knowledge of the Board within the scope of available information, the Company has maintained sufficient public float as required by the Listing Rules of the Stock Exchange.

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (Continued)

(2) Relevant disclosures made according to the Listing Rules (Continued)

8. *Free-float market capitalization*

Based on the available information to the Company, as at 31 December 2025, the circulating market capitalization of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK$1.18)) was approximately HK$635 million and the circulating market capitalization of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB1.46)) was approximately RMB12,138 million.

9. *Final dividend*

The Company's profit distribution policies are set out in detail in the Articles of Association, which provides the principles, forms and conditions of distribution, the justification procedures for distribution schemes and decision-making mechanisms, as well as policy adjustments. When determining profit distribution (including dividend payment) and distribution proportion, the Company will follow several major principles including the continuity and stability of profit distribution policies, paying full attention to the reasonable investment return for investors, and considering the long-term interests of the Company, sustainable development and the interests of all shareholders as a whole, and the Board will prepare the proposal for profit distribution according to the operating situations and development of the Company, then submit it to the General Meetings for approval. Please refer to the profit distribution policies set out in the Articles of Association for more details.

The Company has not set any predetermined dividend distribution proportion or dividend distribution ratio, and the distribution and the amount of dividend will be determined by the Board's discretion as aforesaid.

As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the realized net profit attributable to the parent company for 2025 amounted to RMB-2,507 million, and the unappropriated profit of the parent company as at the end of 2025 amounted to RMB14,842 million. As the unappropriated profit of the parent company was negative as at the end of 2025, the Board recommended that no profit distribution or transfer capital reserve to share capital be made in 2025 pursuant to Article 213 of the Articles of Association.

XV. EXPLANATION ON OTHER MAJOR EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS (Continued)

(2) Relevant disclosures made according to the Listing Rules (Continued)

10. Management Contracts

During the Reporting Period, the Company has not entered into or had in existence any contracts for the management and administration of the whole or any substantial part of its business (other than service contracts with Directors or any persons employed under full-time employment engagements of the Company).

11. Permitted Indemnity Provisions

The Company has purchased appropriate and currently valid liability insurance for the Directors in respect of potential legal proceedings, to indemnify the Directors of the Company against liabilities arising from corporate acts.

Section VI Movement of Shares and the Particulars of Shareholders

I. MOVEMENT OF SHARES

i. Statements of movement of shares

1. Statements of movement of shares

Share Category		Beginning of 2025 Number of Shares *(shares)*	Beginning of 2025 Percentage *(%)*	Shares of Buyback Cancelled on 18 February 2025 (shares)	End of 2025 Number of Shares *(shares)*	End of 2025 Percentage *(%)*
Domestic listed A shares	Shares subject to restricted circulation					
	Freely tradable shares	8,380,475,067	93.97	66,838,500	8,313,636,567	93.92
	Of which: Dedicated buyback securities account	–	–	66,838,500	–	–
	Total	8,380,475,067	93.97	66,838,500	8,313,636,567	93.92
Overseas listed H shares	Total	538,127,200	6.03	–	538,127,200	6.08
Total number of shares		8,918,602,267	100	66,838,500	8,851,763,767	100

2. Explanation on movement of shares

☑ Applicable ☐ Not applicable

On 18 February 2025, the Company completed the cancellation of 66,838,500 repurchased shares. Following the cancellation, the total number of shares of the Company changed from 8,918,602,267 shares to 8,851,763,767 shares.

3. Impact on financial indicators such as earnings per share and net assets per share from change in shares within the latest year and latest period (if applicable)

☑ Applicable ☐ Not applicable

The cancellation of repurchased shares by the Company was conducted in accordance with the provisions of relevant laws, regulations and normative documents and in light of the actual circumstances of the Company. It will not have a material impact on the financial position and operating results of the Company, nor will it have a material impact on the debt-paying ability and ability to continue as a going concern of the Company. The cancellation of repurchased shares resulted in a reduction in total share capital, which will increase earnings per share and net asset value per share.

4. Other information considered necessary by the Company or required by regulators to be disclosed

☐ Applicable ☑ Not applicable

I. MOVEMENT OF SHARES (Continued)

ii. Information on changes in lock-up shares

☐ Applicable ☑ Not applicable

II. ISSUE AND LISTING OF SECURITIES

i. Issue of securities during the Reporting Period

☐ Applicable ☑ Not applicable

Details for the issue of securities during the Reporting Period (details of bonds with different interest rates within the duration to be specified separately):

☐ Applicable ☑ Not applicable

ii. Change in the total number of shares, shareholding structure and the structure of assets and liabilities of the Company

☐ Applicable ☑ Not applicable

iii. Shareholdings of internal employee shares

☐ Applicable ☑ Not applicable

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

i. Number of shareholders

As of the end of the Reporting Period, the total number of ordinary shareholders (accounts)	174,991
At the end of the month before the disclosure date of the annual results announcement, the total number of ordinary shareholders (accounts)	168,089
As of the end of the Reporting Period, the total number of preferred shareholders with restored voting rights (accounts)	0
At the end of the month before the disclosure date of the annual results announcement, the total number of preferred shareholders with restored voting rights (accounts)	0

ii. Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period

Unit: shares

Shareholdings of the top ten shareholders (excluding lending of shares through refinancing)

Name of shareholder (full name)	Changes during the Reporting Period	Period-end number of stock	Ratio (%)	Number of restricted stock held	Pledged, marked or frozen: Stock status	Pledged, marked or frozen: Quantity	Nature of shareholders
Chongqing Changshou Iron & Steel Co., Ltd.	0	2,096,981,600	23.69	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED	236,800	533,727,691	6.03	0	Unknown	Unknown	Foreign legal person
Chongqing Qianxin Foreign Trade and Economic Cooperation Group Co., Ltd.	0	427,195,760	4.83	0	Pledged	327,190,070	State-owned legal person
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.27	0	Nil	0	State-owned legal person
Chongqing Urban Construction Investment (Group) Co., Ltd.	0	278,288,059	3.14	0	Nil	0	State-owned legal person
Bank of Chongqing Co., Ltd.	0	226,042,920	2.55	0	Nil	0	State-owned legal person
Baowu Group Central South Iron & Steel Co., Ltd.	0	224,831,743	2.54	0	Nil	0	State-owned legal person
China Shipbuilding Industry Complete Logistics Co., Ltd.	0	211,461,370	2.39	0	Nil	0	State-owned legal person
Huabao Investment Co., Ltd.	24,500,000	137,459,680	1.55	0	Nil	0	State-owned legal person
China Baowu Steel Group Corporation Limited	0	129,815,901	1.47	0	Nil	0	State-owned legal person

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (Continued)

ii. Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period (Continued)

Shareholdings of Top Ten Shareholders without Trading Limitations (excluding lending of shares through refinancing)

Name of shareholder	Number of unrestricted circulating shares held	Types and quantities of shares	
		Type	Quantity
Chongqing Changshou Iron & Steel Co., Ltd.	2,096,981,600	RMB denominated ordinary shares	2,096,981,600
HKSCC NOMINEES LIMITED	533,727,691	Overseas Listed Foreign Shares	533,727,691
Chongqing Qianxin Group Co., Ltd.	427,195,760	RMB denominated ordinary shares	427,195,760
Chongqing Rural Commercial Bank Co., Ltd.	289,268,939	RMB denominated ordinary shares	289,268,939
Chongqing Urban Construction Investment (Group) Co., Ltd.	278,288,059	RMB denominated ordinary shares	278,288,059
Bank of Chongqing Co., Ltd.	226,042,920	RMB denominated ordinary shares	226,042,920
Baowu Group Central South Iron & Steel Co., Ltd.	224,831,743	RMB denominated ordinary shares	224,831,743
China Shipbuilding Industry Complete Logistics Co., Ltd.	211,461,370	RMB denominated ordinary shares	211,461,370
Huabao Investment Co., Ltd.	137,459,680	RMB denominated ordinary shares	137,459,680
China Baowu Steel Group Corporation Limited	129,815,901	RMB denominated ordinary shares	129,815,901

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (Continued)

ii. Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period (Continued)

Description of accounts designated for share repurchase among the top ten shareholders	N/A
Description of the entrusting/being entrusted voting rights or waiving voting rights of the above shareholders	N/A
The above shareholders' connected relationship or concerted action	Chongqing Changshou Iron & Steel Co., Ltd. is the controlling shareholder of the Company. Chongqing Changshou Iron & Steel Co., Ltd., Baowu Group Central South Iron & Steel Co., Ltd. and Huabao Investment Co., Ltd. are all under the control of the Company's actual controller, China Baowu Steel Group Corporation Limited, and an associated relationship exists among the four of them. They do not have any associated relationship with the remaining six shareholders, nor do they constitute persons acting in concert as defined under the Measures for the Administration of the Takeover of Listed Companies. The Company is also unaware of whether any associated relationship exists among the remaining six shareholders or whether they constitute persons acting in concert.
Preferred shareholders with restored voting rights and their shareholding	N/A

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (Continued)

ii. Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period (Continued)

Participation of shareholders holding more than 5% of the shares, top ten shareholders and top ten shareholders without trading limitations in lending of shares in the refinancing business

☐ Applicable ☑ Not applicable

Changes in the top ten shareholders and top ten shareholders without trading limitations due to lending/returning resulting from refinancing as compared with the previous period

☐ Applicable ☑ Not applicable

Shareholdings and Trading Limitations of Top Ten Shareholders with Trading Limitations

☐ Applicable ☑ Not applicable

iii. Strategic investors or ordinary legal persons who became top ten shareholders due to placing of new shares

☐ Applicable ☑ Not applicable

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

i. Controlling shareholder

1. *Legal person*

☑ Applicable ☐ Not applicable

Name	Chongqing Changshou Iron & Steel Company Limited
Principal or legal representative	Xie Qi
Date of establishment	12 October 2017
Principal operations	Licensed projects: Terminal operation; import and export of goods and technology (for projects that require legal approval, business activities can only be conducted after obtaining approval from relevant departments; specific business projects shall be subject to the approval documents or licenses from relevant departments). General projects: Engaging in technology development, technology transfer, technical services, and technical management consulting in the fields of steel, metallurgy, mineral resources, coal, chemicals, power, and transportation; sales of steel raw materials; storage services (excluding hazardous goods storage); leasing of own property and equipment; enterprise management and consulting services (except for projects that require legal approval, business activities can be conducted independently according to the business licence(s)).
Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period	Nil
Other explanation	Nil

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (Continued)

i. Controlling shareholder (Continued)

2. *Natural persons*

☐ Applicable ☑ Not applicable

3. *No special explanation regarding the controlling shareholder*

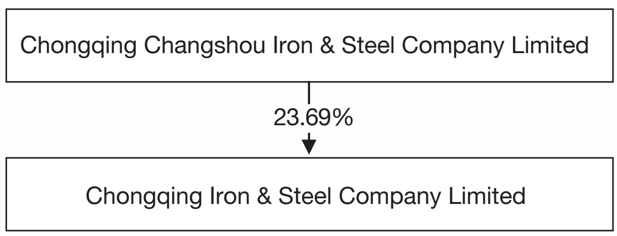
☐ Applicable ☑ Not applicable

4. *Explanation of the change in controlling shareholders during the Reporting Period*

☐ Applicable ☑ Not applicable

5. *Chart of equity and the controlling relationship between the Company and the controlling shareholder*

☑ Applicable ☐ Not applicable



IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (Continued)

ii. De facto controller

1. *Legal person*

☑ Applicable ☐ Not applicable

Name	China Baowu Steel Group Corporation Limited
Principal or legal representative	Hu Wangming
Date of establishment	1 January 1992
Principal operations	Licensed projects: Retail of publications; wholesale of publications. (For projects that require legal approval, business activities can only be conducted after obtaining approval from relevant departments; specific business projects shall be subject to the approval documents or licenses from relevant departments). General projects: Engaging in investment activities with own funds; investment management; asset management services for self-funded investments; corporate headquarters management; land use rights leasing; non-residential real estate leasing; tax services; human resources services (excluding professional intermediary activities and labour dispatch services); registration and registration agency services for market entities; business agency and agency services; outsourcing of archival services; tendering and bidding agency services; big data services; enterprise management consulting. (Except for projects that require legal approval, business activities can be conducted independently according to the business license(s))

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (Continued)

ii. De facto controller (Continued)

1. *Legal person (Continued)*

Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period	As of 31 December 2025, China Baowu directly or indirectly holds more than 5% of the shares in the following listed companies: 63.69% equity interests in Baoshan Iron & Steel Co., Ltd., 50.05% equity interests in Shanghai Baosight Software Co., Ltd., 53.15% equity interests in Maanshan Iron & Steel Company Limited, 50.02% equity interests in Xinjiang Bayi Iron & Steel Co., Ltd., 52.95% equity interests in Guangdong Zhongnan Iron & Steel Co., Ltd., 53.74% equity interests in Shanghai Baosteel Packaging Co., Ltd., 63.31% equity interests in Shanxi Taigang Stainless Steel Co., Ltd., 20.88% equity interests in Tibet Mineral Development Co., Ltd., 46.14% equity interests in Xinyu Iron& Steel Co., Ltd., 29.51% equity interests in Chongqing Iron & Steel Company Limited, 48.65% equity interests in Sinosteel Engineering & Technology Co., Ltd., 41.34% equity interests in Sinosteel Luonai Technology Company Limited* (中鋼洛耐科技股份有限公司) and 33.07% equity interests in Sinosteel Tianyuan Company Limited* (中鋼天源股份有限公司), 26.53% equity interests in Baowu Magnesium Technology Co., Ltd* (寶武鎂業科技股份有限公司), 16.28% equity interests in Da Ming International Holdings Limited, 10.23% equity interests in Beijing Shougang Co., Ltd., 14.06% equity interests in China Pacific Insurance (Group) Co., Ltd., 14.03% equity interests in New China Life Insurance Company Limited, 10.23% equity interests in Shanxi Securities Co., Ltd., and 8.29% equity interests in Shanghai Rural Commercial Bank Co., Ltd.
Other explanation	Nil

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (Continued)

ii. De facto controller (Continued)

2. Natural persons

☐ Applicable ☑ Not applicable

3. No special explanation regarding the de facto controller

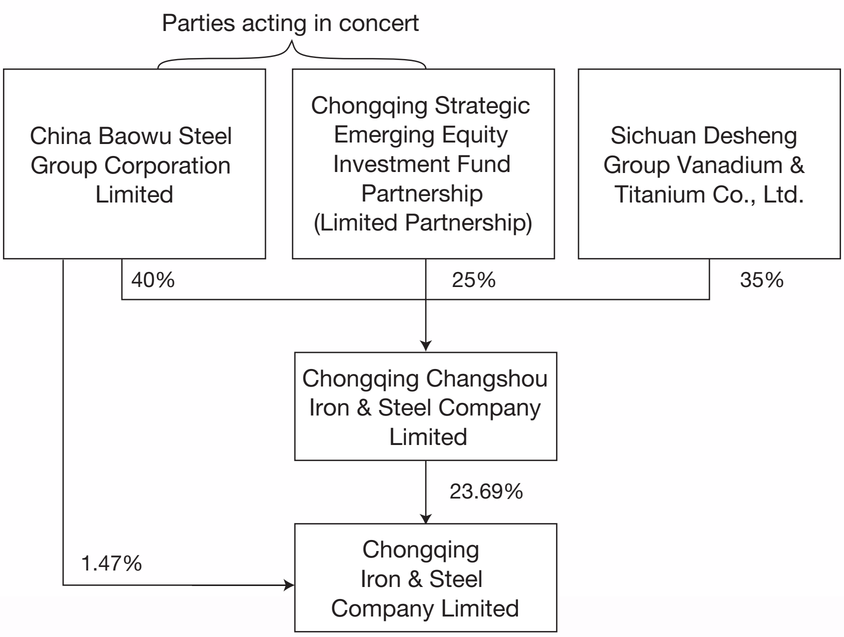
☐ Applicable ☑ Not applicable

4. Explanation of changes in the Company's control during the Reporting Period

☐ Applicable ☑ Not applicable

5. Chart of equity and the controlling relationship between the Company and the actual controllers

☑ Applicable ☐ Not applicable



Note: On 18 February 2025, the Company cancelled the repurchased shares, after which the total number of shares of the Company changed from 8,918,602,267 to 8,851,763,767, thereby changing the shareholding ratio of Changshou Iron & Steel from 23.51% to 23.69%, and the direct shareholding ratio of the de facto controller, China Baowu, from 1.46% to 1.47%.

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (Continued)

ii. De facto controller (Continued)

6. Control of the Company by the de facto controller by way of trust or other means of asset management

☐ Applicable ☑ Not applicable

iii. Other explanation regarding the controlling shareholder and the de facto controller

☐ Applicable ☑ Not applicable

V. THE ACCUMULATED NUMBER OF PLEDGED SHARES OF THE CONTROLLING SHAREHOLDER OR THE LARGEST SHAREHOLDER OF THE COMPANY AND ITS PERSONS ACTING IN CONCERT ACCOUNT FOR MORE THAN 80% OF THE COMPANY'S SHARES HELD BY THEM

☐ Applicable ☑ Not applicable

VI. OTHER CORPORATE SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR ABOVE

☐ Applicable ☑ Not applicable

VII. EXPLANATION ON RESTRICTED REDUCTION OF SHAREHOLDING

☐ Applicable ☑ Not applicable

VIII. THE DETAILED IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

☑ Applicable ☐ Not applicable

IX. INFORMATION RELATING TO PREFERENCE SHARES

☐ Applicable ☑ Not applicable

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (26) No. P04212
(Page 1 of 7)

To the Shareholders of Chongqing Iron & Steel Company Limited,

I. OPINION

We have audited the financial statements of Chongqing Iron & Steel Company Limited ("Chongqing Iron & Steel" or the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2025, and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and present fairly the consolidated and the Company's financial position as at 31 December 2025, and the consolidated and the Company's results of operations and cash flows for the year then ended.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Chongqing Iron & Steel in accordance with the *Independence Standards for Chinese Certified Public Accountants No. 1 – Independence Requirements for Financial Statement Audit and Review Engagements* and the China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We have complied with the independence requirements for audits of public interest entities during our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters in need of communication in our report.

III. KEY AUDIT MATTERS (Continued)

1. Revenue recognition for sales of steel products

As disclosed in Notes V 39 and XIII 4 to the financial statements, in 2025, the revenue reported in the consolidated and Company's financial statements amounted to RMB24,001,657,475.68 and RMB24,031,750,193.52, respectively, of which revenue from sales of steel products amounted to RMB22,401,010,145.83, representing 93.33% and 93.21% of the consolidated and Company's revenue, respectively. Given the high frequency of steel product sales transactions, the significant proportion of revenue derived from such sales, and the material impact on the financial statements, we identified revenue recognition for the sale of steel products as a key audit matter in the audit of the financial statements.

Our procedures in relation to above key audit matter mainly included:

(1) Understand the design and implementation of key internal controls over revenue recognition, test and evaluate the effectiveness of operation;

(2) Select samples of sales contracts to review key terms, including the transfer of control, and assess whether the accounting policies for revenue recognition comply with the Accounting Standards for Business Enterprises;

(3) Perform analytical review procedures, including variance analysis of unit selling prices and gross margins for major products and comparisons with prior-year figures, to evaluate the reasonableness of revenue recognition;

(4) Perform test of details for revenue recognition by selecting samples from sales ledger and inspecting supporting documents such as sales orders, shipping records, and sales invoices;

(5) Select samples from major customers of sales ledger and perform confirmation procedures on transaction amounts;

(6) Select samples from sales revenue for a specific period around the balance sheet date and inspect supporting documents such as sales orders, shipping records and sales invoices to assess whether the revenue from sales of steel products has been recognized in the appropriate accounting period; and

(7) Review the completeness and accuracy of revenue-related disclosures for steel product sales in the financial statements.

III. KEY AUDIT MATTERS (Continued)

2. Recognition of deferred tax assets

As disclosed in Note V 16 to the financial statements, deferred tax assets reported in the consolidated and Company's financial statements as at 31 December 2025 amounted to RMB690,664,598.09 and RMB690,635,820.42, respectively. The management recognizes deferred tax assets to the extent that it is probable that taxable income will be available in future periods against which the temporary differences can be utilized. Given that the estimate of future taxable income involves significant uncertainty and requires management to apply significant judgements and assumptions in estimating the timing and amount of future taxable income to be generated, we identified the recognition of deferred tax assets as a key audit matter in the audit of the financial statements.

Our procedures in relation to above key audit matter mainly included:

(1) Understand the design and implementation of key internal controls over recognition of deferred tax assets, test and evaluate the effectiveness of operation;

(2) Obtain and inspect tax return documents, tax incentive documents and other tax-related documents; engage internal tax specialists to review deductible tax losses and applicable tax rates; verify the accuracy of the amounts of deductible tax losses stated in the previous year's annual filing;

(3) Review the profit forecasts for future periods approved by management; evaluate the reasonableness of the key assumptions and principal parameters used by management by considering historical operating results and future industry trends, as well as conducting a retrospective analysis of the profit forecasts made by management for the previous year;

(4) Obtain the detailed schedule of deferred tax calculations prepared by management, assess the reasonableness of the tax rates applied in the calculation, inspect the accuracy and completeness of temporary differences in conjunction with audit procedures on other balance sheet items and perform recalculations;

(5) Review the completeness and accuracy of disclosures related to deferred tax assets in the financial statements.

III. KEY AUDIT MATTERS (Continued)

3. Impairment of fixed assets, construction in progress, right-of-use assets and intangible assets

As disclosed in Note V 11, 12, 13 and 14 to the financial statements, fixed assets, construction in progress, right-of-use assets and intangible assets reported in the consolidated financial statements as at 31 December 2025 amounted to RMB23,585,897,975.23, RMB170,112,476.56, RMB73,172,761.56 and RMB2,476,068,688.22, respectively. The aggregate amount of these long-term assets totals RMB26,305,251,901.57, representing 96.56% and 81.98% of the consolidated non-current assets and total assets, respectively. As at 31 December 2025, fixed assets, construction in progress, right-of-use assets and intangible assets reported in the Company's financial statements amounted to RMB22,809,350,263.94, RMB160,117,476.22, RMB73,172,761.56 and RMB2,416,000,837.10, respectively. The aggregate amount of these long-term assets totals RMB25,458,641,338.82, representing 93.29% and 79.21% of the Company's non-current assets and total assets, respectively. In addition, as disclosed in Note V 48 to the financial statements, total losses on impairment of fixed assets and construction in progress reported in the consolidated and Company's financial statements for 2025 amounted to RMB2,124,441,005.93 and RMB2,053,091,253.03 respectively. Management assesses, as at the balance sheet date, whether there are any indicators that these long-term assets may be impaired. Where such indicators exist, an impairment test is performed and impairment losses are recognized accordingly. Given the materiality of these long-term assets to the financial statements, and the fact that the estimates of recoverable amounts in the impairment testing involves significant judgement and accounting estimates by management, we identified the impairment of these long-term assets as a key audit matter in the audit of the financial statements.

Our procedures in relation to above key audit matter mainly included:

(1) Understand the design and implementation of key internal controls over asset impairment testing, test and evaluate the effectiveness of operation;

(2) Evaluate the basis and reasonableness of management's classification of long-term assets into asset groups, and review the reasonableness of management's assessment of impairment indicators for long-term assets;

(3) Evaluate the competence, expertise, and objectivity of the third-party valuation specialists engaged by management;

(4) Engage internal valuation specialists to review the reasonableness of the methods, key assumptions, and significant parameters used by management in the impairment testing, and perform retrospective analysis on the significant parameter forecasts used in the prior year's impairment testing;

(5) Conduct sensitivity analysis on the significant parameter forecast in the impairment testing to assess their impact on the testing results;

(6) Review the completeness and accuracy of disclosures related to long-term assets in the financial statements.

IV. OTHER INFORMATION

The management of Chongqing Iron & Steel is responsible for other information. The other information comprises the information included in Chongqing Iron & Steel's 2025 Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this respect, we have no matter to report.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Chongqing Iron & Steel is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for supervising the financial reporting process of Chongqing Iron & Steel.

VI. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Chongqing Iron & Steel's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by China Standards on Auditing to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Chongqing Iron & Steel to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Chongqing Iron & Steel to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu
Certified Public Accountants LLP

Chinese Certified Public Accountant: Jiang Jian
(Engagement partner)

Chinese Certified Public Accountant: Ouyang Qianli

Shanghai, China
30 March 2026

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

The Consolidated Balance Sheet

At 31 December 2025

RMB

Assets	*Note V*	**31 December 2025**	31 December 2024
Current assets			
Cash and bank balances	1	**2,712,339,198.87**	3,019,606,427.86
Notes receivable	2	**4,185,550.14**	294,742,106.52
Accounts receivable	3	**10,948,466.78**	16,605,149.32
Receivables financing	4	**459,630,155.77**	898,747,186.51
Prepayments	5	**171,895,658.54**	187,852,973.22
Other receivables	6	**53,775,499.93**	38,073,563.32
Including: Interest receivable		**–**	–
Dividends receivable		**–**	428,145.74
Inventories	7	**1,396,760,706.20**	1,706,277,340.05
Other current assets	8	**35,536,755.83**	125,476,498.63
Total current assets		**4,845,071,992.06**	6,287,381,245.43
Non-current assets			
Long-term equity investments	9	**141,954,046.42**	108,764,718.31
Investments in other equity instruments	10	**60,364,499.70**	60,364,499.70
Fixed assets	11	**23,585,897,975.23**	24,523,532,163.82
Construction in progress	12	**170,112,476.56**	861,172,176.21
Right-of-use assets	13	**73,172,761.56**	163,281,425.80
Intangible assets	14	**2,476,068,688.22**	2,470,417,724.58
Goodwill	15	**42,871,263.01**	328,054,770.34
Deferred tax assets	16	**690,664,598.09**	676,275,218.36
Total Non-current Assets		**27,241,106,308.79**	29,191,862,697.12
TOTAL ASSETS		**32,086,178,300.85**	35,479,243,942.55

The accompanying notes form part of the financial statements.

At 31 December 2025

RMB

Liabilities and shareholders' equity	*Note V*	31 December 2025	31 December 2024
Current liabilities			
Short-term borrowings	18	**975,503,250.15**	919,368,395.79
Notes payable	19	**3,255,608,622.05**	1,933,510,510.45
Accounts payable	20	**4,105,401,735.68**	4,960,412,820.44
Contract liabilities	21	**1,137,072,939.29**	1,812,205,815.86
Employee benefits payable	22	**116,942,823.98**	136,435,629.44
Taxes payable	23	**12,615,839.64**	16,332,462.83
Other payables	24	**3,118,211,051.73**	2,660,297,030.92
Including: Interest payable		**–**	–
Dividends payable		**–**	–
Non-current liabilities due within one year	25	**2,432,156,341.55**	4,253,092,856.67
Other current liabilities	21	**143,043,750.60**	235,586,756.06
Total current liabilities		**15,296,556,354.67**	16,927,242,278.46
Non-current liabilities			
Long-term borrowings	26	**2,526,395,643.01**	1,652,075,334.18
Lease liabilities	27	**59,244,715.99**	30,544,958.67
Long-term payables	28	**20,548,671.60**	27,491,726.81
Long-term employee benefits payable	29	**57,009,173.39**	118,872,475.11
Provisions	30	**8,026,222.30**	3,135,452.93
Deferred income	31	**200,222,244.58**	107,051,670.39
Deferred tax liabilities	16	**6,390,213.87**	6,194,061.65
Total non-current liabilities		**2,877,836,884.74**	1,945,365,679.74
Total liabilities		**18,174,393,239.41**	18,872,607,958.20

The accompanying notes form part of the financial statements.

The Consolidated Balance Sheet (Continued)

At 31 December 2025

RMB

Liabilities and shareholders' equity	*Note V*	**31 December 2025**	31 December 2024
Shareholders' equity			
Share capital	32	**8,851,763,767.00**	8,918,602,267.00
Capital reserve	33	**19,279,224,566.14**	19,282,146,606.55
Less: Treasury shares	34	**–**	69,760,540.41
Other comprehensive income	35	**1,585,194.71**	1,585,194.71
Special reserve	36	**58,562,796.44**	31,581,736.68
Surplus reserve	37	**608,477,851.26**	607,679,608.13
Retained profits (accumulated losses)	38	**(14,887,829,114.11)**	(12,165,198,888.31)
Total shareholders' equity		**13,911,785,061.44**	16,606,635,984.35
Total liabilities and shareholders' equity		**32,086,178,300.85**	35,479,243,942.55

The financial statements were signed by the following:

Legal Representative	*Chief Financial Officer*	*Person in Charge of the Accounting Body*

The accompanying notes form part of the financial statements.

The Company's Balance Sheet

At 31 December 2025

RMB

Assets	*Note XIII*	**31 December 2025**	31 December 2024
Current assets			
Cash and bank balances		**2,708,032,380.47**	3,017,886,054.05
Notes receivable		**4,185,550.14**	294,742,106.52
Accounts receivable	1	**9,505,363.37**	15,949,222.83
Receivables financing		**459,630,155.77**	898,747,186.51
Prepayments		**171,403,280.98**	184,665,612.33
Other receivables	2	**86,057,973.27**	98,850,007.77
Including: Interest receivable		**–**	–
Dividends receivable		**–**	428,145.74
Inventories		**1,395,732,881.16**	1,705,250,410.38
Other current assets		**15,802,113.18**	105,830,771.84
Total current assets		**4,850,349,698.34**	6,321,921,372.23
Non-current assets			
Long-term equity investments	3	**1,079,273,596.44**	1,101,052,712.99
Investments in other equity instruments		**60,364,499.70**	60,364,499.70
Fixed assets		**22,809,350,263.94**	23,658,825,519.25
Construction in progress		**160,117,476.22**	833,407,008.82
Right-of-use assets		**73,172,761.56**	163,281,425.80
Intangible assets		**2,416,000,837.10**	2,408,504,964.55
Deferred tax assets		**690,635,820.42**	676,246,440.70
Total Non-current Assets		**27,288,915,255.38**	28,901,682,571.81
TOTAL ASSETS		**32,139,264,953.72**	35,223,603,944.04

The accompanying notes form part of the financial statements.

The Company's Balance Sheet (Continued)

At 31 December 2025

RMB

Liabilities and shareholders' equity	31 December 2025	31 December 2024
Current liabilities		
Short-term borrowings	**975,503,250.15**	919,368,395.79
Notes payable	**3,255,608,622.05**	1,933,510,510.45
Accounts payable	**4,209,467,944.98**	4,948,586,113.44
Contract liabilities	**1,136,817,199.47**	1,812,200,398.98
Employee benefits payable	**115,510,894.98**	134,763,630.69
Taxes payable	**10,159,528.93**	5,070,745.25
Other payables	**3,081,301,995.42**	2,637,790,673.61
Including: Interest payable	**–**	–
Dividends payable	**–**	–
Non-current liabilities due within one year	**2,432,156,341.55**	4,253,092,856.67
Other current liabilities	**143,010,504.42**	235,586,051.87
Total current liabilities	**15,359,536,281.95**	16,879,969,376.75
Non-current liabilities		
Long-term borrowings	**2,526,395,643.01**	1,652,075,334.18
Lease liabilities	**59,244,715.99**	30,544,958.67
Long-term payables	**20,548,671.60**	27,491,726.81
Long-term employee benefits payable	**57,009,173.39**	117,545,748.96
Provisions	**8,026,222.30**	3,135,452.93
Deferred income	**200,222,244.58**	107,051,670.39
Total non-current liabilities	**2,871,446,670.87**	1,937,844,891.94
Total liabilities	**18,230,982,952.82**	18,817,814,268.69

The accompanying notes form part of the financial statements.

RMB

Liabilities and shareholders' equity	31 December 2025	31 December 2024
Shareholders' equity		
Share capital	**8,851,763,767.00**	8,918,602,267.00
Capital reserve	**19,310,167,824.14**	19,313,089,864.55
Less: Treasury shares	**–**	69,760,540.41
Other comprehensive income	**1,585,194.71**	1,585,194.71
Special reserve	**9,557,715.26**	–
Surplus reserve	**577,012,986.42**	577,012,986.42
Retained profits (Accumulated losses)	**(14,841,805,486.63)**	(12,334,740,096.92)
Total shareholders' equity	**13,908,282,000.90**	16,405,789,675.35
Total liabilities and shareholders' equity	**32,139,264,953.72**	35,223,603,944.04

The accompanying notes form part of the financial statements.

The Consolidated Income Statement

For the year ended 31 December 2025

RMB

	Note V	**2025**	2024
I. Operating income	39	**24,001,657,475.68**	27,244,169,261.07
Less: Operating costs	39	**23,804,750,788.55**	28,599,481,666.56
Taxes and levies	40	**161,261,596.86**	148,499,039.47
Selling expenses	41	**68,888,245.99**	56,787,974.15
Administrative expenses	42	**228,810,282.91**	370,594,975.82
Research and development expenses	43	**45,007,085.71**	41,783,693.19
Financial expenses	44	**166,047,249.90**	200,672,865.83
Including: Interest expenses		**200,060,219.69**	185,550,737.25
Interest income		**42,154,845.61**	22,389,740.43
Add: Other income	45	**156,707,406.92**	82,935,653.30
Investment income (loss)	46	**3,545,513.60**	5,490,956.31
Including: Income (Loss) from investments in associates and joint ventures		**3,545,513.60**	5,062,810.57
Credit impairment gains (losses)	47	**(4,276,267.21)**	(3,528,987.74)
Gains (Losses) on impairment of assets	48	**(2,442,488,772.07)**	(1,233,901,418.16)
Gains (Losses) on disposal of assets	49	**16,986,944.97**	2,556,283.20
II. Operating profit (loss)		**(2,742,632,948.03)**	(3,320,098,467.04)
Add: Non-operating income	50	**2,039,244.58**	5,665,157.48
Less: Non-operating expenses	51	**(6,061,397.24)**	(22,792,239.71)
III. Total profit (loss)		**(2,734,532,306.21)**	(3,291,641,069.85)
Less: Income tax expenses	52	**(12,700,323.54)**	(96,079,583.55)
IV. Net profit (loss)		**(2,721,831,982.67)**	(3,195,561,486.30)
(I) Categorized by the nature of continuing operation			
1.Net profit (loss) from continuing operations		**(2,721,831,982.67)**	(3,195,561,486.30)
(II) Categorized by ownership:			
1.Net profit/(loss) attributable to shareholders of the Company		**(2,721,831,982.67)**	(3,195,561,486.30)
V. Total comprehensive income			
1.Total comprehensive income attributable to shareholders of the Company		**(2,721,831,982.67)**	(3,195,561,486.30)
VI. Earnings per share			
(I) Basic earnings per share (RMB/share)	53	**(0.31)**	(0.36)
(II) Diluted earnings per share (RMB/share)		**N/A**	N/A

The accompanying notes form part of the financial statements.

The Company's Income Statement

For the year ended 31 December 2025

RMB

	Note XIII	**2025**	2024
I. Operating income	4	**24,031,750,193.52**	27,286,800,239.92
Less: Operating costs	4	**23,851,819,605.11**	28,619,666,820.93
Taxes and levies		**145,508,240.43**	135,640,649.57
Selling expenses		**68,888,245.99**	56,787,974.15
Administrative expenses		**226,502,922.17**	364,825,739.58
Research and development expenses		**45,007,085.71**	37,983,877.15
Financial expenses		**166,059,300.75**	200,548,294.68
Including: Interest expenses		**200,060,219.69**	185,399,196.75
Interest income		**42,132,842.30**	22,350,908.94
Add: Other income		**66,088,704.44**	12,062,463.32
Investment income (loss)	5	**3,545,513.60**	5,490,956.31
Including: Income (loss) from investments in associates and joint ventures		**3,545,513.60**	5,062,810.57
Credit impairment gains (losses)		**(3,274,428.57)**	(3,405,976.60)
Gains (Losses) on impairment of assets		**(2,140,923,956.50)**	(1,204,928,543.17)
Gains (Losses) on disposal of assets		**16,943,944.97**	2,556,283.20
II. Operating profit (loss)		**(2,529,655,428.70)**	(3,316,877,933.08)
Add: Non-operating income		**2,039,244.58**	8,489,400.13
Less: Non-operating expenses		**(6,161,414.69)**	(8,920,046.82)
III. Total profit (loss)		**(2,521,454,769.43)**	(3,299,468,486.13)
Less: Income tax expenses		**(14,389,379.72)**	(130,486,794.58)
IV. Net profit (loss)		**(2,507,065,389.71)**	(3,168,981,691.55)
(I) Net profit (loss) from continuing operations		**(2,507,065,389.71)**	(3,168,981,691.55)
V. Total comprehensive income		**(2,507,065,389.71)**	(3,168,981,691.55)

The accompanying notes form part of the financial statements.

The Consolidated Cash Flow Statement

For the year ended 31 December 2025

RMB

	Note V	2025	2024
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		**20,229,094,731.66**	24,200,962,058.28
Receipts of tax refunds		**77,786,638.11**	58,687,379.46
Other cash receipts relating to operating activities	53	**186,122,183.46**	114,904,580.65
Sub-total of cash inflows from operating activities		**20,493,003,553.23**	24,374,554,018.39
Cash payments for goods purchased and services received		**17,419,804,459.40**	21,437,528,872.33
Cash payments to and on behalf of employees		**1,064,636,285.13**	1,132,765,665.62
Payments of various types of taxes		**250,747,361.47**	215,742,253.05
Other cash payments relating to operating activities	53	**108,905,096.84**	278,653,867.62
Sub-total of cash outflows from operating activities		**18,844,093,202.84**	23,064,690,658.62
Net Cash Flow from Operating Activities	54	**1,648,910,350.39**	1,309,863,359.77
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		**285,580,457.21**	–
Cash receipts from investment income		**8,319,113.39**	7,232,797.28
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**2,565,594.70**	–
Sub-total of cash inflows from investing activities		**296,465,165.30**	7,232,797.28
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		**997,238,327.11**	766,085,126.85
Cash payments to acquire investments		**926,879,379.88**	30,350,000.00
Sub-total of cash outflows from investing activities		**1,924,117,706.99**	796,435,126.85
Net Cash Flow from Investing Activities		**(1,627,652,541.69)**	(789,202,329.57)

The accompanying notes form part of the financial statements.

RMB

	Note V	2025	2024
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		**2,911,970,253.19**	2,446,701,461.70
Other cash receipts relating to financing activities	53	**–**	34,247,786.00
Sub-total of cash inflows from financing activities		**2,911,970,253.19**	2,480,949,247.70
Cash repayments of borrowings		**3,585,334,194.70**	1,152,678,019.46
Cash payments for distribution of dividends or profits or settlement of interest expenses		**184,582,356.87**	154,962,406.10
Other cash payments relating to financing activities	53	**35,844,051.13**	713,393,254.54
Sub-total of cash outflows from financing activities		**3,805,760,602.70**	2,021,033,680.10
Net Cash Flow from Financing Activities		**(893,790,349.51)**	459,915,567.60
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**–**	–
V. Net Increase (Decrease) in Cash and Cash Equivalents		**(872,532,540.81)**	980,576,597.80
Add: Opening balance of cash and cash equivalents		**2,812,341,074.96**	1,831,764,477.16
VI. Closing Balance of Cash and Cash Equivalents	54	**1,939,808,534.15**	2,812,341,074.96

The accompanying notes form part of the financial statements.

The Company's Cash Flow Statement

For The Year Ended 31 December 2025

RMB

	2025	2024
I. Cash Flows from Operating Activities:		
Cash receipts from the sale of goods and the rendering of services	**19,998,820,858.08**	24,308,783,491.12
Other cash receipts relating to operating activities	**201,762,086.89**	117,211,194.50
Sub-total of cash inflows from operating activities	**20,200,582,944.97**	24,425,994,685.62
Cash payments for goods purchased and services received	**17,253,777,395.80**	21,636,425,787.63
Cash payments to and on behalf of employees	**1,023,534,746.44**	1,087,010,040.67
Payments of various types of taxes	**140,419,456.75**	132,361,349.27
Other cash payments relating to operating activities	**141,355,128.96**	264,881,389.31
Sub-total of cash outflows from operating activities	**18,559,086,727.95**	23,120,678,566.88
Net Cash Flow from Operating Activities	**1,641,496,217.02**	1,305,316,118.74
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	**285,580,457.21**	–
Cash receipts from investment income	**8,319,113.39**	7,232,797.28
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	**2,522,594.69**	–
Sub-total of cash inflows from investing activities	**296,422,165.29**	7,232,797.28
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	**992,367,638.32**	760,621,647.96
Cash payments to acquire investments	**926,879,379.88**	30,350,000.00
Sub-total of cash outflows from investing activities	**1,919,247,018.20**	790,971,647.96
Net Cash Flow from Investing Activities	**(1,622,824,852.91)**	(783,738,850.68)

The accompanying notes form part of the financial statements.

For The Year Ended 31 December 2025

RMB

	2025	2024
III. Cash Flows from Financing Activities:		
Cash receipts from borrowings	**2,911,970,253.19**	2,446,701,461.70
Other cash receipts relating to financing activities	**–**	34,247,786.00
Sub-total of cash inflows from financing activities	**2,911,970,253.19**	2,480,949,247.70
Cash repayments of borrowings	**3,585,334,194.70**	1,152,678,019.46
Cash payments for distribution of dividends or profits or settlement of interest expenses	**184,582,356.87**	154,962,406.10
Other cash payments relating to financing activities	**35,844,051.13**	713,393,254.54
Sub-total of cash outflows from financing activities	**3,805,760,602.70**	2,021,033,680.10
Net Cash Flow from Financing Activities	**(893,790,349.51)**	459,915,567.60
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	**–**	–
V. Net Increase (Decrease) in Cash and Cash Equivalents	**(875,118,985.40)**	981,492,835.66
Add: Opening balance of cash and cash equivalents	**2,810,620,701.15**	1,829,127,865.49
VI. Closing Balance of Cash and Cash Equivalents	**1,935,501,715.75**	2,810,620,701.15

The accompanying notes form part of the financial statements.

The Consolidated Statement Of Changes In Shareholders' Equity

For the year ended 31 December 2025

2025

RMB

	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits (Accumulated losses)	Total shareholders' equity
I. Opening balance of the year	**8,918,602,267.00**	**19,282,146,606.55**	**69,760,540.41**	**1,585,194.71**	**31,581,736.68**	**607,679,608.13**	**(12,165,198,888.31)**	**16,606,635,984.35**
II. Changes for the year	**(66,838,500.00)**	**(2,922,040.41)**	**(69,760,540.41)**	**-**	**26,981,059.76**	**798,243.13**	**(2,722,630,225.80)**	**(2,694,850,922.91)**
(I) Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(2,721,831,982.67)**	**(2,721,831,982.67)**
(II) Shareholders' contributions and reduction in capital	**(66,838,500.00)**	**(2,922,040.41)**	**(69,760,540.41)**	**-**	**-**	**-**	**-**	**-**
1. Cancellation of treasury shares	**(66,838,500.00)**	**(2,922,040.41)**	**(69,760,540.41)**	**-**	**-**	**-**	**-**	**-**
(III) Profit distribution	**-**	**-**	**-**	**-**	**-**	**798,243.13**	**(798,243.13)**	**-**
1. Transfer to surplus reserve	**-**	**-**	**-**	**-**	**-**	**798,243.13**	**(798,243.13)**	**-**
(IV) Special reserve	**-**	**-**	**-**	**-**	**26,981,059.76**	**-**	**-**	**26,981,059.76**
1. Amount provided in the year	**-**	**-**	**-**	**-**	**47,121,924.78**	**-**	**-**	**47,121,924.78**
2. Amount utilized in the year	**-**	**-**	**-**	**-**	**(20,140,865.02)**	**-**	**-**	**(20,140,865.02)**
III. Closing balance of the year	**8,851,763,767.00**	**19,279,224,566.14**	**-**	**1,585,194.71**	**58,562,796.44**	**608,477,851.26**	**(14,887,829,114.11)**	**13,911,785,061.44**

The accompanying notes form part of the financial statements.

For the year ended 31 December 2025

2024

RMB

	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits (Accumulated losses)	Total shareholders' equity
I. Opening balance of the year	8,918,602,267.00	19,282,146,606.55	–	1,585,194.71	13,954,677.59	607,300,662.40	(8,969,258,456.28)	19,854,330,951.97
II. Changes for the year	–	–	69,760,540.41	–	17,627,059.09	378,945.73	(3,195,940,432.03)	(3,247,694,967.62)
(I) Total comprehensive income	–	–	–	–	–	–	(3,195,561,486.30)	(3,195,561,486.30)
(II) Shareholders' contributions and reduction in capital	–	–	69,760,540.41	–	–	–	–	(69,760,540.41)
1. Repurchase of shares	–	–	69,760,540.41	–	–	–	–	(69,760,540.41)
(III) Profit distribution	–	–	–	–	–	378,945.73	(378,945.73)	–
1. Transfer to surplus reserve	–	–	–	–	–	378,945.73	(378,945.73)	–
(IV) Special reserve	–	–	–	–	17,627,059.09	–	–	17,627,059.09
1. Amount provided in the year	–	–	–	–	60,951,736.63	–	–	60,951,736.63
2. Amount utilized in the year	–	–	–	–	(43,324,677.54)	–	–	(43,324,677.54)
III. Closing balance of the year	8,918,602,267.00	19,282,146,606.55	69,760,540.41	1,585,194.71	31,581,736.68	607,679,608.13	(12,165,198,888.31)	16,606,635,984.35

The accompanying notes form part of the financial statements.

Statement of Changes in Shareholders' Equity of the Company

For the year ended 31 December 2025

2025

RMB

	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits (Accumulated losses)	Total shareholders' equity
I. Opening balance of the year	**8,918,602,267.00**	**19,313,089,864.55**	**69,760,540.41**	**1,585,194.71**	**-**	**577,012,986.42**	**(12,334,740,096.92)**	**16,405,789,675.35**
II. Changes for the year	**(66,838,500.00)**	**(2,922,040.41)**	**(69,760,540.41)**	**-**	**9,557,715.26**	**-**	**(2,507,065,389.71)**	**(2,497,507,674.45)**
(I) Total comprehensive income	-	-	-	-	-	-	(2,507,065,389.71)	(2,507,065,389.71)
(II) Shareholders' contributions and reduction in capital	(66,838,500.00)	(2,922,040.41)	(69,760,540.41)	-	-	-	-	-
1. Cancellation of treasury shares	(66,838,500.00)	(2,922,040.41)	(69,760,540.41)	-	-	-	-	-
(iii) Special reserve	-	-	-	-	9,557,715.26	-	-	9,557,715.26
1. Amount provided in the year	-	-	-	-	29,629,768.73	-	-	29,629,768.73
2. Amount utilized in the year	-	-	-	-	(20,072,053.47)	-	-	(20,072,053.47)
III. Closing balance of the year	**8,851,763,767.00**	**19,310,167,824.14**	**-**	**1,585,194.71**	**9,557,715.26**	**577,012,986.42**	**(14,841,805,486.63)**	**13,908,282,000.90**

The accompanying notes form part of the financial statements.

Statement of Changes in Shareholders' Equity of the Company (Continued)

For the year ended 31 December 2025

2024

RMB

	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits (Accumulated losses)	Total shareholders' equity
I. Opening balance of the year	8,918,602,267.00	19,313,089,864.55	–	1,585,194.71	–	577,012,986.42	(9,165,758,405.37)	19,644,531,907.31
II. Changes for the year	–	–	69,760,540.41	–	–	–	(3,168,981,691.55)	(3,238,742,231.96)
(I) Total comprehensive income	–	–	–	–	–	–	(3,168,981,691.55)	(3,168,981,691.55)
(II) Shareholders' contributions and reduction in capital	–	–	69,760,540.41	–	–	–	–	(69,760,540.41)
1. Repurchase of shares	–	–	69,760,540.41	–	–	–	–	(69,760,540.41)
(iii) Special reserve	–	–	–	–	–	–	–	–
1. Amount provided in the year	–	–	–	–	41,544,953.11	–	–	41,544,953.11
2. Amount utilized in the year	–	–	–	–	(41,544,953.11)	–	–	(41,544,953.11)
III. Closing balance of the year	8,918,602,267.00	19,313,089,864.55	69,760,540.41	1,585,194.71	–	577,012,986.42	(12,334,740,096.92)	16,405,789,675.35

The accompanying notes form part of the financial statements.

I. BASIC INFORMATION

1. Basic information

According to the approval of Ti Gai Sheng Zi [1997] No. 127 issued by the State Commission for Restructuring Economic Systems and the approval of Guo Zi Qi Fa [1997] No. 156 issued by the State-owned Assets Administration Bureau, Chongqing Iron & Steel Company Limited (the "Company") was established as a limited liability company by Chongqing Iron & Steel (Group) Co., Ltd. ("CISG") as the sole promoter. The Company was incorporated and registered with Chongqing Municipal Administration of Industry and Commerce on 11 August 1997, whose headquarter is located in Changshou District, Chongqing. The Company's shares were listed in The Stock Exchange of Hong Kong Ltd. and listed in Shanghai Stock Exchange on 17 October 1997 and 28 February 2007, respectively. The Company holds the business license with unified social credit code of 91500000202852965T, with the registered capital of RMB8,851,763,767.00 and the sum of 8,851,763,767 shares with par value of RMB1 each, including 8,313,636,567 A shares without any restricted condition and 538,127,200 H shares.

The Company underwent restructuring in 2017. Pursuant to the reorganization plan, 2,096,981,600 shares of the Company held by CISG were transferred to Chongqing Changshou Iron and Steel Co., Ltd. ("Changshou Iron and Steel") on 27 December 2017, and the share transfer procedures were completed with China Securities Depository and Clearing Corporation Limited. Subsequent to the completion of the share transfer, Changshou Iron and Steel holds 2,096,981,600 shares of the Company, with a shareholding percentage of 23.51%, and became the controlling shareholder of the Company. In 2025, the Company repurchased a total of 66,838,500 shares. Upon completion of the repurchase and cancellation, the shareholding percentage of Changshou Iron and Steel is 23.69%. China Baowu Steel Group Corporation Limited ("Baowu Group") is the parent company of Changshou Iron and Steel. Baowu Group and its subsidiaries held 515,247,598 ordinary shares of the Company, with a shareholding percentage of 5.82%. As at 31 December 2025, Baowu Group directly and indirectly held 2,612,229,198 ordinary shares of the Company, with a shareholding percentage of 29.51%.

The Company and its subsidiaries (collectively the "Group") operate in the steel manufacturing industry and are mainly engaged in the production, processing and sale of steel plates, steel sections, wire rods, bar materials, billets and thin plates, and in the production and sale of coking and coal chemical products (excluding hazardous chemicals other than crude benzene for aromatic hydrocarbon processing and crude benzene for solvent use, and subject to the scope and term specified in the license), pig iron & grain slag, steel slag, and steel scrap, domestic shipping agency, domestic cargo transport agency.

2. Date of approval for issue of the financial statements

The consolidated and the Company's financial statements have been approved by the Company's Board of Directors on 30 March 2026. Pursuant to the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group implements the Accounting Standards for Business Enterprises issued by the Ministry of Finance and the relevant regulations. In addition, the Group has disclosed relevant financial information in accordance with *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports, the Hong Kong Companies Ordinance*, and the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

2. Going concern

As at 31 December 2025, the Group had accumulated losses of RMB14,887,829,114.11, total current liabilities in excess of total current assets of RMB10,451,484,362.61. The Board of Directors of the Company has considered the following sources of funds available to the Group, including but not limited to: (1) unused financing facilities; (2) expected net cash inflows from operating activities in the next 12 months; (3) financing inflows from the issuance of A shares to specific investors of RMB1 billion approved at the extraordinary general meeting and the special general meeting of H shareholders held on 13 March 2026 to take place subsequent to the reporting period. After the assessment, the Board of Directors of the Company believes that the Group has sufficient working capital to continue as a going concern for a period not less than 12 months from the end of the reporting period. Therefore, the financial statements have been prepared on a going concern basis.

3. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Company adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, an impairment loss is recognized in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are measured at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are measured at the amount of proceeds or assets received or the contractual amount for assuming the present obligation, or, at the amount of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

3. Basis of accounting and principle of measurement (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless of whether that fair value is directly observable or estimated using another valuation technique, fair value measured and disclosed in the financial statements are determined on such a basis.

For financial assets of which the transaction price is used as the fair value at initial recognition and for which a valuation technique involving unobservable inputs is used in the subsequent measurement of fair value, the valuation technique is corrected during the valuation process so that the initial recognition result determined by the valuation technique is equal to the transaction price.

Fair value measurements are Categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than inputs included within Level 1, that are observable for the asset or liability, either directly or indirectly;

- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the Accounting Standards for Business Enterprises ("ASBE")

The financial statements of the Company have been prepared in accordance with the ASBE, and present truly and completely, the consolidated and the Company's financial position as at 31 December 2025, and the consolidated and the Company's results of operations, changes in shareholders' equity and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e., from 1 January to 31 December.

3. Operating cycle

The operating cycle refers to the period from purchase of assets used for processing to realization of cash or cash equivalents. The Group's operating cycle is usually 12 months.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its subsidiaries operate. Therefore, the Company and its subsidiaries choose RMB as their functional currency. The Company adopts RMB to prepare its financial statements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Determination method and selection basis of materiality criteria

Item	Materiality criteria
Recovery or reversal amount of credit loss allowance for significant receivables	Recovery or reversal amount ≥ 0.5% of current assets
Actual write-off of significant receivables	Write-off amount ≥ 0.5% of current assets
Significant construction in progress	Investment budget ≥ RMB500 million
Significant associates	Carrying amount of the long-term equity investment in a single investee ≥ 0.5% of consolidated net assets
Significant accounts payable aged over one year or overdue	Single account receivable aged over one year ≥ 10% of total accounts receivable aged over one year
Significant contract liabilities aged over one year	Single contract liability aged over one year ≥ 10% of total contract liabilities aged over one year
Significant other payables aged over one year or overdue	Single other receivable aged over one year ≥ 10% of total other payables aged over one year
Cash receipts relating to significant investing activities	Cash inflows from single investment activity ≥ 10% of total cash inflows from investing activities
Cash payments relating to significant investing activities	Cash outflows from single investment activity ≥ 10% of total cash outflows from investing activities
Significant activities that do not involve cash receipts and payments	Amount of a single activity ≥ 10% of total corresponding cash inflows or outflows
Significant investing and financing activities that do not involve cash receipts and payments	Amount of a single activity ≥ 10% of total corresponding cash inflows or outflows

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

6.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combined entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

6.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control (Continued)

6.2 Business combinations not involving enterprises under common control and goodwill (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria are measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

7. Determination criteria of control and preparation method of consolidated financial statements

7.1 Determination criteria of control

Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes in the above elements of the definition of control.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Determination criteria of control and preparation method of consolidated financial statements (Continued)

7.2 Preparation method of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The effects of all intra-group transactions on the consolidated financial statements are eliminated on consolidation.

8. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily available for payments. Cash equivalents are the Group's short-term (generally due within three months from the acquisition date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are recorded, on initial recognition, by applying the actual spot exchange rate on the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions.

Cash flows in foreign currencies are translated using the spot exchange rate at the date the cash flows occur. The effect of foreign exchange rate changes on cash and cash equivalents is presented separately in the cash flow statement as a reconciling item under "Effect of foreign exchange rate changes on cash and cash equivalents".

The closing balances and the actual figures of previous year are presented at the translated amounts in the previous year's financial statements.

10. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Group recognizes assets acquired and liabilities assumed on a trade date basis, or derecognizes the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value (for the methods used to determine the fair value, please refer to the relevant disclosures in Note II regarding the basis of accounting and principle of measurement). For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initially recognized amounts. When recognizing accounts receivable that do not contain significant financing components or of which the financing components in the contract with a term of no more than one year are not taken into consideration in accordance with the *Accounting Standards for Business Enterprises No. 14 - Revenue* ("Revenue Standards"), the Group adopts the transaction price as defined in the Revenue Standards for initial measurement.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant accounting periods.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortized cost of the financial liability. When determining the effective interest rate, the Group estimates future cash flows by considering all contractual terms of the financial asset or financial liability including repayment in advance, extension, call option, or other similar options, etc., without considering the expected credit losses.

The amortized cost of a financial asset or a financial liability is the initially recognized amount net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the initially recognized amount and the amount at the maturity date using the effective interest method, and then net of cumulative loss allowance (only applicable to financial assets).

10.1 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified as measured at amortized cost and at fair value through other comprehensive income ("FVTOCI") based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group classifies such financial asset as financial assets at amortized cost, which include cash and bank balances, notes receivable, accounts receivable, and other receivables.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.1 Classification, recognition and measurement of financial assets (Continued)

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, the Group classifies such financial asset as financial assets at FVTOCI. Other financial assets of such type are presented as other debt investments if they are due after one year since the acquisition, or presented under non-current assets due within one year if they are due within one year (inclusive) since the balance sheet date. The accounts receivable and notes receivable classified as at FVTOCI upon acquisition are presented under receivables financing, while the remaining items due within one year (inclusive) upon acquisition are presented under other current assets.

Upon initial recognition, the Group may irrevocably designate the non-held-for-trading equity instrument investments other than contingent considerations recognized in business combination not involving enterprises under common control as financial assets at FVTOCI on an individual asset basis. Such financial assets are presented as investments in other equity instruments in financial statements.

A financial asset is classified as held for trading if one of the following conditions is satisfied:

- It has been acquired principally for the purpose of selling it in the near term.
- On initial recognition, it is part of a portfolio of identifiable financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking.
- It is a derivative that is neither a financial guarantee contract nor designated as an effective hedging instrument.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.1 Classification, recognition and measurement of financial assets (Continued)

10.1.1 Financial assets measured at amortized cost

Financial assets at amortized cost are subsequently measured at amortized cost using effective interest method. Any gains or losses arising from impairment or derecognition are included in profit or loss.

Interest income from financial assets at amortized cost are recognized by the Group based on the effective interest method. Interest income is determined by applying an effective interest rate to the gross carrying amount of the financial asset, except for the following circumstances:

- For a purchased or originated credit-impaired financial asset, the Group calculates and determines the interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset since initial recognition.

- For a purchased or originated financial asset that is not credit-impaired but subsequently becomes credit-impaired, the Group calculates and determines the interest income by applying the effective interest rate to the amortized cost of the financial asset in subsequent period. If the financial instrument is no longer credit-impaired due to improvement of credit risk, and the improvement is linked with an event occurred after application of the above provisions, the Group will calculate and determine the interest income by applying effective interest rate to the gross carrying amount of the financial asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.1 Classification, recognition and measurement of financial assets (Continued)

10.1.2 Financial assets at FVTOCI

For financial assets classified as at FVTOCI, except for the impairment losses or gains, interest income calculated using effective interest method and exchange gains or losses which are included in profit or loss for the period, the changes in fair value of the financial assets are included in other comprehensive income. The amounts included in profit or loss for each period are equivalent to that as if it has been always measured at amortized cost. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred to profit or loss for the period.

Changes in fair value of non-held-for-trading equity instrument investments designated as financial assets at FVTOCI are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings. During the period in which the Group holds the non-held-for-trading equity instrument, revenue from dividends is recognized in profit or loss for the period when (1) the Group has established the right of collecting dividends; (2) it is probable that the associated economic benefits will flow to the Group; and (3) the amount of dividends can be measured reliably.

10.2 Impairment of financial instruments

The Group makes accounting treatment on impairment and recognizes loss allowance for expected credit losses ("ECL") on financial assets measured at amortized cost, financial assets classified as at FVTOCI and lease receivables.

For notes receivable and accounts receivable arising from transactions regulated by the Revenue Standards that do not contain significant financing component or without considering the financing component included in the contract with a term not exceeding one year, as well as lease receivables arising from transactions adopting the *Accounting Standards for Business Enterprises No. 21- Leases*, the Group recognizes the loss allowance at an amount equivalent to the lifetime ECL.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

For other financial instruments (other than purchased or originated credit-impaired financial assets), the Group assesses the changes of credit risk since initial recognition of relevant financial instruments at each balance sheet date. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. The increase or reversal of credit loss allowance for financial assets other than those classified as at FVTOCI is recognized as an impairment loss or gain and included in profit or loss for the period. For financial assets classified as at FVTOCI, the credit loss allowance is recognized in other comprehensive income and the impairment loss or gain is included in profit or loss for the period without reducing the carrying amount of the financial assets in the balance sheet.

Where the Group has measured the loss allowance at an amount equivalent to lifetime ECL of a financial instrument in prior accounting period, but the financial instrument no longer satisfies the criteria of significant increase in credit risk since initial recognition at the current balance sheet date, the Group recognizes the loss allowance of the financial instrument at an amount equivalent to 12-month ECL at the current balance sheet date, with any resulting reversal of loss allowance recognized as impairment gains in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition with available reasonable and supportable forward-looking information.

The following factors are taken into account when assessing whether credit risk has increased significantly:

(1) Adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

(2) An actual or expected significant change in the operating results of the debtor;

(3) Significant increase in the credit risk of other financial instruments issued by the same debtor;

(4) Significant adverse changes in regulatory, economic, or technological environment of the debtor;

(5) Significant changes in expected performance and repayment of the debtor;

At the balance sheet date, if the Group determines that a financial instrument has only lower credit risk, the Group assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. A financial instrument is deemed as having lower credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to satisfy its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily reduce the ability of the borrower to fulfil its contractual cash obligations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

(1) Significant financial difficulty of the issuer or debtor;

(2) Breach of contract by the debtor, such as a default or delinquency in interest or principal payments;

(3) The creditor(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor(s) would not otherwise consider;

(4) It is probable that the debtor will enter bankruptcy or other financial reorganizations;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;

(6) Purchase or origination of a financial asset at a significant discount that reflects the fact of credit loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.3 Determination of expected credit loss ("ECL")

The Group determines the ECL of relevant financial instruments using the following methods:

- For financial assets and lease receivables, the credit loss represents the present value of the difference between the contractual cash flows receivable by the Group and the cash flows expected to be received by the Group;

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognized by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

10.2.4 Write-down of financial assets

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.3 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.

- For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.3 Transfer of financial assets (Continued)

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the transferred financial asset at the date of derecognition; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss on changes in fair value that has been recognized in other comprehensive income, is recognized in profit or loss for the period. Where the transferred assets are non-held-for-trading equity instrument investments designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are transferred out and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. Where the transferred assets are non-held-for-trading equity instrument investments designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are transferred out and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognize the transferred financial asset in its entirety and includes the consideration received in liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.4 Classification of financial liabilities and equity instruments

Financial instruments issued by the Group or their components are classified into financial liabilities or equity instruments on the basis of not only the legal form but also the contractual terms and their economic substance, together with the definition of financial liability and equity instrument.

10.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities consist entirely of other financial liabilities, which primarily comprise short-term borrowings, notes payable, accounts payable, other payables, non-current liabilities due within one year (borrowings), long-term borrowings and long-term payables, etc.

10.4.1.1 Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost, and any gains or losses arising from termination of recognition or amortization are included in profit or loss.

10.4.2 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

10.4 Classification of financial liabilities and equity instruments (Continued)

10.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group treats allocations to equity instrument holders as profit distribution and the distributed dividends do not affect the total amount of shareholders' equity.

10.5 Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously, the financial assets and financial liabilities are offset with the net amount presented in the balance sheet. Otherwise, financial assets and financial liabilities are separately presented in the balance sheet without offsetting.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Notes receivable

11.1 Determination method of and accounting treatment for ECL of notes receivable

The Group determines the credit losses on notes receivable on an individual asset basis. The increase or reversal amount of ECL of notes receivable is included in profit or loss for the period as credit impairment loss or gain.

11.2 Basis of allowances for credit losses made on an individual basis

The Group assesses the credit risk of notes receivable on an individual asset basis where there is objective evidence that it has become impaired.

12. Accounts receivable

12.1 Portfolios for which allowances for credit losses are collectively assessed based on credit risk characteristics and their basis

The Group classifies accounts receivable into different groups based on common risk characteristics. The common credit risk characteristics adopted by the Group include: initial recognition date, remaining contractual term, duration of past due, etc.

12.2 Calculation method of aging based on the portfolio of credit risk characteristics determined by aging

The Group uses the aging of accounts receivable as a credit risk characteristic to determine its credit losses using an impairment matrix. The aging is calculated from the date of initial recognition. Where the terms and conditions of accounts receivable are amended without resulting in a derecognition, the ageing is calculated on a continuous basis.

12.3 Basis of allowances for credit losses made on an individual basis

The Group assesses the credit risk of accounts receivable on an individual asset basis where there is objective evidence that it has become impaired.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Receivables financing

13.1 Determination method of and accounting treatment for ECL of receivables financing

The Group determines the credit losses on receivables financing on an individual asset basis. Credit loss allowance on receivables financing is recognized in other comprehensive income and the impairment loss or gain is included in profit or loss for the period without reducing the carrying amount of the receivables financing.

13.2 Basis of allowances for credit losses made on an individual basis

The Group assesses the credit risk of receivables financing on an individual asset basis where there is objective evidence that it has become impaired.

14. Other receivables

14.1 Portfolios for which allowances for credit losses are collectively assessed based on credit risk characteristics and their basis

The Group classifies other receivables, excluding deposits and guarantees, petty cash, dividends receivable and government grants receivable relating to VAT refunds, into different groups based on common risk characteristics. The common credit risk characteristics adopted by the Group include: initial recognition date, remaining contractual term, duration of past due, etc.

14.2 Calculation method of aging based on the portfolio of credit risk characteristics determined by aging

The aging is calculated from the date of initial recognition. Where the terms and conditions of other receivables are amended without resulting in a derecognition, the ageing is calculated on a continuous basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Other receivables (Continued)

14.3 Basis of allowances for credit losses made on an individual basis

The Group assesses the credit risk of deposits and guarantees, petty cash, dividends receivable and government grants receivable relating to VAT refunds on an individual asset basis where there is objective evidence that it has become impaired.

15. Inventories

15.1 Categories of inventories, valuation method of inventories delivered, inventory count system and amortization method for low-value consumables and spare parts

15.1.1 Categories of inventories

The Group's inventories mainly include raw materials, work in progress, goods on hand, low-value consumables and spare parts, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

15.1.2 Valuation method of inventories delivered

The actual cost of inventories upon delivery is calculated using the weighted average method.

15.1.3 Inventory count system

The perpetual inventory system is maintained for stock system.

15.1.4 Amortization method of low-value consumables and spare parts

Low-value consumables and spare parts are amortized using the multiple-stage amortization method or immediate write-off method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Inventories (Continued)

15.2 Recognition criteria and methods for determining the provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of events subsequent to the balance sheet date.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their carrying amount, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

15.3 Portfolios for which allowances for bad debts are collectively assessed and their basis, and basis for determining the net realizable value of different categories of inventories

Due to the large volume of inventories, the Group categorizes them into raw materials, work in progress, and goods on hand, and accordingly makes provisions for decline in value by category. Basis for determining net realizable value of inventories:

(1) Raw materials and work in progress: Net realizable value is the estimated selling price of finished goods less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

(2) Goods on hand: Net realizable value is the estimated selling price less the estimated costs necessary to make the sale and relevant taxes.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Long-term equity investments

16.1 Determination criteria of joint control and significant influence

Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. Joint control is the contractually agreed sharing of control over an arrangement, and exists only when the activities relating to the arrangement require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

16.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer determines if these transactions are considered to be a "package deal": if it belongs to a "package deal", transactions will be dealt as transactions to acquire control. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is temporarily not subject to accounting treatment.

The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with the *Accounting Standards for Business Enterprises No. 22 - Financial Instruments*; Recognition and Measurement and the additional investment cost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Long-term equity investments (Continued)

16.3 Subsequent measurement and recognition of profit or loss

16.3.1 Long-term equity investments accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Increase or recovery of investment is adjusted to the cost of long-term equity investment. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

16.3.2 Long-term equity investments accounted for using the equity method

The Group accounts for investment in associates using the equity method. An associate is an entity over which the Group has significant influence.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Long-term equity investments (Continued)

16.3 Subsequent measurement and recognition of profit or loss (Continued)

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

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; the carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Company recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the time of obtaining the investment after making appropriate adjustments. When the investee's accounting policies and accounting period are inconsistent with those of the Company, the Company recognizes investment income and other comprehensive income after making appropriate adjustments on the investee's financial statements according to the Company's accounting policies and accounting period. For the Group's transactions with its associates where assets contributed or sold do not constitute a business, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net loss of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. If the investee realizes net profit in the subsequent period, the Group will resume to recognize the income share after the income share makes up for the unrecognized loss share.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Long-term equity investments (Continued)

16.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

17. Fixed assets

17.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. Meanwhile, the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss for the period in which they are incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Fixed assets (Continued)

17.2 Depreciation method

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The depreciation method, depreciation period, residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation method	Depreciation period (years)	Residual value rate	Annual depreciation rate (%)
Buildings	Straight-line method	25-50	3-5	1.90-3.88
Machinery and equipment and other equipment	Straight-line method	5-22	3-5	4.32-19.40
Transportation vehicles	Straight-line method	6-8	3-5	11.88-16.17

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition estimated at the end of its useful life.

17.3 Other descriptions

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and the estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated.

Construction in progress is transferred to a fixed asset when it is ready for intended use. Criteria for transferring construction in progress to fixed assets:

Category	Criteria of transfer to fixed assets
Buildings	Actual start of use or completion of physical handover upon acceptance
Machinery and equipment and other equipment	Completion of thermal load testing or completion of physical handover upon acceptance
Transportation vehicles	Completion of physical handover upon acceptance

19. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Company determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Intangible assets

20.1 Useful life and its determination basis, estimation, amortization method or review procedures

Intangible assets include land use rights, patent and non-patented technologies, software, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized. Amortization method, useful life and residual value rate of all intangible assets are as follows:

Category	Amortization method	Useful life	Determination basis
Land use rights	Straight-line method	50 years	Term of land use right
Patent and non-patented technologies	Straight-line method	3-4 years	Shorter of patent term or estimated useful life
Software use rights	Straight-line method	5-10 years	Estimated useful life

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the year, and makes adjustments when necessary.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Intangible assets (Continued)

20.2 Scope of and related accounting treatment for research and development expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as an intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

(1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(2) the Group has the intention to complete the intangible asset and use or sell it;

(3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and

(5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Intangible assets (Continued)

20.2 Scope of and related accounting treatment for research and development expenditure (Continued)

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. The cost of intangible assets formed in internal development activities only includes the total amount of expenditures from the time point when the capitalization conditions are met to the time when the intangible assets reach the predetermined uses. For the same intangible asset, the expenditures that have been expensed into profit and loss before the capitalization conditions are met in the development process will not be adjusted.

The scope of research and development expenditure includes salaries and welfare expenses of personnel directly engaged in research and development activities, materials, fuel and power expenses directly consumed in research and development activities, depreciation expenses of instruments and equipment in research and development activities, lease and maintenance expenses of research and development sites, travel, transportation and communication expenses required for research and experimental development. The Group uses technical and economic feasibility studies as specific criteria for distinguishing between the research and development phases.

21. Impairment of long-term assets

The Group reviews the long-term equity investments, fixed assets, construction in progress, right-of-use assets and intangible assets with finite useful life at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on an individual asset basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Impairment of long-term assets (Continued)

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related asset group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such asset group or sets of asset groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once an impairment loss of the above-mentioned assets is recognized, it will not be reversed in any subsequent period.

22. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for consideration received or receivable from the customer. Contract assets and contract liabilities under the same contract are presented on a net basis.

23. Employee benefits

23.1 Accounting treatment for short-term employee benefits

In an accounting period in which an employee has rendered services to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the related expenditures are charged to profit or loss for the period or in costs of relevant assets. Employee welfare incurred by the Group is recognized in profit or loss for the period or the costs of relevant assets based on the actual amount when incurred. Non-monetary employee welfare is measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Employee benefits (Continued)

23.2 Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans. In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognized as a liability by the Group and charged to profit or loss for the period, or included in cost of related assets.

For defined benefit plans, the Group assigns the welfare obligation generated from the defined benefit plans to the period of rendering services using the formula determined by the projected unit credit method, and includes it in the current profit or loss or related asset costs.

Employee benefit costs generated from the defined benefit plans are Categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on settlements);

- net interest of net liabilities or assets of defined benefit plan (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling); and

- Changes arising from remeasurement of net liabilities or net assets of defined benefit plans.

Service costs and net interest of net liabilities or net assets of defined benefit plans are recognized in profit or loss for the period or costs of related assets. Remeasurement of changes in net liabilities or net assets of defined benefit plans (including actuarial gains or losses, return on plan assets excluding the amount included in the net interest of net liabilities or net assets of defined benefit plans, and changes to the asset ceiling excluding the amount included in the net interest of net liabilities or net assets of defined benefit plans) is included in other comprehensive income. Remeasurement of changes in net liabilities or net assets of defined benefit plans (including actuarial gains or losses, return on plan assets excluding the amount included in the net interest of net liabilities or net assets of defined benefit plans, and changes to the asset ceiling excluding the amount included in the net interest of net liabilities or net assets of defined benefit plans) is included in other comprehensive income.

Deficit or surplus generated from the present value of the obligation of defined benefit plan less the fair value of defined benefit plan asset is recognized as a net liability or a net asset of defined benefit plan.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Employee benefits (Continued)

23.3 Accounting treatment of termination benefits

A liability for a termination benefit is recognized in profit or loss for the period at the earlier of when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer and when the Group recognizes any related restructuring costs or expenses.

24. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Revenue

25.1 Accounting policies for revenue recognition and measurement disclosed by business types

The Group's revenue is mainly from the following:

(1) Sales of steel products: The Group mainly sells hot rolled sheets, plates, billets, etc.;

(2) Sales of ores: The Group mainly sells ore products;

(3) Sales of energy media: The Group mainly sells products such as water, electricity, and gas, and performs its performance obligations by delivering gas, electricity and other energy media to customers. Revenue is recognized at the time when the energy media passes through the valves and ports. The revenue is measured based on the metered data from the contractual measurement devices and the agreed transaction price, with revenue recognized on a gross basis.

(4) Resales of energy media: The Group mainly resells products such as water, electricity, and gas, and performs its performance obligations by reselling gas, electricity and other energy media to customers. Revenue is recognized at the time when the energy media passes through the valves and ports. The revenue is measured based on the metered data from the contractual measurement devices and the agreed transaction price, with revenue recognized on a net basis.

The Group recognizes revenue based on the transaction price allocated to the performance obligation when the Group satisfies a performance obligation in the contract, namely, when the customer obtains control over relevant goods or services. A performance obligation is a commitment that the Group transfers distinct goods or services to a customer in the contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Revenue (Continued)

25.1 Accounting policies for revenue recognition and measurement disclosed by business types (Continued)

The Group assesses a contract at contract inception, identifies each separate performance obligation included in the contract, and determines whether the Group satisfies the performance obligation over time or the Group satisfies the performance obligation at a point in time. It is a performance obligation satisfied over time and the Group recognizes revenue over time according to the progress of performance if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods or services in progress during the Group's performance; (iii) goods or services generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, revenue is recognized at a point in time when the customer obtains control over the relevant goods or services.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer. In determining the transaction price, the Group considers such factors as variable consideration, significant financing components in the contract, non-cash consideration and consideration payable to customers.

For sales that are affixed with terms of sales return, as the customer obtains control of related goods, the Group recognizes revenue based on the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to charge due to the transfer of goods to the customer, and recognizes liabilities based on the expected refund amounts due to sales returns. Meanwhile, the carrying amount at the time of transfer of goods expected to be returned, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset and carried forward to cost at the carrying amount at which goods are transferred, net of the cost of asset.

In case of the existence of variable consideration (e.g., future price concessions based on cumulative sales volume) in the contract, the Group shall determine the best estimate of variable consideration based on the expected value or the most probably occurred amount. The transaction price including variable consideration shall not exceed the amount of the cumulatively recognized revenue which is most unlikely to be significantly reversed when relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration to be included in the transaction price.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Revenue (Continued)

25.1 Accounting policies for revenue recognition and measurement disclosed by business types (Continued)

For sales that are affixed with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a separate performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the *Accounting Standards for Business Enterprises No. 13 - Contingencies*.

The Group assesses whether it controls each specified good or service before that good or service is transferred to the customer to determine whether the Group is a principal or an agent. If the Group controls the specified good or service before that good or service is transferred to a customer, the Group is a principal and recognizes revenue in the gross amount of consideration received or receivable. Otherwise, the Group is an agent and recognizes revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

For the business of reselling energy media such as electricity, the Group considers the legal form of the contract and relevant facts and circumstances (the main responsibility for transferring the goods to the customer, the inventory risk assumed before or after the transfer of the goods, whether it has the right to determine the price of the transaction goods independently, etc.), and believes that the Group has not obtained control of the goods before reselling the goods to the customer, it is essentially an agency sales business (that is, assisting upstream suppliers to find downstream customers to facilitate transactions and collect agency fees); The Group, as an agent, recognizes revenue at the point in time when the energy media passes through the valve in accordance with the agency fee to which it is expected to be entitled, the amount of which is determined on the basis of the net amount of the total consideration received or receivable after deducting the amount payable to other relevant parties.

Where the Group receives receipts in advance from a customer for sales of goods or rendering of services, the amount is first recognized as a liability and then transferred to revenue when the related performance obligation has been satisfied. When the Group's receipts in advance are not required to be refunded and it is probable that the customer will waive all or part of its contractual rights, the Group recognizes the said amounts as revenue on a pro-rata basis in accordance with the pattern of exercise of the customer's contractual rights, if the Group expects to be entitled to the amounts relating to the contractual rights waived by the customer; otherwise, the Group reverses the related balance of the said liabilities to revenue only when it is highly unlikely that the customer will require performance of the remaining performance obligations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

26.1 Determination basis and accounting treatment of government grants related to assets

The Group's government grants, including special appropriation for environmental governance, subsidies for waste heat power generation projects, and funding for the construction of an intelligent operation and control platform, are classified as government grants related to assets, as these grants are used to generate long-term assets.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset with a reasonable and systematic method.

26.2 Determination basis and accounting treatment of government grants related to income

Government grants related to income refer to those other than grants related to assets.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related expenses or losses are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities. a government grant not related to the Group's daily activities is recognized in non-operating income.

For repayment of a government grant already recognized, the repayment is offset against the gross carrying amount of the deferred income, and any excess is recognized in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

27. Deferred tax assets/deferred tax liabilities

Income tax expenses include current income tax and deferred income tax.

27.1 Current income tax

At the balance sheet date, current tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

27.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) and does not give rise to equal taxable temporary differences and deductible temporary differences at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

27. Deferred tax assets/deferred tax liabilities (Continued)

27.2 Deferred tax assets and deferred tax liabilities (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or benefits are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income, in which case they are recognized in other comprehensive income; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

27. Deferred tax assets/deferred tax liabilities (Continued)

27.3 Income tax offsetting

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

28. Leases

A lease is a contract whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a consideration.

The Group assesses whether a contract is, or contains, a lease at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Leases (Continued)

28.1 The Group as lessee

28.1.1 Right-of-use assets

Except for short-term leases and leases of low-value assets, at the commencement date of the lease, the Group recognizes a right-of-use asset. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use by the Group. The Bank measures the right-of-use assets at cost. The cost of the right-of-use assets comprises:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred by the Group;

The Group depreciates right-of-use assets by reference to the relevant depreciation provisions of the *Accounting Standards for Business Enterprises No. 4 - Fixed Assets*. The right-of-use assets are depreciated over the remaining useful lives of the leased assets where the Group is reasonably certain to obtain ownership of the underlying assets at the end of the lease term. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and the remaining useful lives of the leased assets.

The Group assesses and determines whether the right-of-use asset is impaired and accounts for any impairment loss identified in accordance with the *Accounting Standards for Business Enterprises No. 8 - Impairment of Assets*.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Leases (Continued)

28.1 The Group as lessee (Continued)

28.1.2 Lease liabilities

Except for short-term leases and leases of low-value assets, at the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease as the discount rate. The Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

Lease payments refer to payments relating to the right to use leased assets during the lease term which are made by the Group to the lessor, including:

- fixed payments and in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease; and
- amounts expected to be paid under residual value guarantees provided by the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Leases (Continued)

28.1 The Group as lessee (Continued)

28.1.2 Lease liabilities (Continued)

After the commencement date of the lease, the Group calculates interest expenses of lease liabilities for each period of the lease term based on a fixed periodic rate, and recognizes such expenses in profit or loss or costs of related assets.

After the commencement date of the lease, the Group remeasures the lease liabilities and adjusts the right-of-use assets accordingly in the following cases. If the carrying amount of the right-of-use asset has been reduced to zero, but the lease liability needs to be reduced further, the Group will recognize the difference in profit or loss for the period:

- there is a change in the lease term, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

28.1.3 Determination basis and accounting treatment of short-term leases and leases of low-value assets treated under a simplified method as lessee

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases of buildings, machinery and equipment, transportation vehicles and other equipment and leases of low-value assets. A short-term lease refers to a lease that, at the commencement date, has a lease term of 12 months or less and does not contain a purchase option. A lease of low-value assets, is a lease that the single underlying asset, when is new, is of low value. The Group shall recognize the lease payments associated with short-term leases and leases of low-value assets in profit or loss or cost of related assets on a straight-line basis over the lease term.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Leases (Continued)

28.1 The Group as lessee (Continued)

28.1.4 Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope which is adjusted based on circumstances of the particular contract.

If the lease modification is not accounted for as an individual lease, on the effective date of the lease modification, the Group reallocates the consideration of the contract after the change, re-determines the lease term, and remeasures the lease liabilities at the present value of revised lease payment discounted at revised discount rate.

If the lease modification results in a reduction in the lease scope or lease term, the carrying amount of the right-of-use assets will be reduced, and the gains or losses relevant to the lease partially of fully terminated will be included in profit or loss for the period. For other lease modifications resulting in the remeasurement of lease liabilities, the carrying amount of right-of-use assets is adjusted accordingly.

28.2 The Group as lessor

28.2.1 Classification criteria and accounting treatment for leases as the lessor

Leases are classified as finance leases whenever the terms of the leased assets transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Leases (Continued)

28.2 The Group as lessor (Continued)

28.2.1 Classification criteria and accounting treatment for leases as the lessor (Continued)

28.2.1.1 The Group as lessor under operating leases

Receipts of lease under operating leases are recognized as rental income on a straight-line basis over the term of the relevant lease. Initial direct costs related to operating leases incurred by the Group are capitalized when incurred, and are recognized in profit or loss for the current period on the same basis as recognition of rental income over the lease term.

Variable lease receipts acquired by the Group in connection with operating leases that are not included in the lease receipts are recognized in profit or loss when incurred.

28.2.2 Lease modifications

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any advances from customers or lease receivable relating to the original lease as part of the lease receivable for the new lease.

29. Work safety funds

Work safety funds accrued based on regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When using, it is necessary to distinguish whether fixed assets are formed and deal with them separately: if it belongs to expense expenditure, special reserve shall be directly offset; If it results in the formation of a fixed asset, the costs incurred are accumulated and recognized as a fixed asset when it is ready for intended use. At the same time, an amount equal to the cost is deducted from the special reserve and an equivalent amount of accumulated depreciation is recognized.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Accounting treatment in relation to the repurchase of shares

The consideration and transaction costs paid to repurchase shares are deducted from equity. No gain or loss is recognized in profit or loss on the repurchase, sale or cancellation of the Company's shares.

31. Fair value measurement

For assets and liabilities measured at fair value in the financial statements, the level of fair value measurement is determined based on the lowest level of the inputs that are significant to the fair value measurement as a whole: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 inputs are inputs, other than inputs included within Level 1, that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability.

At each balance sheet date, the Group reassesses the assets and liabilities recognized in the financial statements that are measured at fair value on a recurring basis to determine whether there has been a transfer between fair value measurement levels.

32. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

32.1 Judgements

The management has made the following judgements in applying the Group's accounting policies, which have had a significant impact on the amounts recognized in the financial statements:

32.1.1 Going concern

The Group's ability to continue as a going concern depends on its ability to obtain borrowings and generate cash inflows from operating activities, so that it has sufficient cash flow to meet its liabilities as they fall due. If the Group is unable to secure adequate funding, there is uncertainty regarding its ability to continue as a going concern. These financial statements do not include any adjustments that might be necessary to the carrying amounts and classifications of assets and liabilities in the event that the Group is unable to continue as a going concern.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Significant accounting judgements and estimates (Continued)

32.1 Judgements (Continued)

32.1.2 Business model

The classification of financial assets at initial recognition is dependent on the Group's business model for managing the assets. Factors considered by the Group in judging the business model include enterprise evaluation, the method of reporting the results of financial assets to key management members, risks affecting the results of financial assets and the method for managing such risks, as well as the form of remuneration received by the management personnel of the businesses concerned. In assessing whether the business model is aimed at receiving contractual cash flows, the Group is required to analyze and exercise judgement in respect of the reasons, timing, frequency and values of any disposals prior to maturity of the financial assets.

32.1.3 Characteristics of contractual cash flows

The classification of financial assets at initial recognition is dependent on the financial asset's contractual cash flow characteristics. Judgement is required to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding, including when assessing the modification of the time value of money, the judgement on whether there is any significant difference from the benchmark cash flow, and whether the fair value of the prepayment features is insignificant for financial assets with prepayment features, etc.

32.2 Uncertainties in estimates

The key assumptions concerning the future and other key sources of uncertainties in estimates at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the future accounting periods, are described below.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Significant accounting judgements and estimates (Continued)

32.2 Uncertainties in estimates (Continued)

32.2.1 Impairment of financial instruments

The Group adopts the ECL model to assess the impairment of financial instruments. The application of ECL model requires significant judgements and estimates, and taking all reasonable and supportable information, including forward-looking information into consideration. In making these judgements and estimates, the Group estimates the expected change of the debtor's credit risk based on historical repayment data and combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment may not be equal to the actual amount of impairment loss in the future.

32.2.2 Impairment of non-current assets other than financial assets (excluding goodwill)

The Group assesses whether there are any indicators of impairment of all non-current assets other than financial assets at the balance sheet date. The impairment test will be performed at the time when there is an indication that the carrying amount cannot be recovered. Impairment exists if the carrying amount of an asset or asset group is higher than recoverable amount, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group. The fair value net of cost of disposal is determined by reference to agreed selling price of similar assets in an arm's length transaction or observable market price less the incremental cost that can be directly attributable to the disposal of the asset. When determining the present value of future cash flows, the management must estimate the expected future cash flows of the assets or asset group and adopt an appropriate discount rate to determine the present value of the future cash flows.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Significant accounting judgements and estimates (Continued)

32.2 Uncertainties in estimates (Continued)

32.2.3 Impairment of goodwill

The Group tests goodwill for impairment at least annually. This requires an estimate of the present value of the future cash flows of the asset group or portfolio of asset groups to which the goodwill has been allocated. When determining the present value of future cash flows, the Group must estimate the expected future cash flows of the asset group or portfolio of asset groups and adopt an appropriate discount rate to determine the present value of the future cash flows.

32.2.4 Deferred tax assets

Deferred tax assets should be recognized for all unutilized deductible losses to the extent that there is likely to be sufficient taxable income to offset the loss. This requires the management to make judgement in estimating the time and amount of future taxable income, taking into account tax planning strategies, to determine the amount of deferred tax assets that should be recognized.

32.2.5 Estimate of net realizable values of inventories

Management recognizes impairment losses based on the condition of the Group's inventories and its estimates of their net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. These estimates are based on current market conditions and historical experience in the manufacture and sale of similar products. Management reassesses these estimates at each balance sheet date and takes into account any corresponding impairment.

IV. TAXATION

1. Major categories of taxes and tax rates

Item	Tax basis	Tax rate
Value-added tax ("VAT")	The difference between the output tax, calculated on the basis of sales revenue and the applicable tax rates, and the deductible input tax	Output tax on taxable income from sales of steel product is calculated at a rate of 13%; other applicable VAT rates are 6% and 9%
Property tax	Taxes for self-occupied houses are calculated on the basis of the residual value (70% of the original cost with a tax rate of 1.2%); Taxes for rented houses are calculated on the basis of the rental income, and the applicable tax rate is 12%	1.2%, 12%
Urban maintenance and construction tax	Actual turnover tax paid	7%
Education surcharge	Actual turnover tax paid	3%
Local education surcharge	Actual turnover tax paid	2%
Enterprise income tax *(note)*	Taxable income	15%
Environmental protection tax	Actual air pollutant emissions	RMB3.0-3.5 per pollution equivalent

Note: The entities within the Group subject to different enterprise income tax rates are as follows:

	Enterprise income tax rate
The Company	15%
Chongqing Iron and Steel Energy and Environmental Protection Co., Ltd. ("Chongqing Iron and Steel Energy")	15%
Chongqing Xingang Changlong Logistics Co., Ltd. ("Xingang Changlong")	15%

IV. TAXATION (Continued)

2. Tax concessions

Pursuant to the *Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China*, enterprises located in the western region that fall into the Catalogue of Encouraged Industries are subject to a reduced enterprise income tax rate of 15% from 1 January 2021 to 31 December 2030. The Company and its subsidiaries, Chongqing Iron and Steel Energy and Xingang Changlong, meet the above requirements and have calculated the enterprise income tax payable for the current year at a rate of 15%.

Pursuant to the *Notice of the Ministry of Finance and the State Taxation Administration on the Issues Concerning the Implementation of the Catalogue of Resources for Comprehensive Utilization Entitling Enterprises to Income Tax Preferences* (No. 47 [2008] of the Ministry of Finance and the State Taxation Administration), income derived from the production of products listed in the catalogue that meet relevant national or industry standards shall be included in the total income for the year at a reduced rate of 90% when calculating taxable income. Chongqing Iron and Steel Energy meets the conditions for tax incentives for resource comprehensive utilization; therefore, when calculating taxable income, 90% of its income for the current year shall be included.

Pursuant to the *Notice of the Additional Value-Added Tax Credit Policy for Advanced Manufacturing Enterprises* (Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration), from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are permitted to deduct an additional 5% of deductible input VAT for the current period from the amount of VAT payable. The Company meets the above requirements and therefore applies a 5% additional deduction of deductible input VAT for the current period to offset the VAT payable.

Chongqing Iron and Steel Energy utilizes waste heat generated during industrial production to generate electricity. Pursuant to the *Announcement of the Ministry of Finance and the State Taxation Administration on Improving the Value-Added Tax Policies for the Comprehensive Utilization of Resources* (Announcement No. 40 [2021] of the Ministry of Finance and the State Taxation Administration), Chongqing Iron and Steel Energy is eligible for immediate VAT refund.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	31 December 2025	31 December 2024
Bank deposits *(Note 1)*:		
RMB	**1,788,411,386.47**	1,884,475,899.26
USD	**311,035.44**	128,805.78
Other monetary funds *(Note 2)*:		
RMB	**135,181,683.43**	207,155,860.31
USD	**58.62**	–
Deposits with the finance company *(Note X 7)*		
RMB	**784,919,189.09**	927,845,862.51
USD	**3,515,845.82**	–
Total	**2,712,339,198.87**	3,019,606,427.86
Including: Total amount deposited overseas	**–**	–

Note 1: As at 31 December 2025, the balance of bank deposits includes time deposits and large-denomination certificates of deposit maturing within more than three months but less than one year, amounting to RMB637,348,922.67, with interest rates ranging from 1.2% to 3.25% (31 December 2024: RMB30,350,000.00, with interest rates ranging from 1.35% to 2%). Of this amount, RMB412,088,771.99 of time deposits were pledged to banks as collateral for the issuance of bank acceptance (31 December 2024: Nil). Please refer to Note V 17 for details of time deposits with restrictions.

Note 2: The breakdown of other monetary funds is as follows:

RMB

Item	31 December 2025	31 December 2024
Deposits for bank acceptances	**98,861,803.48**	29,491,919.38
Deposits frozen due to litigation	**36,290,704.08**	126,752,007.52
L/C guarantee deposits	**9,938.75**	20,671,426.00
Funds held in securities trading accounts	**–**	30,240,507.41
Others	**19,295.74**	–
Total	**135,181,742.05**	207,155,860.31

Please refer to Note V 17 for details of other monetary funds with restrictions.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes receivable

(1) Classification of notes receivable

RMB

Category	31 December 2025	31 December 2024
Bank acceptances	**4,185,550.14**	294,542,106.52
Commercial acceptances	**–**	200,000.00
Total	**4,185,550.14**	294,742,106.52

(2) As at 31 December 2025, the Group had no pledged notes receivable. Please refer to Note V 17 for details of notes receivable with restrictions.

(3) Notes receivable endorsed or discounted which were not yet due at the balance sheet date

RMB

Item	Amount derecognized at the year-end	Amount not derecognized at the year-end
Bank acceptances	**–**	**1,496,842.13**

The Group has not derecognized notes receivable endorsed or discounted which were not yet due at the balance sheet date. For further details, please refer to Note VIII 2.

(4) In the current year, the Group considers that there is no significant credit risk associated with the bank acceptances held; consequently, no credit impairment loss has been made in respect of notes receivable.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable

(1) *Disclosures by aging*

RMB

Aging	31 December 2025	31 December 2024
Within 1 year	**10,944,588.41**	16,139,430.64
1-2 years	**0.56**	72,070.77
2-3 years	**1,337.96**	6,455.39
Over 3 years	**1,331,057.87**	2,655,731.11
Subtotal	**12,276,984.80**	18,873,687.91
Less: Credit loss allowance of accounts receivable	**1,328,518.02**	2,268,538.59
Total	**10,948,466.78**	16,605,149.32

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(2) Disclosures by methods for providing credit losses

RMB

	31 December 2025					31 December 2024				
	Gross carrying amount		Credit loss allowance			Gross carrying amount		Credit loss allowance		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount
Allowances for credit losses provided on a portfolio basis	**12,276,984.80**	**100.00**	**1,328,518.02**	**10.82**	**10,948,466.78**	18,873,687.91	100.00	2,268,538.59	12.02	16,605,149.32

As at 31 December 2025, the Group has no accounts receivable for which allowance for credit losses are assessed on an individual basis (31 December 2024: Nil).

Allowance for credit losses provided on a portfolio basis

As part of the Group's credit risk management, the Group uses the impairment matrix to recognize the expected credit loss of accounts receivable from businesses based the aging of accounts receivable. These businesses share the same risk characteristics and the aging information reflects customers' solvency upon maturity of accounts receivable. The above aging analysis of accounts receivable is calculated from the date of delivery of goods or services.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(2) Disclosures by methods for providing credit losses (Continued)

Allowance for credit losses provided on a portfolio basis (Continued)

As at 31 December 2025, the credit risk associated with accounts receivable for this type of business and their lifetime ECLs are as follows:

RMB

	31 December 2025			
Aging	Gross carrying amount	Credit loss allowance	Proportion of provision *(%)*	Carrying amount
Within 1 year	**10,944,588.41**	**–**	**–**	**10,944,588.41**
1-2 years	**0.56**	**–**	**–**	**0.56**
2-3 years	**1,337.96**	**–**	**–**	**1,337.96**
Over 3 years	**1,331,057.87**	**1,328,518.02**	**99.81**	**2,539.85**
Total	**12,276,984.80**	**1,328,518.02**		**10,948,466.78**

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(3) Allowance for credit losses

Category	1 January 2025	Changes for the year: Provision	Changes for the year: Recovery or reversal	Changes for the year: Write-off	31 December 2025
Allowance for credit losses provided on a portfolio basis	2,268,538.59	**461,840.85**	**680,400.00**	**721,461.42**	**1,328,518.02**

Allowance for credit losses provided based on ECL model

RMB

Credit loss allowance	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
Balance at 1 January 2025	**2,268,538.59**	**–**	**2,268,538.59**
Provision	**461,840.85**	**–**	**461,840.85**
Reversal	**680,400.00**	**–**	**680,400.00**
Write-off	**721,461.42**	**–**	**721,461.42**
Balance at 31 December 2025	**1,328,518.02**	**–**	**1,328,518.02**

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(4) Accounts receivable actually written off in the current year

There were no significant write-offs of accounts receivable during the year.

(5) Top five closing balances of accounts receivable categorized by debtor

RMB

Name	Closing balance of accounts receivable	Proportion to the closing balance of accounts receivable *(%)*	Closing balance of credit loss allowance of accounts receivable
Sichuan Coal Supply Chain Management Co., Ltd	**4,909,434.73**	**39.99**	**–**
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd. ("Baowu Environmental Resources")	**4,308,270.52**	**35.09**	**–**
Chongqing Iron & Steel Group Steel Tube Co., Ltd. ("CISG Steel Tube")	**1,328,518.34**	**10.82**	**1,324,641.41**
Chongqing Weijin Environmental Technology Co., Ltd.	**281,440.60**	**2.29**	**–**
Chongqing Iron & Steel Group Transportation Co., Ltd. ("CISG Transportation")	**171,955.52**	**1.41**	**–**
Total	**10,999,619.71**	**89.60**	**1,324,641.41**

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Receivables financing

(1) Category of receivables financing

RMB

Item	**Gross carrying amount at 31 December 2025**	Gross carrying amount at 31 December 2024
Bank acceptances measured at fair value *(Note 1)*	**459,630,155.77**	898,747,186.51

(2) Receivables financing pledged by the Company at the end of the year

As at 31 December 2025, the Group has no pledged receivables financing.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Receivables financing (Continued)

(3) *Receivables financing endorsed or discounted which were not yet due at the balance sheet date*

RMB

Item	Amount derecognized at the year-end	Amount not derecognized at the year-end
Bank acceptances *(Note 2)*	**2,681,739,395.05**	**–**

Note 1: In managing the Group's corporate liquidity, the Group endorses certain bank acceptances prior to maturity and derecognizes the endorsed bank acceptances based on the fact that the Group has transferred substantially all the risks and rewards to the relevant counterparties. The Group's business model for managing bank acceptances receivable issued by acceptors with high credit ratings is aimed both at collecting contractual cash flows and at selling these financial assets. Therefore, such bank acceptances receivable are classified as financial assets at FVTOCI. For the method used to determine fair value, please refer to Note IX.

Note 2: As at 31 December 2025, the Group's discounted or endorsed receivables financing that had not yet due amounted to RMB2,681,739,395.05 (31 December 2024: RMB3,463,065,047.85). The Group derecognized discounted or endorsed receivables financing which were not yet due at the balance sheet date. Please refer to Note VIII 2 for further details.

(4) In the current year, the Group considers that there is no significant credit risk associated with the bank acceptances held; consequently, no credit impairment loss has been made in respect of receivables financing.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Prepayments

(1) Aging analysis of prepayments

RMB

Aging	**31 December 2025** Amount	Proportion (%)	31 December 2024 Amount	Proportion (%)
Within 1 year	**171,100,765.21**	**96.94**	182,714,456.60	96.23
1-2 years	**310,187.01**	**0.18**	612,270.62	0.32
2-3 years	**34,401.89**	**0.02**	2,636,320.75	1.39
Over 3 years	**5,048,728.56**	**2.86**	3,919,234.65	2.06
Subtotal	**176,494,082.67**	**100.00**	189,882,282.62	100.00
Less: Provision for impairment	**4,598,424.13**		2,029,309.40	
Total	**171,895,658.54**		187,852,973.22	

In 2025, the Group recognized the provision for impairment of prepayments amounting to RMB2,676,034.73 (2024: RMB2,029,309.40), and wrote off the provision amounting to RMB106,920.00 (2024: Nil).

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Prepayments (Continued)

(2) Top five closing balances of prepayments categorized by suppliers

RMB

Name	31 December 2025	Proportion to closing balance of total prepayments *(%)*
Baowu Smart Roll Technology Service (Shanghai) Co., Ltd.	**61,382,397.32**	**34.78**
Shanxi Coking Coal Group Coal and Coke Sales Co., Ltd.	**21,913,482.66**	**12.42**
Shanxi Coking Coal Group Co., Ltd.	**17,387,973.87**	**9.85**
Huainan Mining Industry (Group) Co., Ltd.	**16,864,078.80**	**9.56**
China Railway Chengdu Group Co., Ltd.	**15,335,165.76**	**8.68**
Total	**132,883,098.41**	**75.29**

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables

6.1 Presentation of items

RMB

Item	31 December 2025	31 December 2024
Dividends receivable	–	428,145.74
Other receivables	**53,775,499.93**	37,645,417.58
Total	**53,775,499.93**	38,073,563.32

6.2 Dividends receivable

RMB

Item	31 December 2025	31 December 2024
Baowu Water Technology Co., Ltd. (“Baowu Water”)	–	428,145.74

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

6.3 Other receivables

(1) Disclosures by aging

RMB

Aging	31 December 2025	31 December 2024
Within 1 year	**35,893,654.24**	33,403,999.79
1-2 years	**17,199,035.77**	493,026.85
2-3 years	**93,177.01**	931,980.17
Over 3 years	**3,776,934.66**	4,184,920.89
Subtotal	**56,962,801.68**	39,013,927.70
Less: Allowance for credit losses on other receivables	**3,187,301.75**	1,368,510.12
Total	**53,775,499.93**	37,645,417.58

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

6.3 Other receivables (Continued)

(2) Classified by nature

RMB

Nature	31 December 2025	31 December 2024
Guarantee deposits, petty cash, etc.	**21,563,261.42**	20,181,082.91
Government grants receivable relating to VAT refunds	**26,399,674.27**	13,611,773.81
Current accounts	**3,735,314.60**	4,037,696.05
Others	**5,264,551.39**	1,183,374.93
Total	**56,962,801.68**	39,013,927.70

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

6.3 Other receivables (Continued)

(3) Provision for credit loss allowance

RMB

Credit loss allowance	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit-impaired)	Total
Balance at 1 January 2025	–	431,284.32	937,225.80	1,368,510.12
Provision	–	133,464.09	1,685,327.54	1,818,791.63
Balance at 31 December 2025	–	564,748.41	2,622,553.34	3,187,301.75

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

6.3 Other receivables (Continued)

(4) Allowance for credit losses

RMB

Category	1 January 2025	Provision	31 December 2025
Allowance for credit losses provided on an individual basis	937,225.80	**1,685,327.54**	**2,622,553.34**
Allowance for credit losses provided on a portfolio basis with credit risk characteristics	431,284.32	**133,464.09**	**564,748.41**
Total	1,368,510.12	**1,818,791.63**	**3,187,301.75**

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

6.3 Other receivables (Continued)

(5) Top five closing balances of other receivables categorized by debtor

RMB

Name	31 December 2025	Proportion to closing balance of other receivables *(%)*	Nature	Aging	Closing balance of credit loss allowance
Shudao Investment Group Co., Ltd.	15,000,000.00	26.33	Deposits	Within 1 year, 1-2 years	–
Sichuan Road & Bridge Group Co., Ltd.	3,636,664.05	6.39	Deposits	Within 1 year, 1-2 years	–
Xi'an Shaangu Power Co., Ltd.	1,500,000.00	2.63	Deposits	Over 3 years	1,500,000.00
Zheng Hongdan	1,132,720.00	1.99	Advances	Within 1 year	–
Li Hongmei	732,720.00	1.29	Advances	Within 1 year	–
Total	22,002,104.05	38.63			1,500,000.00

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Inventories

(1) *Categories of inventories*

RMB

	31 December 2025			31 December 2024		
Item	**Gross carrying amount**	**Provision for decline in value**	**Carrying amount**	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	**837,034,090.52**	**30,838,548.95**	**806,195,541.57**	1,159,100,495.51	108,822,234.81	1,050,278,260.70
Work in progress	**238,784,752.63**	**16,848,613.94**	**221,936,138.69**	191,514,849.38	4,661,739.64	186,853,109.74
Goods on hand	**194,644,383.87**	**16,015,644.87**	**178,628,739.00**	238,621,664.35	3,931,348.48	234,690,315.87
Low-value consumables and spare parts	**234,588,573.45**	**44,588,286.51**	**190,000,286.94**	284,644,951.44	50,189,297.70	234,455,653.74
Total	**1,505,051,800.47**	**108,291,094.27**	**1,396,760,706.20**	1,873,881,960.68	167,604,620.63	1,706,277,340.05

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Inventories (Continued)

(2) Provision for decline in value of inventories

RMB

Item	1 January 2025	Increase	Decrease		31 December
		Provision	Reversal or transfer out	Write-off	2025
Raw materials	108,822,234.81	**–**	**5,991,288.79**	**71,992,397.07**	**30,838,548.95**
Work in progress	4,661,739.64	**16,848,613.94**	**4,661,739.64**	**–**	**16,848,613.94**
Goods on hand	3,931,348.48	**16,015,644.87**	**3,931,348.48**	**–**	**16,015,644.87**
Low-value consumables and spare parts	50,189,297.70	**–**	**5,601,011.19**	**–**	**44,588,286.51**
Total	167,604,620.63	**32,864,258.81**	**20,185,388.10**	**71,992,397.07**	**108,291,094.27**

8. Other current assets

RMB

Item	31 December 2025	31 December 2024
Input VAT to be deducted	**35,536,755.83**	125,476,498.63

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments

RMB

Investee	31 December 2024	Changes for the year: Addition in investment	Changes for the year: Investment income or recognized under the equity method	Changes for the year: Cash dividends declared	Changes for the year: Other increases	31 December 2025	Provision for impairment at 31 December 2025
Associates							
Chongqing Baocheng Carbon Material Co., Ltd. ("Baocheng Carbon")	14,594,861.52	-	1,872,843.06	2,235,000.00	-	14,232,704.58	-
Baowu Raw Material Supply Co., Ltd. ("Baowu Raw Material")	44,626,662.44	-	3,455,440.55	2,509,295.25	-	45,572,807.74	-
Baowu Environmental Resources	16,221,855.68	34,300,000.00	3,848,389.26	639,943.97	717,621.66	54,447,922.63	-
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. ("Baowu Jingcheng")	33,321,338.67	-	(5,631,159.27)	-	10,432.07	27,700,611.47	-
Total	108,764,718.31	34,300,000.00	3,545,513.60	5,384,239.22	728,053.73	141,954,046.42	-

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Investments in other equity instruments

(1) Investments in other equity instruments

RMB

		Changes for the year									
Item	31 December 2024	Addition in investment	Reduction in investment	Gains recognized in other comprehensive income in the current year	Losses recognized in other comprehensive income in the current year	Others	31 December 2025	Dividend income recognized in the current year	Gains accumulated in other comprehensive income	Losses accumulated in other comprehensive income	Reasons for designation as at FVTOCI
Baowu Water	60,364,499.70	-	-	-	-	-	60,364,499.70	-	-	-	Intends to hold for the long term

(2) In 2025, the Group has not derecognized any investments in other equity instruments.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets

11.1 Summary of fixed assets

RMB

Item	31 December 2025	31 December 2024
Fixed assets	**23,585,110,994.84**	24,522,745,183.43
Disposal of fixed assets	**786,980.39**	786,980.39
Total	**23,585,897,975.23**	24,523,532,163.82

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

11.2 Fixed assets

(1) Details of fixed assets

RMB

Item	Buildings	Machinery and equipment and other equipment	Transportation vehicles	Total
I. Cost				
1. Opening balance	16,836,380,737.18	18,990,168,019.96	14,244,899.97	35,840,793,657.11
2. Increase	543,580,504.84	2,229,690,795.12	–	2,773,271,299.96
(1) Purchase *(Note)*	–	937,911,630.77	–	937,911,630.77
(2) Transfer from construction in progress	273,132,317.05	1,702,011,172.40	–	1,975,143,489.45
(3) Reclassification adjustment	270,448,187.79	(410,232,008.05)	–	(139,783,820.26)
3. Decrease	51,507,789.72	88,988,410.28	1,646,210.99	142,142,410.99
(1) Transfer to disposal of fixed assets	51,507,789.72	88,988,410.28	1,646,210.99	142,142,410.99
4. Closing balance	17,328,453,452.30	21,130,870,404.80	12,598,688.98	38,471,922,546.08

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

11.2 Fixed assets (Continued)

(1) Details of fixed assets (Continued)

RMB

Item	Buildings	Machinery and equipment and other equipment	Transportation vehicles	Total
II. Accumulated depreciation				
1. Opening balance	4,366,768,012.12	5,978,037,700.02	7,624,076.31	10,352,429,788.45
2. Increase	462,075,083.31	1,099,311,234.20	710,117.21	1,562,096,434.72
(1) Provision	421,695,040.40	1,180,811,157.69	710,117.21	1,603,216,315.30
(2) Reclassification adjustment	40,380,042.91	(81,499,923.49)	–	(41,119,880.58)
3. Decrease	20,695,630.57	43,086,525.21	1,463,593.90	65,245,749.68
(1) Transfer to disposal of fixed assets	20,695,630.57	43,086,525.21	1,463,593.90	65,245,749.68
4. Closing balance	4,808,147,464.86	7,034,262,409.01	6,870,599.62	11,849,280,473.49

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

11.2 Fixed assets (Continued)

(1) Details of fixed assets (Continued)

RMB

Item	Buildings	Machinery and equipment and other equipment	Transportation vehicles	Total
III.Impairment provision				
1. Opening balance	476,603,579.18	488,758,404.54	256,701.51	965,618,685.23
2. Increase	153,758,912.30	1,994,867,524.44	182,617.09	2,148,809,053.83
(1) Provision	136,196,530.17	1,980,773,023.29	182,617.09	2,117,152,170.55
(2) Transfer from construction in progress	17,562,382.13	14,094,501.15	–	31,656,883.28
3. Decrease	30,812,159.15	45,901,885.07	182,617.09	76,896,661.31
(1) Transfer to disposal of fixed assets	30,812,159.15	45,901,885.07	182,617.09	76,896,661.31
4. Closing balance	599,550,332.33	2,437,724,043.91	256,701.51	3,037,531,077.75
IV.Carrying amount				
1. Closing balance	11,920,755,655.11	11,658,883,951.88	5,471,387.85	23,585,110,994.84
2. Opening balance	11,993,009,145.88	12,523,371,915.40	6,364,122.15	24,522,745,183.43

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

11.2 Fixed assets (Continued)

(1) Details of fixed assets (Continued)

Note: Since 2018, the Group has leased assets, including the 4100mm wide plate production line, from CISG under operating lease arrangements. To strengthen the continuous and stable operation of the Group, support high-quality development of its core business, and further optimize its product mix, the Group entered into the Asset Transfer Contract with CISG on 16 June 2025, to acquire the aforementioned assets, including the 4100mm wide plate production line, thereby terminating the original Asset Lease Contract. For further details, refer to Note V 13.

As at 31 December 2025, the Group obtained long-term borrowings secured by land use rights with a carrying amount of RMB264,583,546.30 (31 December 2024: RMB272,755,187.14) and buildings with a carrying amount of RMB88,393,241.65 (31 December 2024: RMB88,556,460.73). Concurrently, the Group entered into a sale-and-leaseback transactions with a leasing company, under which machinery and equipment and other equipment with a carrying amount of RMB36,712,405.30 (31 December 2024: RMB34,489,351.39) were involved. The total carrying amount of the aforementioned buildings and machinery and equipment is RMB125,105,646.95 (31 December 2024: RMB123,045,812.12). These fixed assets are subject to restricted ownership or usage rights. For further details, refer to Note V 17.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

11.2 Fixed assets (Continued)

(2) Fixed assets leased out under operating leases

RMB

Item	Carrying amount at 31 December 2025	Carrying amount at 31 December 2024
Buildings	**109,368,903.10**	20,269,902.96
Machinery and equipment and other equipment	**391,888,246.43**	462,213,435.74
Transportation vehicles	**2,121,438.44**	–
Total	**503,378,587.97**	482,483,338.70

(3) Details of the fixed assets without certificate of titles

As at 31 December 2025, fixed assets without certificate of titles are as follows:

RMB

Item	Carrying amount	Reason why the certificate of titles is not completed
Workshop in Changshou District	890,328,436.66	Application documents are currently under review

Fixed assets without certificate of titles do not have a material impact on the Group's operations.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

11.2 Fixed assets (Continued)

(4) Impairment assessment of fixed assets

At the end of the year, the Group assessed the indications of impairment for its fixed assets based on their respective circumstances and performed impairment tests, as detailed below:

1 The recoverable amount is the net amount of fair value less costs to disposal.

RMB

Item	Carrying amount	Recoverable amount	Impairment amount in the year	Determination of fair value and costs to disposal	Key parameter	Determination basis of key parameter
Buildings	1,717,883,811.22	1,581,687,281.05	136,196,530.17	– Fair value is based on adjusted market prices – Costs to disposal are costs incurred in connection with the disposal of the asset	– Adjusted market prices – Costs to disposal	– Adjusted market prices – Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale, etc.
Machinery and equipment and other equipment	2,463,353,430.74	482,580,407.45	1,980,773,023.29	– Fair value is based on adjusted market prices or scrap steel disposal prices – Costs to disposal are costs incurred in connection with the disposal of the asset	– Adjusted market prices or scrap steel disposal prices – Costs to disposal	– Adjusted market prices or recent scrap steel disposal prices – Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale, etc.
Transportation vehicles	182,617.09	–	182,617.09	– Fair value is based on adjusted market prices – Costs to disposal are costs incurred in connection with the disposal of the asset	– Adjusted market prices – Costs to disposal	– Adjusted market prices – Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale, etc.
Total	4,181,419,859.05	2,064,267,688.50	2,117,152,170.55			

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

11.2 Fixed assets (Continued)

(4) Impairment assessment of fixed assets (Continued)

1 The recoverable amount is the net amount of fair value less costs to disposal. (Continued)

Due to the ongoing downturn in the steel industry, the Group has ceased production of certain steel products that have consistently generated negative gross margins and significant losses. For some of the related fixed assets, the Group has formulated plans for external transfer (refer to Note XII 3). Meanwhile, certain fixed assets that are underperforming in terms of production efficiency or are approaching the end of their useful lives have been taken out of service. After assessment, management identified indications that such assets are impaired. As a result, an impairment test was performed on these long-term idle and discontinued fixed assets on an individual asset basis, and their recoverable amounts were estimated. During the current year, in conducting the impairment tests on these fixed assets, management determined the recoverable amount based on fair value less costs of disposal. For those fixed assets identified as impaired, an impairment provision of RMB2,117,152,170.55 was recognized in the current year.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

11.2 Fixed assets (Continued)

(4) Impairment assessment of fixed assets (Continued)

2 Recoverable amount is determined according to the present value of expected future cash flows

RMB

Item	Carrying amount	Recoverable amount	Impairment amount in the year	Length of the forecast period	Key parameters of the forecast period	Key parameter of the stable period	Determination basis of key parameters in the stable period
Steel production asset group	23,411,982,431.44	25,029,164,435.18	–	5 years	Revenue growth rate: 0.49%~7.93%; Gross margin: 3.04%~10.95%; Discount rate: 9.85%	Revenue growth rate: 0.46%; Gross margin: 10.96%~10.98%; Discount rate: 10.50%	Revenue growth rate: Inflation rate; Gross margin: Based on the forecast period; Discount rate: A pre-tax discount rate that reflects the current market time value of money and the specific risks associated with the asset group or portfolio of asset groups.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

11.2 Fixed assets (Continued)

(4) Impairment assessment of fixed assets (Continued)

2 Recoverable amount is determined according to the present value of expected future cash flows (Continued)

Except for the fixed assets related to discontinued products, which were subject to individual impairment testing as described in Note V 11.2(4)1, the Group's ongoing steel products generated a positive overall gross margin during the current year, although the margin remains low. Management has assessed that there are impairment indicators for the ongoing steel production asset group. As a result, an impairment test was performed on this asset group, which includes related fixed assets, construction in progress, right-of-use assets, and intangible assets. During the current year, management determined the recoverable amount of the steel production asset group based on the present value of expected future cash flows. Based on the results of the impairment test, the Group did not make any impairment provision for the steel production asset group in the current year.

11.3 Disposal of fixed assets

RMB

Item	31 December 2025	31 December 2024
Machinery and equipment and other equipment	**786,980.39**	786,980.39

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Construction in progress

(1) Details of construction in progress:

RMB

Item	31 December 2025 Gross carrying amount	31 December 2025 Provision for impairment	31 December 2025 Carrying amount	31 December 2024 Gross carrying amount	31 December 2024 Provision for impairment	31 December 2024 Carrying amount
Safety, environmental protection and energy conservation projects	**109,012,115.21**	**5,901,797.64**	**103,110,317.57**	827,259,999.64	31,572,309.31	795,687,690.33
Technological equipment and technological transformation projects	**67,728,185.13**	**3,875,844.22**	**63,852,340.91**	43,258,354.45	1,650,951.51	41,607,402.94
Smart manufacturing projects	**2,993,236.56**	**–**	**2,993,236.56**	24,504,888.74	935,227.05	23,569,661.69
Other projects	**181,577.88**	**24,996.36**	**156,581.52**	319,619.50	12,198.25	307,421.25
Total	**179,915,114.78**	**9,802,638.22**	**170,112,476.56**	895,342,862.33	34,170,686.12	861,172,176.21

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Construction in progress (Continued)

(2) Changes in construction in progress (Continued)

RMB

Item	Budget (RMB0'000)	1 January 2025	Increase	Transfer to fixed assets	Transfer to intangible assets	31 December 2025	Source of funds	Proportion of project expenditure to budget *(%)*	Accumulated capitalized interest	Including: Interest capitalized in the year	Interest capitalization rate for the current year *(%)*
Safety, environmental protection and energy conservation projects – Environmental protection and dust removal system transformation	58,046.63	232,221,717.75	54,353,943.82	282,055,472.91	–	4,520,188.66	Borrowings/ Self-funded	56.07	206,359.91	113,347.86	2.41
Safety, environmental protection and energy conservation projects – Raw material yard system capacity improvement and environmental protection yard transformation	108,017.18	121,847,293.68	112,015,231.39	233,862,525.07	–	–	Self-funded	86.68	–	–	–
Other projects	–	541,273,850.90	1,093,470,224.38	1,459,225,491.47	123,657.69	175,394,926.12	Self-funded/ Borrowings	–	807,354.07	636,982.72	--
Total	166,063.81	895,342,862.33	1,259,839,399.59	1,975,143,489.45	123,657.69	179,915,114.78			1,013,713.98	750,330.58	

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Construction in progress (Continued)

(3) Provision for impairment of construction in progress recognized in the current year

RMB

Provision for impairment of assets	Amount
Balance at 1 January 2025	**34,170,686.12**
Provision	**7,288,835.38**
Transfer to fixed assets *(Note V 11.2(1))*	**31,656,883.28**
Balance at 31 December 2025	**9,802,638.22**

As there were indications of impairment in the Group's steel production asset group during the current year, management performed an impairment test on the steel production asset group. Please refer to Note V 11.2(4) for details. In addition, during the year, the Group fully provided for impairment on construction in on an individual basis that are planned to be discontinued due to changes in project planning, resulting in a total impairment amount of RMB7,288,835.38.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Right-of-use assets

(1) *Details of right-of-use assets*

RMB

Item	Buildings	Machinery and equipment	Total
I. Cost			
1. Opening balance	16,483,288.71	706,873,297.57	723,356,586.28
2. Increase	–	47,507,562.56	47,507,562.56
3. Decrease *(Note)*	16,483,288.71	653,011,183.99	669,494,472.70
4. Closing balance	–	101,369,676.14	101,369,676.14
II. Accumulated depreciation			
1. Opening balance	13,292,975.03	540,087,451.32	553,380,426.35
2. Increase	1,471,089.21	73,010,879.05	74,481,968.26
3. Decrease *(Note)*	14,764,064.24	584,901,415.79	599,665,480.03
4. Closing balance	–	28,196,914.58	28,196,914.58
III. Impairment provision			
1. Opening balance	122,284.42	6,572,449.71	6,694,734.13
2. Decrease *(Note)*	122,284.42	6,572,449.71	6,694,734.13
3. Closing balance	–	–	–
IV. Carrying amount			
1. Closing balance	–	73,172,761.56	73,172,761.56
2. Opening balance	3,068,029.26	160,213,396.54	163,281,425.80

Note: As disclosed in Note V 11.2, the Group entered into the *Asset Transfer Contract* with CISG on 16 June 2025, to acquire the aforementioned right-of-use assets under operating leases, including the 4100mm wide plate production line, thereby terminating the original *Asset Lease Contract*.

As there were indications of impairment in the Group's steel production asset group during the current year, management performed an impairment test on the steel production asset group. Please refer to Note V 11.2(4) for details.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Intangible assets

(1) Details of intangible assets

RMB

Item	Land use rights	Patent and non-patented technologies	Software use rights	Total
I. Cost				
1. Opening balance	3,179,266,914.23	16,500,297.78	110,251,859.13	3,306,019,071.14
2. Increase	–	–	139,907,477.95	139,907,477.95
(1) Transfer from construction in progress	–	–	123,657.69	123,657.69
(2) Reclassification adjustment	–	–	139,783,820.26	139,783,820.26
3. Closing balance	3,179,266,914.23	16,500,297.78	250,159,337.08	3,445,926,549.09
II. Accumulated amortization				
1. Opening balance	808,056,371.23	16,499,804.87	11,045,170.46	835,601,346.56
2. Increase	68,069,648.63	–	66,186,865.68	134,256,514.31
(1) Provision	68,069,648.63	–	25,066,985.10	93,136,633.73
(2) Reclassification adjustment	–	–	41,119,880.58	41,119,880.58
3. Closing balance	876,126,019.86	16,499,804.87	77,232,036.14	969,857,860.87
III. Carrying amount				
1. Closing balance	2,303,140,894.37	492.91	172,927,300.94	2,476,068,688.22
2. Opening balance	2,371,210,543.00	492.91	99,206,688.67	2,470,417,724.58

As at 31 December 2025, the Group obtained long-term borrowings secured by land use rights with a carrying amount of RMB264,583,546.30 (31 December 2024: RMB272,755,187.14) and buildings with a carrying amount of RMB88,393,241.65 (31 December 2024: RMB88,556,460.73). Please refer to Note V 17 for details.

(2) As there were indications of impairment in the Group's steel production asset group during the current year, management performed an impairment test on the steel production asset group. Please refer to Note V 11.2(4) for details.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Goodwill

(1) Original carrying amount of goodwill

RMB

Investee or the transaction giving rise to goodwill	1 January 2025	Increase	Decrease	31 December 2025
Chongqing Iron and Steel Energy	295,407,414.62	–	–	**295,407,414.62**
Xingang Changlong		–	–	**32,647,355.72**
Total	328,054,770.34	–	–	**328,054,770.34**

(2) Provision for impairment of goodwill

RMB

Investee or the transaction giving rise to goodwill	1 January 2025	Provision	Decrease	31 December 2025
Acquisition of Chongqing Iron and Steel Energy	–	256,131,997.21	–	**256,131,997.21**
Acquisition of Xingang Changlong	–	29,051,510.12	–	**29,051,510.12**
Total	–	285,183,507.33	–	**285,183,507.33**

The main reason for the impairment of the aforementioned goodwill was the decline in electricity generation at Chongqing Iron and Steel Energy and the fall in cargo throughput at Xingang Changlong port.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Goodwill (Continued)

(3) Net book value of goodwill

RMB

Investee or the transaction giving rise to goodwill	1 January 2025	Increase	Decrease	31 December 2025
Acquisition of Chongqing Iron and Steel Energy	295,407,414.62	–	256,131,997.21	**39,275,417.41**
Acquisition of Xingang Changlong	32,647,355.72	–	29,051,510.12	**3,595,845.60**
Total	328,054,770.34	–	285,183,507.33	**42,871,263.01**

(4) Information of the asset group or portfolio of asset groups with goodwill

Name	Composition of the asset group or portfolio of asset groups and its basis	Operating segment and its basis	Consistent with prior years or not?
Electric power processing group	Comprising Chongqing Iron and Steel Energy, which consists primarily of power generation sets, the cash inflow generated is basically independent of the cash inflow generated by other assets or asset groups.	For internal management purposes, the Group has not prepared segment reports.	Yes
Terminal asset group	Comprising Xingang Changlong, which consists primarily of terminal asset groups, the cash inflow generated is basically independent of the cash inflow generated by other assets or asset groups.	For internal management purposes, the Group has not prepared segment reports.	Yes

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Goodwill (Continued)

(5) Specific method of determining the recoverable amount

Recoverable amount is determined according to the present value of expected future cash flows

RMB

Item	Carrying amount *(Note)*	Recoverable amount	Impairment amount	Length of the forecast period	Key parameters of the forecast period	Determination basis of key parameters in the forecast period	Key parameter of the stable period	Determination basis of key parameters in the stable period
Electric power processing group	918,880,907.33	662,748,910.12	256,131,997.21	5 years	Revenue growth rate: 1.00-3.57% Gross margin: 8.77-15.59% Discount rate: 9.25%	Based on the past performance of the asset group and expectations regarding market developments	Perpetual growth rate: 0% Gross margin: 15.59% Discount rate: 9.97%	Perpetual growth rate: revenue growth in the stable period is 0%; Gross margin: in line with the last period of the forecast period; Discount rate: A pre-tax discount rate that reflects the current market time value of money and the specific risks associated with the asset group or portfolio of asset groups.
Terminal asset group	255,784,425.78	226,732,915.66	29,051,510.12	5 years	Revenue growth rate: 1.33-5.11% Gross margin: 24.89-31.41% Discount rate: 10.03%	Based on the past performance of the asset group and expectations regarding market developments	Perpetual growth rate: 0% Gross margin: 31.41% Discount rate: 11.13%	Perpetual growth rate: revenue growth in the stable period is 0%; Gross margin: in line with the last period of the forecast period; Discount rate: A pre-tax discount rate that reflects the current market time value of money and the specific risks associated with the asset group or portfolio of asset groups.

Note: Carrying amount is the amount of a asset group or a portfolio of asset groups, including goodwill.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets before offsetting

RMB

Item	31 December 2025 Deductible temporary differences	 Deferred tax assets	31 December 2024 Deductible temporary differences	 Deferred tax assets
Deductible losses	**4,416,812,920.52**	**662,521,938.09**	4,476,200,182.30	671,430,027.34
Lease liabilities	**73,172,761.56**	**10,975,914.23**	163,281,425.80	24,492,213.87
Termination and post-employment benefits	**18,921,340.88**	**2,838,201.13**	26,138,742.29	3,920,811.34
Deferred income	**168,504,541.34**	**25,275,681.20**	5,970,680.04	895,602.01
Provision for impairment of receivables	**191,851.14**	**28,777.67**	191,851.14	28,777.67
Total	**4,677,603,415.44**	**701,640,512.32**	4,671,782,881.57	700,767,432.23

(2) Deferred tax liabilities before offsetting

RMB

Item	31 December 2025 Taxable temporary differences	 Deferred tax liabilities	31 December 2024 Taxable temporary differences	 Deferred tax liabilities
Adjustment to fair values under business combinations not involving enterprises under common control	**42,601,425.80**	**6,390,213.87**	41,293,744.33	6,194,061.65
Right-of-use assets	**73,172,761.56**	**10,975,914.23**	163,281,425.80	24,492,213.87
Total	**115,774,187.36**	**17,366,128.10**	204,575,170.13	30,686,275.52

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Deferred tax assets/deferred tax liabilities (Continued)

(3) Deferred tax assets or liabilities that are presented at the net amount after offsetting

RMB

	31 December 2025		31 December 2024	
	Offset amount	Balance after offsetting	Offset amount	Balance after offsetting
Deferred tax assets	**10,975,914.23**	**690,664,598.09**	24,492,213.87	676,275,218.36
Deferred tax liabilities	**10,975,914.23**	**6,390,213.87**	24,492,213.87	6,194,061.65

(4) Details of unrecognized deferred tax assets

RMB

	31 December 2025	31 December 2024
Deductible losses	**1,379,700,344.72**	1,007,059,089.05
Deductible temporary differences	**1,855,966,051.35**	1,251,028,654.61
Total	**3,235,666,396.07**	2,258,087,743.66

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Deferred tax assets/deferred tax liabilities (Continued)

(5) Maturity analysis of deductible losses without recognizing deferred tax assets

RMB

	31 December 2025	31 December 2024
2025	**–**	138,397,981.02
2026	**–**	–
2027	**882,576,348.97**	46,860,666.69
2028	**356,651,981.65**	301,577,951.04
2029	**140,472,014.10**	520,222,490.30
Total	**1,379,700,344.72**	1,007,059,089.05

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Assets with restricted ownership or right to use

Item	31 December 2025				31 December 2024			
	Gross carrying amount	Carrying amount	Type of restriction	Circumstances of restriction	Gross carrying amount	Carrying amount	Type of restriction	Circumstances of restriction
Cash and bank balances – Time deposits	412,088,771.99	412,088,771.99	Pledge	Pledge of bank acceptances	-	-		
Cash and bank balances – Other monetary funds	135,181,742.05	135,181,742.05	Frozen guarantees, etc.	Guarantees, frozen deposits, etc.	176,915,352.90	176,915,352.90	Frozen guarantees, etc.	Guarantees, frozen deposits, etc.
Notes receivable	1,496,842.13	1,496,842.13	Others	Notes receivable that have been endorsed or discounted but not derecognized	288,472,618.00	288,472,618.00	Others	Notes receivable that have been endorsed or discounted but not derecognized
Fixed assets	125,105,646.95	125,105,646.95	Mortgage	Mortgaged borrowings Sale-and-leaseback transactions	128,090,837.88	123,045,812.12	Mortgage	Mortgaged borrowings Sale-and-leaseback transactions
Intangible assets	264,583,546.30	264,583,546.30	Mortgage	Mortgaged borrowings	272,755,187.14	272,755,187.14	Mortgage	Mortgaged borrowings
Total	938,456,549.42	938,456,549.42			866,233,995.92	861,188,970.16		

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Short-term borrowings

(1) Categories of short-term borrowings

RMB

Item	31 December 2025	31 December 2024
Unsecured borrowings	**975,503,250.15**	919,368,395.79

As at 31 December 2025, the annual interest rates on the aforementioned bank borrowings ranged from 2.11% to 2.30% (31 December 2024: 2.3% to 2.41%), with maturities ranging from 359 to 365 days (31 December 2024: 364 to 366 days).

(2) As at 31 December 2025, there were no short-term borrowings of the Group that were overdue.

19. Notes payable

RMB

Item	31 December 2025	31 December 2024
Bank acceptances	**1,349,889,680.74**	294,836,118.95
Commercial acceptances	**563,944,007.97**	560,629,425.11
Finance company acceptances	**541,663,244.14**	247,800,049.54
L/C	**800,111,689.20**	830,244,916.85
Total	**3,255,608,622.05**	1,933,510,510.45

Note: The item represents notes accepted by Baowu Group Finance Co., Ltd. ("Baowu Finance"). Please refer to Note X 5(9) for details.

As at 31 December 2025, there were no notes payable of the Group that were overdue but not yet repaid (31 December 2024: Nil).

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Accounts payable

(1) The aging analysis of accounts payable is as follows:

RMB

Item	31 December 2025	31 December 2024
Within 1 year	**4,051,663,405.02**	4,893,457,972.13
1-2 years	**30,408,149.31**	32,256,379.04
2-3 years	**4,444,834.01**	13,275,859.52
Over 3 years	**18,885,347.34**	21,422,609.75
Total	**4,105,401,735.68**	4,960,412,820.44

(2) As at 31 December 2025, the Group had no significant accounts payable aged over one year or overdue.

(3) *Matters relating to supplier financing arrangements*

To ensure suppliers have access to financing support and to facilitate early settlement of payables, the Group has entered into reverse factoring arrangements. Under these contractual arrangements, Baowu Finance provides factoring financing to suppliers. The Group will repay the full amount to Baowu Finance on the agreed payment due date. The payment terms for such accounts payable typically range from 30 to 40 days.

Accounts payable arising from supplier financing arrangements are as follows:

Item	31 December 2025	31 December 2024
Accounts payable arising from supplier financing arrangements *(Note)*	**121,909,274.94**	–

Note: As at 31 December 2025, amounts related to accounts payable arising from supplier financing arrangements have been fully disbursed to the respective suppliers.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Contract liabilities

(1) Details of contract liabilities

RMB

Item	31 December 2025	31 December 2024
Advances from sales of goods	**1,137,072,939.29**	1,812,205,815.86

As at 31 December 2025, the VAT portion of advances from sales of goods, amounting to RMB143,043,750.60 (31 December 2024: RMB235,586,756.06), were presented as other current liabilities.

(2) As at 31 December 2025, the Group had no significant contract liabilities aged over one year.

(3) Analysis of contract liabilities

The Group's advances from sales of goods consist primarily of amounts received in advance for the sale of steel products. The Group recognizes these as contract liabilities upon receipt of the transaction considerations and recognizes revenue when control of the goods is transferred to the customer.

(4) Revenue recognized in the current year included in the opening carrying amount of contract liabilities

An amount of RMB1,812,205,815.86 included in the opening carrying amount of contract liabilities has been recognized as revenue during the current year. An amount of RMB1,137,072,939.29 included in the closing carrying amount of contract liabilities is expected to be recognized as revenue in 2026.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Employee benefits payable

(1) Employee benefits payable

RMB

Item	1 January 2025	Increase	Decrease	31 December 2025
1. Short-term employee benefits	63,211,280.60	875,055,644.19	864,347,198.50	**73,919,726.29**
2. Post-employment benefits-defined contribution plans	669.64	93,084,058.40	93,084,728.04	**–**
3. Termination benefits	–	37,450,013.16	33,980,679.39	**3,469,333.77**
4. Long-term employee benefits payable due within one year *(Note V 29)*	73,223,679.20	39,553,763.92	73,223,679.20	**39,553,763.92**
Total	136,435,629.44	1,045,143,479.67	1,064,636,285.13	**116,942,823.98**

(2) Short-term employee benefits

RMB

Item	1 January 2025	Increase	Decrease	31 December 2025
Wages or salaries, bonuses, allowances and subsidies	7,000,000.00	656,035,174.01	649,535,174.01	**13,500,000.00**
Employee welfare	36,519.75	51,391,509.41	50,908,861.74	**519,167.42**
Social insurance contributions	478.73	67,603,877.96	67,603,756.69	**600.00**
Including: Medical insurance	–	58,397,586.23	58,397,586.23	**–**
Work injury insurance	478.73	9,206,291.73	9,206,170.46	**600.00**
Housing funds	–	76,070,086.00	76,070,086.00	**–**
Union running costs and employee education costs	56,174,282.12	23,954,996.81	20,229,320.06	**59,899,958.87**
Total	63,211,280.60	875,055,644.19	864,347,198.50	**73,919,726.29**

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Employee benefits payable (Continued)

(3) Defined contribution plan

RMB

Item	1 January 2025	Increase	Decrease	31 December 2025
Basic pension insurance	–	90,260,373.60	90,260,373.60	-
Unemployment insurance	669.64	2,823,684.80	2,824,354.44	-
Total	669.64	93,084,058.40	93,084,728.04	-

The Group participates in pension insurance and unemployment insurance plans established by government agencies according to regulations. According to these plans, the Group makes contributions to these plans monthly according to a certain proportion of employees' basic salary and performance-related pay, respectively. Except for the above monthly contributions, the Group will not undertake further payment obligations. The corresponding expenses are included in profit or loss or the cost of relevant assets when they are incurred.

In this year, the Group should contribute RMB90,260,373.60 and RMB2,823,684.80 (2024: RMB118,077,367.68 and RMB3,644,375.77) to pension insurance and unemployment insurance plans respectively. As at 31 December 2025, the Group has no outstanding contributions to pension insurance and unemployment insurance plans (31 December 2024: RMB669.64).

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Taxes payable

RMB

Item	31 December 2025	31 December 2024
VAT	**–**	7,034,201.23
Environmental protection tax	**3,360,000.00**	4,395,924.91
Stamp tax	**3,750,000.00**	445,921.92
Others	**5,505,839.64**	4,456,414.77
Total	**12,615,839.64**	16,332,462.83

24. Other payables

24.1 Presentation of items

RMB

Item	31 December 2025	31 December 2024
Other payables	**3,118,211,051.73**	2,660,297,030.92

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Other payables (Continued)

24.2 Other payables

(1) Other payables by nature

RMB

Item	31 December 2025	31 December 2024
Payments for construction payable	**2,881,190,805.64**	2,417,307,284.34
Guarantees and deposits payable	**101,534,933.63**	115,907,668.67
Loan repayment funds for rural power grids	**43,757,756.50**	43,757,756.50
Post-resettlement support fund for relocated residents of medium and large reservoirs	**14,713,545.61**	14,713,545.61
Carbon emission payments	**9,501,779.33**	20,838,034.85
Proceeds from disposal of leased assets collected on behalf of others	**–**	37,391,944.68
Others	**67,512,231.02**	10,380,796.27
Total	**3,118,211,051.73**	2,660,297,030.92

(2) Significant other payables aged over one year or overdue

As at 31 December 2025, other payables aged over one year primarily consisted of certain payments for construction payable with longer settlement cycles, guarantees and deposits, loan repayment funds for rural power grids, and post-resettlement support fund for relocated residents of medium and large reservoirs.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Non-current liabilities due within one year

RMB

Item	31 December 2025	31 December 2024
Long-term borrowings due within one year *(Note V, 26)*	**2,410,049,103.84**	4,093,373,700.88
Lease liabilities due within one year *(Note V, 27)*	**15,223,889.34**	152,948,241.46
Long-term payables due within one year *(Note V, 28)*	**6,883,348.37**	6,770,914.33
Total	**2,432,156,341.55**	4,253,092,856.67

26. Long-term borrowings

RMB

Item	31 December 2025	31 December 2024
Mortgaged borrowings *(Note)*	**81,994,430.74**	157,125,279.91
Unsecured borrowings	**4,854,450,316.11**	5,588,323,755.15
Less: Long-term borrowings due within one year *(Note V, 25)*	**2,410,049,103.84**	4,093,373,700.88
Total	**2,526,395,643.01**	1,652,075,334.18

As at 31 December 2025, the annual interest rates of above borrowings ranged from 1.63% to 2.48% (31 December 2024: from 1.85% to 2.65%).

Note: As at 31 December 2025, the Group had a balance of long-term borrowings of RMB81,994,430.74 (31 December 2024: RMB157,125,279.91), mortgaged by land use rights with a carrying amount of RMB264,583,546.30 (31 December 2024: RMB272,755,187.14) and buildings with a carrying amount of RMB88,393,241.65 (31 December 2024: RMB88,556,460.73).

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Lease liabilities

RMB

Item	**31 December 2025**	31 December 2024
Lease liabilities	**74,468,605.33**	183,493,200.13
Less: Lease liabilities included in non-current liabilities due within one year *(Note V, 25)*	**15,223,889.34**	152,948,241.46
Net amount	**59,244,715.99**	30,544,958.67

The following is the maturity analysis for lease liabilities held by the Group which is based on undiscounted remaining contractual obligations:

RMB

	Within 1 year	1-2 years	2 to 5 years	Over 5 years	Total
Closing balance	16,865,628.60	16,865,628.60	27,445,333.72	22,481,873.38	83,658,464.30
Opening balance	157,593,475.12	11,575,776.04	23,151,552.08	–	192,320,803.24

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Long-term payables

RMB

Item	31 December 2025	31 December 2024
Payables to sale-and-leaseback transactions	**27,432,019.97**	34,262,641.14
Less: Long-term payables due within one year *(Note V, 25)*	**6,883,348.37**	6,770,914.33
Net amount	**20,548,671.60**	27,491,726.81

The Group engages in sale-and-leaseback transactions with leasing companies. As at 31 December 2025, the balance of payables for sale-and-leaseback transactions was RMB27,432,019.97 (31 December 2024: RMB34,262,641.14), and the carrying amount of the underlying machinery and equipment, and other equipment related to these transactions was RMB36,712,405.30 (31 December 2024: RMB34,489,351.39).

29. Long-term employee benefits payable

RMB

Item	31 December 2025	31 December 2024
1. Long-term termination benefits	**85,574,327.06**	179,885,304.70
2. Post-employment benefits-Net liabilities from defined benefit plan	**10,988,610.25**	12,210,849.61
Subtotal	**96,562,937.31**	192,096,154.31
Less: Long-term employee benefits payable due within one year *(Note V, 22)*	**39,553,763.92**	73,223,679.20
Total	**57,009,173.39**	118,872,475.11

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Provisions

RMB

Item	31 December 2024	Increase	Decrease	31 December 2025
Pending onerous contracts *(Note 1)*	3,135,452.93	–	1,568,440.52	**1,567,012.41**
Pending litigations *(Note 2)*	–	6,459,209.89	–	**6,459,209.89**
Total	3,135,452.93	6,459,209.89	1,568,440.52	**8,026,222.30**

Note 1: When a pending contract becomes an onerous contract, the fulfillment of that contract is likely to result in an outflow of economic benefits, and the amount of the expected loss can be reliably measured.

Note 2: A pending litigation gives rise to a present obligation on the Group to bear the consequences of a potential adverse judgment, the fulfillment of which is likely to result in an outflow of economic benefits, and the amount of the obligation can be reliably measured.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Deferred income

RMB

Item	31 December 2024	Increase	Decrease	31 December 2025
Government grants	107,051,670.39	101,100,000.00	7,929,425.81	**200,222,244.58**

The details of government grants are as follows:

RMB

Item	31 December 2024	Increase	Included in other income	31 December 2025	Related to assets/income
Special appropriation for environmental governance	79,808,170.39	101,100,000.00	4,821,425.81	**176,086,744.58**	Related to assets
Subsidies for waste heat power generation projects	21,187,500.00	–	2,250,000.00	**18,937,500.00**	Related to assets
Construction of intelligent operation and control platform	6,056,000.00	–	858,000.00	**5,198,000.00**	Related to assets
Total	107,051,670.39	101,100,000.00	7,929,425.81	**200,222,244.58**	

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Share capital

RMB

	31 December 2024	Changes for the year: New shares issued	Bonus issue	Reserve transferred to shares	Others	Subtotal	**31 December 2025**
Total shares	8,918,602,267.00	–	–	–	(66,838,500.00)	(66,838,500.00)	**8,851,763,767.00**

In 2025, the Company canceled a total of 66,838,500 shares, and the cancellation procedures were completed on the Shanghai Stock Exchange on 18 February 2025. For further details, please refer to Note V, 34.

33. Capital reserve

RMB

	31 December 2024	Increase	Decrease	**31 December 2025**
Share premium	18,454,408,756.33	–	2,922,040.41	**18,451,486,715.92**
Others	827,737,850.22	–	–	**827,737,850.22**
Total	19,282,146,606.55	–	2,922,040.41	**19,279,224,566.14**

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Treasury shares

RMB

	31 December 2024	Increase	Decrease	**31 December 2025**
Repurchase of the Company's shares	69,760,540.41	–	69,760,540.41	**-**

On 5 June 2024, in the 36th session of the 9th Board of Directors of the Company, the proposal on the Repurchase of Shares of the Company through Bidding in Collective Trading was approved. The Company was approved to bid in the collective trading to repurchase shares with a raised fund that is not less than RMB50 million and not more than RMB100 million, at a price that is not more than RMB2 per share and 150% of the average price of the Company's shares that are traded for 30 trading days before the Board of Directors makes a resolution to approve the repurchase, to use the repurchased shares for equity-based incentives.

On 9 December 2024, in the 9th session of the 10th Board of Directors of the Company, the Company approved to change the use of repurchased shares from "equity-based incentives" to "cancellation and reduction of registered capital". The proposal was approved by the shareholders' meeting on 30 December 2024.

As at 31 December 2025, the Company had repurchased a total of 66,838,500 shares (representing 0.749% of the Company's total issued share capital). Based on a par value of RMB1.00 per share, the total par value of the repurchased shares was RMB66,838,500.00, and the total amount paid was RMB69,760,540.41 (including transaction costs). The repurchased shares were fully canceled on the Shanghai Stock Exchange on 18 February 2025. The difference of RMB2,922,040.41 between the par value of the shares and the repurchase cost was offset against "Capital reserve - share premium" upon cancellation of the shares.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Other comprehensive income

RMB

	Balance at 31 December 2025 and 2024
Other comprehensive income that cannot be reclassified to profit or loss	1,585,194.71
Including: Recalculation of the changes in defined benefit plans	1,585,194.71

36. Special reserve

RMB

Item	31 December 2024	Increase	Decrease	31 December 2025
Work safety funds	31,581,736.68	47,121,924.78	20,140,865.02	**58,562,796.44**

The Group accrues work safety funds in accordance with the *Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds* (“Administrative Measures “) (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the Ministry of Emergency Management on 21 November 2022, and utilizes the funds in accordance with the provisions of the Administrative Measures.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Surplus reserve

RMB

Item	31 December 2024	Increase	**31 December 2025**
Statutory surplus reserve	607,679,608.13	798,243.13	**608,477,851.26**

In accordance with the provisions of the *Company Law* and the Articles of Association, after-tax profit shall first be used to offset losses from prior years, and thereafter, appropriate 10% of the after-tax profit which had been offset for the prior years' losses to the statutory surplus reserve, where the appropriation can be ceased when the statutory surplus reserve reaches 50% of the registered capital.

38. Retained profits (Accumulated losses)

RMB

Item	**2025**	2024
Retained profits (Accumulated losses) at the beginning of the year	**(12,165,198,888.31)**	(8,969,258,456.28)
Add: Net profit (loss) attributable to shareholders of the Company	**(2,721,831,982.67)**	(3,195,561,486.30)
Less: Appropriation to statutory surplus reserve	**798,243.13**	378,945.73
Retained profits (Accumulated losses) at the end of the year	**(14,887,829,114.11)**	(12,165,198,888.31)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Operating income and operating costs

(1) *Details of operating income and operating costs*

RMB

	2025		2024	
Item	**Income**	**Costs**	Income	Costs
Principal operating activities	**23,700,571,824.97**	**23,552,311,913.50**	26,997,779,177.05	28,381,563,065.28
Other operating activities	**301,085,650.71**	**252,438,875.05**	246,390,084.02	217,918,601.28
Total	**24,001,657,475.68**	**23,804,750,788.55**	27,244,169,261.07	28,599,481,666.56

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Operating income and operating costs (Continued)

(2) Breakdown of operating income and operating costs

RMB

	2025		2024	
Item	**Income**	**Costs**	Income	Costs
Types of products or services				
Steel product sales				
Hot rolled sheets	**14,539,856,250.65**	**14,399,575,214.55**	15,085,577,580.06	15,700,992,422.67
Plates	**7,742,588,995.61**	**7,521,423,038.99**	8,355,105,577.39	8,650,670,799.28
Bars *(Note 1)*	**–**	**132,538,724.02**	940,105,504.97	1,211,107,394.46
Wire rods *(Note 1)*	**–**	**61,781,856.00**	165,319,884.01	236,643,814.16
Billets	**118,564,899.57**	**117,391,751.27**	1,038,791,367.62	1,164,110,647.31
Subtotal	**22,401,010,145.83**	**22,232,710,584.83**	25,584,899,914.05	26,963,525,077.88
Others *(Note 2)*	**1,600,647,329.85**	**1,572,040,203.72**	1,659,269,347.02	1,635,956,588.68
Total	**24,001,657,475.68**	**23,804,750,788.55**	27,244,169,261.07	28,599,481,666.56
Classified by operating region				
Chinese mainland	**24,001,657,475.68**	**23,804,750,788.55**	27,244,169,261.07	28,599,481,666.56

Note 1: In 2025, costs primarily consist of depreciation of fixed assets and amortization of intangible assets related to products that have been discontinued to manufacture due to continuous negative gross margins and significant losses.

Note 2: In 2025, the Group recognized rental income of RMB52,182,876.35 (2024: RMB46,319,926.32).

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Operating income and operating costs (Continued)

(3) Description of performance obligations

Item	Category	Timing of performance obligations	Significant payment terms	Nature of promised transfer of goods	Whether it is the principal	Amounts expected to be refunded to customers	Types of assurance provided and related obligations
Hot rolled sheets, plates, billets	Sales of steel products	Upon delivery	Advances from customers	Sales of goods	Yes	None	Warranty-type quality assurance
Others	Mineral trading	Upon delivery	Advances from customers	Mineral trading	Yes	None	Warranty-type quality assurance
Others	Sales of energy media	Via valve, port	Monthly settlement, next month collection	Sales of water, electricity, and gas	Yes	None	None
Others	Resales of energy media	Via valve, port	Monthly settlement, next month collection	Resales of water, electricity, and gas	No	None	None

For transactions involving the sale of goods, the Group satisfies its performance obligations when the customer obtains control of the goods; for transactions involving the rendering of services, the Group recognizes completed performance obligations over the period during which the service is provided, based on the stage of completion.

For customers purchasing steel products, the Group typically requires advance payment and offers a 30-day credit term to major customers. For customers purchasing other products, the Group's contract prices are generally due within 30 days of product delivery and do not contain significant financing components. Some of the Group's contracts with customers include sales rebate arrangements (future price discounts granted based on cumulative sales volume), which constitute variable consideration. The Group determines the best estimate of variable consideration based on the expected value or the most likely amount. The transaction price with variable consideration cannot exceed the amount at which the accumulated income recognized is not probable to be reversed significantly when the relevant uncertainty is eliminated.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Taxes and levies

RMB

Item	2025	2024
Land use tax	**47,759,788.35**	47,693,699.86
Property tax	**50,416,047.18**	47,736,828.94
Environmental protection tax	**41,879,080.17**	19,634,552.77
Stamp tax	**8,048,735.96**	24,165,698.04
Urban maintenance and construction tax	**5,899,311.10**	5,213,079.64
Education surcharge	**2,528,276.16**	2,234,176.96
Local education surcharge	**1,685,517.45**	1,489,451.34
Others	**3,044,840.49**	331,551.92
Total	**161,261,596.86**	148,499,039.47

41. Selling expenses

RMB

Item	2025	2024
Labor costs	**32,929,238.36**	24,068,587.16
Transportation fee	**12,431,304.30**	14,338,422.53
Depreciation and amortization	**9,161,335.80**	4,626,318.47
Collaborative service fees	**2,353,700.48**	3,219,060.38
Maintenance costs	**2,993,736.52**	2,933,417.36
Others	**9,018,930.53**	7,602,168.25
Total	**68,888,245.99**	56,787,974.15

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Administrative expenses

RMB

Item	2025	2024
Termination benefits	**13,490,034.97**	142,668,780.99
Labor costs	**87,915,590.33**	87,333,954.80
Depreciation and amortization	**82,238,414.86**	82,339,594.40
Safety expense	**11,518,075.14**	3,279,715.57
Consulting and services expenses	**11,114,321.93**	12,210,892.08
Repair costs	**2,880,590.41**	6,571,101.86
Auditors' fees	**2,271,981.13**	2,391,509.43
Labor costs	**2,295,815.88**	8,541,766.93
Others	**15,085,458.26**	25,257,659.76
Total	**228,810,282.91**	370,594,975.82

43. Research and development expenses

RMB

Item	2025	2024
Labor costs	**44,182,387.91**	33,870,391.52
Raw materials consumed	**584,461.95**	1,667,295.14
External assistance expenses	**240,235.85**	6,246,006.53
Total	**45,007,085.71**	41,783,693.19

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Financial expenses

RMB

Item	2025	2024
Interest expenses	**200,810,550.27**	185,814,120.65
Including: Interest expense on lease liabilities	**4,337,821.43**	11,391,338.66
Less: Amount of interest capitalized	**750,330.58**	263,383.40
Subtotal: Interest expenses	**200,060,219.69**	185,550,737.25
Less: Interest income	**42,154,845.61**	22,389,740.43
Exchange gains or losses	**4,299,587.20**	32,635,561.19
Others	**3,842,288.62**	4,876,307.82
Total	**166,047,249.90**	200,672,865.83

45. Other income

RMB

Item	2025	2024
Proceeds from VAT refunds	**90,574,538.57**	70,510,436.18
Additional deduction for VAT	**51,441,258.17**	3,121,656.80
Industrial development fund	**5,000,000.00**	631,431.68
Amortization of deferred income	**7,929,425.81**	5,970,680.04
Other government grants	**1,492,030.30**	2,479,517.87
Refund of withholding individual income tax handling fees	**270,154.07**	221,930.73
Total	**156,707,406.92**	82,935,653.30

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Investment income (loss)

RMB

Item	2025	2024
Income from long-term equity investments under equity method	**3,545,513.60**	5,062,810.57
Dividend income from investments in other equity instruments during the holding period	**–**	428,145.74
Total	**3,545,513.60**	5,490,956.31

47. Credit impairment gains (losses)

RMB

Item	2025	2024
Gains (Losses) on credit impairment of accounts receivable	**218,559.15**	(1,499,678.34)
Gains (Losses) on credit impairment of other receivables	**(1,818,791.63)**	–
Losses on other credit impairment	**(2,676,034.73)**	(2,029,309.40)
Total	**(4,276,267.21)**	(3,528,987.74)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Gains (Losses) on impairment of assets

RMB

Item	2025	2024
Losses on decline in value of inventories *(Note V, 7)*	**(32,864,258.81)**	(50,640,771.62)
Losses on impairment of fixed assets *(Note V, 11)*	**(2,117,152,170.55)**	(1,142,395,226.29)
Losses on impairment of construction in progress *(Note V, 12)*	**(7,288,835.38)**	(34,170,686.12)
Losses on impairment of right-of-use assets	**–**	(6,694,734.13)
Losses on impairment of goodwill *(Note V, 15)*	**(285,183,507.33)**	–
Total	**(2,442,488,772.07)**	(1,233,901,418.16)

49. Gains (Losses) on disposal of assets

RMB

Item	2025	2024
Gains on disposal of fixed assets	**2,565,594.70**	2,556,283.20
Gains on disposal of right-of-use assets	**14,421,350.27**	–
Total	**16,986,944.97**	2,556,283.20

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Non-operating income

RMB

Item	2025	2024	Amount included in non-recurring profit or loss for 2025
Fines and compensations	**1,516,600.00**	3,642,825.05	1,516,600.00
Others	**522,644.58**	2,022,332.43	522,644.58
Total	**2,039,244.58**	5,665,157.48	2,039,244.58

51. Non-operating expenses

RMB

Item	2025	2024	Amount included in non-recurring profit or loss for 2025
Carbon emission	**(11,236,238.07)**	(23,322,149.03)	–
Losses from fines	**43,000.00**	7,307.26	43,000.00
Compensations	**4,194,293.93**	–	4,194,293.93
Others	**937,546.90**	522,602.06	937,546.90
Total	**(6,061,397.24)**	(22,792,239.71)	5,174,840.83

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Income tax expenses

RMB

Item	2025	2024
Current tax expenses	**1,492,903.97**	879,638.11
Deferred tax expenses	**(14,193,227.51)**	(96,959,221.66)
Total	**(12,700,323.54)**	(96,079,583.55)

Reconciliation of income tax expenses to the accounting profit

RMB

Item	2025	2024
Total profit (loss)	**(2,734,532,306.21)**	(3,291,641,069.85)
Tax rate	**15%**	15%
Income tax expenses calculated at an applicable tax rate	**(410,179,845.93)**	(493,746,160.48)
Effect of non-deductible costs, expenses and losses	**250,681,783.98**	71,012,753.08
Other tax concessions	**(9,206,413.02)**	(8,350,019.08)
Effect of non-taxable income	**(531,827.04)**	(823,643.45)
Effect of utilizing recoverable losses for which no deferred tax assets are recognized in prior years	**(10,860,516.55)**	–
Effect of deductible temporary difference or deductible loss for which no deferred tax assets are recognized for the year	**167,396,495.02**	335,827,486.38
Income tax expenses	**(12,700,323.54)**	(96,079,583.55)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Notes to the items in the cash flow statement

(1) Cash relating to operating activities

Other cash receipts relating to operating activities

RMB

Item	2025	2024
Receipt of receivables	**2,266,192.90**	35,521,303.14
Government grants	**107,592,030.30**	33,744,537.08
Interest income received	**34,530,349.41**	22,389,740.43
Guarantees and deposits received	**41,733,610.85**	23,249,000.00
Total	**186,122,183.46**	114,904,580.65

Other cash payments relating to operating activities

RMB

Item	2025	2024
Settlement of payables	**49,053,138.47**	140,685,459.26
Administrative expenses	**18,913,236.72**	58,726,981.89
Selling expenses	**26,797,671.83**	28,093,068.52
Carbon emission paid	**–**	17,315,350.01
Others	**14,141,049.82**	33,833,007.94
Total	**108,905,096.84**	278,653,867.62

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Notes to the items in the cash flow statement (Continued)

(2) Cash relating to investing activities

Cash receipts relating to significant investing activities

RMB

Item	2025	2024
Recovery of large-denomination certificate of deposit from SPD Bank upon maturity	**30,000,000.00**	–
Recovery of certificate of deposit from PINGAN Bank upon maturity	**200,000,000.00**	–
Total	**230,000,000.00**	–

Cash payments relating to significant investing activities

RMB

Item	2025	2024
Acquisition of assets held by CISG, including the 4100mm wide plate production line	**314,197,993.16**	–

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Notes to the items in the cash flow statement (Continued)

(3) Cash relating to financing activities

Other cash receipts relating to financing activities

RMB

Item	2025	2024
Receipt of proceeds from sale-and-leaseback transactions	–	34,247,786.00

Other cash payments relating to financing activities

RMB

Item	2025	2024
Payment for sale-and-leaseback transactions	**6,849,557.20**	476,073,479.25
Payment of lease rent	**28,994,493.93**	167,559,234.88
Repurchase of shares	–	69,760,540.41
Total	**35,844,051.13**	713,393,254.54

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Notes to the items in the cash flow statement (Continued)

(3) Cash relating to financing activities (Continued)

Changes in liabilities arising from financing activities are as follows:

RMB

Item	31 December 2024	Increase: Cash movement	Increase: Non-cash movement	Decrease: Cash movement	Decrease: Non-cash movement *(Note)*	31 December 2025
Short-term borrowings	919,368,395.79	975,000,000.00	19,080,115.30	859,075,170.80	78,870,090.14	**975,503,250.15**
Lease liabilities	183,493,200.13	–	51,845,383.99	28,994,493.93	131,875,484.86	**74,468,605.33**
Long-term borrowings (including long-term borrowings due within one year)	5,745,449,035.06	1,936,970,253.19	125,237,404.38	2,871,211,945.78	–	**4,936,444,746.85**
Long-term payables (financing related)	34,262,641.14	–	886,109.00	7,716,730.17	–	**27,432,019.97**
Total	6,882,573,272.12	2,911,970,253.19	197,049,012.67	3,766,998,340.68	210,745,575.00	**6,013,848,622.30**

Note: The decrease in short-term borrowings resulting from non-cash movements is primarily due to discounted notes from the prior year-end being classified as short-term borrowings because they did not meet the criteria for derecognition, as these notes matured during the current year and met the criteria for derecognition, this resulted in a decrease in short-term borrowings due to non-cash movements.

(4) Significant activities that do not involve cash receipts and payments for the year

RMB

Item	2025	2024
Notes transferred by endorsement	**7,024,218,874.74**	6,094,719,928.38
Including: Payment for goods and Labor costs	**6,422,779,618.60**	5,656,860,406.11
Payment for equipment and construction costs	**601,439,256.14**	437,859,522.27
Equipment and construction costs offset with steel	**146,108,343.48**	–

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Supplementary information to the cash flow statement

(1) Reconciliation of net profit (loss) to cash flows from operating activities:

RMB

Supplementary information	2025	2024
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit (loss)	**(2,721,831,982.67)**	(3,195,561,486.30)
Add: Impairment losses of assets	**2,442,488,772.07**	1,233,901,418.16
Impairment losses of credit	**4,276,267.21**	3,528,987.74
Depreciation of fixed assets	**1,603,216,315.30**	1,539,817,894.75
Depreciation of right-of-use assets	**74,481,968.26**	140,351,998.21
Amortization of intangible assets	**93,136,633.73**	78,746,842.94
Amortization of deferred income	**(7,929,425.81)**	(5,970,680.04)
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	**(16,986,944.97)**	(2,556,283.20)
Financial expenses	**192,435,723.49**	153,248,418.67
Investment loss (income)	**(3,545,513.60)**	(5,490,956.31)
Decrease (Increase) in deferred tax assets	**(14,389,379.73)**	(97,204,328.25)
Increase (Decrease) in deferred tax liabilities	**196,152.22**	245,106.59
Decrease (Increase) in inventories	**130,544,031.56**	864,738,551.47
Decrease (Increase) in operating receivables	**(193,948,005.05)**	(578,250,748.24)
Increase (Decrease) in operating payables	**25,032,127.53**	1,162,691,564.49
Others	**41,733,610.85**	17,627,059.09
Net cash flow from operating activities	**1,648,910,350.39**	1,309,863,359.77

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Supplementary information to the cash flow statement (Continued)

(2) Net changes in cash and cash equivalents:

RMB

Item	31 December 2025	31 December 2024
Closing balance of cash and cash equivalents	**1,939,808,534.15**	2,812,341,074.96
Less: Opening balance of cash and cash equivalents	**2,812,341,074.96**	1,831,764,477.16
Net increase (decrease) in cash and cash equivalents	**(872,532,540.81)**	980,576,597.80

(3) *Composition of cash and cash equivalents*

RMB

Item	31 December 2025	31 December 2024
Cash	**1,939,808,534.15**	2,812,341,074.96
Including: Bank deposits and deposits with the finance company that are readily available for payment	**1,939,808,534.15**	2,782,100,567.55
Other monetary funds that can be readily available for payment	**–**	30,240,507.41
Closing balance of cash and cash equivalents	**1,939,808,534.15**	2,812,341,074.96

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Foreign currency monetary items

RMB

Item	Closing balance in foreign currency	Exchange rate	Closing balance in RMB
Cash and bank balances			
Including: USD	544,465.61	7.0288	3,826,939.88

56. Leases

(1) *As a lessee*

RMB

Item	2025	2024
Interest expenses of lease liabilities	**4,337,821.43**	11,391,338.66
Short-term lease expenses through profit or loss subject to simplified treatment	**4,209,799.87**	3,718,915.89
Total cash outflows related to leases	**33,204,293.80**	167,559,234.88
Gains or losses arising from sale-and-leaseback transactions	**867,172.97**	3,027,639.94
Cash outflow from sale-and-leaseback transactions	**6,849,557.20**	476,073,479.25

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Leases (Continued)

(1) As a lessee (Continued)

In the Group's sale-and-leaseback transactions, the transfer of the relevant assets does not constitute a sale. Upon expiration of the lease term, the Group retains the right to repurchase the relevant assets at a price significantly lower than the original sale price; therefore, the lessor does not obtain control of the relevant assets at the time of transfer, and the transaction does not meet the criteria for a sale. Consequently, the Group, as the lessee, continues to recognize the transferred assets and simultaneously recognizes a financial liability equal to the amount of the transfer proceeds.

The Group's leased assets include buildings, machinery and equipment, transportation vehicles and other equipment used in its operations. The lease terms for buildings, machinery and equipment are typically one year or longer, while those for transportation vehicles and other equipment are typically one year. Lease agreements generally prohibit the Group from subleasing these assets. The aforementioned right-of-use assets cannot be used for purposes such as collateral for loans or guarantees.

As at 31 December 2025, the Group had no significant leases that had been committed to but had not yet commenced.

(2) As lessor

As lessor under operating leases

RMB

Item	Rental income for the year	Including: Income related to variable lease payments not included in lease receipts
Buildings	4,257,011.17	–
Machinery and equipment and other equipment	42,999,999.96	–
Transportation vehicles	4,925,865.22	–
Total	52,182,876.35	–

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Leases (Continued)

(2) As lessor (Continued)

As lessor under operating leases (Continued)

The Group's operating leases as lessor include land and buildings, machinery and equipment, other equipment, and transportation vehicles. The lease terms range from 1 to 10 years, with no renewal options and no purchase options.

Based on the lease agreements entered into with lessees, the remaining undiscounted minimum lease payments are as follows:

RMB

Item	31 December 2025	31 December 2024
1st year subsequent to the balance sheet date	**51,445,816.52**	379,946.04
2nd year subsequent to the balance sheet date	**48,304,118.28**	145,632.00
Total	**99,749,934.80**	525,578.04

For fixed assets leased out under operating leases, refer to Note V, 11.2(2).

VI. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

RMB

Name of the subsidiary	Principal place of operation	Registered capital	Place of registration	Nature of business	Shareholding ratio *(%)* Direct	Indirect	Acquisition method
Chongqing Iron & Steel Energy	Chongqing Changshou Economic Development Zone	525,694,938.14	Chongqing Changshou Economic Development Zone	Electricity generation and sales	100.00	–	Subsidiaries acquired through a business combination not involving enterprises under common control
Xingang Changlong	Chongqing Changshou Economic Development Zone	110,000,000.00	Chongqing Changshou Economic Development Zone	Transportation and warehousing	100.00	–	Subsidiaries acquired through a business combination not involving enterprises under common control

As at 31 December 2025, there was no subsidiary with minority interest that are material to the Group.

The subsidiaries above have been included in the scope of the consolidated financial statements. In 2025, the scope of the consolidated financial statements remained unchanged.

VI. INTERESTS IN OTHER ENTITIES (Continued)

2. Equities in joint ventures or associates

(1) *General information of associates*

Item	Principal place of operation	Place of registration	Nature of business	Shareholding ratio *(%)* Direct	Shareholding ratio *(%)* Indirect	Accounting treatments for investments in associates
Associates						
Baocheng Carbon Material *(Note 1)*	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing	10.00	–	Equity method
Baowu Raw Material *(Note 2)*	Shanghai Free Trade Zone	Shanghai Free Trade Zone	Trade	8.00	–	Equity method
Baowu Environmental Resources *(Note 3)*	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing	49.00	–	Equity method
Baowu Jingcheng *(Note 4)*	Zhoushan, Zhejiang Province	Zhoushan, Zhejiang Province	Manufacturing	19.00	–	Equity method

Note 1: The Company holds 10% equity of Baocheng Carbon Material, and has appointed one director to its Board of Directors (which consists of five members). Accordingly, the Company exercises substantial decision-making authority and exerts significant influence over Baocheng Carbon Materials.

Note 2: The Company holds 8% equity of Baowu Raw Material, and has appointed one director to its Board of Directors (which consists of nine members). Accordingly, the Company exercises substantial decision-making authority and exerts significant influence over Baowu Raw Material.

Note 3: The Company holds 49% of the equity of Baowu Environmental Resource, while the other shareholder holds 51% of the equity. According to the Articles of Association, resolutions on matters discussed at the shareholders' meeting must be passed by shareholders representing more than half of the voting rights. Therefore, the Company only has a significant impact on Baowu Environmental Resource, which is accounted for as an associate.

Note 4: The Company holds 19% equity of Baowu Jingcheng, and has appointed one director to its Board of Directors (which consists of five members). Accordingly, the Company exercises substantial decision-making authority and exerts significant influence over Baowu Jingcheng.

VI. INTERESTS IN OTHER ENTITIES (Continued)

2. Equities in joint ventures or associates (Continued)

(2) Consolidated financial information of associates

RMB

Item	2025	2024
Associates		
Total carrying amount of investments	**141,954,046.42**	108,764,718.31
Total amount calculated by shareholding ratio as follows		
Net profit	**3,545,513.60**	5,062,810.57
Total comprehensive income	**3,545,513.60**	5,062,810.57

VII. GOVERNMENT GRANTS

1. Government grants recognized at amount of receivables at the end of the reporting period

As at 31 December 2025, the balance of government grants receivable included in other receivables was RMB26,399,674.27 (31 December 2024: RMB13,611,773.81).

2. Liabilities items involving government grants

RMB

Item of liabilities	31 December 2024	Increase	Included in other income	31 December 2025	Related to assets/income
Deferred income	107,051,670.39	101,100,000.00	7,929,425.81	**200,222,244.58**	Related to assets

VII. GOVERNMENT GRANTS (Continued)

3. Government grants included in profit or loss for the period

RMB

Item	2025	2024
Government grants related to assets included in other income	**7,929,425.81**	5,970,680.04
Government grants related to income included in other income	**97,066,568.87**	76,964,973.26
Total	**104,995,994.68**	82,935,653.30

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's major financial instruments include cash and bank balances, notes receivable, receivables financing, accounts receivable, other receivables, investments in other equity instruments, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including the portion due within one year), long-term payables (including the portion due within one year), etc. As at 31 December 2025, details of these financial instruments held by the Group are disclosed in Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure the risks are monitored at a certain level.

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

RMB

Item	31 December 2025	31 December 2024
Financial assets		
Measured at FVTOCI		
Receivables financing	**459,630,155.77**	898,747,186.51
Investments in other equity instruments	**60,364,499.70**	60,364,499.70
Measured at amortized cost		
Cash and bank balances	**2,712,339,198.87**	3,019,606,427.86
Notes receivable	**4,185,550.14**	294,742,106.52
Accounts receivable	**10,948,466.78**	16,605,149.32
Other receivables	**53,775,499.93**	38,073,563.32
Financial liabilities		
Measured at amortized cost		
Short-term borrowings	**975,503,250.15**	919,368,395.79
Notes payable	**3,255,608,622.05**	1,933,510,510.45
Accounts payable	**4,105,401,735.68**	4,960,412,820.44
Other payables	**3,118,211,051.73**	2,660,297,030.92
Non-current liabilities due within one year	**2,416,932,452.21**	4,100,144,615.21
Long-term borrowings	**2,526,395,643.01**	1,652,075,334.18
Long-term payables	**20,548,671.60**	27,491,726.81

The Group adopts sensitivity analysis techniques to analyze how the profit or loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have a significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

1. Risk management objectives, policies and procedures, and changes in the year

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1. Market risk

1.1.1 Currency risk

The Group's operations are primarily located in China, and its sales and purchases are primarily settled in RMB. As at the balance sheet date, the Group's principal assets and liabilities were denominated in RMB. As at 31 December 2025, assuming all other variables remain constant, a reasonable and possible change in the USD exchange rate would have no material impact on the Group's net profit or loss (due to financial instruments denominated in USD) or shareholders' equity.

1.1.2 Interest rate risk

The Group's exposure to changes in cash flows from financial instruments due to changes in interest rates relates primarily to floating-rate bank borrowings. The Group continues to pay close attention to the impact of interest rate changes on the Group's interest rate risk. It is the Group's policy to keep its borrowings at floating rate of interests. At present, there is no interest rate swap arrangement or similar arrangement in place. As at 31 December 2025, assuming all other variables remain constant, a reasonable and possible change in interest rates (an increase or decrease of 10%) would have no material impact on the Group's net profit or loss (due to the effect on floating-rate borrowings) or on shareholders' equity.

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

1. Risk management objectives, policies and procedures, and changes in the year (Continued)

1.2. Credit risk

As at 31 December 2025, the Group's maximum exposure to credit risk which will cause a credit loss to the Group was mainly losses on financial assets due to failure to discharge an obligation by the counterparties and financial guarantees assumed by the Group (regardless of available collateral or other credit enhancements), including: cash and bank balances (Note V, 1), notes receivable (Note V, 2), accounts receivable (Note V, 3), receivables financing (Note V, 4), and other receivables (Note V, 6). As at the balance sheet date, the carrying amount of the Company's financial assets represented their maximum exposure to credit risk.

To mitigate credit risk, the Group conducts transactions only with recognized, reputable third parties. In accordance with the Group's policy, all customers requesting credit terms are subject to credit reviews, and other monitoring procedures are implemented to ensure that necessary measures are taken to recover overdue debts. In addition, the Group reviews the recoverable amounts of financial assets at each balance sheet date to ensure that adequate allowances for credit losses are made for relevant financial assets. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group's cash and bank balances are held at banks and finance companies with high credit ratings, and its notes receivable – bank acceptances and receivables financing consist of bank acceptances issued by banks with high credit ratings. Management considers that these financial assets carry a low level of credit risk.

The Group's other financial assets include notes receivable – commercial acceptances, accounts receivable, and other receivables. The credit risk associated with these financial assets arises from counterparty default, and the maximum exposure is equal to the carrying amount of these instruments.

As the Group only deals with recognized and reputable third parties, no collateral is required. Credit risk is centrally managed by customers and industries. As at 31 December 2025, the balance of accounts receivable of the Group from its top five customers was RMB10,999,619.71 (31 December 2024: RMB17,661,674.41), accounting for 89.60% (31 December 2024: 93.58%) of the balance of accounts receivable of the Group. Other than this, the Group has no other significant credit risk exposures concentrated in a single financial asset or a portfolio of financial assets with similar characteristics. The Group does not hold any collateral or other credit enhancements against its accounts receivable balance.

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

1. Risk management objectives, policies and procedures, and changes in the current year (Continued)

1.2. Credit risk (Continued)

1.2.1 Determination of significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group's main criteria for determining a significant increase in credit risk are that the overdue days exceed 30 days, or one or more of the following indicators have changed significantly: the operating environment of the debtor, external credit ratings, or actual or expected operating results have changed significantly.

1.2.2 Definition of credit-impaired financial assets

The Group's main criterion for determining that credit impairment has occurred is that the number of days past due exceeds 90 days. However, in some cases, if internal or external information indicates that the contract amount may not be recovered in full before considering any credit enhancements held, the Group will also consider that credit impairment has occurred. Credit impairment of financial assets may be caused by the combined action of multiple events, but may not be caused by separately identifiable events. The credit risk ratings of the Group's financial assets have not changed from the prior year.

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

1. Risk management objectives, policies and procedures, and changes in the current year (Continued)

1.2 Credit risk (Continued)

1.2.2 Definition of credit-impaired financial assets (Continued)

As at 31 December 2025, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

RMB

Item	12-month ECL	Lifetime ECL (Not credit-impaired)	Lifetime ECL (Credit-impaired)	Total
Cash and bank balances	**2,712,339,198.87**	**–**	**–**	**2,712,339,198.87**
Notes receivable	**4,185,550.14**	**–**	**–**	**4,185,550.14**
Accounts receivable	**N/A**	**12,276,984.80**	**–**	**12,276,984.80**
Receivables financing	**459,630,155.77**	**–**	**–**	**459,630,155.77**
Other receivables	**53,532,890.60**	**807,357.74**	**2,622,553.34**	**56,962,801.68**
Total	**3,229,687,795.38**	**13,084,342.54**	**2,622,553.34**	**3,245,394,691.26**

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

1. Risk management objectives, policies and procedures, and changes in the current year (Continued)

1.2 Credit risk (Continued)

1.2.2 Definition of credit-impaired financial assets (Continued)

As at 31 December 2024, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

RMB

Item	12-month ECL	Lifetime ECL (Not credit-impaired)	Lifetime ECL (Credit-impaired)	Total
Cash and bank balances	3,019,606,427.86	–	–	3,019,606,427.86
Notes receivable	294,742,106.52	–	–	294,742,106.52
Accounts receivable	N/A	18,873,687.91	–	18,873,687.91
Receivables financing	898,747,186.51	–	–	898,747,186.51
Other receivables	36,638,073.07	1,866,774.57	937,225.80	39,442,073.44
Total	4,249,733,793.96	20,740,462.48	937,225.80	4,271,411,482.24

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

1. Risk management objectives, policies and procedures, and changes in the current year (Continued)

1.3. Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group's objective is to utilize a variety of financing methods to maintain a balance between the continuity and flexibility of its financing. The Group finances its operations using funds generated from operations and borrowings. As at 31 December 2025, the Group had an unused bank borrowing facility of RMB8,767,204,534.82.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

RMB

	Undiscounted contract amount				
Item	Within 1 year	1-2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	986,354,852.89	–	–	–	986,354,852.89
Notes payable	3,255,608,622.05	–	–	–	3,255,608,622.05
Accounts payable	4,105,401,735.68	–	–	–	4,105,401,735.68
Other payables	3,118,211,051.73	–	–	–	3,118,211,051.73
Long-term borrowings (including long-term borrowings due within one year)	2,490,753,217.12	1,929,498,963.90	652,688,201.17	–	5,072,940,382.19
Lease liabilities (including lease liabilities due within one year)	16,865,628.60	16,865,628.60	27,445,333.72	22,481,873.38	83,658,464.30
Long-term payables (including long-term payables due within one year)	7,554,243.44	7,359,792.13	14,137,295.79	–	29,051,331.36
Total	13,980,749,351.51	1,953,724,384.63	694,270,830.68	22,481,873.38	16,651,226,440.20

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

2. Transfer of financial assets

(1) *Category of transfer method*

RMB

Transfer method	Nature of transferred financial assets	Amount of financial assets transferred	Derecognition	Judgment basis for derecognition
Notes endorsement	Notes receivable	1,496,842.13	Not derecognized	Retains substantially all of its risks and rewards, including the risk of default associated with it
Notes endorsement	Receivables financing	1,716,159,110.99	Derecognized	Has transferred substantially all of its risks and rewards
Notes discounting	Receivables financing	965,580,284.06	Derecognized	Has transferred substantially all of its risks and rewards
Total		2,683,236,237.18		

(2) *Financial assets derecognized due to transfer*

RMB

Item	Method of transfer of financial assets	Amount of derecognized financial assets	Losses related to derecognition
Receivables financing	Notes endorsement	1,716,159,110.99	–
Receivables financing	Notes discounting	965,580,284.06	2,856,298.44
Total		2,681,739,395.05	2,856,298.44

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

2. Transfer of financial assets (Continued)

(3) *Transferred financial assets with continuous involvement*

Financial assets that have been transferred but not derecognized as a whole

As at 31 December 2025, the carrying amount of bank acceptances endorsed by the Group to suppliers for settlement of accounts payable and other payables/discounted but not derecognized was RMB1,496,842.13 (31 December 2024: RMB288,472,618.00). Management considered that the Group retained substantially all of the risks and rewards, including the associated default risk, and therefore continued to recognize the full amount of the settled accounts payable and other payables/bank borrowings. Upon endorsement/discounting, the Group no longer retained the right to use them, including the right to sell, transfer, or pledge them to other third parties. As at 31 December 2025, the total carrying amount of the Group's accounts payable and other payables settled by the Group and for which the suppliers have recourse, and the recognized bank borrowings was RMB1,496,842.13 (31 December 2024: RMB288,472,618.00).

Financial assets that have been derecognized as a whole but with continuous involvement

As at 31 December 2025, the carrying amount of bank acceptance endorsed by the Group to suppliers for settlement of accounts payable and other payables/that had not yet matured but were derecognized is RMB2,681,739,395.05 (31 December 2024: RMB3,463,065,047.85). As at 31 December 2025, the maturity date is within 6 months. Pursuant to the relevant provisions of the Negotiable Instruments Law, if the acceptance bank refuses to pay, the holder may exercise the right of recourse against anyone, several or all of the bill debtors, including the Group, regardless of the order of the bill debtors ("Continuing Involvement"). The Group considered that it had transferred substantially all of its risks and rewards and therefore derecognized it and its related settled accounts payable and other payables in full and recognized discount charges. The maximum loss and undiscounted cash flow of continuing involvement and repurchase were equal to its carrying amount.

In 2025, the Group recognized discount fees of RMB2,856,298.44 (2024: RMB3,061,082.41) at the transfer date. The Group has no income or expense recognized in the current year and accumulated due to its continuing involvement in derecognized financial assets. Endorsements/discounting occur approximately evenly throughout the year.

IX. DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

RMB

Item	Fair value at the end of the year Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Continuous fair value measurement				
Receivables financing	–	459,630,155.77	–	459,630,155.77
Investments in other equity instruments	–	–	60,364,499.70	60,364,499.70
Total	–	459,630,155.77	60,364,499.70	519,994,655.47

2. Level 1 fair value measurement items

As at 31 December 2025, the Group did not hold any Level 1 fair value measurement items (31 December 2024: Nil).

3. Level 2 fair value measurement items

The Group's level 2 fair value measurement items are mainly receivables financing. The receivables financing is determined by discounting the market interest rate.

4. Level 3 fair value measurement items

Level 3 fair value measurement items held by the Group are mainly investments in other equity instruments. For investments in unlisted equity instruments, the fair value is estimated using the market method based on unobservable market price or interest rate assumptions. The Group is required to identify comparable listed companies based on industry, size, leverage and strategy and calculate an appropriate market multiplier for each comparable listed company identified. Based on the specific facts and circumstances of the enterprise, adjustments are made after considering factors such as liquidity and scale differences with comparable listed companies. As at 31 December 2025, there have been no significant changes in the measurement methods or fair values of investments in other equity instruments compared with the end of the prior year.

5. Financial assets and financial liabilities not measured at fair value

Management has assessed cash and bank balances, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, non-current liabilities due within one year (excluding lease liabilities due within one year), long-term borrowings, long-term payables, etc. Due to the short remaining maturity periods/the minimal difference between the actual interest rates and market rates for those with longer remaining maturity periods, the fair values are approximately equivalent to their carrying amounts.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

RMB'000

Name of the parent company	Place of registration	Nature of business	Registered capital	Shareholding ratio *(%)*	Ratio of voting power *(%)*
Changshou Iron and Steel	Chongqing	Engaging in technology development, technology transfer, technical services and technical management consultation in the fields of iron and steel, metallurgical minerals, coal, chemical industry, electric power and transportation; Sales of steel and iron raw materials; Terminal operations; Warehousing services; Leases of own property and equipment; Import and export of goods and technologies; Corporate management and advisory services	2,720,000.00	23.69	23.69

The Company's parent company is Changshou Iron and Steel; its indirect controlling party is Baowu Group, and the ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

2. Subsidiaries of the Company

For details regarding the Company's subsidiaries, please refer to Note VI, 1 to the financial statements.

3. Joint ventures and associates of the Company

For details regarding the Company's joint ventures and associates, please refer to Note VI, 2 to the financial statements.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Other related parties of the Company

The following is a summary of other related parties that engaged in related party transactions with the Group during the year, or that have outstanding balances resulting from related party transactions with the Group in prior periods:

Name of the related party	Relationship with the Group
Baowu Group	Indirect controlling party of the Group
Baocheng Carbon Material	A subsidiary of Baowu Group, an associate of the Company
Baowu Environmental Resources	A subsidiary of Baowu Group, an associate of the Company
Baowu Raw Material	A subsidiary of Baowu Group, an associate of the Company
Baowu Jingcheng	A subsidiary of Baowu Group, an associate of the Company
Baowu Finance	A subsidiary of Baowu Group
Baowu Water	A subsidiary of Baowu Group
CISG *(Note 1)*	A subsidiary of Baowu Group
CISG Transportation *(Note 1)*	A subsidiary of Baowu Group
CISG Steel Tube *(Note 1)*	A subsidiary of Baowu Group
Chongqing Iron & Steel Group Duoli Real Estate Co., Ltd. ("CISG Duoli") *(Note 1)*	A subsidiary of Baowu Group
Shanghai Jinyi Testing Technology Co., Ltd. ("Jinyi Testing")	A subsidiary of Baowu Group
Chongqing Sangang Steel Industry Co., Ltd. ("Chongqing Sangang") *(Note 1)*	A subsidiary of Baowu Group
Baosteel Development Co., Ltd. ("Baosteel Development")	A subsidiary of Baowu Group
Baowu Equipment Intelligent Technology Co., Ltd. ("Baowu Equipment")	A subsidiary of Baowu Group
Shanghai Baosteel Energy Conservation and Environmental Protection Technology Co., Ltd. ("Baosteel Energy Conservation")	A subsidiary of Baowu Group
Chongqing Iron & Steel Group Electronics Co., Ltd. ("CSIG Electronics") *(Note 1)*	A subsidiary of Baowu Group
Guangdong Shaogang Engineering Technology Co., Ltd. ("Shaogang Engineering")	A subsidiary of Baowu Group
Guangdong Baodi Nanhua Industrial City Development Co., Ltd. ("Baodi Nanhua")	A subsidiary of Baowu Group

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Other related parties of the Company (Continued)

Name of the related party	Relationship with the Group
Chongqing Iron & Steel Group Mining Co., Ltd. ("CISG Mining") *(Note 1)*	A subsidiary of Baowu Group
Shanghai Ouye Supply Chain Co., Ltd. ("Shanghai Ouye")	A subsidiary of Baowu Group
Ouye Cloud Commerce Co., Ltd. ("Ouye Cloud Commerce")	A subsidiary of Baowu Group
Ouye Industrial Products Co., Ltd. ("Ouye Industrial")	A subsidiary of Baowu Group
OUYEEL SINGAPORE PTE. LTD.("Ouyeel Overseas")	A subsidiary of Baowu Group
Baoshan Iron & Steel Co., Ltd. ("Baosteel Co., Ltd.")	A subsidiary of Baowu Group
Baosteel Engineering Technology Group Co., Ltd. ("Baosteel Engineering")	A subsidiary of Baowu Group
Shanghai Meishan Industrial & Civil Engineering Design&Research Institute Co., Ltd. ("Meishan Research Institute")	A subsidiary of Baowu Group
Shanghai Baosteel Shipping Co., Ltd. ("Baosteel Shipping")	A subsidiary of Baowu Group
Shanghai Baosight Software Co., Ltd. ("Baosight Software")	A subsidiary of Baowu Group
Guangdong Kunlun Information Technology Co., Ltd. ("Kunlun Information")	A subsidiary of Baowu Group
Baosight Software (Wuhan) Co., Ltd. ("Baosight Wuhan")	A subsidiary of Baowu Group
Maanshan Iron & Steel International Economic & Trading Co., Ltd. ("Maanshan International")	A subsidiary of Baowu Group
Sinosteel Group Xi'an Heavy Machinery Co., Ltd. ("Sinosteel Group")	A subsidiary of Baowu Group
Wuhan Wugang Green City Technology Development Co., Ltd. ("Wugang Technology")	A subsidiary of Baowu Group
Chongqing Sanhuan Construction Management & Consulting Co., Ltd. ("Chongqing Sanhuan") *(Note 1)*	A subsidiary of Baowu Group
Anhui MA Steel Heavy Machinery Manufacturing Co., Ltd. ("Anhui MA Steel")	A subsidiary of Baowu Group
Shanghai Ouye Logistics Co., Ltd. ("Ouye Logistics")	A subsidiary of Baowu Group
Wuhan Huafeng Sensing Technology Co., Ltd. ("Huafeng Sensing")	A subsidiary of Baowu Group
Hengyang Sinosteel Hengzhong Equipment Co., Ltd. ("Hengyang Sinosteel")	A subsidiary of Baowu Group
Chongqing Iron & Steel Group Industry Co., Ltd. ("CSIG Industry") *(Note 1)*	A subsidiary of Baowu Group
Baowu Smart Roll Technology Service (Shanghai) Co., Ltd. ("Baowu Smart")	A subsidiary of Baowu Group

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Other related parties of the Company (Continued)

Name of the related party	Relationship with the Group
Baowu Teye Aviation Research Technology Co., Ltd. ("Baowu Teye") *(Note 1)*	A subsidiary of Baowu Group
Shanghai Baojing Information Technology Development Co., Ltd. ("Baojing Information")	A subsidiary of Baowu Group
Shanghai Baoding Energy Co., Ltd. ("Baoding Energy")	A subsidiary of Baowu Group
Baosteel Resources (International) Co., Ltd. ("Baosteel International")	A subsidiary of Baowu Group
Baosteel Resources Holding (Shanghai) Co., Ltd. ("Baosteel Resources")	A subsidiary of Baowu Group
Zhejiang Zhoushan Wugang Wharf Co., Ltd. ("Wugang Wharf")	A subsidiary of Baowu Group
BAOSTEEL RESOURCES SINGAPORE COMPANY PTE. LTD. ("Baosteel Resources Singapore")	A subsidiary of Baowu Group
Baowu Shared Services Co., Ltd. ("Baowu Shared Services")	A subsidiary of Baowu Group
Baowu Group Environmental Resources Technology Co., Ltd. ("Baowu Environmental")	A subsidiary of Baowu Group
Chengdu Baosteel Western Trading Co., Ltd. ("Chengdu Baosteel")	A subsidiary of Baowu Group
Wuhan Iron and Steel MCC Industrial Technology Service Co., Ltd. ("Wuhan Iron and Steel MCC")	A subsidiary of Baowu Group
Chongqing Duoli Real Estate Management Co., Ltd. ("Duoli Real Estate Management") *(Note 1)*	A subsidiary of Baowu Group
Shanghai Ouye Materials Technology Co., Ltd. ("Ouye Materials")	A subsidiary of Baowu Group
Baowu Group Echeng Iron & Steel Co., Ltd. ("Echeng Steel")	A subsidiary of Baowu Group
Baowu Heavy Industry Co., Ltd. ("Baowu Heavy Industry")	A subsidiary of Baowu Group
Wugang Group Xiangyang Heavy Equipment Materials Co., Ltd. ("Wugang Xiangyang")	A subsidiary of Baowu Group
Baosteel Chemical (Zhangjiagang Free Trade Zone) International Trade Co., Ltd. ("Baosteel Chemical")	A subsidiary of Baowu Group
Baowu Resources Co., Ltd. ("Baowu Resources")	A subsidiary of Baowu Group
Sinosteel International Freight Zhejiang Co., Ltd. ("Sinosteel International")	A subsidiary of Baowu Group
Wuhan Yangguang Industrial Co., Ltd. ("Wuhan Yangguang")	A subsidiary of Baowu Group
Wugang Resources Group Ezhou Pellet Co., Ltd. ("Ezhou Pellet")	A subsidiary of Baowu Group

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Other related parties of the Company (Continued)

Name of the related party	Relationship with the Group
Shanghai HGB Digital Technology Co,., Ltd. ("Shanghai HGB")	A subsidiary of Baowu Group
Sinosteel Wuhan Safety & Environmental Protection Research Institute Co., Ltd. ("Sinosteel Wuhan")	A subsidiary of Baowu Group
Shanghai Steel Trading Center Co., Ltd. ("Shanghai Steel")	A subsidiary of Baowu Group
Wuhan Iron & Steel Jiangbei Group Cold-Formed Steel Co., Ltd. ("Wugang Jiangbei")	A subsidiary of Baowu Group
Shanghai Baosteel Construction Engineering Technology Co., Ltd. ("Baosteel Construction")	A subsidiary of Baowu Group
Shanghai Ouye Procurement Information Technology Co., Ltd. ("Ouye Procurement")	A subsidiary of Baowu Group
Shanghai Baosteel Xinyue Talent Technology Co., Ltd. ("Baosteel Xinyue")	A subsidiary of Baowu Group
Wuhan Iron & Steel Co., Ltd. ("Wuhan Steel")	A subsidiary of Baowu Group
Baowu Industry-Education Integration Development (Shanghai) Co., Ltd. ("Baowu Industry-Education Integration")	A subsidiary of Baowu Group
Huabao Trust Co., Ltd. ("Huabao Trust")	A subsidiary of Baowu Group
Zhejiang Shengsi Baojie International Shipping Agency Co., Ltd. ("Zhejiang Shengsi")	A subsidiary of Baowu Group
Huabao Securities Co., Ltd. ("Huabao Securities")	A subsidiary of Baowu Group
Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Steel")	A subsidiary of Baowu Group
Baowu Group Zhongnan Steel Co., Ltd. ("Zhongnan Steel")	A subsidiary of Baowu Group
Wuhan Engineering Vocational and Technical College ("Wuhan Engineering College")	A subsidiary of Baowu Group
Chongqing Zhaoyang Gas Co., Ltd. ("Zhaoyang Gas") *(Note 1)*	A subsidiary of Baowu Group
Ouye Lianjin (Hubei) Renewable Resources Co., Ltd. ("Ouye Lianjin Hubei")	An associate of Baowu Group
Guangdong Building Materials Co., Ltd. ("Guangdong Building Materials")	An associate of Baowu Group
Guangdong Guangwu Central South Building Materials Group Co., Ltd. ("Central South Building Materials")	An associate of Baowu Group
Guangdong Guangwu Central South Supply Chain Development Co., Ltd. ("Guangwu Central South")	An associate of Baowu Group
Guangdong Guangwu Materials Co., Ltd. ("Guangdong Guangwu")	An associate of Baowu Group
Shanghai Baosteel Engineering Consulting Co., Ltd. ("Baosteel Engineering Consulting")	An associate of Baowu Group
Taicang Wugang Wharf Co., Ltd. ("Taicang Wugang")	An associate of Baowu Group

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Other related parties of the Company (Continued)

Name of the related party	Relationship with the Group
Yichang Yimei Urban Mineral Resources Recycling Co., Ltd. (“Yichang Yimei”)	An associate of Baowu Group
Ouye Lianjin (Sichuan) Renewable Resources Co., Ltd. (“Ouye Lianjin Sichuan”)	An associate of Baowu Group
CISDI Engineering Co., Ltd. (“CISDI”)	An associate of Baowu Group
Ouye Lianjin (Shaoguan) Renewable Resources Co., Ltd. (“Ouye Lianjin Shaoguan”)	An associate of Baowu Group
Wuhan Jingding Technology Co., Ltd. (“Wuhan Jingding”)	An associate of Baowu Group
Maanshan Iron & Steel Construction Group Mining Trade Co., Ltd. (“Maanshan Construction”)	An associate of Baowu Group
Maanshan Chengxing Metal Resources Co., Ltd. (“Maanshan Chengxing”)	An associate of Baowu Group
Shanghai Gangzhijia Information Technology Co., Ltd. (“Gangzhijia Information”)	An associate of Baowu Group
Hubei Carbon Emission Exchange Co., Ltd. (“Hubei Carbon Emission”)	An associate of Baowu Group
China Pacific Property Insurance Co., Ltd. (“Pacific Property”)	An associate of Baowu Group
CRRG Lianjin Recycling Resources Co., Ltd. (“CRRG Lianjin”, formerly known as “Ouye Lianjin Renewable Resources Co., Ltd.”) *(Note 2)*	An associate of Baowu Group

Note 1: CISG became a subsidiary of Baowu Group in October 2025; concurrently, CISG and its subsidiaries became related parties of the Group in October 2025.

Note 2: CRRG Lianjin was originally a subsidiary of Baowu Group; due to changes in equity ownership, CRRG Lianjin has been reclassified as an associate of Baowu Group.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions

(1) Receipt of services

RMB

Related parties	Details of related party transactions	2025	2024
Baowu Water	Receipt of services	**282,652,050.74**	278,440,061.66
Ouye Logistics	Receipt of services	**197,076,970.63**	183,442,086.75
Zhaoyang Gas	Receipt of services	**134,241,314.29**	–
Baowu Equipment	Receipt of services	**110,356,619.41**	102,035,520.93
CISG Mining	Receipt of services	**54,687,194.33**	–
Baoding Energy	Receipt of services	**43,029,460.50**	88,395,700.35
Baowu Smart	Receipt of services	**40,473,661.42**	33,789,657.77
CISG Transportation	Receipt of services	**33,681,207.24**	–
Wuhan Jingding	Receipt of services	**23,767,470.78**	–
Baosight Software	Receipt of services	**22,026,250.00**	20,235,964.08
Wuhan Iron and Steel MCC	Receipt of services	**19,830,882.82**	–
Ouye Industrial	Receipt of services	**18,152,351.43**	22,553,097.70
Baosteel Energy Conservation	Receipt of services	**11,800,000.00**	15,477,159.22
CSIG Industry	Receipt of services	**10,945,019.52**	–
Baosteel Shipping	Receipt of services	**10,074,582.41**	51,944,264.67
Chongqing Sangang	Receipt of services	**7,459,212.18**	–
CSIG Electronics	Receipt of services	**6,751,572.34**	–
Taicang Wugang	Receipt of services	**5,705,882.10**	2,020,504.72
Baosteel Xinyue	Receipt of services	**5,018,237.45**	5,246,923.75
Jinyi Testing	Receipt of services	**4,373,821.71**	–
Baosteel Co., Ltd.	Receipt of services	**4,091,237.31**	47,599,661.30
Baosteel Development	Receipt of services	**3,785,652.35**	3,123,422.04
Baodi Nanhua	Receipt of services	**3,500,263.63**	6,592,250.39
Wuhan Steel	Receipt of services	**2,386,792.45**	1,551,886.79

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(1) Receipt of services (Continued)

RMB

Related parties	Details of related party transactions	2025	2024
Baosteel Engineering	Receipt of services	**2,225,005.65**	15,485,522.23
Wugang Wharf	Receipt of services	**2,143,043.03**	2,127,949.81
Baowu Environmental Resources	Receipt of services	**1,262,781.89**	10,643,327.11
Baowu Shared Services	Receipt of services	**1,199,567.64**	306,868.74
Zhongnan Steel	Receipt of services	**825,264.59**	2,150,650.00
Duoli Real Estate Management	Receipt of services	**575,879.97**	–
Echeng Steel	Receipt of services	**465,779.70**	–
Baowu Group	Receipt of services	**414,364.56**	653,643.20
Baowu Industry-Education Integration	Receipt of services	**378,576.42**	284,350.00
Chongqing Sanhuan	Receipt of services	**256,928.23**	–
Gangzhijia Information	Receipt of services	**120,754.72**	117,924.53
Baojing Information	Receipt of services	**77,500.00**	105,000.00
Huabao Trust	Receipt of services	**74,829.25**	76,113.21
Zhejiang Shengsi	Receipt of services	**52,361.63**	–
Kunlun Information	Receipt of services	**34,500.00**	691,500.00
Ouye Cloud Commerce	Receipt of services	**25,839.99**	283,796.22
Wuhan Engineering College	Receipt of services	**1,456.31**	230,000.00
Hubei Carbon Emission	Receipt of services	**7.55**	–
Huabao Securities	Receipt of services	**–**	6,447,924.53
Taiyuan Steel	Receipt of services	**–**	41,603.77
Baowu Heavy Industry	Receipt of services	**–**	32,153,952.52
Baowu Raw Material	Receipt of services	**–**	16,151,345.13
Sinosteel International	Receipt of services	**–**	5,018,082.94
Baosteel Resources	Receipt of services	**–**	3,584,070.80
Total		**1,066,002,148.17**	959,001,786.86

The price for services received from a related party is determined by reference to the price or cost plus for similar transactions between the related party and other third parties, or the bid price of the supplier.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(2) *Purchase of goods*

RMB

Related parties	Details of related party transactions	2025	2024
Maanshan International	Purchases of raw materials	**3,776,871,099.15**	2,299,978,856.94
Ouye Industrial	Purchase of spare parts and equipment	**527,915,056.03**	535,485,874.73
Baowu Raw Material	Purchases of raw materials	**778,121,246.78**	750,795,919.19
Baosteel International	Purchases of raw materials	**629,882,688.74**	2,217,064,076.24
Guangdong Building Materials	Purchase of scrap steel	**570,574,405.14**	548,503,625.09
Yichang Yimei	Purchase of scrap steel	**555,381,487.98**	251,824,698.43
Baoding Energy	Purchases of raw materials	**487,694,396.71**	888,027,448.50
Central South Building Materials	Purchases of raw materials	**474,858,609.99**	272,268,094.84
Baowu Resources	Purchases of raw materials	**453,554,122.56**	157,980,652.59
Ouye Industrial	Purchases of raw materials	**438,140,503.30**	484,942,135.49
CRRG Lianjin	Purchase of scrap steel	**301,929,882.76**	342,080,599.73
Baosteel Resources	Purchases of raw materials	**296,853,556.62**	1,171,847,002.54
Ouye Lianjin Shaoguan	Purchase of scrap steel	**157,469,994.20**	297,471,853.30
Ouye Lianjin Sichuan	Purchase of scrap steel	**86,689,290.00**	45,923,112.69
Wuhan Yangguang	Purchases of raw materials	**81,257,790.37**	71,117,527.24
Ouye Lianjin Hubei	Purchase of scrap steel	**36,537,519.04**	130,728,904.20
Baosteel Resources Singapore	Purchases of raw materials	**33,913,286.83**	–
Baosteel Engineering	Purchase of equipment	**11,323,810.00**	–
Ezhou Pellet	Purchases of raw materials	**7,852,823.06**	160,605,758.20

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(2) Purchase of goods (Continued)

RMB

Related parties	Details of related party transactions	2025	2024
Echeng Steel	Purchases of raw materials	**5,692,721.63**	2,769,614.47
Sinosteel Group	Purchase of materials and spare parts	**2,428,600.00**	660,000.00
Baosight Software	Purchase of spare parts and equipment	**1,418,262.64**	1,001,255.77
Anhui MA Steel	Purchase of equipment	**787,160.00**	–
Hengyang Sinosteel	Purchase of materials and spare parts	**682,575.00**	514,325.00
Baocheng Carbon Material	Purchases of raw materials	**162,383.20**	–
Baowu Equipment	Purchase of spare parts and equipment	**146,110.00**	10,431,016.84
Baowu Jingcheng	Purchases of raw materials	**–**	37,557,514.28
Chengdu Baosteel	Purchases of raw materials	**–**	6,709,242.82
Maanshan Construction	Purchases of raw materials	**–**	138,139,556.16
Maanshan Chengxing	Purchase of scrap steel	**–**	9,528,252.80
Ouye Procurement	Purchases of raw materials	**–**	3,322,173.00
Pacific Property	Purchases of raw materials	**–**	13,440.87
Total		**9,718,139,381.73**	10,837,292,531.95

The price of goods purchased from a related party is determined by reference to the price or cost plus of similar transactions between the related party and other third parties, or the bid price of the supplier.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(3) *Purchase of fixed assets and construction services*

RMB

Related parties	Details of related party transactions	2025	2024
Baosteel Engineering	Engineering construction	**104,378,255.07**	217,243,485.50
CISDI	Engineering construction	**103,487,263.58**	–
Shaogang Engineering	Engineering construction	**47,625,211.60**	32,590,656.28
Baosight Software	Engineering construction	**35,434,748.24**	133,086,437.09
Baowu Water	Engineering construction	**25,774,923.34**	40,379,934.90
Baowu Equipment	Engineering construction	**22,164,294.48**	23,545,170.35
Jinyi Testing	Engineering construction	**21,677,527.80**	–
Kunlun Information	Engineering construction	**8,580,419.14**	5,400,000.00
Wuhan Iron and Steel MCC	Engineering construction	**6,838,950.51**	–
Baosight Wuhan	Engineering construction	**4,440,571.68**	–
Baosteel Engineering Consulting	Engineering construction	**3,496,618.00**	2,386,810.80
Chongqing Sanhuan	Engineering construction	**3,011,017.99**	–
Meishan Research Institute	Engineering construction	**2,914,024.19**	23,251,334.17
Chongqing Sangang	Engineering construction	**962,329.00**	–
CSIG Electronics	Engineering construction	**819,030.21**	–
Baosteel Development	Engineering construction	**96,768.02**	1,838,592.38
Baosteel Construction	Engineering construction	**–**	836,888.08
Ouye Logistics	Engineering construction	**–**	825,188.68
Total		**391,701,952.85**	481,384,498.23

Purchase of fixed assets and construction services from related parties is determined by reference to the market price negotiated by both parties or the bidding price of suppliers.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(4) *Sale of goods and rendering of services*

RMB

Related parties	Details of related party transactions	2025	2024
Ouye Cloud Commerce	Sales of goods	**2,922,654,041.94**	586,576,934.74
Central South Building Materials	Sales of goods	**2,354,095,894.24**	1,768,042,734.41
Guangwu Central South	Sales of goods	**1,139,921,381.17**	–
Baocheng Carbon Material	Sale of goods, energy media, rendering of services	**321,095,744.73**	416,840,706.35
Shanghai Ouye	Sales of goods	**200,291,693.75**	475,207,791.20
Baowu Environmental Resources	Sale of goods, energy media, rendering of services	**186,163,000.53**	212,347,902.03
Baowu Water	Sales of energy media, rendering of services	**132,581,470.57**	153,329,135.66
CISDI	Sale of goods, energy media	**129,310,791.57**	–
Zhaoyang Gas	Sale of goods, energy media, rendering of services	**66,636,848.59**	–
Maanshan International	Sales of goods	**57,957,417.70**	67,214,546.37
Baosteel Co., Ltd.	Sales of goods	**42,894,503.87**	–
CISG Mining	Sales of energy media	**40,809,754.81**	–
Wugang Xiangyang	Sales of goods	**9,756,709.71**	43,747,666.20
Chengdu Baosteel	Sales of goods	**8,887,811.61**	–
CISG Transportation	Sales of energy media, rendering of services	**5,164,850.87**	–

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(4) Sale of goods and rendering of services (Continued)

RMB

Related parties	Details of related party transactions	2025	2024
Ouyeel Overseas	Sales of goods	**4,768,834.05**	41,242,239.04
CSIG Industry	Sales of energy media	**1,693,882.10**	–
Shanghai HGB	Sales of goods	**569,388.23**	–
Baowu Smart	Sale of goods, energy media, rendering of services	**505,417.08**	1,588,225.99
CISG Steel Tube	Sales of energy media	**438,053.38**	–
Baosteel Chemical	Sales of goods	**273,649.56**	3,918,596.46
Wuhan Iron and Steel MCC	Sales of energy media, rendering of services	**258,677.82**	–
Baowu Equipment	Sales of energy media	**69,600.94**	50,503.55
Shaogang Engineering	Sales of energy media	**62,413.83**	31,702.37
CSIG Electronics	Sales of energy media	**44,980.70**	–
Ouye Industrial	Rendering of services	**14,495.40**	9,541.25
Baosteel Engineering	Sales of energy media	**10,898.96**	1,878,194.30
Sinosteel Wuhan	Rendering of services	**8,825.69**	–
Baosight Software	Sales of energy media	**7,811.21**	8,241.82
Wuhan Jingding	Sales of energy media	**7,738.70**	–
Duoli Real Estate Management	Sales of energy media	**6,002.04**	–
Baosteel Development	Sales of energy media	**4,596.93**	16,981.98

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(4) *Sale of goods and rendering of services (Continued)*

RMB

Related parties	Details of related party transactions	2025	2024
Chongqing Sangang	Sales of energy media	**1,748.69**	–
Baodi Nanhua	Sales of energy media	**1,108.72**	16,753.49
Chongqing Sanhuan	Sales of energy media	**992.81**	–
Baosight Wuhan	Sales of energy media	**16.81**	–
Ouye Materials	Sales of goods	**–**	1,243,929,751.13
Shanghai Steel	Sales of goods	**–**	80,286,252.50
Guangdong Guangwu	Sales of goods	**–**	67,560,550.49
Baosteel Resources	Sale of goods, energy media	**–**	1,643,077.87
Guangdong Building Materials	Sales of goods	**–**	1,548,903.30
Baowu Heavy Industry	Rendering of services	**–**	47,766.97
Wugang Jiangbei	Rendering of services	**–**	19,482.85
Meishan Research Institute	Sale of goods, energy media	**–**	4,466.89
Baosteel Construction	Sales of energy media	**–**	2,709.70
Total		**7,626,971,049.32**	5,167,111,358.91

The price of products sold to related parties shall be determined with reference to the price charged by the Company to other third-party customers or stipulated by relevant departments of Chongqing Municipal Government. The price of services provided to related parties shall be determined by both parties through negotiation with reference to the market price.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(5) Financing with related parties

Borrowed from

2025

RMB

Related party	Amount	Start date	Due date
Baowu Finance	**250,000,000.00**	**2025/01/17**	**2026/01/16**
Baowu Finance	**100,000,000.00**	**2025/11/14**	**2026/11/13**
Baowu Finance	**250,000,000.00**	**2025/12/24**	**2026/12/23**
Baowu Finance	**100,000,000.00**	**2025/12/29**	**2026/12/23**
Baowu Finance	**100,000,000.00**	**2025/06/30**	**2028/06/29**
Total	**800,000,000.00**		

2024

RMB

Related party	Amount	Start date	Due date
Baowu Finance	500,000,000.00	2024/01/16	2025/01/15

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(5) Financing with related parties (Continued)

Repayment

2025

RMB

Related party	Types of borrowings	Repayment amount	Repayment date
Baowu Finance	**Short-term borrowings**	**250,000,000.00**	**2025/01/15**
Baowu Finance	**Short-term borrowings**	**250,000,000.00**	**2025/12/23**
Baowu Finance	**Long-term borrowings**	**5,000,000.00**	**2025/12/22**
Total		**505,000,000.00**	

In 2025, in addition to the repayment of the principal amounts of the aforementioned borrowings, the Group paid Baowu Finance interest on short-term borrowings totaling RMB11,828,666.64 and interest on long-term borrowings totaling RMB1,137,500.00, for a total of RMB12,966,166.64.

2024

RMB

Related parties	Types of borrowings	Repayment amount	Repayment date
Baowu Finance	Short-term borrowings	250,000,000.00	2024/12/24

In 2024, in addition to the repayment of the principal amounts of the aforementioned borrowings, the Group paid Baowu Finance interest on short-term borrowings totaling RMB11,260,416.64.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(6) *Interest income received from the related party*

RMB

Related parties	2025	2024
Baowu Finance	**7,474,129.76**	3,971,401.31

(7) *Interest expenses on borrowings from the related party*

RMB

Related parties	2025	2024
Baowu Finance	**13,082,838.91**	11,260,416.64

(8) *Note custody/collection by the related party*

RMB

	2025			2024		
Related parties	Custody/ collection amount	Balance	Service charges	Custody/ collection amount	Balance	Service charges
Baowu Finance	**9,103,221,286.96**	**462,318,863.78**	**-**	11,258,353,526.39	904,816,675.03	-

In 2025 and 2024, Baowu Finance has not charged the Group for the note custody/collection services.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(9) Acceptance of notes by related parties

The notes accepted by Baowu Finance in 2025 was RMB1,075,140,634.14 (2024: RMB247,800,049.54). As at 31 December 2025, among the balance of notes payable, the notes accepted by Baowu Finance were RMB541,663,244.14 (31 December 2024: RMB247,800,049.54).

(10) Discounting of notes from related parties

There were no notes discounted by Baowu Finance in 2025 (2024: Nil).

(11) Related-party guarantee

Baowu Finance, acting as guarantor, assumes liability for the payment of customs duties and late payment penalties related to the Company's import and export declarations filed between 21 October 2024 and 20 April 2026, with the total guarantee amount not exceeding RMB100,000,000.00.

(12) Other related party transactions

According to the financial service agreement signed between the Group and Baowu Finance, Baowu Finance provides the Group with comprehensive credit services with a maximum daily credit limit of RMB2 billion, and financial management services with a maximum daily cash balance of RMB2 billion. In 2025, the maximum daily credit granted by Baowu Finance to the Group was RMB1,587,325,162.36, and the maximum daily deposit of the Group was RMB1,376,032,088.73 (2024: the maximum daily credit granted by Baowu Finance to the Group is RMB888,746,984.55, and the maximum daily deposit of the Group is RMB1,141,308,500.17).

As at 31 December 2025, the Group's outstanding credit facility provided by Baowu Finance amounted to RMB107,834,087.79 (31 December 2024: RMB905,953,423.02). This outstanding balance fluctuates in line with changes in the total credit facility and the amount utilized.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(13) Compensation to key management personnel

RMB

Related parties	2025	2024
Compensation for key management personnel	**5,207,362.06**	7,015,433.89

Compensation for key personnel in 2025

RMB

	Wages or salaries, bonuses, allowances and subsidies	Pension	Other insurance premiums and benefits	Total
Directors – Executive director				
Wang Huxiang	799,931.00	29,397.60	56,887.47	886,216.07
Meng Wenwang *[Note 1]*	824,760.00	59,317.44	133,489.60	1,017,567.04
Kuang Yunlong	869,320.00	71,254.08	97,168.32	1,037,742.40
Chen Yingming *[Note 2]*	38,201.81	3,522.72	6,302.07	48,026.60
Directors – Non-executive director				
Sheng Xuejun	180,000.00	–	–	180,000.00
Tang Ping	180,000.00	–	–	180,000.00
Guo Jiebin	180,000.00	–	–	180,000.00
Song De'an	–	–	–	–
Lin Changchun	–	–	–	–
Zhou Ping	–	–	–	–
Senior management:				
Xie Chao	776,922.00	42,272.64	74,934.84	894,129.48
Zhao Shiqing	666,472.99	42,272.64	74,934.84	783,680.47
Total	4,515,607.80	248,037.12	443,717.14	5,207,362.06

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(13) Compensation to key management personnel (Continued)

The amounts for pensions, housing funds, and other social insurance contributions in the above data are all paid by the employer.

In 2025, Directors Mr. Song De'an, Mr. Lin Changchun, and Mr. Zhou Ping did not receive any compensation from the Company.

In 2025, the top five employees with the highest compensation included three directors and two senior managers (2024: three directors and two senior managers); details of their compensation are shown in the table above.

Note 1: On 14 November 2025, Mr. Meng Wenwang resigned from his positions as director, president, and member of the Board's Strategy and Risk Committee.

Note 2: On 11 December 2025, the 15th Joint Meeting of the 2nd Session of the Employee Representative Meeting elected Mr. Chen Yingming as an employee director of the 10th Board of Directors.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(13) Compensation to key management personnel (Continued)

Compensation for key personnel in 2024

RMB

	Wages or salaries, bonuses, allowances and subsidies	Pension	Other insurance premiums and benefits	Total
Directors – Executive director				
Wang Huxiang *[Note 8]*	298,870.00	13,550.40	24,753.36	337,173.76
Meng Wenwang	1,066,927.00	70,531.20	166,836.69	1,304,294.89
Kuang Yunlong *[Note 7]*	242,890.00	23,629.44	32,128.12	298,647.56
Zou An *[Note 5]*	612,817.14	40,934.88	56,751.65	710,503.67
Xie Zhixiong *[Note 4]*	666,772.00	30,912.57	58,403.92	756,088.49
Directors – Non-executive director				
Sheng Xuejun	180,000.00	–	–	180,000.00
Tang Ping *[Note 3]*	90,000.00	–	–	90,000.00
Guo Jiebin	180,000.00	–	–	180,000.00
Zhang Jinruo	90,000.00	–	–	90,000.00
Song De’an	–	–	–	–
Lin Changchun	–	–	–	–
Zhou Ping	–	–	–	–
Supervisor				
Wu Xiaoping	–	–	–	–
Li Huaidong	–	–	–	–
Zhu Xing’an *[Note 6]*	–	–	–	–
Guo Liang *[Note 9]*	–	–	–	–
Xia Tong	217,917.76	19,763.52	35,105.46	272,786.74
Lei Yougao	265,863.08	19,763.52	35,105.46	320,732.06
Hu Enlong *[Note 1]*	179,269.00	22,079.04	37,835.40	239,183.44
He Hongxia *[Note 2]*	183,535.00	22,079.04	37,835.40	243,449.44
Senior management				
Xie Chao	935,340.00	41,842.56	72,940.86	1,050,123.42
Zhao Shiqing	827,667.00	41,842.56	72,940.86	942,450.42
Total	6,037,867.98	346,928.73	630,637.18	7,015,433.89

The amounts for pensions, housing funds, and other social insurance contributions in the above data are all paid by the employer.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related parties transactions (Continued)

(13) Compensation to key management personnel (Continued)

Directors Mr. Song De'an, Mr. Lin Changchun and Mr. Zhou Ping, and the supervisors, Mr. Wu Xiaoping, Mr. Li Huaidong, Mr. Zhu Xing'an and Mr. Guo Liang, did not receive any compensation from the Company for the year.

In 2025, the top five employees with the highest compensation included three directors and two senior managers (2024: three directors and two senior managers); details of their compensation are shown in the table above.

Note 1: On 26 June 2024, the Employee Representative Meeting elected Mr. Hu Enlong as the employee representative supervisor of the 10th Supervisory Committee of the Company.

Note 2: On 26 June 2024, the Employee Representative Meeting elected Mr. He Hongxia as the employee representative supervisor of the 10th Supervisory Committee of the Company.

Note 3: On 27 June 2024, the General Meeting of Shareholders elected Ms. Tang Ping as an independent director of the 10th Board of Directors of the Company.

Note 4: On 12 August 2024, Mr. Xie Zhixiong resigned as chairman and director of the Company.

Note 5: On 21 August 2024, Mr. Zou An resigned as director, senior vice president, chief financial officer (financial leader), general counsel, secretary of the Board of Directors, joint company secretary and other positions of the Company.

Note 6: On 21 August 2024, Mr. Zhu Xing'an resigned as supervisor of the Company.

Note 7: On 22 August 2024, the Board of Directors appointed Mr. Kuang Yunlong as senior vice president of the Company; On 3 September 2024, the Board of Directors appointed Mr. Kuang Yunlong as the financial leader, general counsel and secretary of the Board of Directors of the Company. On 19 September 2024, the General Meeting of Shareholders elected Mr. Kuang Yunlong as director of the 10th Board of Directors of the Company.

Note 8: On 19 September 2024, the General Meeting of Shareholders elected Mr. Wang Huxiang as director of the 10th Board of Directors of the Company; On the same day, the Board of Directors elected Mr. Wang Huxiang as chairman of the 10th Board of Directors of the Company.

Note 9: On 19 September 2024, the General Meeting of Shareholders elected Mr. Guo Liang as the shareholder representative supervisor of the 10th Supervisory Committee of the Company.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties

(1) Accounts receivable

RMB

Related parties	31 December 2025	31 December 2024
Baowu Environmental Resources	**4,308,270.52**	6,664,050.67
CISG Steel Tube	**1,328,518.34**	–
CISG Transportation	**171,955.52**	–
Baocheng Carbon Material	**94,277.95**	652,643.18
CSIG Electronics	**6,109.45**	–
Baowu Equipment	**–**	12,206.22
Baowu Smart	**–**	10,643.41
Shaogang Engineering	**–**	6,660.97
Baosteel Engineering	**–**	3,643.68
Baosteel Development	**–**	3,397.45
Baosight Software	**–**	1,387.04
Baodi Nanhua	**–**	361.06
Total	**5,909,131.78**	7,354,993.68

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(2) Notes receivable and receivables financing

RMB

Related parties	31 December 2025	31 December 2024
Central South Building Materials	**47,071,695.38**	–
Ouye Cloud Commerce	**39,271,546.07**	451,867,947.02
Baocheng Carbon Material	**32,351,159.66**	56,275,811.13
Baowu Environmental Resources	**15,433,845.35**	42,419,633.57
Guangwu Central South	**626,035.73**	–
Chengdu Baosteel	**280,000.00**	–
Ouye Materials	**–**	79,341.95
Total	**135,034,282.19**	550,642,733.67

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(3) Other receivables

RMB

Related parties	31 December 2025	31 December 2024
CISG	**598,000.00**	–
Duoli Real Estate Management	**199,152.00**	–
CSIG Industry	**141,824.25**	–
Baowu Environmental Resources	**95,259.52**	–
Baowu Water	**2,573.47**	428,145.74
CISG Duoli	**2,000.00**	–
Baowu Smart	**–**	766,169.04
Total	**1,038,809.24**	1,194,314.78

(4) Prepayments

RMB

Related parties	31 December 2025	31 December 2024
Baowu Smart	**61,382,397.32**	27,832,822.82
Baoding Energy	**10,615,427.96**	23,287,920.44
Chengdu Baosteel	**143,168.56**	7,349.56
Baosteel International	**83,559.98**	–
CSIG Electronics	**28,053.67**	–
Baowu Raw Material	**–**	13,413,875.07
Echeng Steel	**–**	6,128,797.36
Baowu Heavy Industry	**–**	4,657,337.32
Baowu Shared Services	**–**	13,291.25
Total	**72,252,607.49**	75,341,393.82

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(5) Contract liabilities

RMB

Related parties	31 December 2025	31 December 2024
Central South Building Materials	**193,914,654.76**	94,010,124.18
Ouye Cloud Commerce	**149,436,929.52**	403,995,813.37
Baocheng Carbon Material	**26,967,249.49**	31,185,654.38
Baowu Environmental Resources	**7,529,771.84**	8,713,611.17
Guangwu Central South	**3,537,021.99**	–
Maanshan International	**2,964,601.77**	–
Shanghai Ouye	**397,244.72**	2,144,152.05
CISG Steel Tube	**295,298.48**	–
CISG Transportation	**48,030.05**	–
Duoli Real Estate Management	**11,831.08**	–
Shaogang Engineering	**3,164.47**	–
Baosteel Development	**1,507.12**	–
Chongqing Sangang	**1,188.78**	–
Baodi Nanhua	**884.96**	–
Baowu Equipment	**496.57**	–
CISDI	**453.98**	–
Ouyeel Overseas	**186.60**	–
Baowu Water	**63.81**	63.81
Ouye Industrial	**39.82**	39.82
Guangdong Guangwu	**2.11**	2.11
Baosteel Energy Conservation	**0.69**	0.69
Wuhan Iron and Steel MCC	**0.04**	–
Wugang Xiangyang	**–**	406,772.73
Baosteel Chemical	**–**	123,173.27
Ouye Materials	**–**	70,720.50
Total	**385,110,622.65**	540,650,128.08

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(6) Accounts payable

RMB

Related parties	31 December 2025	31 December 2024
Ouye Industrial	**570,327,538.75**	586,925,005.59
Maanshan International	**414,895,266.01**	410,387,355.57
Central South Building Materials	**125,464,259.74**	51,779,005.41
Baowu Raw Material	**102,517,264.28**	–
Baowu Water	**101,285,871.60**	77,782,787.37
Baowu Equipment	**99,417,093.18**	106,251,749.17
Guangdong Building Materials	**89,419,286.28**	176,994,030.24
Yichang Yimei	**64,232,539.82**	165,149,850.18
CRRG Lianjin	**54,737,827.97**	156,710,464.47
CISG Mining	**41,037,917.93**	–
Ouye Lianjin Sichuan	**32,271,306.08**	28,029,678.37
Baowu Smart	**30,836,316.18**	–
Ouye Logistics	**28,450,675.07**	93,781,394.86
CSIG Electronics	**22,979,105.03**	–
Chongqing Sangang	**22,379,196.00**	–
Baosteel Engineering	**20,011,868.87**	44,335,946.31
CISG Transportation	**19,607,741.29**	–
Baosteel Energy Conservation	**19,288,188.78**	3,685,788.78
Baosight Software	**14,808,051.11**	18,748,251.55
Zhaoyang Gas	**13,673,830.80**	–

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(6) Accounts payable (Continued)

RMB

Related parties	31 December 2025	31 December 2024
Baowu Environmental Resources	**12,271,770.89**	3,983,124.52
Wuhan Iron and Steel MCC	**10,626,775.98**	–
Wuhan Yangguang	**9,348,062.76**	13,937,113.81
Jinyi Testing	**7,064,100.00**	690,000.00
Baosteel Resources	**6,670,221.23**	63,063,444.56
Chongqing Sanhuan	**6,573,424.53**	–
Baosteel Co., Ltd.	**6,487,493.84**	26,053,846.30
Taicang Wugang	**6,261,711.04**	2,342,203.29
Baodi Nanhua	**5,750,465.58**	10,796,361.59
Baowu Resources	**5,723,632.32**	90,086,795.76
CSIG Industry	**4,834,576.46**	–
Ouye Lianjin Hubei	**4,772,200.09**	47,382,486.11
Wugang Wharf	**4,091,490.12**	455,242.37
Baosight Wuhan	**3,903,536.24**	–
Wuhan Jingding	**3,182,702.62**	–
Baosteel Development	**2,757,398.09**	5,392,473.93
Baosteel Shipping	**2,197,251.40**	22,064,736.54
Ouye Lianjin Shaoguan	**2,000,000.00**	101,369,324.75
Hengyang Sinosteel	**451,962.76**	1,064,273.03
CISDI	**405,000.00**	–
Duoli Real Estate Management	**206,106.56**	–
Baowu Shared Services	**197,601.97**	–

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(6) Accounts payable (Continued)

RMB

Related parties	31 December 2025	31 December 2024
Baowu Group	**168,006.90**	–
Sinosteel Group	**146,871.98**	2,906,976.08
Meishan Research Institute	**104,307.28**	104,307.28
Baocheng Carbon Material	**96,412.63**	75,732.60
Baojing Information	**82,400.00**	37,500.00
Baosteel Resources Singapore	**79,619.54**	–
Baowu Teye	**48,000.00**	–
Shaogang Engineering	**400.00**	400.00
Wugang Technology	**1.00**	–
Baosteel International	**–**	26,680,546.78
Ezhou Pellet	**–**	14,376,259.70
Baowu Jingcheng	**–**	6,975,955.00
Sinosteel International	**–**	556,357.80
Kunlun Information	**–**	34,500.00
Total	**1,994,144,648.58**	2,360,991,269.67

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(7) Notes payable

RMB

Related parties	31 December 2025	31 December 2024
Maanshan International	**995,625,367.29**	618,139,788.90
Ouye Industrial	**197,264,007.97**	–
Central South Building Materials	**180,463,272.10**	15,480,000.00
Yichang Yimei	**217,500,000.00**	70,000,000.00
Guangdong Building Materials	**157,115,000.00**	86,840,000.00
Ouye Lianjin Shaoguan	**39,679,932.33**	11,000,000.00
Ouye Logistics	**29,339,549.55**	–
Baosteel Resources	**15,896,270.25**	–
CISG Transportation	**2,059,650.97**	–
Kunlun Information	**4,500,000**	–
Total	**1,839,443,050.46**	801,459,788.90

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(8) Other payables

RMB

Related parties	31 December 2025	31 December 2024
CISG	**738,210,658.82**	–
Baosteel Engineering	**569,378,723.38**	626,695,260.56
CISDI	**329,546,697.91**	–
Baosight Software	**186,179,276.88**	171,921,099.75
Baowu Water	**66,995,625.91**	76,771,993.89
Meishan Research Institute	**63,665,243.87**	55,898,868.98
Baowu Equipment	**60,113,931.84**	43,249,226.80
Shaogang Engineering	**29,845,955.97**	25,966,858.19
Chongqing Sanhuan	**8,058,275.65**	–
Kunlun Information	**6,222,666.96**	406,800.00
CSIG Electronics	**5,816,790.85**	–
Baosteel Development	**5,559,997.05**	7,096,644.52
Wuhan Iron and Steel MCC	**4,559,182.98**	–
Ouye Logistics	**3,924,700.00**	4,474,700.00
Baowu Environmental Resources	**2,500,000.00**	2,520,000.00
Jinyi Testing	**2,408,614.20**	–
Guangdong Building Materials	**2,000,000.00**	2,000,000.00
Ouye Lianjin Hubei	**2,000,000.00**	2,000,000.00
Ouye Lianjin Sichuan	**2,000,000.00**	2,000,000.00
Yichang Yimei	**2,000,000.00**	2,000,000.00

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(8) Other payables (Continued)

RMB

Related parties	31 December 2025	31 December 2024
CRRG Lianjin	**2,000,000.00**	2,000,000.00
Baosteel Engineering Consulting	**1,740,693.25**	1,749,329.45
Baosight Wuhan	**1,161,869.43**	–
Central South Building Materials	**1,000,000.00**	–
Huafeng Sensing	**720,000.00**	720,000.00
Ouye Industrial	**284,468.00**	284,468.00
Baodi Nanhua	**220,000.00**	220,000.00
Sinosteel Group	**198,315.00**	198,315.00
Anhui MA Steel	**179,490.80**	–
Chongqing Sangang	**80,000.00**	–
Wuhan Jingding	**40,000.00**	–
Ouye Cloud Commerce	**25,840.17**	25,840.17
Baowu Environmental	**20,000.00**	–
CISG Transportation	**50.00**	–
Ouye Lianjin Shaoguan	**–**	2,000,000.00
Baosteel Chemical	**–**	100,000.00
Total	**2,098,657,068.92**	1,030,299,405.31

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(9) Borrowings

RMB

Related parties	Accounts	31 December 2025	31 December 2024
Baowu Finance	Short-term borrowings	**700,330,437.08**	500,269,339.81
Baowu Finance	Long-term borrowings	**85,000,000.00**	–
Baowu Finance	Long-term borrowings due within one year	**10,055,575.00**	–
Total		**795,386,012.08**	500,269,339.81

(10) Trusteeship

2025

RMB

Trustor	Entrusted party/ Contractor	The type of asset to be entrusted/ outsourced	Balance of the accumulated entrusted asset	Aggregate amount	Income realized
The Group	Warburg Trust	Annuity custody	111,548,070.74	–	7,321,108.19

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(10) Trusteeship (Continued)

2024

RMB

Trustor	Entrusted party/ Contractor	The type of asset to be entrusted/ outsourced	Balance of the accumulated entrusted asset	Aggregate amount	Income realized
The Group	Warburg Trust	Annuity custody	113,427,456.93	–	3,015,437.10

As at 31 December 2025 and 31 December 2024, with the exception of interest receivable on deposits with related parties and interest payable on borrowings from related parties, the Group's receivables from and payables to related parties were non-interest-bearing and unsecured.

7. Deposits with the finance company

Baowu Finance is a national non-bank financial institution jointly held by Baosteel, Wuhan Iron and Steel, Baowu Group and other units. It mainly provides member units with comprehensive financial services such as internal settlement, deposit and loan, short-term fund management and investment and financing for the purpose of strengthening the centralized management of group funds and improving the efficiency of its capital utilization.

As at 31 December 2025, the Group's balance of cash and bank balances deposited in the unrestricted deposit account of Baowu Finance is RMB788,435,034.91 (31 December 2024: RMB927,845,862.51).

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

RMB

	31 December 2025	31 December 2024
Capital commitments that have been entered into but have not been recognized in the financial statements:		
– Commitment for acquisition and construction of long-term assets	**319,812,291.19**	784,420,252.59
– External investment commitment	**–**	34,300,000.00
Total	**319,812,291.19**	818,720,252.59

For the lessee's lease commitments, see Note V, 56.

XII. OTHER SIGNIFICANT MATTERS

1. Segment reporting

(1) Determination basis and accounting policies of reporting segments

The Group will determine different segments based on the internal organizational structure, management requirements and internal report system. The Group's operation segments refer to those components meeting the following conditions at the same time:

1) The segment may generate income and incur expenses in daily activities;
2) Management of the Group can regularly evaluate the operating results of the segment to decide on the allocation of resources to it and evaluate its performance;
3) The segment's financial position, operation result, cash flow and other accounting information can be obtained by analysis.

XII. OTHER SIGNIFICANT MATTERS (Continued)

1. Segment reporting (Continued)

(2) Financial information of reporting segments

The Group's primary business is steel manufacturing, while its other businesses include the sale or supply of energy media and ore trading, both of which are closely related to the steel manufacturing business. The Group's revenue and profit or loss primarily derive from sales of steel products in the Chinese mainland, and the Group's principal assets are also located in the Chinese mainland. As management evaluates the Group's operating performance as a whole, no segment reporting has been prepared for the year.

(3) Information of significant customers

Among the Group's customers, there is one group of customers (2024: one) whose aggregate revenue accounts for 10% or more of the Group's total revenue, representing approximately 16.68% (2024: 12.22%) of the Group's total revenue.

Information of customer whose revenue in 2025 reaches or exceeds 10% of the Group's revenue is as follows:

RMB

Name of the customer group	Operating income	Percentage in total operating income of the Group (%)
Baowu Group and its subsidiaries	**4,003,635,243.64**	**16.68**

Information of customer whose revenue in 2024 reaches or exceeds 10% of the Group's revenue is as follows:

RMB

Name of the customer group	Operating income	Percentage in total operating income of the Group (%)
Baowu Group and its subsidiaries	3,329,959,170.71	12.22

Note: The operating income above was the total operating income generated from Baowu Group and its subsidies for the year by the Group.

XII. OTHER SIGNIFICANT MATTERS (Continued)

2. Private placement

On 19 December 2025, the Company's Board of Directors approved the issuance of Class A shares to a specific party. The intended recipient of this private placement is Huabao Investment Co., Ltd. (hereinafter referred to as "Huabao Investment"), which will subscribe for the Class A shares issued by the Company to it in cash. The number of A-shares to be issued to the specific investor in this offering is 757,575,757 shares, representing no more than 30% of the Company's share capital prior to this issuance. Regarding this matter, the Company submitted the proposal for review and approval at the interim general meeting of shareholders, the A-share class shareholders' meeting, and the H-share class special shareholders' meeting on 13 March 2026, and obtained approval. The issuance will be conducted at an appropriate time within the validity period of the approval granted by the Shanghai Stock Exchange and the registration consent issued by the China Securities Regulatory Commission.

3. Transfer of assets

On 25 December 2025, following a review by the Board of Directors, the Group resolved to transfer the dual-high-speed bar production line and certain materials and spare parts assets (hereinafter referred to as the "Dual-High-Speed Bar Asset Package") in order to optimize the utilization of idle assets, bolster cash reserves, and enhance market competitiveness. The Group publicly listed the Dual-High-Speed Bar Asset Package for transfer on the Shanghai United Assets and Equity Exchange on 12 January 2026. As at 31 December 2025, the Group's management determined the recoverable amount of the Dual-High-Speed Bar Asset Package as the net amount of fair value less costs to sell. As of the date of approval of the financial statements, the transfer of the Dual-High-Speed Bar Asset Package to the purchaser has been completed, and the transaction price does not differ materially from the recoverable amount determined by management as of the balance sheet date.

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosures by aging

RMB

Aging	**Gross carrying amount at 31 December 2025**	Gross carrying amount at 31 December 2024
Within 1 year	**9,501,485.00**	15,483,504.15
1-2 years	**0.56**	72,070.77
2-3 years	**1,337.96**	6,455.39
Over 3 years	**1,139,206.73**	1,449,140.09
Subtotal	**10,642,030.25**	17,011,170.40
Less: Credit loss allowance of accounts receivable	**1,136,666.88**	1,061,947.57
Total	**9,505,363.37**	15,949,222.83

(2) Disclosures by methods for providing credit losses

RMB

Category	**31 December 2025**					31 December 2024				
	Gross carrying amount		**Credit loss allowance**			Gross carrying amount		Credit loss allowance		
	Amount	**Proportion (%)**	**Amount**	**Proportion (%)**	**Carrying amount**	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount
On a portfolio basis:										
Credit loss allowance	**10,642,030.25**	**100.00**	**1,136,666.88**	**10.68**	**9,505,363.37**	17,011,170.40	100.00	1,061,947.57	6.24	15,949,222.83

As at 31 December 2025, the Company has no accounts receivable for which allowance for credit losses are assessed on an individual basis (31 December 2024: Nil).

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Disclosures by methods for providing credit losses (Continued)

Allowance for credit losses provided on a portfolio basis

As part of the Company's credit risk management, the Company uses the impairment matrix to recognize the expected credit loss of accounts receivable from businesses based the aging of accounts receivable. These businesses share the same risk characteristics and the aging information reflects customers' solvency upon maturity of accounts receivable. The above aging analysis of accounts receivable is calculated from the date of delivery of goods or services.

As at 31 December 2025, the credit risk associated with accounts receivable for this type of business and their lifetime ECLs are as follows:

	31 December 2025			
Aging	Gross carrying amount	Credit loss allowance	Proportion of provision (%)	Carrying amount
Within 1 year	9,501,485.00	–	–	9,501,485.00
1-2 years	0.56	–	–	0.56
2-3 years	1,337.96	–	–	1,337.96
Over 3 years	1,139,206.73	1,136,666.88	99.78	2,539.85
Total	10,642,030.25	1,136,666.88		9,505,363.37

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(3) Allowance for credit losses

Category	1 January 2025	Changes for the year: Provision	Recovery or reversal	Write-off	31 December 2025
Allowance for credit losses provided on a portfolio basis	1,061,947.57	461,840.85	387,121.54	–	**1,136,666.88**

Allowance for credit losses provided based on general ECL model

Credit loss allowance	Lifetime ECL (Not credit-impaired)	Lifetime ECL (Credit-impaired)	Total
Balance at 1 January 2025	**1,061,947.57**	**–**	**1,061,947.57**
Provision	**461,840.85**	**–**	**461,840.85**
Reversal	**387,121.54**	**–**	**387,121.54**
Balance at 31 December 2025	**1,136,666.88**	**–**	**1,136,666.88**

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(4) Accounts receivable actually written off in the current year

There were no write-offs of significant accounts receivable during the year.

(5) Top five closing balances of accounts receivable Categorized by debtor

RMB

Name	Closing balance of accounts receivable	Proportion to the closing balance of accounts receivable (%)	Closing balance of credit loss allowance of accounts receivable
Sichuan Coal Supply Chain Management Co., Ltd.	4,909,434.73	46.13	–
Baowu Environmental Resources	4,308,270.52	40.48	–
CISG Steel Tube	1,136,667.20	10.68	1,132,790.27
Chongqing Weijin Environmental Technology Co., Ltd.	146,728.64	1.38	–
Baocheng Carbon Material	94,277.95	0.89	–
Total	10,595,379.04	99.56	1,132,790.27

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables

2.1 Presentation of items

RMB

Item	31 December 2025	31 December 2024
Dividends receivable	–	428,145.74
Other receivables	**86,057,973.27**	98,421,862.03
Total	**86,057,973.27**	98,850,007.77

2.2 Dividends receivable

RMB

Item	31 December 2025	31 December 2024
Baowu Water	–	428,145.74

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2.3 Other receivables

(1) Disclosures by aging

RMB

Aging	31 December 2025	31 December 2024
Within 1 year	**9,976,279.42**	20,105,691.30
1-2 years	**17,198,874.01**	490,615.14
2-3 years	**90,765.30**	618,010.67
Over 3 years	**61,979,356.29**	78,576,055.04
Subtotal	**89,245,275.02**	99,790,372.15
Less: Allowance for credit losses on other receivables	**3,187,301.75**	1,368,510.12
Total	**86,057,973.27**	98,421,862.03

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2.3 Other receivables (Continued)

(2) Classified by nature

RMB

Nature	31 December 2025	31 December 2024
Amounts due from/to related parties	**60,109,587.62**	76,445,616.03
Guarantee deposits, petty cash, etc.	**21,282,681.58**	19,521,853.94
Current accounts	**2,640,454.42**	2,957,949.51
Others	**5,212,551.40**	864,952.67
Total	**89,245,275.02**	99,790,372.15

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2.3 Other receivables (Continued)

(3) Provision for credit loss allowance

RMB

Credit loss allowance	Stage 1 12-month ECL	Stage 2 Lifetime ECL (Not credit-impaired)	Stage 3 Lifetime ECL (Credit-impaired)	Total
Balance at 1 January 2025	–	431,284.32	937,225.80	1,368,510.12
Provision	–	133,464.09	1,685,327.54	1,818,791.63
Balance at 31 December 2025	–	564,748.41	2,622,553.34	3,187,301.75

(4) Allowance for credit losses

RMB

Category	31 December 2024	Provision	**31 December 2025**
Allowance for credit losses provided on an individual basis	937,225.80	1,685,327.54	**2,622,553.34**
Allowance for credit losses provided on a portfolio basis with credit risk characteristics	431,284.32	133,464.09	**564,748.41**
Total	1,368,510.12	1,818,791.63	**3,187,301.75**

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

2.3 Other receivables (Continued)

(5) Top five closing balances of other receivables Categorized by debtor

RMB

Name	Closing balance of other receivables	Proportion to the closing balance of other receivables *(%)*	Nature	Aging	Closing balance of credit loss allowance of other receivables
Xingang Changlong	58,673,199.91	65.74	Current accounts	Over 3 years	–
Shudao Investment Group Co., Ltd.	15,000,000.00	16.81	Deposits	Within 1 year, 1-2 years	–
Sichuan Road & Bridge Group Co., Ltd.	3,636,664.05	4.08	Deposits	Within 1 year, 1-2 years	–
Xi'an Shaangu Power Co., Ltd.	1,500,000.00	1.68	Deposits	Over 3 years	1,500,000.00
Zheng Hongdan	1,132,720.00	1.27	Advances	Within 1 year	–
Total	79,942,583.96	89.58			1,500,000.00

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments

RMB

		Changes for the year						
Investee	31 December 2024	Addition in investment	Investment income or loss recognized under equity method	Cash dividends declared	Other increases	Provision for impairment	31 December 2025	Provision for impairment at 31 December 2025 *(Note)*
Subsidiaries								
Chongqing Iron & Steel Energy	837,609,884.19	–	–	–	–	54,968,444.66	782,641,439.53	54,968,444.66
Xingang Changlong	154,678,110.49	–	–	–	–	–	154,678,110.49	–
Subtotal	992,287,994.68	–	–	–	–	54,968,444.66	937,319,550.02	54,968,444.66
Associates								
Baocheng Carbon Material	14,594,861.52	–	1,872,843.06	2,235,000.00	–	–	14,232,704.58	–
Baowu Raw Material	44,626,662.44	–	3,455,440.55	2,509,295.25	–	–	45,572,807.74	–
Baowu Environmental Resources	16,221,855.68	34,300,000.00	3,848,389.26	639,943.97	717,621.66	–	54,447,922.63	–
Baowu Jingcheng	33,321,338.67	–	(5,631,159.27)	–	10,432.07	–	27,700,611.47	–
Subtotal	108,764,718.31	34,300,000.00	3,545,513.60	5,384,239.22	728,053.73	–	141,954,046.42	–
Total	1,101,052,712.99	34,300,000.00	3,545,513.60	5,384,239.22	728,053.73	54,968,444.66	1,079,273,596.44	54,968,444.66

Note: In 2025, the Company recognized an impairment loss of RMB54,968,444.66 (2024: Nil) on its long-term equity investment in Chongqing Iron and Steel Energy.

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating income and operating costs

(1) Details of operating income and operating costs

RMB

	2025		2024	
Item	**Income**	**Costs**	Income	Costs
Principal operating activities	**23,697,401,039.37**	**23,599,380,730.06**	26,996,706,652.46	28,399,220,629.79
Other operating activities	**334,349,154.15**	**252,438,875.05**	290,093,587.46	220,446,191.14
Total	**24,031,750,193.52**	**23,851,819,605.11**	27,286,800,239.92	28,619,666,820.93

(2) Breakdown of operating income

	2025		2024	
Item	**Income**	**Costs**	Income	Costs
Types of products or services				
Steel product sales				
Hot rolled sheets	**14,539,856,250.65**	**14,399,575,214.55**	15,085,577,580.06	15,703,249,273.89
Plates	**7,742,588,995.61**	**7,521,423,038.99**	8,355,105,577.39	8,651,920,750.11
Bars	**–**	**132,538,724.02**	940,105,504.97	1,211,248,037.29
Wire rods	**–**	**61,781,856.00**	165,319,884.01	236,668,546.55
Billets	**118,564,899.57**	**117,391,751.27**	1,038,791,367.62	1,164,266,053.86
Subtotal	**22,401,010,145.83**	**22,232,710,584.83**	25,584,899,914.05	26,967,352,661.70
Others *(Note)*	**1,630,740,047.69**	**1,619,109,020.28**	1,701,900,325.87	1,652,314,159.23
Total	**24,031,750,193.52**	**23,851,819,605.11**	27,286,800,239.92	28,619,666,820.93
Classified by operating region				
Chinese mainland	**24,031,750,193.52**	**23,851,819,605.11**	27,286,800,239.92	28,619,666,820.93

Note: In 2025, the Company recognized rental income of RMB85,446,379.79 (2024: RMB90,023,429.76).

XIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating income and operating costs (Continued)

(3) *Description of allocation to performance obligations*

At the end of the year, the estimated timing of revenue recognition for performance obligations that have been entered into but have not yet been fulfilled or completed is as follows:

RMB

	2025	2024
Within 1 year	**1,136,817,199.47**	1,812,200,398.98

5. Investment income

RMB

Item	2025	2024
Income from long-term equity investments under equity method	**3,545,513.60**	5,062,810.57
Dividend income from investments in other equity instruments during the holding period	**–**	428,145.74
Total	**3,545,513.60**	5,490,956.31

SUPPLEMENTARY INFORMATION

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

RMB

Item	Amount
Gain or loss on disposal of non-current assets, including the write-off portion of the asset impairment provision already made	16,986,944.97
Government grants recognized in profit or loss (other than those closely related to the Company's business, in line with the national regulations, available under established standards and having a continuous impact on the Company's profit or loss)	6,552,030.30
Income from non-financial institutions for occupation of funds and recognized in profit or loss	7,550,914.64
Other non-operating income and expenses other than the above	(3,195,596.25)
Subtotal	27,894,293.66
Less: Income tax effects	4,184,144.05
Total	23,710,149.61

2. RETURN ON EQUITY AND EARNINGS PER SHARE

This statement of return on equity and earnings per share has been prepared by Chongqing Iron & Steel Company Limited in accordance with the relevant provisions of the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (Revised in 2010), issued by the China Securities Regulatory Commission.

RMB per share

	Weighted average return on equity (%)	Earnings per share	
		Basic	Dilution
Net profit attributable to ordinary shareholders of the Company	**(17.84)**	**(0.31)**	**(0.31)**
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	**(17.99)**	**(0.31)**	**(0.31)**