



**Bengang Steel Plates Co., Ltd.**

**2022 Semi-annual Financial Report**

**(unaudited)**

**August, 2022**

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## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

**BENGANG STEEL PLATES CO., LTD.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2022**  
*(Expressed in Renminbi unless otherwise indicated)*  
 (English Translation for Reference Only)

| Assets                                      | Notes 5 | 30 Jun, 2022             | 1 Jan, 2022              |
|---|---------|--------------------------|--------------------------|
| Current assets                              |         |                          |                          |
| Cash at bank and on hand                    | (1)     | 4,805,370,697.71         | 8,831,095,737.85         |
| Settlement provisions                       |         |                          |                          |
| Capital lent                                |         |                          |                          |
| Financial assets held for trading           |         |                          |                          |
| Derivative financial assets                 |         |                          |                          |
| Notes receivable                            | (2)     | 141,318,446.72           | 1,540,482,182.07         |
| Accounts receivable                         | (3)     | 307,887,350.08           | 256,850,782.71           |
| Accounts receivable financing               | (4)     | 254,184,970.37           | 1,530,735,647.38         |
| Prepayments                                 | (5)     | 1,950,905,089.18         | 994,370,345.64           |
| Premium receivable                          |         |                          |                          |
| Reinsurance accounts receivable             |         |                          |                          |
| Receivable deposit for reinsurance contract |         |                          |                          |
| Other receivables                           | (6)     | 186,993,663.02           | 165,937,280.41           |
| Redemptory financial assets for sale        |         |                          |                          |
| Inventories                                 | (7)     | 8,740,534,055.47         | 10,190,166,138.98        |
| Contract assets                             |         |                          |                          |
| Assets held for sale                        |         |                          |                          |
| Non-current assets due within one year      |         |                          |                          |
| Other current assets                        | (8)     | 240,668,471.95           | 754,948,193.56           |
| <b>Total current assets</b>                 |         | <b>16,627,862,744.50</b> | <b>24,264,586,308.60</b> |
| Non-current assets                          |         |                          |                          |
| Loan and advances issued                    |         |                          |                          |
| Debt Investments                            |         |                          |                          |
| Other debt investments                      |         |                          |                          |
| Long-term receivables                       |         |                          |                          |
| Long-term equity investments                | (9)     | 3,067,239.29             | 2,981,784.07             |
| Other equity instrument investments         | (10)    | 1,042,024,829.00         | 1,042,024,829.00         |
| Other non-current financial assets          |         |                          |                          |
| Investment property                         |         |                          |                          |
| Fixed assets                                | (11)    | 24,397,907,946.02        | 25,480,674,048.94        |
| Construction in progress                    | (12)    | 3,012,446,289.29         | 2,434,182,101.13         |
| Productive biological assets                |         |                          |                          |
| Oil and gas assets                          |         |                          |                          |
| Right-of-use assets                         | (13)    | 1,410,177,981.09         | 1,440,365,248.31         |
| Intangible assets                           | (14)    | 294,231,463.55           | 297,921,548.81           |
| Development expenditure                     |         |                          |                          |
| Goodwill                                    |         |                          |                          |
| Long-term deferred expenses                 |         |                          |                          |
| Deferred tax assets                         | (15)    | 148,337,498.41           | 153,756,548.31           |
| Other non-current assets                    | (16)    | 81,048,057.73            | 30,630,858.13            |
| <b>Total non-current assets</b>             |         | <b>30,389,241,304.38</b> | <b>30,882,536,966.70</b> |
| <b>Total assets</b>                         |         | <b>47,017,104,048.88</b> | <b>55,147,123,275.30</b> |

The notes to the financial statements attached form part of these financial statements.

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

**BENGANG STEEL PLATES CO., LTD.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**  
**As at 30 June 2022**  
*(Expressed in Renminbi unless otherwise indicated)*  
 (English Translation for Reference Only)

| Liabilities and equities  | Notes 5 | 30 Jun, 2022             | 1 Jan, 2022              |
|---|---------|--------------------------|--------------------------|
| Current Liabilities   |         |                          |                          |
| Short-term loans  | (17)    | 3,349,342,280.00         | 4,053,088,140.00         |
| Loan from central bank  |         |                          |                          |
| Loan from other banks   |         |                          |                          |
| Financial liability held for trading                              |         |                          |                          |
| Derivative financial liabilities                                  |         |                          |                          |
| Notes payable   | (18)    | 2,223,588,546.63         | 4,635,083,376.48         |
| Accounts payable  | (19)    | 3,354,694,032.39         | 5,352,272,685.89         |
| Advance from customers  |         |                          |                          |
| Contract liabilities  | (20)    | 3,977,011,514.55         | 4,708,188,093.78         |
| Financial assets sold for repurchase                              |         |                          |                          |
| Deposits from customers and interbank                             |         |                          |                          |
| Receipt from vicariously traded securities                        |         |                          |                          |
| Receipt from vicariously underwriting securities                  |         |                          |                          |
| Employee benefits payable   | (21)    | 13,420,022.01            | 152,095,376.49           |
| Taxes payable   | (22)    | 180,727,989.86           | 114,267,988.70           |
| Other payables  | (23)    | 1,164,276,844.55         | 1,348,025,731.98         |
| Handling charges and commission payable                           |         |                          |                          |
| Reinsurance accounts payable                                      |         |                          |                          |
| Liabilities held for sale   |         |                          |                          |
| Non-current liabilities due within one year                       | (24)    | 1,368,468,080.81         | 310,780,518.14           |
| Other current liabilities   | (25)    | 517,011,496.89           | 612,064,452.20           |
| <b>Total current liabilities</b>                                  |         | <b>16,148,540,807.69</b> | <b>21,285,866,363.66</b> |
| Non-current liabilities   |         |                          |                          |
| Provision for insurance contract                                  |         |                          |                          |
| Long-term loans   | (26)    | 3,002,383,788.13         | 4,222,821,771.74         |
| Bonds payable   | (27)    | 5,173,595,326.65         | 5,054,251,668.83         |
| Including: Preferred stock  |         |                          |                          |
| Perpetual bond  |         |                          |                          |
| Leasing liabilities   | (28)    | 1,404,900,432.63         | 1,424,667,169.15         |
| Long-term payables  |         |                          |                          |
| Long-term employee benefits payable                               |         |                          |                          |
| Estimated liabilities   |         |                          |                          |
| Deferred income   | (29)    | 72,523,320.89            | 93,106,285.89            |
| Deferred tax liabilities  |         |                          |                          |
| Other non-current liabilities                                     |         |                          |                          |
| <b>Total non-current liabilities</b>                              |         | <b>9,653,402,868.30</b>  | <b>10,794,846,895.61</b> |
| <b>Total liabilities</b>  |         | <b>25,801,943,675.99</b> | <b>32,080,713,259.27</b> |
| Shareholders' equity:   |         |                          |                          |
| Share capital   | (30)    | 4,108,209,106.00         | 4,108,191,379.00         |
| Other equity instruments  | (31)    | 947,866,337.87           | 947,882,663.63           |
| Including: Preferred stock  |         |                          |                          |
| Perpetual bond  |         |                          |                          |
| Capital reserves  | (32)    | 13,272,196,060.95        | 13,272,134,173.09        |
| Less: treasury shares   |         |                          |                          |
| Other comprehensive income  |         |                          |                          |
| Special reserves  | (33)    | 31,489,563.23            | 337,978.57               |
| Surplus reserves  | (34)    | 1,195,116,522.37         | 1,195,116,522.37         |
| General risk reserve  |         |                          |                          |
| Undistributed profits   | (35)    | 1,074,126,847.65         | 2,977,306,297.64         |
| Total equity attributable to equity holders of the parent company |         | 20,629,004,438.07        | 22,500,969,014.30        |
| Non-controlling interests   |         | 586,155,934.82           | 565,441,001.73           |
| <b>Total shareholder's equity</b>                                 |         | <b>21,215,160,372.89</b> | <b>23,066,410,016.03</b> |
| <b>Total of liabilities and owners' equity</b>                    |         | <b>47,017,104,048.88</b> | <b>55,147,123,275.30</b> |

The notes to the financial statements attached form part of these financial statements.

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

**BENGANG STEEL PLATES CO., LTD.**  
**COMPANY'S STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2022**  
*(Expressed in Renminbi unless otherwise indicated)*  
 (English Translation for Reference Only)

| Assets                                 | Notes 14 | 30 Jun, 2022             | 1 Jan, 2022              |
|--|----------|--------------------------|--------------------------|
| Current assets                         |          |                          |                          |
| Cash at bank and on hand               |          | 3,245,493,319.16         | 7,580,872,007.38         |
| Financial assets held for trading      |          |                          |                          |
| Derivative financial assets            |          |                          |                          |
| Notes receivable                       |          | 141,318,446.72           | 1,514,416,395.80         |
| Accounts receivable                    | (1)      | 427,566,795.04           | 353,631,563.42           |
| Accounts receivable financing          | (2)      | 240,966,150.37           | 1,504,640,362.79         |
| Prepayments                            |          | 1,858,269,949.81         | 1,004,241,075.82         |
| Other receivables                      | (3)      | 171,552,044.44           | 268,606,048.52           |
| Inventories                            |          | 6,510,907,459.18         | 8,289,784,141.78         |
| Contract assets                        |          |                          |                          |
| Assets held for sale                   |          |                          |                          |
| Non-current assets due within one year |          |                          |                          |
| Other current assets                   |          | 109,688,585.30           | 670,787,069.41           |
| <b>Total current assets</b>            |          | <b>12,705,762,750.02</b> | <b>21,186,978,664.92</b> |
| Non-current assets                     |          |                          |                          |
| Debt investments                       |          |                          |                          |
| Other debt investments                 |          |                          |                          |
| Long-term receivables                  |          |                          |                          |
| Long-term equity investments           | (4)      | 2,835,186,190.50         | 2,015,186,190.50         |
| Other equity instrument investments    |          | 1,041,624,829.00         | 1,041,624,829.00         |
| Other non-current financial assets     |          |                          |                          |
| Investment property                    |          |                          |                          |
| Fixed assets                           |          | 23,106,390,614.05        | 24,110,222,815.60        |
| Construction in progress               |          | 2,979,165,055.81         | 2,401,120,232.45         |
| Productive biological assets           |          |                          |                          |
| Oil and gas assets                     |          |                          |                          |
| Right-of-use assets                    |          | 1,410,177,981.09         | 1,440,365,248.31         |
| Intangible assets                      |          | 176,354,564.69           | 178,414,033.19           |
| Development expenditure                |          |                          |                          |
| Goodwill                               |          |                          |                          |
| Long-term deferred expenses            |          |                          |                          |
| Deferred tax assets                    |          | 130,638,301.91           | 124,046,003.13           |
| Other non-current assets               |          | 72,428,141.20            | 22,010,941.60            |
| <b>Total non-current assets</b>        |          | <b>31,751,965,678.25</b> | <b>31,332,990,293.78</b> |
| <b>Total assets</b>                    |          | <b>44,457,728,428.27</b> | <b>52,519,968,958.70</b> |

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

**BENGANG STEEL PLATES CO., LTD.**  
**COMPANY'S STATEMENT OF FINANCIAL POSITION (Continued)**  
**As at 30 June 2022**  
**(Expressed in Renminbi unless otherwise indicated)**  
**(English Translation for Reference Only)**

| Liabilities and shareholders' equities            | Notes 14 | 30 Jun, 2022             | 1 Jan, 2022              |
|---|----------|--------------------------|--------------------------|
| Current liabilities                               |          |                          |                          |
| Short-term loans                                  |          | 2,749,342,280.00         | 3,353,088,140.00         |
| Financial liability held for trading              |          |                          |                          |
| Derivative financial liabilities                  |          |                          |                          |
| Notes payable                                     |          | 2,223,588,546.63         | 4,650,517,420.18         |
| Accounts payable                                  |          | 3,953,269,898.68         | 5,674,841,169.66         |
| Advance from customers                            |          |                          |                          |
| Contract liabilities                              |          | 3,629,795,956.84         | 4,660,051,055.89         |
| Employee benefits payable                         |          | 13,316,760.20            | 151,595,453.62           |
| Taxes payable                                     |          | 143,785,493.08           | 40,949,825.13            |
| Other payables                                    |          | 617,698,527.38           | 683,141,570.83           |
| Liabilities held for sale                         |          |                          |                          |
| Non-current liabilities due within one year       |          | 1,368,468,080.81         | 310,780,518.14           |
| Other current liabilities                         |          | 471,873,474.39           | 605,806,637.27           |
| <b>Total current liabilities</b>                  |          | <b>15,171,139,018.01</b> | <b>20,130,771,790.72</b> |
| Non-current liabilities                           |          |                          |                          |
| Long term loans                                   |          | 3,002,383,788.13         | 4,222,821,771.74         |
| Bonds payable                                     |          | 5,173,595,326.65         | 5,054,251,668.83         |
| Including: Preferred stock                        |          |                          |                          |
| Perpetual bond                                    |          |                          |                          |
| Lease liabilities                                 |          | 1,404,900,432.63         | 1,424,667,169.15         |
| Long-term payables                                |          |                          |                          |
| Long-term employee benefits payable               |          |                          |                          |
| Estimated liabilities                             |          |                          |                          |
| Deferred income                                   |          | 72,523,320.89            | 93,106,285.89            |
| Deferred tax liabilities                          |          |                          |                          |
| Other non-current liabilities                     |          |                          |                          |
| <b>Total non-current liabilities</b>              |          | <b>9,653,402,868.30</b>  | <b>10,794,846,895.61</b> |
| <b>Total liabilities</b>                          |          | <b>24,824,541,886.31</b> | <b>30,925,618,686.33</b> |
| Shareholder's equity:                             |          |                          |                          |
| Share capital                                     |          | 4,108,209,106.00         | 4,108,191,379.00         |
| Other equity instruments                          |          | 947,866,337.87           | 947,882,663.63           |
| Including: Preferred stock                        |          |                          |                          |
| Perpetual bond                                    |          |                          |                          |
| Capital reserves                                  |          | 12,852,044,378.83        | 12,851,982,490.97        |
| Less: Treasury shares                             |          |                          |                          |
| Other comprehensive income                        |          |                          |                          |
| Special reserves                                  |          | 22,529,623.02            | 155,469.58               |
| Surplus reserves                                  |          | 1,195,116,522.37         | 1,195,116,522.37         |
| Undistributed Profits                             |          | 507,420,573.87           | 2,491,021,746.82         |
| <b>Total shareholder's equity</b>                 |          | <b>19,633,186,541.96</b> | <b>21,594,350,272.37</b> |
| <b>Total liabilities and shareholder's equity</b> |          | <b>44,457,728,428.27</b> | <b>52,519,968,958.70</b> |

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

**BENGANG STEEL PLATES CO., LTD.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2022  
*(Expressed in Renminbi unless otherwise indicated)*  
(English Translation for Reference Only)

| Items   | Notes 5 | Current period    | Previous period   |
|---|---------|-------------------|-------------------|
| 1. Total operating income   |         | 35,015,177,304.98 | 38,588,128,212.14 |
| Including: Operating income   | (36)    | 35,015,177,304.98 | 38,588,128,212.14 |
| Interest income   |         |                   |                   |
| Premium earned  |         |                   |                   |
| Income from handling charges and commission   |         |                   |                   |
| 2. Total operating cost   |         | 34,212,560,449.82 | 35,641,572,522.11 |
| Including: Operating cost   | (36)    | 33,377,477,540.63 | 34,592,825,792.72 |
| Interest expense  |         |                   |                   |
| Expenditure for handling charges and commission   |         |                   |                   |
| Surrender value   |         |                   |                   |
| Net expenditure for compensation  |         |                   |                   |
| Net provision for insurance contract appropriated   |         |                   |                   |
| Bonus payment for policy  |         |                   |                   |
| Reinsurance premium   |         |                   |                   |
| Tax and surcharges  | (37)    | 99,885,445.23     | 241,555,494.92    |
| Selling and distribution expenses   | (38)    | 67,430,875.17     | 59,652,669.72     |
| General and administrative expenses   | (39)    | 352,304,684.10    | 388,678,843.23    |
| Research and development expenses   | (40)    | 22,368,496.87     | 22,504,022.68     |
| Financial expenses  | (41)    | 293,093,407.82    | 336,355,698.84    |
| Including: Interest expense   |         | 342,674,208.42    | 554,219,518.90    |
| Interest income   |         | 61,019,147.27     | 222,276,204.79    |
| Add: Other income   | (42)    | 30,655,542.92     | 32,659,483.34     |
| Income on investment (“-” for loss)   | (43)    | 115,842.84        | 1,835,124.19      |
| Including: Income from associates and joint ventures  |         | 85,455.22         | 281,949.15        |
| Income from derecognition of financial assets measured at amortized cost                            |         |                   |                   |
| Exchange gains (“-” for loss)   |         |                   |                   |
| Net exposure hedge income (“-” for loss)  |         |                   |                   |
| Gains from change of fair value (“-” for loss)  |         |                   |                   |
| Credit impairment loss (“-” for loss)   | (44)    | -793,906.73       | 2,049,977.83      |
| Assets impairment loss (“-” for loss)   | (45)    | -72,880,991.53    | 6,629,442.12      |
| Assets disposal gains (“-” for loss)  | (46)    | 3,648,546.62      | 130,675.05        |
| 3. Operational profit (“-” for loss)  |         | 763,361,889.28    | 2,989,860,392.56  |
| Add: Non-operating income   | (47)    | 30,572,281.35     | 3,273,128.46      |
| Less: Non-operating expenses  | (48)    | 10,765,339.79     | 22,989,643.14     |
| 4. Total profit (“-” for loss)  |         | 783,168,830.84    | 2,970,143,877.88  |
| Less: Income tax expenses   | (49)    | 203,204,954.60    | 746,977,590.45    |
| 5. Net profit (“-” for loss)  |         | 579,963,876.24    | 2,223,166,287.43  |
| 1. Classification by continuing operating   |         |                   |                   |
| 1. Net profit from continuing operation (“-” for loss)  |         | 579,963,876.24    | 2,223,166,287.43  |
| 2. Net profit from discontinued operation (“-” for loss)  |         |                   |                   |
| 2. Classification by ownership  |         |                   |                   |
| 1. Net profit attributable to the owners of parent company (“-” for loss)                           |         | 561,735,377.41    | 2,208,798,167.91  |
| 2. Net profit attributable to non-controlling shareholders (“-” for loss)                           |         | 18,228,498.83     | 14,368,119.52     |
| 6. Other comprehensive income   |         |                   |                   |
| Other comprehensive income attributable to owners of the parent company after tax                   |         |                   |                   |
| 1. Other comprehensive income items that will not be reclassified into gains/losses                 |         |                   |                   |
| 1) Re-measurement of defined benefit plans of changes in net debt or net assets                     |         |                   |                   |
| 2) Other comprehensive income under the equity method cannot be reclassified into profit or loss    |         |                   |                   |
| 3) Changes in fair value of investments in other equity instruments                                 |         |                   |                   |
| 4) Changes in fair value of company's credit risk   |         |                   |                   |
| 2. Other comprehensive income that will be reclassified into profit or loss.                        |         |                   |                   |
| 1) Other comprehensive income under the equity method which can be reclassified into profit or loss |         |                   |                   |
| 2) Changes in fair value of other debt investments  |         |                   |                   |
| 3) Amount of financial assets reclassified into other comprehensive income                          |         |                   |                   |
| 4) Credit impairment provision of other debt investments  |         |                   |                   |
| 5) Cash flow hedges reserve   |         |                   |                   |
| 6) Translation differences in foreign currency financial statements                                 |         |                   |                   |
| 7) Others   |         |                   |                   |
| Other comprehensive income attributable to non-controlling shareholders' equity after tax           |         |                   |                   |
| 7. Total comprehensive income   |         | 579,963,876.24    | 2,223,166,287.43  |
| Total comprehensive income attributable to the owner of the parent company                          |         | 561,735,377.41    | 2,208,798,167.91  |

## **Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report**

| Items   | Notes 5 | Current period | Previous period |
|---|---------|----------------|-----------------|
| Total comprehensive income attributable to non-controlling shareholders |         | 18,228,498.83  | 14,368,119.52   |
| 8. Earnings per share   |         |                |                 |
| 1) Basic earnings per share   | XV.2    | 0.14           | 0.57            |
| 2) Diluted earnings per share   | XV.2    | 0.14           | 0.57            |

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:



## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

**BENGANG STEEL PLATES CO., LTD.**  
**COMPANY'S STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2022**  
*(Expressed in Renminbi unless otherwise indicated)*  
 (English Translation for Reference Only)

| Items  | Notes 14 | Current period    | Previous period   |
|--|----------|-------------------|-------------------|
| 1. Total operating income  | (5)      | 35,774,038,070.43 | 39,081,201,858.29 |
| Less: Operating cost   | (5)      | 34,404,712,933.07 | 35,285,590,888.70 |
| Tax and surcharges   |          | 74,061,344.22     | 213,178,320.80    |
| Selling and distribution expenses  |          | 58,854,346.91     | 55,267,199.05     |
| General and administrative expenses  |          | 323,747,875.71    | 360,747,887.96    |
| Research and development expenses  |          | 22,368,496.87     | 22,504,022.68     |
| Financial expenses   |          | 290,720,557.98    | 327,299,367.65    |
| Including: Interest expense  |          | 327,728,944.07    | 304,352,578.12    |
| Interest income  |          | 48,263,709.87     | 210,228,568.88    |
| Add: Other income  |          | 30,272,965.00     | 32,210,883.34     |
| Income on investment ("-" for loss)  | (6)      | 59,198,924.51     | 1,553,175.04      |
| Including: Income from associates and joint ventures   |          |                   |                   |
| Income from derecognition of financial assets measured at amortized cost                               |          |                   |                   |
| Net exposure hedge income ("-" for loss)   |          |                   |                   |
| Gains from change of fair value ("-" for loss)   |          |                   |                   |
| Credit impairment loss ("-" for loss)  |          | -1,392,974.69     | 2,049,977.83      |
| Assets impairment loss ("-" for loss)  |          | -72,880,991.53    | 6,571,234.79      |
| Assets disposal gains ("-" for loss)   |          | 3,669,258.68      | 130,675.05        |
| 2. Operational profit ("-" for loss)   |          | 618,439,697.64    | 2,859,130,117.50  |
| Add: Non-operating income  |          | 24,296,108.68     | 1,295,851.57      |
| Less: Non-operating expenses   |          | 10,736,478.75     | 22,989,643.14     |
| 3. Total profit ("-" for loss)   |          | 631,999,327.57    | 2,837,436,325.93  |
| Less: Income tax expenses  |          | 150,685,673.12    | 717,963,491.96    |
| 4. Net profit ("-" for loss)   |          | 481,313,654.45    | 2,119,472,833.97  |
| 1. Net profit from continuing operation ("-" for loss)   |          | 481,313,654.45    | 2,119,472,833.97  |
| 2. Net profit from discontinued operation ("-" for loss)   |          |                   |                   |
| 5. Other comprehensive income  |          |                   |                   |
| 1. Other comprehensive income items that will not be reclassified into gains/losses                    |          |                   |                   |
| 1) Re-measurement of defined benefit plans of changes  |          |                   |                   |
| 2) Other comprehensive income under the equity method cannot be reclassified into profit or loss       |          |                   |                   |
| 3) Changes in fair value of investments in other equity instruments                                    |          |                   |                   |
| 4) Changes in fair value of company's credit risk  |          |                   |                   |
| 2. Other comprehensive income that will be reclassified into profit or loss.                           |          |                   |                   |
| 1) Other comprehensive income under the equity method investee can be reclassified into profit or loss |          |                   |                   |
| 2) Changes in fair value of other debt investments   |          |                   |                   |
| 3) Amount of financial assets reclassified into other comprehensive income                             |          |                   |                   |
| 4) Credit impairment provision of other debt investments   |          |                   |                   |
| 5) Cash flow hedges reserve  |          |                   |                   |
| 6) Translation differences in foreign currency financial statements                                    |          |                   |                   |
| 7) Others  |          |                   |                   |
| 6. Total comprehensive income  |          | 481,313,654.45    | 2,119,472,833.97  |
| 7. Earnings per share  |          |                   |                   |
| 1) Basic earnings per share  |          |                   |                   |
| 2) Diluted earnings per share  |          |                   |                   |

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

### BENGANG STEEL PLATES CO., LTD. CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 30 June 2022 (Expressed in Renminbi unless otherwise indicated) (English Translation for Reference Only)

| Items   | Notes 5 | Current period    | Previous period   |
|---|---------|-------------------|-------------------|
| <b>1. Cash flow from operating activities</b>   |         |                   |                   |
| Cash received from sale of goods or rendering of services                                     |         | 30,399,917,736.81 | 27,681,479,863.67 |
| Net increase of customers' deposit and interbank deposit                                      |         |                   |                   |
| Net increase of loan from central bank  |         |                   |                   |
| Net increase of loans from other financial institutions                                       |         |                   |                   |
| Cash received for premium of original insurance contract                                      |         |                   |                   |
| Net cash received for reinsurance business  |         |                   |                   |
| Net increase of deposit and investment of the insured   |         |                   |                   |
| Cash from receiving interest, handling charge and commission                                  |         |                   |                   |
| Net increase of loans from borrowing funds  |         |                   |                   |
| Net increase of fund for repurchase business  |         |                   |                   |
| Net cash received from traded securities  |         |                   |                   |
| Tax rebate received   |         | 411,362,662.88    | 40,128,927.12     |
| Other cash received relating to operating activities  | (51)    | 168,719,124.22    | 239,319,537.30    |
| Subtotal of cash inflows from operating activities  |         | 30,979,999,523.91 | 27,960,928,328.09 |
| Cash paid for goods and services  |         | 28,939,015,822.97 | 24,177,763,290.52 |
| Net increase of customer's loan and advances  |         |                   |                   |
| Net increase of deposit in central bank and interbank deposit                                 |         |                   |                   |
| Cash for payment of compensation for original insurance contract                              |         |                   |                   |
| Net increase in capital lent  |         |                   |                   |
| Cash for payment of interest, handling charge and commission                                  |         |                   |                   |
| Cash for payment of policy bonus  |         |                   |                   |
| Cash paid to and on behalf of employees   |         | 1,281,589,573.82  | 972,651,151.35    |
| Cash paid for all types of taxes  |         | 282,883,307.60    | 1,082,217,676.19  |
| Other cash paid relating to operating activities  | (51)    | 249,058,977.31    | 203,379,990.00    |
| Subtotal of cash outflows from operating activities   |         | 30,752,547,681.70 | 26,436,012,108.06 |
| <b>Net cash flows from operating activities</b>   |         | 227,451,842.21    | 1,524,916,220.03  |
| <b>2. Cash flows from investing activities</b>  |         |                   |                   |
| Cash received from disposal of investments  |         |                   | 3,000,000,000.00  |
| Cash received from return on investments  |         |                   | 1,553,175.04      |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets |         | 60,800.00         |                   |
| Net cash received from disposal of subsidiary and other operating units                       |         |                   |                   |
| Other cash paid relating to investing activities  |         |                   |                   |
| Subtotal of cash inflows from investing activities  |         | 60,800.00         | 3,001,553,175.04  |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets       |         | 755,407,575.62    | 1,148,767,202.27  |
| Cash paid for investments   |         |                   | 4,600,000,000.00  |
| Net increase of mortgage loan   |         |                   |                   |
| Net cash received from subsidiary and other operating unit                                    |         |                   |                   |
| Other cash paid relating to investing activities  |         |                   |                   |
| Subtotal of cash outflows from investing activities   |         | 755,407,575.62    | 5,748,767,202.27  |
| <b>Net cash flows from investing activities</b>   |         | -755,346,775.62   | -2,747,214,027.23 |
| <b>3. Cash flows from financing activities</b>  |         |                   |                   |
| Proceeds from investment  |         |                   |                   |
| Including: Proceeds from investment of non-controlling shareholders of subsidiary             |         |                   |                   |
| Proceeds from borrowings  |         | 602,067,123.44    | 1,512,381,000.00  |
| Other proceeds relating to financing activities   | (51)    | 2,548,792,921.60  |                   |
| Subtotal of cash inflows from financing activities  |         | 3,150,860,045.04  | 1,512,381,000.00  |
| Cash repayments of borrowings   |         | 1,393,191,834.05  | 4,477,892,475.61  |
| Cash payments for distribution of dividends, profit or interest expenses                      |         | 2,708,922,405.78  | 567,804,337.49    |
| Including: Cash paid to non-controlling shareholders as dividend and profit by subsidiaries   |         |                   |                   |
| Other cash payments relating to financing activities  | (51)    | 71,693,646.43     |                   |
| Subtotal of cash outflows from financing activities   |         | 4,173,807,886.26  | 5,045,696,813.10  |
| <b>Net cash flows from financing activities</b>   |         | -1,022,947,841.22 | -3,533,315,813.10 |
| <b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>                |         | 2,217,009.66      | -16,349,859.91    |
| <b>5. Net increase in cash and cash equivalents</b>   |         | -1,548,625,764.97 | -4,771,963,480.21 |
| Add: Cash and cash equivalents at the opening of the period                                   |         | 6,299,099,063.48  | 9,229,417,595.12  |
| <b>6. Cash and cash equivalents at the ending of the period</b>                               |         | 4,750,473,298.51  | 4,457,454,114.91  |

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

**BENGANG STEEL PLATES CO., LTD.**  
**COMPANY'S STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2022**  
*(Expressed in Renminbi unless otherwise indicated)*  
 (English Translation for Reference Only)

| Items   | Notes 14 | Current period    | Previous period   |
|---|----------|-------------------|-------------------|
| <b>1. Cash flow from operating activities</b>   |          |                   |                   |
| Cash received from sale of goods or rendering of services                                     |          | 30,919,471,674.38 | 27,601,858,925.93 |
| Tax rebate received   |          | 406,487,928.59    | 15,393,055.96     |
| Other cash received relating to operating activities  |          | 155,803,337.55    | 230,589,337.92    |
| Subtotal of cash inflows from operating activities  |          | 31,481,762,940.52 | 27,847,841,319.81 |
| Cash paid for goods and services  |          | 29,479,472,246.34 | 24,802,523,270.32 |
| Cash paid to and on behalf of employees   |          | 1,197,357,426.66  | 926,763,546.78    |
| Cash paid for all types of taxes  |          | 102,560,662.62    | 984,236,622.57    |
| Other cash paid relating to operating activities  |          | 138,755,917.63    | 139,392,329.61    |
| Subtotal of cash outflows from operating activities   |          | 30,918,146,253.25 | 26,852,915,769.28 |
| <b>Net cash flows from operating activities</b>   |          | 563,616,687.27    | 994,925,550.53    |
| <b>2. Cash flows from investing activities</b>  |          |                   |                   |
| Cash received from disposal of investments  |          |                   | 3,000,000,000.00  |
| Cash received from return on investments  |          | 53,139,377.16     | 1,553,175.04      |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets |          | 60,800.00         |                   |
| Net cash received from disposal of subsidiary and other operating units                       |          | 33,061,417.35     |                   |
| Other cash received relating to investing activities  |          |                   |                   |
| Subtotal of cash inflows from investing activities  |          | 86,261,594.51     | 3,001,553,175.04  |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets       |          | 749,875,275.53    | 1,131,314,182.16  |
| Cash paid for investments   |          | 850,000,000.00    | 4,600,000,000.00  |
| Net cash paid for acquisition of subsidiary and other operating unit                          |          |                   |                   |
| Other cash paid relating to investing activities  |          |                   |                   |
| Subtotal of cash outflows paid for investing activities                                       |          | 1,599,875,275.53  | 5,731,314,182.16  |
| <b>Net cash flows from investing activities</b>   |          | -1,513,613,681.02 | -2,729,761,007.12 |
| <b>3. Cash flows from financing activities</b>  |          |                   |                   |
| Proceeds from investment  |          |                   |                   |
| Cash received from borrowings   |          | 602,067,123.44    | 1,412,381,000.00  |
| Other cash received relating to financing activities  |          | 2,548,792,921.60  |                   |
| Subtotal of cash inflows from financing activities  |          | 3,150,860,045.04  | 1,412,381,000.00  |
| Cash repayments of borrowings   |          | 1,293,191,834.05  | 3,722,892,475.61  |
| Cash payments for distribution of dividends, profit or interest                               |          | 2,695,763,155.78  | 544,896,337.46    |
| Other cash payments relating to financing activities  |          | 71,693,646.43     |                   |
| Subtotal of cash outflows from financing activities   |          | 4,060,648,636.26  | 4,267,788,813.07  |
| <b>Net cash flows from financing activities</b>   |          | -909,788,591.22   | -2,855,407,813.07 |
| <b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>                |          | 1,506,171.92      | -16,347,695.55    |
| <b>5. Net increase in cash and cash equivalents</b>   |          | -1,858,279,413.05 | -4,606,590,965.21 |
| Add: Cash and cash equivalents at the opening of the period                                   |          | 5,048,875,333.01  | 8,897,859,003.60  |
| <b>6. Cash and cash equivalents at the ending of the period</b>                               |          | 3,190,595,919.96  | 4,291,268,038.39  |

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

**BENGANG STEEL PLATES CO., LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the year ended 30 June 2022**  
*(Expressed in Renminbi unless otherwise indicated)*  
 (English Translation for Reference Only)

| Items  | Current period   |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      | Non-controlling interest | Total of shareholders' equity |
|--|------------------|--------------------------|----------------|----------------|---|-----------------------|----------------------------|------------------|------------------|----------------------|-------------------|----------------------|--------------------------|-------------------------------|
|  | Share capital    | Other equity instruments |                |                | Owner's equity attributable to parent company |                       |                            |                  |                  |                      | Subtotal          |                      |                          |                               |
|  |                  | Preference shares        | Perpetual bond | Others         | Capital reserves                              | Less: Treasury shares | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve |                   | Undistributed profit |                          |                               |
| 1. Ending balance of last year   | 4,108,191,379.00 |                          |                | 947,882,663.63 | 13,272,134,173.09                             |                       |                            | 337,978.57       | 1,195,116,522.37 |                      | 2,977,306,297.64  | 22,500,969,014.30    | 565,441,001.73           | 23,066,410,016.03             |
| Add: Change of accounting policies   |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| Correction of errors for last period   |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| Business consolidation under common control                                      |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| Others   |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| 2. Opening balance of current year   | 4,108,191,379.00 |                          |                | 947,882,663.63 | 13,272,134,173.09                             |                       |                            | 337,978.57       | 1,195,116,522.37 |                      | 2,977,306,297.64  | 22,500,969,014.30    | 565,441,001.73           | 23,066,410,016.03             |
| 3. Changes in current year ("-" for decrease)                                    | 17,727.00        |                          |                | -16,325.76     | 61,887.86                                     |                       |                            | 31,151,584.66    |                  |                      | -1,903,179,449.99 | -1,871,964,576.23    | 20,714,933.09            | -1,851,249,643.14             |
| 1) Total comprehensive income  |                  |                          |                |                |   |                       |                            |                  |                  |                      | 561,735,377.41    | 561,735,377.41       | 18,228,498.83            | 579,963,876.24                |
| 2) Capital increase and decrease by shareholders                                 | 17,727.00        |                          |                | -16,325.76     | 61,887.86                                     |                       |                            |                  |                  |                      |                   | 63,289.10            |                          | 63,289.10                     |
| (1) Common share invested by shareholders  |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (2) Capital input by the holder of other equity instruments                      |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (3) Share-based payment attributable to owners' equity                           |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (4) Others   | 17,727.00        |                          |                | -16,325.76     | 61,887.86                                     |                       |                            |                  |                  |                      |                   | 63,289.10            |                          | 63,289.10                     |
| 3) Profit distribution   |                  |                          |                |                |   |                       |                            |                  |                  |                      | -2,464,914,827.40 | -2,464,914,827.40    |                          | -2,464,914,827.40             |
| (1) Appropriation to surplus reserves  |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (2) Appropriation to general risk reserve  |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (3) Profit distribution to shareholders  |                  |                          |                |                |   |                       |                            |                  |                  |                      | -2,464,914,827.40 | -2,464,914,827.40    |                          | -2,464,914,827.40             |
| (4) Others   |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| 4) Transfers within shareholders' equity   |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (1) Capital reserves transferred into paid-in capital (or stock)                 |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (2) Surplus reserves transferred into paid-in capital (or stock)                 |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (3) Surplus reserves to recover loss'  |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (4) Net changes of defined contribution plans transferred into Retained Earnings |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (5) Other comprehensive income transferred into Retained Earnings                |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| (6) Others   |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| 5) Special reserves  |                  |                          |                |                |   |                       |                            | 31,151,584.66    |                  |                      |                   | 31,151,584.66        | 2,486,434.26             | 33,638,018.92                 |
| (1) Provision of special reserves  |                  |                          |                |                |   |                       |                            | 38,838,893.44    |                  |                      |                   | 38,838,893.44        | 2,489,359.76             | 41,328,253.20                 |
| (2) Use of special reserves  |                  |                          |                |                |   |                       |                            | 7,687,308.78     |                  |                      |                   | 7,687,308.78         | 2,925.50                 | 7,690,234.28                  |
| (6) Others   |                  |                          |                |                |   |                       |                            |                  |                  |                      |                   |                      |                          |                               |
| 4. Ending balance of current year  | 4,108,209,106.00 |                          |                | 947,866,337.87 | 13,272,196,060.95                             |                       |                            | 31,489,563.23    | 1,195,116,522.37 |                      | 1,074,126,847.65  | 20,629,004,438.07    | 586,155,934.82           | 21,215,160,372.89             |

The notes to the financial statements attached form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

**BENGANG STEEL PLATES CO., LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)**  
**For the year ended 30 June 2022**  
*(Expressed in Renminbi unless otherwise indicated)*  
 (English Translation for Reference Only)

| Items  | Previous period                               |                          |        |                  |                   |                       |                            |                  |                  |                      |                  | Non-controlling interest | Total of shareholders' equity |                      |
|--|---|--------------------------|--------|------------------|-------------------|-----------------------|----------------------------|------------------|------------------|----------------------|------------------|--------------------------|-------------------------------|----------------------|
|  | Owner's equity attributable to parent company |                          |        |                  |                   |                       |                            |                  |                  |                      | Subtotal         |                          |                               |                      |
|  | Share capital                                 | Other equity instruments |        |                  | Capital reserves  | Less: Treasury shares | Other comprehensive income | Special reserves | Surplus reserves | General risk reserve |                  |                          |                               | Undistributed profit |
|  | Preference shares                             | Perpetual bond           | Others |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| 1. Ending balance of last year   | 3,875,371,532.00                              |                          |        | 1,146,290,662.42 | 12,343,209,847.29 |                       |                            | 300,412.14       | 961,105,529.85   |                      | 2,692,018,405.40 | 21,018,296,389.10        | 532,388,405.68                | 21,550,684,794.78    |
| Add: Change of accounting policies   |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| Correction of errors for last period   |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| Business consolidation under common control                                      |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| Others   |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| 2. Opening balance of current year   | 3,875,371,532.00                              |                          |        | 1,146,290,662.42 | 12,343,209,847.29 |                       |                            | 300,412.14       | 961,105,529.85   |                      | 2,692,018,405.40 | 21,018,296,389.10        | 532,388,405.68                | 21,550,684,794.78    |
| 3. Changes in current year ("-" for decrease)                                    | 232,819,847.00                                |                          |        | -198,407,998.79  | 928,924,325.80    |                       |                            | 37,566.43        | 234,010,992.52   |                      | 285,287,892.24   | 1,482,672,625.20         | 33,052,596.05                 | 1,515,725,221.25     |
| 1) Total comprehensive income  |   |                          |        |                  |                   |                       |                            |                  |                  |                      | 2,500,582,902.58 | 2,500,582,902.58         | 33,052,596.05                 | 2,533,635,498.63     |
| 2) Capital increase and decrease by shareholders                                 | 232,819,847.00                                |                          |        | -198,407,998.79  | 928,924,325.80    |                       |                            |                  |                  |                      |                  | 963,336,174.01           |                               | 963,336,174.01       |
| (1) Common share invested by shareholders  |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (2) Capital input by the holder of other equity instruments                      |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (3) Share-based payment attributable to owners' equity                           |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (4) Others   | 232,819,847.00                                |                          |        | -198,407,998.79  | 928,924,325.80    |                       |                            |                  |                  |                      |                  | 963,336,174.01           |                               | 963,336,174.01       |
| 3) Profit distribution   |   |                          |        |                  |                   |                       |                            |                  | 234,010,992.52   |                      | 2,215,295,010.34 | -1,981,284,017.82        |                               | -1,981,284,017.82    |
| (1) Appropriation to surplus reserves  |   |                          |        |                  |                   |                       |                            |                  | 234,010,992.52   |                      | -234,010,992.52  |                          |                               |                      |
| (2) Appropriation to general risk reserve  |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (3) Profit distribution to shareholders  |   |                          |        |                  |                   |                       |                            |                  |                  |                      | 1,981,284,017.82 | -1,981,284,017.82        |                               | -1,981,284,017.82    |
| (4) Others   |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| 4) Transfers within shareholders' equity   |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (1) Capital reserves transferred into paid-in capital (or stock)                 |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (2) Surplus reserves transferred into paid-in capital (or stock)                 |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (3) Surplus reserves to recover loss   |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (4) Net changes of defined contribution plans transferred into Retained Earnings |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (5) Other comprehensive income transferred into Retained Earnings                |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| (6) Others   |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| 5) Special reserves  |   |                          |        |                  |                   |                       |                            | 37,566.43        |                  |                      |                  | 37,566.43                |                               | 37,566.43            |
| (1) Provision of special reserves  |   |                          |        |                  |                   |                       |                            | 63,036,424.58    |                  |                      |                  | 63,036,424.58            |                               | 63,036,424.58        |
| (2) Use of special reserves  |   |                          |        |                  |                   |                       |                            | 62,998,858.15    |                  |                      |                  | 62,998,858.15            |                               | 62,998,858.15        |
| 6) Others  |   |                          |        |                  |                   |                       |                            |                  |                  |                      |                  |                          |                               |                      |
| 4. Ending balance of current year  | 4,108,191,379.00                              |                          |        | 947,882,663.63   | 13,272,134,173.09 |                       |                            | 337,978.57       | 1,195,116,522.37 |                      | 2,977,306,297.64 | 22,500,969,014.30        | 565,441,001.73                | 23,066,410,016.03    |

The notes to the financial statements attached form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

**BENGANG STEEL PLATES CO., LTD.**  
**COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY**  
**For the year ended 30 June 2022**  
*(Expressed in Renminbi unless otherwise indicated)*  
 (English Translation for Reference Only)

| Items  | Current period   |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
|--|------------------|--------------------------|----------------|----------------|-------------------|-----------------------|----------------------------|------------------|------------------|-----------------------|----------------------|
|  | Share capital    | Other equity instruments |                |                | Capital reserves  | Less: Treasury shares | Other comprehensive income | Special reserves | Surplus reserves | Undistributed profits | Total owners' equity |
|  |                  | Preference shares        | Perpetual bond | Others         |                   |                       |                            |                  |                  |                       |                      |
| 1. Ending balance of last year   | 4,108,191,379.00 |                          |                | 947,882,663.63 | 12,851,982,490.97 |                       |                            | 155,469.58       | 1,195,116,522.37 | 2,491,021,746.82      | 21,594,350,272.37    |
| Add: Change of accounting policies   |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| Correction of errors for last period   |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| Others   |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| 2. Opening balance of current year   | 4,108,191,379.00 |                          |                | 947,882,663.63 | 12,851,982,490.97 |                       |                            | 155,469.58       | 1,195,116,522.37 | 2,491,021,746.82      | 21,594,350,272.37    |
| 3. Changes in current year ("-" for decrease)                                    | 17,727.00        |                          |                | -16,325.76     | 61,887.86         |                       |                            | 22,374,153.44    |                  | -1,983,601,172.95     | -1,961,163,730.41    |
| 1) Total comprehensive income  |                  |                          |                |                |                   |                       |                            |                  |                  | 481,313,654.45        | 481,313,654.45       |
| 2) Capital increase and decrease by shareholders                                 | 17,727.00        |                          |                | -16,325.76     | 61,887.86         |                       |                            |                  |                  |                       | 63,289.10            |
| (1) Common share invested by shareholders  |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| (2) Capital input by the holder of other equity instruments                      |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| (3) Share-based payment attributable to shareholders' equity                     |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| (4) Others   | 17,727.00        |                          |                | -16,325.76     | 61,887.86         |                       |                            |                  |                  |                       |                      |
| 3) Profit distribution   |                  |                          |                |                |                   |                       |                            |                  |                  | -2,464,914,827.40     | -2,464,914,827.40    |
| (1) Appropriation of surplus reserves  |                  |                          |                |                |                   |                       |                            |                  |                  |                       | 0.00                 |
| (2) Profit distribution to shareholders  |                  |                          |                |                |                   |                       |                            |                  |                  | -2,464,914,827.40     | -2,464,914,827.40    |
| (3) Others   |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| 4) Transfers within shareholders' equity   |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| (1) Capital reserves transferred into paid-in capital (or stock)                 |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| (2) Surplus reserves transferred into paid-in capital (or stock)                 |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| (3) Surplus reserves to recover loss   |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| (4) Net changes of defined contribution plans transferred into Retained Earnings |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| (5) Other comprehensive income transferred into retained earnings                |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| (6) Others   |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| 5) Special reserves  |                  |                          |                |                |                   |                       |                            | 22,374,153.44    |                  |                       | 22,374,153.44        |
| (1) Provision of special reserves  |                  |                          |                |                |                   |                       |                            | 30,052,685.76    |                  |                       | 30,052,685.76        |
| (2) Use of special reserves  |                  |                          |                |                |                   |                       |                            | 7,678,532.32     |                  |                       | 7,678,532.32         |
| 6) Others  |                  |                          |                |                |                   |                       |                            |                  |                  |                       |                      |
| 4. Ending balance of current year  | 4,108,209,106.00 |                          |                | 947,866,337.87 | 12,852,044,378.83 |                       |                            | 22,529,623.02    | 1,195,116,522.37 | 507,420,573.87        | 19,633,186,541.96    |

The notes to the financial statements attached form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

**BENGANG STEEL PLATES CO., LTD.**  
**COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued)**  
**For the year ended 30 June 2022**  
*(Expressed in Renminbi unless otherwise indicated)*  
 (English Translation for Reference Only)

| Items  | Previous period  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
|--|------------------|--------------------------|-------------------|------------------|-------------------|-----------------------------|-----------------------------------|---------------------|------------------|--------------------------|----------------------|
|  | Share capital    | Other equity instruments |                   |                  | Capital reserves  | Less:<br>Treasury<br>shares | Other<br>comprehen<br>sive income | Special<br>reserves | Surplus reserves | Undistributed<br>profits | Total owners' equity |
|  |                  | Preference<br>shares     | Perpetual<br>bond | Others           |                   |                             |                                   |                     |                  |                          |                      |
| 1. Ending balance of last year   | 3,875,371,532.00 |                          |                   | 1,146,290,662.42 | 11,923,058,165.17 |                             |                                   | 120,972.62          | 961,105,529.85   | 2,366,206,832.00         | 20,272,153,694.06    |
| Add: Change of accounting policies   |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| Correction of errors for last period   |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| Others   |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| 2. Opening balance of current year   | 3,875,371,532.00 |                          |                   | 1,146,290,662.42 | 11,923,058,165.17 |                             |                                   | 120,972.62          | 961,105,529.85   | 2,366,206,832.00         | 20,272,153,694.06    |
| 3. Changes in current year ("-" for decrease)                                    | 232,819,847.00   |                          |                   | -198,407,998.79  | 928,924,325.80    |                             |                                   | 34,496.96           | 234,010,992.52   | 124,814,914.82           | 1,322,196,578.31     |
| 1) Total comprehensive income  |                  |                          |                   |                  |                   |                             |                                   |                     |                  | 2,340,109,925.16         | 2,340,109,925.16     |
| 2) Capital increase and decrease by shareholders                                 | 232,819,847.00   |                          |                   | -198,407,998.79  | 928,924,325.80    |                             |                                   |                     |                  |                          | 963,336,174.01       |
| (1) Common share invested by shareholders  |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| (2) Capital input by the holder of other equity instruments                      |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| (3) Share-based payment attributable to shareholders' equity                     |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| (4) Others   | 232,819,847.00   |                          |                   | -198,407,998.79  | 928,924,325.80    |                             |                                   |                     |                  |                          |                      |
| 3) Profit distribution   |                  |                          |                   |                  |                   |                             |                                   |                     | 234,010,992.52   | -2,215,295,010.34        | -1,981,284,017.82    |
| (1) Appropriation of surplus reserves  |                  |                          |                   |                  |                   |                             |                                   |                     | 234,010,992.52   | -234,010,992.52          |                      |
| (2) Profit distribution to shareholders  |                  |                          |                   |                  |                   |                             |                                   |                     |                  | -1,981,284,017.82        | -1,981,284,017.82    |
| (3) Others   |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| 4) Transfers within shareholders' equity   |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| (1) Capital reserves transferred into paid-in capital (or stock)                 |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| (2) Surplus reserves transferred into paid-in capital (or stock)                 |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| (3) Surplus reserves to recover loss'  |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| (4) Net changes of defined contribution plans transferred into Retained Earnings |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| (5) Other comprehensive income transferred into retained earnings                |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| (6) Others   |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| 5) Special reserves  |                  |                          |                   |                  |                   |                             |                                   | 34,496.96           |                  |                          | 34,496.96            |
| (1) Provision of special reserves  |                  |                          |                   |                  |                   |                             |                                   | 43,962,017.71       |                  |                          | 43,962,017.71        |
| (2) Use of special reserves  |                  |                          |                   |                  |                   |                             |                                   | 43,927,520.75       |                  |                          | 43,927,520.75        |
| 6) Others  |                  |                          |                   |                  |                   |                             |                                   |                     |                  |                          |                      |
| 4. Ending balance of current year  | 4,108,191,379.00 |                          |                   | 947,882,663.63   | 12,851,982,490.97 |                             |                                   | 155,469.58          | 1,195,116,522.37 | 2,491,021,746.82         | 21,594,350,272.37    |

The notes to the financial statements attached form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:



## **I. Basic Information of the Company**

### **1. Company profile**

Bengang Steel Plates Co., Ltd. (hereinafter referred to as “Bengang Steel Plates” or “the Company”), as approved in Liao-Zheng (1997) No. 57 by Liaoning People’s Government on 27 March 1997, was incorporated as a joint stock limited company through public share offer of domestic listed foreign currency denominated shares (B shares) in the People’s Republic of China (the “PRC”) on 27 June 1997 by Benxi Steel and Iron (Group) Co., Ltd. (“Benxi Iron and Steel Group”), through reorganization of operations, assets and liabilities of its plants, namely, Steel Smelting Plant, Primary Rolling Plant and Continuous Hot Rolling Plant.

As approved by China Securities Regulatory Commission (hereinafter referred to as “the CSRC”), the Company issued 400,000,000 B-shares at HKD 2.38 each in Shenzhen Stock Exchange on 10 June 1997. On 3 November 1997, the Company issued another 120,000,000 A-shares (Renminbi common Shares) at RMB 5.40 each, and listed in Shenzhen Stock Exchange since 15 January 1998. The capital shares were totaled to 1,136,000,000 shares.

On 14 March 2006, according to the resolutions of the Shareholders’ Meeting regarding share equity relocation, the Share Equity Relocation Scheme, Response to Bengang Steel Plate Co., Ltd. about Share Equity Relocation issued by Liaoning Provincial Government State-owned Asset Administrative Committee (hereinafter referred to as the Liaoning SASAC), Benxi Iron and Steel Group – the only holder of non-negotiable state-owned legal person shares paid the consideration to the current shareholders to obtain the current option for the 40,800,000 shares of the total 616,000,000 shares it was holding. Shareholding positions have been registered with China Securities Depository & Clearing Corporation Ltd. Shenzhen Office. However, the total amount of capital shares of Bengang Steel Plates Co., Ltd. was not changed through the share equity relocation action.

According to the approval document “Zheng-Jian-Gong-Si-Zi [2006] No. 126” by China Securities Regulatory Commission on 30 June 2006, the Company was approved to place 2 billion Renminbi common shares particularly to Benxi Iron and Steel Group and the proceeds would be used to purchase the related assets of the Benxi Iron and Steel Group. On the same day, Benxi Iron and Steel Group received circular Zheng-Jian-Gong-Si-Zi [2006] No. 127 issued by China Securities Regulatory Committee, On the same day, Benxi Iron and Steel Group obtained the document “Zheng Jian Company Zi (2006) No. 127” issued by the China Securities Regulatory Commission, which agreed to exempt Benxi Iron and Steel Group from the acquisition of 2 billion new shares issued by the company, resulting in the number of shares held by the company reaching 2.5752 billion shares (accounting for the company’s 82.12% of the total share capital) to fulfill the tender offer obligation. On 28 August 2006, as approved by China Securities Depository & Clearing Corporation Ltd. Shenzhen Office, the registration and conditional placing procedures of the 2 billion new shares were completed. On 28 September 2006, the privately placed shares were approved by Shenzhen Stock Exchange to be placed in the stock market. The placing price was RMB4.6733 per share.

Approved by the China Securities Regulatory Commission [2017] No. 1476, Bengang Steel Plate Co., Ltd. privately placed no more than 739,371,534 RMB ordinary shares (A shares) to no more

than 10 issuers. The non-public offering was completed on 9 February 2018, and 739,371,532 shares were actually issued. The placing price was RMB5.41 per share.

On August 20, 2021, Liaoning Provincial State-owned Assets Supervision and Administration Commission (hereinafter referred to as the Liaoning SASAC) and Ansteel Group Co., Ltd. (hereinafter referred to as Ansteel Group) signed the "Liaoning Provincial People's Government State-owned Assets Supervision and Administration Commission and Ansteel Group Co., Ltd. on Free Transfer Agreement on the State-owned Equity of Bengang Group Co., Ltd. According to the agreement, Liaoning State-owned Assets Supervision and Administration Commission will transfer its 51% shares of Bengang Group Co., Ltd. (hereinafter referred to as Bengang Group) to Angang Group for free. After the completion of the free transfer, Ansteel Group will become the controlling shareholder of Bengang Group, and Ansteel Group will hold 81.07% of the total share capital of Bengang Group Co., Ltd. indirectly.

As at 30 June 2022, the capital shares were totaled to 4,108,209,106 shares.

The Company's uniform social credit code: 91210000242690243E.

The Company's registered address: 16th Renmin Road, Pingshan District, Benxi, Liaoning Province.

The Company's legal representative: Huo Gang.

The parent company of Bengang Steel Plates Co., Ltd is Benxi Steel and Iron (Group) Co., Ltd. and the actual controller is Ansteel Group Co., Ltd.

Bengang Steel Plates Co., Ltd. belongs to ferrous metal smelting and rolling processing industry and is mainly involved in producing and trading of ferrous metal products.

The financial statements have been approved for reporting by the board of directors of the Company on 18 August 2022.

## **2. Consolidation scope**

Please refer to "Note IX. Equity in other entities" in this note for the relevant information of the Company's subsidiaries.

Please refer to "VIII. Changes in the scope of consolidation" in this note for the changes in the scope of consolidation during the reporting period.

## **II. Basis of preparation**

### **1. Basis of preparation**

The financial statements have been prepared on the going concern basis of actual trading and events in accordance with "Accounting Standards for Business Enterprises – Basic Standard" and relevant specific standards, application materials, interpretations (together hereinafter referred to as "Accounting Standards for Business Enterprises") issued by the Ministry of Finance, and "Information Disclosure Rules for Companies of securities for public issuance No. 15 – General Regulations for Financial Statements" issued by the China Securities Regulatory Commission.

## **2. Going concern**

The Company is operating normally and in a good condition, and thus has the capability to continue to operate in the next twelve months from the end of reporting period.

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

Notes for specific accounting policies and accounting estimates:

The following disclosed content covers the specific accounting policies and accounting estimates that are adopted by the Company based on the actual production and operation characteristics. Please refer to Note V.10 Financial instruments, 11 Inventory, 15 Fixed assets, 18 Intangible assets, 25 Revenue under “3. Significant accounting policies and accounting estimates” for details.

### **1. Statement of compliance with China Accounting Standards for Business Enterprises**

The financial statements present truly and completely the financial position, operation results and cash flows of the Company during the reporting period in accordance with China Accounting Standards for Business Enterprises.

### **2. Accounting year**

The Accounting year is from 1 January to 31 December.

### **3. Operating period**

The operating period is twelve months.

### **4. Functional currency**

The Company’s functional currency is RMB.

### **5. The accounting treatment for Business combination under/not under common control**

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

The assets and liabilities that the Company acquired in a business combination shall be measured on the basis of their carrying amount of acquiree’s assets, liabilities (as well as the goodwill arising from the business combination) in the consolidated financial statement of the ultimate controller on the combining date. As for the balance between the carrying amount of the net assets obtained by the Company and the carrying amount of the consideration paid by it (or the total par value of the shares issued), capital reserve needs to be adjusted. If the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

#### **(2) Business combination not under common control**

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record

the balances between them and their carrying amounts into the profits and losses at the current period. The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. The Company shall treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the profits and losses of the current period.

The intermediary costs and relevant fees for the business combination paid by the acquirer, including the expenses for audit, assessment and legal services, shall be recorded into the profits and losses at the current period. The transaction expenses for the issuance of equity securities for the business combination shall be recorded into the initial recognition amount of equity securities.

## **6. Consolidation of Financial Statements**

### **(1) Scope of consolidation**

The scope of consolidation of consolidated financial statements is determined based on control. All the subsidiaries (including separable sections of the investees controlled by the Company) have been consolidated into the scope of consolidation for this period ended.

### **(2) Procedure of consolidation**

The consolidated financial statements shall be presented by the parent based on the financial statements of the parent and its subsidiaries, and using other related information. When preparing consolidated financial statements, the parent shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

The accounting policy and accounting period of the subsidiaries within the consolidation scope shall be in accordance with those of the Company. If not, it is necessary to make the adjustment according to the Company's accounting policies and accounting period when preparing the consolidated financial statements. For subsidiaries through acquisition that are now under common control, the financial statements are adjusted according to fair value of identifiable net assets on the acquisition date. For subsidiaries through acquisition that are under common control, the assets, liabilities (as well as the goodwill arising from purchasing the subsidiary by the ultimate controller) are adjusted according to book value of net assets in the financial statements of the ultimate controller.

The owners' interests, profit or loss, and comprehensive income of the subsidiary attributable to the non-controlling shareholders shall be presented separately in the shareholders' equity of the consolidated balance sheet and under the item of net profit of the consolidated statement of comprehensive income and under the item of total comprehensive income. Where losses assumed by the minority exceed the minority's interests in the opening equity of a subsidiary, the excess shall be charged against the minority's interests.

#### **1) Increasing new subsidiaries and businesses**

If the Company has a new subsidiary due to business combination under common control during the reporting period, it shall adjust the Opening balance in the consolidated statement of financial position when preparing consolidated statement of financial position. The revenue, expenses and

profits of the subsidiaries from the acquisition date to the end of the reporting period are included in the Company's consolidated statement of comprehensive income. The cash flow of the subsidiaries from the acquisition date to the end of the reporting period is included in the Company's consolidated statement of cash flows. And meanwhile the Company shall adjust the relevant items of the comparative financial statements as if the reporting entity for the purpose of consolidation has been in existence since the date the ultimate controlling party first obtained control.

When the Company becomes capable of exercising control over an investee under common control due to additional investment or other reasons, adjustment shall be made as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained control. The investment income recognized between date of previously obtaining equity investment and the date the acquiree and acquirer are under common control, which is later, and the combining date, other comprehensive income and other changes of net assets arising from the equity investment previously-held before obtaining the control the acquiree shall be adjusted against the prior retained earnings of the comparative financial statements and the current profit or loss respectively.

If it is now under common control, the Company shall not adjust the Opening balance in the consolidated statement of financial position when preparing consolidated statement of financial position. The revenue, expenses and profits of the subsidiaries from the acquisition date to the end of the reporting period are included in the parent company's consolidated statement of comprehensive income. The cash flow of the subsidiaries from the acquisition date to the end of the reporting period is included in the Company's consolidated statement of cash flows.

When the Company becomes capable of exercising control over an investee now under common control due to additional investment or other reasons, the acquirer shall remeasure its previously held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount shall be recognized as investment income for the period when the acquisition takes place. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes shall be transferred to profit or loss for the current period when the acquisition takes place. Other comprehensive income arising from remeasurement of defined benefit plan is excluded.

## 2) Disposing subsidiaries or businesses

### ① General treatment

If the Company disposes a subsidiary during the reporting period, the revenue, expenses and profits of the subsidiary from the opening of the reporting period to disposal date are included in the Company's consolidated statement of comprehensive income. The cash flow of the subsidiaries from the opening of the reporting period to disposal date is included in the Company's consolidated statement of cash flows.

When the Company loses control over an investee due to partial disposal or other reasons, the acquirer shall re-measure the remaining equity interests in the acquiree to its fair value at the acquisition date. The difference, between sums of consideration received for disposal equity shares and fair value of the remaining shares, and sums of share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date based on the previous

shareholding proportion and goodwill, shall be recognized as investment income for the period when the Company loses control over acquiree. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes, and other equity changes rather than changes from net profit, other comprehensive income and profit distribution, shall be transferred to investment income for the current period when the Company loses control over acquiree. Other comprehensive income arising from re-measurement of defined benefit plan is excluded. When the Company loses control over a subsidiary due to the increase of capital from other investors and thus the shareholding ratio of the Company declines, accounting treatment shall be in accordance with the above-mentioned principles.

② Disposing subsidiaries by multiple transactions

Where the Company loses control of a subsidiary in multiple transactions in which it disposes of its subsidiary in stages, in determining whether to account for the multiple transactions as a single transaction, the Company shall consider all of the terms and conditions of the transactions and their economic effects. One or more of the following may indicate that the Company shall account for the multiple arrangements as a single transaction:

- (a) Arrangements are entered into at the same time or in contemplation of each other;
- (b) Arrangements work together to achieve an overall commercial effect;
- (c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; and
- (d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions shall be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to the profit or loss when the Company eventually loses control of the subsidiary.

If each of the multiple transactions which eventually results in loss of control of the subsidiary do not form part of a bundled transaction, apply the treatment of disposing partial long-term equity investments in a subsidiary without loss of control prior to the loss of control. After the loss of control, apply the treatment of disposing the subsidiary in common cases.

3) Acquiring the subsidiaries' equity interest held by non-controlling shareholders

Where the Company has acquired a subsidiary's equity interest held by non-controlling shareholders, the difference between the increase in the cost of long-term investments as a result of acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date based on the new shareholding proportion shall be adjusted to the capital reserve( capital premium or share premium) in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

4) Disposing portion of equity investments in subsidiaries without losing control

When the Company disposes of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between the amount of the consideration received and the corresponding portion of the net assets of the subsidiary calculated continuously from the acquisition date or the combination date related to the disposal of the long-term equity investments shall be adjusted to the capital reserve (capital premium or share premium) in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

## **7. Classification of joint venture arrangements and accounting treatment**

Joint venture arrangements are divided into joint operations and joint ventures.

When the Company is a joint venture party of a joint venture arrangement and have the assets related to the arrangement and assumes the liabilities related to the arrangement, it is a joint operation.

The Company confirms the following items related to the share of interest in the joint operation and performs accounting treatment in accordance with the relevant enterprise accounting standards:

- (a) Confirm the assets held by the company separately, and confirm the assets held jointly by the Company's share;
- (b) Recognize the liabilities assumed by the Company separately and the liabilities jointly assumed by the company's share;
- (c) Recognize the income generated by the sale of the Company's share of common operating output;
- (d) Recognize the revenue generated from the sale of joint operations based on the Company's share;
- (e) Confirm the expenses incurred separately and the expenses incurred in the joint operation according to the Company's share.

## **8. Recognition of cash and cash equivalents**

The term "cash" refers to the cash on hand and the unrestricted deposit. And the term "cash equivalents" refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## **9. Foreign currency transaction and translation of foreign currency financial statements**

### **(1) Foreign currency transaction**

Foreign currency transactions are translated into RMB at the current rate at the day of transactions. The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the



balance sheet date, except those arising from the raising of special foreign debt for the purchase or construction of capitalizable assets thus shall be capitalized according to the borrowing costs capitalization principle, shall be recorded into the profits and losses at the current period.

(2) Translation of foreign currency financial statements

The asset and liability items in the statement of financial position shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except the ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the income statement shall be translated using an exchange rate that is determined in a systematic and reasonable manner and approximates the spot exchange rate on the transaction date.

When disposing an overseas business, the Company shall shift the balance, which is presented under the items of the owner's equities in the statement of financial position and arises from the translation of foreign currency financial statements related to this overseas business, into the disposal profits and losses of the current period.

## **10. Financial instruments**

Financial instruments include financial assets, financial liabilities and equity instruments.

(1) Classification of financial instruments

The Company shall classify financial assets on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset as: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss at initial measurement.

A financial asset shall be measured at amortized cost if both of the following conditions are met. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and 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.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and 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.

The Company may make an election at initial recognition for non-trading equity instrument investments whether it is designated as a financial asset (equity instrument) that is measured at fair value through other comprehensive income. The designation is made on the basis of a single investment, and the related investment meets the definition of an equity instrument from the issuer's perspective.

Other financial assets other than these are classified as financial assets measured at fair value through profit or loss. At the initial recognition, in order to eliminate or significantly reduce accounting mismatches, financial assets that should be classified as measured at amortized value or financial assets measured at fair value through other comprehensive income can be designated



as financial assets measured at fair value through profit or loss.

The Company shall classify financial liabilities as financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss at initial measurement. In the initial recognition, in order to eliminate or significantly reduce accounting mismatches, financial assets can be designated as financial assets measured at fair value and their changes included in the current profit and loss. According to the above conditions, the Company does not have such designated financial assets.

The Company may, at initial recognition, designate a financial liability as measured at fair value through profit or loss because either:

- (a) it eliminates or significantly reduces an accounting mismatch;
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel;
- (c) the financial liability contains embedded derivatives that need to be separated.

## (2) Recognition and measurement of financial instruments

### 1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivables, accounts receivables, other receivables, long-term receivables, debt investments, etc. At initial recognition, the Company shall measure a financial asset at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. The Company shall measure account receivables at their transaction price if the account receivables do not contain a significant financing component and accounts receivables that the company has decided not to consider for a financing component of no more than one year.

Interests calculated by using the effective interest method during the holding period shall be recognized in profit or loss.

When recovering or disposing the receivables, the difference between the price obtained and the carrying value shall be recognized in current profit or loss.

### 2) Financial assets measured at fair value through other comprehensive income (debt instruments)

Financial assets measured at fair value through other comprehensive income (debt instruments) include receivables financing, other debt investments, etc. At initial recognition, the Company shall measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. The financial assets are subsequently measured at fair value. Changes in fair value are included in other comprehensive income except for interest calculated using the effective interest method, impairment losses or gains and exchange gains and losses. When the financial assets are derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income and recognized in profit or loss.

### 3) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments). include other equity instrument investments, etc. At initial recognition, the Company shall measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. The financial assets are subsequently measured at fair value. Changes in fair value are included in other comprehensive income. The dividends obtained are recognized in profit and loss.

When the financial assets are derecognized, the accumulated gain or loss previously. recognized in other comprehensive income is transferred from other comprehensive income and recognized in retained earnings.

4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include transactional financial assets, derivative financial assets, other non-current financial assets, etc.

The Company shall measure the financial assets at fair value at initial recognition. Transaction costs are recognized in profit or loss. Changes in fair value are included in profit or loss.

When the financial assets are derecognized, the difference between the fair value and the. initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

5) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include current financial liabilities, derivative financial liabilities, etc.

The Company shall measure the financial assets at fair value at initial recognition. Transaction costs are recognized in profit or loss. Changes in fair value are included in profit or loss.

When the financial liabilities are derecognized, the difference between the fair value and the. initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include short-term borrowings, notes. payables, accounts payables, other payables, long-term borrowings, bonds payables, long-term payables.

At initial recognition, the Company shall measure a financial liability at its fair value plus. transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Interests calculated by using the effective interest method during the holding period shall be. recognized in profit or loss.

When the financial liabilities are derecognized, the difference between the price obtained and. the carrying value shall be recognized in profit and loss.

(3) Termination of recognition of financial assets and financial assets transfer

When one of the following conditions is met, the company terminates the recognition of financial assets.

- Termination of contractual rights to receive cash flows from financial assets;
- The financial assets have been transferred, and almost all the risks and rewards in the ownership of the financial assets have been transferred to the transferee;

- The financial assets have been transferred. Although the company has neither transferred nor retained almost all the risks and rewards of the ownership of the financial assets, it has not retained control of the financial assets.

If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

To judge whether the transfer of a financial asset can satisfy the conditions as prescribed in these Standards for stopping the recognition of a financial asset, the Company shall follow the principle of the substance over form. Transfer of an entire financial asset can be divided into partial financial assets transfer and entire financial asset transfer. If the transfer of an entire financial asset satisfies the conditions for de-recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period:

- 1) The book value of the transferred financial asset; and
- 2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owners' equities (in the event that the financial asset involved in the transfer is a financial asset Available-for-sale).

If the transfer of partial financial asset satisfies the conditions to derecognize, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped (under such circumstance, the service asset retained shall be deemed as a portion of financial asset whose recognition has not been stopped), be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period :

- 1) The book value of the portion whose recognition has been stopped; and
- 2) The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has been stopped (in the event that the financial asset involved in the transfer is a financial asset Available-for-sale).

If the transfer of financial assets does not satisfy the conditions to stop the recognition, it shall continue to be recognized as financial assets and the consideration received shall be recognized as financial liabilities.

#### (4) Termination of recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly.

Where the Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where the Company makes substantial revisions to part or all of the contractual stipulations of the existing financial liability, it shall terminate the recognition of the existing financial liability or part of it, and at the same time recognize the financial liability after revising the contractual stipulations as a new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the Company shall include into the profits and losses of the current period the difference between the carrying amount which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

Where the Company buys back part of its financial liabilities, it shall distribute, on the date of repurchase, the carrying amount of the whole financial liabilities in light of the comparatively fair value of the part that continues to be recognized and the part whose recognition has already been terminated. The gap between the carrying amount which is distributed to the part whose recognition has terminated and the considerations it has paid (including the noncash assets it has transferred out and the new financial liabilities it has assumed) shall be recorded into the profits and losses of the current period.

(5) Determination of the fair value of the financial assets (liabilities)

If active markets for the financial instruments exist, the fair value shall be measured by quoted prices in the active markets. If active markets for the financial instruments do not exist, valuation techniques shall be applied for the measurement. The Company uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value. The Company chooses relevant observable inputs for identical or similar assets or liabilities. Only when relevant observable inputs are unavailable or should the Company use unobservable inputs for the asset or liability.

(6) Impairment provision of the financial assets

The Company recognize the expected credit loss on financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (debt instruments), financial guarantee contract, and so on, on the individual or portfolio basis.

The Company considers all reasonable and relevant information, including past events, current conditions, and forecasts of future economic conditions, and uses the risk of default as the weight to calculate the probability-weighted amount of present value of difference between the cash flow receivable from the contract and the cash flow expected to be received to confirm the expected credit loss.

If the credit risk of the financial instrument has increased significantly since the initial confirmation, the Company shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. The increase or reversal amount of loss allowance thus formed shall be included in the current profits and losses as impairment losses or gains.

The measurement of expected credit loss depends on whether there is a significant increase in credit risk of financial assets since the initial recognition.

The company compares the risk of default on the balance sheet date of financial instruments with

the risk of default on the date of initial recognition to determine the relative change in the risk of default during the expected life of the financial instrument to assess whether there is a significant increase in credit risk of financial assets since the initial recognition. Generally, the Company believes that the credit risk of the financial instrument has significantly increased over 30 days after the due date, unless there is solid evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of a financial instrument at the reporting date is relatively low, the Company considers that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If there is objective evidence indicating that a certain financial asset has been impaired, the Company shall recognize provision for impairment of the financial asset individually.

For account receivables and contract assets recognized according to Accounting Standards for Business Enterprises No. 14 Revenue (2017), whether a significant financing component is contained or not, the Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses.

For lease receivables, the Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses.

## **11. Inventory**

### (1) Inventory classification

Inventories include material in transit, raw material, turnover materials, finished goods, work in process, issue commodity, materials for consigned processing, etc.

Inventory is initially measured at cost. Inventory cost includes purchase cost, processing cost and other expenditures incurred to bring inventory to its current location and state.

### (2) Valuation method for inventory dispatched

The weighted average method is used to confirm the actual cost of the inventories dispatched.

### (3) The basis for confirming the net realizable value of inventories and the methods to make provision for the inventory impairment loss

On the balance sheet date, inventories shall be measured at the lower of cost and net realizable value. When the cost of inventories is higher than its net realizable value, provision for inventory impairment loss shall be made. The net realizable value refers to the amount of the estimated selling price of the inventory minus the estimated costs that will occur at the time of completion, estimated selling expenses, and relevant taxes in daily activities.

The net realizable value of inventories (finished products, stock commodity, material, etc.) held for direct selling in the daily business activity shall be calculated by deducting the estimated sale expense and relevant taxes from the estimated sale price of inventories; The net realizable value of inventories for further processing in the daily business activity shall be calculated by deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories; The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the ground of the contract price. If the Company holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories shall be calculated on the ground of the general sales price.

After the inventory impairment is withdrawn, if the factors that previously affected the write-down of the inventory value have disappeared, causing the net realizable value of the inventory to be higher than its book value, it shall be reversed within the amount of the inventory impairment that has been withdrawn, and the reverted amount shall be included in the current profit and loss.

(4) Inventory system

The Company uses perpetual inventory system.

(5) Amortization of low-valued consumables and packing materials

- 1) Low-valued consumables shall be amortized in full amount on issuance.
- 2) Packing materials shall be amortized in full amount on issuance.

## **12. Contract asset**

(1) Recognition methods and criteria of contract assets

When either party to a contract has performed, the Company shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Company's performance and the customer's payment. If the Company have the rights to receive consideration (the right is conditioned on factors other than the passage of time) by transferring goods or services to a customer, the entity shall present the contract as a contract asset. Contract assets and contract liabilities under the same contract are disclosed in net amount. An entity shall present any unconditional rights to consideration (only the passage of time is required) separately as a receivable.

(2) Expected credit loss of contract assets

For the accounting policy of the expected credit loss of contract assets, please refer to Note 10 (6). Impairment provision of the financial assets .

## **13. Assets held for sale**

(1) Criteria of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. If the Company and other joint venture have joint control of the investee and have rights to the net assets of the investee, the investee is a joint venture of the Company.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies. If the Company could exert significant influence over the investee, the investee is the associate of the Company.

(2) The initial cost of long-term equity investment from business acquisition

1) Long-term equity investment from business acquisition

For a business combination under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities and issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. When an

investor becomes capable of exercising control over an investee under common control due to additional investment or other reasons, the initial investment cost shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of the previously-held equity investment, together with the additional investment cost for new shares at combination date, shall be adjusted to the capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

For a business combination not under common control, the initial investment cost of the long-term equity investment shall be the acquisition cost at the acquisition date. When an investor becomes capable of exercising control over an investee due to additional investment or other reasons, the initial investment cost under the cost method shall be the carrying amount of previously-held equity investment together with the additional investment cost.

2) The initial cost of the long-term equity investment other than from business acquisition

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

(3) Subsequent measurement and profit or loss recognition

1) Cost method

The Company adopts cost method for the long-term investment in subsidiary company. Under the cost method, an investing enterprise shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses except the dividend declared but unpaid, which is included in the payment when acquiring the investment.

2) Equity method

A long-term equity investment in an associate or a joint venture shall be accounted for using the equity method. Where the initial investment cost of a long-term equity investment exceeds investor's interest in the fair values of an investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial cost is less than the investor's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be credited to profit or loss for the current period, and the cost of long-term equity investment shall be adjusted accordingly.

The Company shall recognize its share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributable to the investor. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, and the carrying amount of the long-term equity investment shall be adjusted accordingly.

The investor shall recognize its share of the investee's net profits or losses after making



appropriate adjustments according to the Company's accounting principles and operating period based on the fair values of the investee's identifiable net assets at the acquisition date. During the holding period, if the investee makes consolidated financial statements, the Company shall calculate its share based on the investee's net profit, other comprehensive income and the amount of other owners' equity attribute to the investee in the consolidated financial statements.

The unrealized profits or losses resulting from transactions between the investor and its associate or joint venture shall be eliminated in proportion to the investor's equity interest in the investee, based on which investment income or losses shall be recognized, except the transaction of investment or sale of assets is a business. Any losses resulting from transactions between the investor and investee which are attributable to asset impairment shall be recognized in full.

The company's net losses incurred by joint ventures or associates, in addition to assuming additional loss obligations, are limited to the book value of long-term equity investments and other long-term equity that essentially constitutes net investment in joint ventures or associates. If a joint venture or associated enterprise realizes net profits in the future, the company resumes recognizing its share of profits after the share of profits makes up for the share of unrecognized losses.

### 3) Disposal of long-term equity investment

When disposing long-term equity investment, the difference between the proceeds actually received and the carrying amount shall be recognized in profit or loss for the current period.

Partial disposal of long-term equity investments accounted for by the equity method, and the remaining equity is still accounted for by the equity method, the other comprehensive income recognized by the original equity method shall be carried forward according to the same basis as the direct disposal of related assets or liabilities by the investee. All other changes in the interests of the holders are carried forward to the current profit and loss on a pro rata basis.

When an investor can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method. Other owner's equity change shall be transferred into profit or loss of current period in full when the Company cease to adopt the equity method.

When an investor can no longer control the investee due to partial disposal, when the individual financial statements are prepared, the remaining equity can exercise joint control or significant influence on the investee, the equity method shall be used to account for the remaining equity. It is deemed that the equity method is adopted for adjustment since the acquisition, and the other comprehensive income recognized before the control of the investee is obtained is carried forward on the same basis as the direct disposal of related assets or liabilities by the investee, because the equity method is used for accounting. The confirmed changes in other owners' equity are carried forward to the current profit and loss on a pro rata basis. If the remaining equity cannot exercise joint control or exert significant influence on the investee, it shall be recognized as a financial asset, and the difference between its fair value and book value on the date when control is lost shall be included in the current profit and loss, and other comprehensive income and other owner's interests previously recognized shall be transferred to profit or loss in full.

If the equity investment of a subsidiary is disposed through multiple transactions until it loses



control, which is a package transaction, each transaction shall be accounted as a transaction that disposes of the equity investment of the subsidiary and loses control. Each transaction before the loss of control, the difference between the disposal price and the book value of the corresponding disposed part of long-term equity investment is firstly recognized as other comprehensive income in individual financial statements, and then transferred to the current profit and loss when the control is lost. If it is not a package transaction, each transaction shall be accounted separately.

#### **14. Investment property**

Investment property refers to real estate held for the purpose of earning rent or capital appreciation, or both, including leased land use rights, land use rights held and prepared for transfer after appreciation, and leased buildings (Buildings that are leased after completion of self-construction or development activities and buildings that are being used for rental in the future during construction or development).

Subsequent expenditures related to investment property are included in the cost of investment property when the relevant economic benefits are likely to flow in and their costs can be reliably measured. Otherwise, they are included in the current profit and loss when incurred.

The company uses the cost model to measure the existing investment property. For investment property measured according to the cost model - the rental building adopts the same depreciation policy as the fixed assets of the company, and the land use right for rental is amortized according to the same amortization policy as the intangible assets.

#### **15. Fixed assets**

##### **(1) Recognition of Fixed assets**

The term "fixed assets" refers to the tangible assets held for the sake of producing commodities, rendering labor service, renting or business management and of which useful life is in excess of one fiscal year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

- 1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and
- 2) The cost of the fixed asset can be measured reliably.

Fixed assets are initially measured at cost (and considering the impact of expected dismantling cost factors).

Subsequent expenditures related to fixed assets are included in the cost of fixed assets when the related economic benefits are likely to flow in and their costs can be reliably measured; the book value of the replaced part is derecognized; all other subsequent expenditures are incurred shall be included in the current profit and loss.

##### **(2) Fixed assets depreciation**

Fixed assets are depreciated under the straight-line method. The depreciation rate is determined according to the category of assets, the useful life and the expected residual rate. If the components of the fixed assets have different useful lives or provide the economic benefits in a different way, then different depreciation rate or method shall be applied and the depreciation of the components shall be calculated separately.

Fixed assets acquired under financial leasing is depreciated over the useful life if it is reasonably certain that the ownership of the leased assets will be acquired upon expiry of lease, or over the shorter of lease term and useful life if it is not reasonably certain that the ownership of the leased assets will be acquired upon expiry of lease.

Details of classification, depreciation period, residual value rate and annual depreciation rate are as follows:

| <b>Category</b>                    | <b>Depreciation method</b> | <b>Depreciation Period</b> | <b>Residual Value Rate (%)</b> | <b>Depreciation Rate (%)</b> |
|------------------------------------|----------------------------|----------------------------|--------------------------------|------------------------------|
| Plants and Buildings               | straight line method       | 10-45 years                | 0.00                           | 2.22-10.00                   |
| Machinery                          | straight line method       | 10-28 years                | 3.00                           | 3.46-9.70                    |
| Transportation and other equipment | straight line method       | 8-22 years                 | 3.00                           | 4.41-12.13                   |

### (3) Disposal of fixed assets

When a fixed asset is disposed, or it is expected that no economic benefits will be generated through use or disposal, the recognition of fixed asset shall be terminated. The amount of disposal income of fixed assets raising from sell, transfer, scrapping or damage shall be included in the current profit and loss after deducting its book value and related taxes.

## **16. Construction in progress**

Construction in progress is measured at the actual cost incurred. The actual cost includes construction costs, installation costs, borrowing costs that meet the capitalization conditions, and other necessary expenditures incurred before the construction in progress reaches its intended use status.

Construction in progress is transferred to fixed asset when it has reached its working condition for its intended use and depreciation will be accrued from the next month.

## **17. Borrowing costs**

### (1) Principle of the recognition of capitalized borrowing costs

Where the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

Assets eligible for capitalization refer to the fixed assets, investment property, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

### (2) The capitalization period of borrowing costs

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- 1) The asset disbursements have already incurred, which shall include cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- 2) The borrowing costs has already incurred; and
- 3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

**(3) The suspension of capitalization of borrowing costs**

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts.

**(4) Method of calculating the capitalization rate and capitalized amount of borrowing costs**

For interest expense (minus the income of interests earned on the unused borrowing loans as a deposit in the bank or investment income earned on the loan as a temporary investment) and the ancillary expense incurred to a specifically borrowed loan, those incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization.

The Company shall calculate and determine the to-be-capitalized number of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

During the capitalization period, the exchange difference between the principal and interest of the foreign currency special loan is capitalized and included in the cost of the assets that meet the capitalization conditions. Exchange differences arising from the principal and interest of foreign currency borrowings other than foreign currency special borrowings are included in the current profits and losses.

## **18. Intangible Assets**

**(1) Measurement of Intangible Assets**

**1) Initial measurement is based on cost upon acquisition**

The cost of an intangible asset on acquisition include the purchase price, relevant taxes and other necessary disbursements which may be directly attributable to bringing the intangible asset to the

conditions for the expected purpose.

2) Subsequent Measurement

The Company shall analyze and judge the beneficial period of intangible assets upon acquisition. Intangible assets with finite beneficial period shall be amortized under the straight-line method during the period when the intangible asset can bring economic benefits to the enterprise. If it is unable to estimate the beneficial period of the intangible asset, it shall be regarded as an intangible asset with uncertain service life and shall not be amortized.

(2) Estimated useful lives of intangible assets with limited useful lives

| Item           | Estimated useful life | Criteria                   |
|----------------|-----------------------|----------------------------|
| Land use right | 50 years              | Land use right certificate |

(3) Determination of intangible assets with uncertain useful lives

As at the balance sheet date, the Company has no intangible assets with uncertain useful lives.

(4) Classification criteria for internal research phase and development phase

The expenditures for its internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures.

Research phase refers to the phase of creative and planned investigation to acquire and study to acquire and understand new scientific or technological knowledge.

Development phase refers to the phase during which the result of research phase or other knowledge is applied into certain projects or designs for the manufacturing of new or substantially improved material, device and product before commercial manufacturing and use.

**19. Impairment of long-term assets**

For long-term assets such as long-term equity investments, Investment property under the cost model, fixed assets, construction in progress, intangible assets with limited useful lives etc., the Company shall perform impairment tests at the period end if there is clear indication of impairment. If the recoverable amounts of long-term assets are less than their carrying amounts, the carrying amounts of the assets shall be written down to their recoverable amounts. The write-downs are recognized as impairment losses and charged to current profit and loss. The recoverable amounts of long-term assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. The Company shall estimate its recoverable amount on an individual basis. Where it is difficult to do so, it shall determine the recoverable amount of the assets on the basis of the asset group to which the asset belongs. The term "assets group" refers to a minimum combination of assets by which the cash flows could be generated independently.

The goodwill, intangible assets with uncertain useful life and intangible assets not meeting the expected condition for use they shall be subject to an impairment test at least at the end of each year.

When the Company makes an impairment test of assets, it shall, as of the purchasing day, apportion the carrying value of the business reputation formed by merger of enterprises to the relevant asset groups by a reasonable method. Where it is difficult to do so, it shall be apportioned

to the relevant combinations of asset groups. When apportioning the carrying value of the business reputation to the relevant asset groups or combinations of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combinations of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the carrying value of each asset group or combination of asset groups to the total carrying value of the relevant asset groups or combinations of asset groups.

When making an impairment test on the relevant asset groups or combination of asset groups containing business reputation, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company shall first make an impairment test on the asset groups or combinations of asset groups not containing business reputation, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the Company shall make an impairment test of the asset groups or combinations of asset groups containing business reputation, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the business reputation apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the business reputation.

Impairment losses on long-term assets shall not be reversed in subsequent accounting periods once recognized.

## **20. Long-term deferred expense**

The long-term deferred expense refers to the expenses incurred but shall be borne by current and subsequent accounting period, which is more than one year.

The long-term deferred expense shall be amortized over its beneficiary period evenly.

## **21. Contract liability**

When either party to a contract has performed, the Company shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Company's performance and the customer's payment. If a customer pays consideration, or the Company has a right to an amount of consideration before the Company transfers a good or service to the customer, the Company shall present the contract as a contract liability. Contract assets and contract liabilities under the same contract are disclosed in net amount.

## **22. Employee benefits**

### **(1) Accounting treatment for short employee benefit**

The Company shall recognize, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to the profit or loss or cost of an asset for the current period.

Payments made by an enterprise of social security contributions for employees, payments of

housing funds, and union running costs employee education costs provided in accordance with relevant requirements shall, in the accounting period in which employees provide services, be calculated according to prescribed bases and percentages in determining the amount of employee benefits.

The employee welfare expenses incurred by the company are included in the current profit and loss or related asset costs based on the actual amount when they actually occur. Among them, non-monetary benefits are measured at fair value.

(2) Accounting treatment of post-employment benefits

1) Defined contribution plan

The Company shall recognize, in the accounting period in which an employee provides service, pension fund and unemployment fund for employees as a liability according to the local government regulations. The amount shall be calculated according to local prescribed bases and percentages in determining the amount of employee benefits, with a corresponding charge to the profit or loss or cost of an asset for the current period.

2) Defined benefit plan

None.

(3) Accounting treatment of termination benefits

The Company shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

### **23. Estimated liabilities**

The obligation pertinent to a contingency shall be recognized as an estimated liability when the following conditions are satisfied simultaneously:

- 1) That obligation is a current obligation of the enterprise;
- 2) It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and
- 3) The amount of the obligation can be measured in a reliable way.

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

To determine the best estimate, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in accordance with the following situations, respectively:

If there is a continuous range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the average

estimate within the range, that is, the average of the upper and lower limit.

If there is not a sequent range for the necessary expenses and if the outcomes within this range are not equally likely to occur, the best estimate shall be determined as follows:

- 1) If the Contingencies concern a single item, it shall be determined in the light of the most likely outcome.
- 2) If the Contingencies concern two or more items, the best estimate shall be calculated and determined in accordance with all possible outcomes and the relevant probabilities.

When all or some of the expenses necessary for the liquidation of an estimated debts of an enterprise is expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement shall not exceed the book value of the estimated debts.

The company reviews the book value of the estimated liabilities on the balance sheet date. If there is conclusive evidence that the book value does not reflect the current best estimate, the book value will be adjusted according to the current best estimate.

## **24. Revenue**

### (1) The general principle of revenue recognition and measurement

The company shall recognize revenue when (or as) the company satisfies a performance obligation when (or as) the customer obtains control of a promised good or service. Control of a promised good or service refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from it.

If the contract contains two or more performance obligations, the company shall allocate the transaction price to each individual performance obligation based on the relative proportion of the stand-alone selling price of the goods or services promised by each individual performance obligation on the date of the contract. The company measures revenue based on the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties or amounts expected to be returned to customers. The company shall consider the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the company shall consider the effects of all of the following: variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration payable to a customer. The company determines the transaction price that includes variable consideration at an amount that does not exceed the amount of accumulated recognized revenue that is unlikely to be materially reversed when the relevant uncertainty is eliminated. If there is a significant financing component in the contract, the company shall recognize revenue at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer, and use the effective interest method to amortize the difference between the transaction price and the contract consideration during the contract period. If the interval between the transfer of control and the payment by the customer



does not exceed one year, the financing component will not be considered.

The company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met. Otherwise, the company satisfies the performance obligation at a point in time.

- 1) the customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs;
- 2) the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 3) the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date.

The company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation, except where the performance progress cannot be reasonably determined. The company considers the nature of the goods or services and adopts the output method or the input method to determine the progress of performance. Where the performance progress cannot be reasonably determined, but the company expects to recover the costs incurred in satisfying the performance obligation, the company shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligations satisfied at a certain point in time, the company shall recognize revenue at the point when the customer obtains control of the relevant goods or services. To determine the point in time at which a customer obtains control of a promised goods or services, the company shall consider requirements as follows:

- 1) The company has a present right to payment for the promised goods or services and the customer is presently obliged to pay for that;
- 2) The company has transferred the legal title of the goods to the customer, that is, the customer has the legal title to the goods;
- 3) The company has transferred physical possession of the goods to the customer, that is, the customer has taken possession of the goods;
- 4) The company has transferred the significant risks and rewards of ownership of the goods to the customer, that is, the customer has the significant risks and rewards of ownership of the goods;
- 5) The customer has accepted the promised goods or services.

(2) The specific criteria of revenue recognition and measurement

Commodity sales contracts between companies and customers usually only include performance obligations for the transfer of steel and other commodities or service. This type of performance obligation is a performance obligation performed at a certain point in time. The company recognizes revenue when the customer obtains control of the relevant goods or services. When judging whether the customer has obtained control of goods or services, the company considers the following signs:

The company obtains the present right of collection of receivables, the legal ownership of the



goods is transferred to the customer, the physical assets of the goods are transferred to the customer, the company transfers the main risks and rewards of the ownership of the goods to the customer, and the customer has accepted the goods.

## **25. Contract costs**

Contract costs include costs to fulfill a contract and incremental costs of obtaining a contract.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard, for example, Inventories, Property, Plant and Equipment or Intangible Assets, the company shall recognize an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an expected contract;
- (b) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and
- (c) the costs are expected to be recovered.

The company shall recognize as an asset the incremental costs of obtaining a contract with a customer if the company expects to recover those costs.

An asset recognized in accordance with contract costs shall be amortized in consistent with the transfer to the customer of the goods or services to which the asset relates. The company may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is one year or less.

The company shall recognize an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract assets exceeds:

- (a) the remaining amount of consideration that the company expects to receive in exchange for the goods or services to which the asset relates; less
- (b) the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

The company shall recognize in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that if no impairment loss had been recognized previously.

## **26. Government Subsidies**

### **(1) Types**

A government subsidy means the monetary or non-monetary assets obtained free of charge by the Company from the government. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

Government subsidies related to assets are government subsidies whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The government subsidies related to incomes refers to government subsidies other than those related to assets.

The standard of the Company recognizing the government subsidies related to assets is: an entity

qualifying for them should purchase, construct or otherwise acquire long-term assets.

The standard of the Company recognizing the government subsidies related to income is: In addition to government subsidies related to assets, government subsidies that have been clearly targeted for subsidies.

For the the government subsidy which does not specify the subsidy object in government document will be classified as asset-related or income-related judgment basis: if a long-term asset can be formed, the government subsidy part corresponding to the asset value shall be regarded as an asset-related subsidy, the rest are regarded as government subsidies related to income; if it is difficult to distinguish, the whole government subsidies are regarded as government subsidies related to income.

#### (2) Recognition

Government subsidies related to assets are recognized when it actually received, and transferred the deferred income to the current profit and loss according to the estimated using period of the long-term assets from when the long-term assets are available.

Government subsidies related to income are recognized when it actually received. Which to compensate the relevant expenses or losses in subsequent periods shall be included in the current non-operating income during the period when the relevant expenses are recognized. Which to compensate expenses or losses already incurred shall be recognized in current non-operating income.

#### (3) Accounting treatment

Government subsidies related to assets shall be recognized by deducting the subsidies at the caring amount of the assets or recognized as deferred income. Subsidies that recognized as deferred income shall be recognized in profit or loss on a systematic basis over the periods during the useful lives of the relevant assets (Subsidies related to daily activities should be recorded in Other Income. Subsidies that unrelated to daily activities should be recorded in Non-operating Income).

The government subsidies related to incomes to compensate future expenses, shall be recognized as deferred income and transferred to current profit or loss (Subsidies related to daily activities should be recorded in Other Income. Subsidies that unrelated to daily activities should be recorded in Non-operating Income) in the period during which the expenses compensation is recognized or deduct relevant cost or loss. Government subsidies to compensate expenses or losses already incurred shall be recognized in current profit and loss (Subsidies related to daily activities should be recorded in Other Income. Subsidies unrelated to daily activities should be recorded in Non-operating Income) or deduct relevant cost or loss.

The policy discount loans obtained by the company are divided into the following two situations and are separately accounted for:

- 1) If the government allocates discounted funds to the loan bank and the loan bank provides loans to the company at a policy preferential interest rate, the company will take the actual amount of the loan received as the entry value of the loan and calculate the relevant borrowing costs based on the loan principal and the policy preferential interest rate.
- 2) If the government directly allocates the discounted funds to the company, the company will offset the relevant borrowing costs with the corresponding discounts.

## **27. Deferred tax assets and deferred tax liabilities**

Income tax includes current income tax and deferred income tax. Except for income tax arising from business mergers and transactions or events that are directly included in owner's equity (including other comprehensive income), the company will include current income tax and deferred income tax in current profit and loss.

Deferred income tax assets and deferred income tax liabilities are calculated and confirmed based on the difference (temporary difference) between the tax base of assets and liabilities and their book value.

An enterprise shall recognize the deferred income tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to be obtained and which can be deducted from the deductible temporary difference. As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

All taxable temporary differences shall be recognized as deferred tax liabilities with certain limited exceptions.

Exceptions when deferred tax assets and deferred tax liabilities are not recognized include: initial recognition of goodwill; initial recognition of an asset or liability in a transaction or event that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

For taxable temporary differences related to investments in subsidiaries, associates and joint ventures, deferred income tax liabilities are recognized, unless the company can control the timing of the reversal of the temporary differences and the temporary differences are likely not to be transferred back in the foreseeable future. For deductible temporary differences related to investments in subsidiaries, associates and joint ventures, when the temporary differences are likely to be reversed in the foreseeable future and are likely to be used to deduct the taxable income of deductible temporary differences in the future, income tax assets are recognized.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when the relevant assets are expected to be recovered or the relevant liabilities are expected to be recovered in accordance with the provisions of the tax law.

On the balance sheet date, the company reviews the book value of deferred income tax assets. If it is probable that sufficient taxable income cannot be obtained in the future to offset the benefits of deferred income tax assets, the book value of the deferred income tax assets shall be written down. When it is possible to obtain sufficient taxable income, the reduced amount shall be reversed.

When the Company has the statutory right to offset and intend to offset or obtain assets and pay off liabilities at the same time, the current income tax assets and current income tax liabilities are presented at the net amount after offsetting.

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if: (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:(i) the same taxable entity; or (ii) different taxable entities which

intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## **28. Leases**

A lease is a contract whereby the lessor transfers the right of usage on asset to the lessee for consideration within a certain period of time.

On the contract commencement date, the company evaluates whether the contract is a lease or includes a lease. If one party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract is a lease or includes a lease.

If the contract contains multiple separate leases at the same time, the company will split the contract and conduct accounting treatment for each separate lease. If the contract includes both lease and non-lease parts, the company, as the lessor and lessee, will split the lease and non-lease parts for accounting treatment.

For rent reductions, exemptions, deferred payments and other rental reductions directly caused by the COVID-19 epidemic and reached on existing lease contracts, if the following conditions are met at the same time, the company adopts a simplified method for all lease selections, and does not evaluate whether there is a lease change. Lease classification is not reassessed:

- 1) The lease consideration after the concession is reduced or basically unchanged from that before the concession. The lease consideration may be undiscounted or discounted at the discount rate before the concession;
- 2) The concession is only for lease payments payable before June 30, 2022, an increase in lease payments payable after June 30, 2022 does not affect meeting this condition, and a decrease in lease payments payable after June 30, 2022 does not satisfy this condition;
- 3) The other terms and conditions of the lease have not changed significantly after taking into account both qualitative and quantitative factors.

(1) The company as lessee

### 1) Right-of-use assets

On the opening date of the lease term, the Group recognizes the right to use assets for leases other than short-term leases and low value asset leases. The right of use assets are initially measured at cost. This cost includes:

- a) Initial measurement amount of lease liabilities;
- b) For the lease payment paid on or before the opening of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted;
- c) Initial direct costs incurred;
- d) The estimated costs incurred for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed in the lease terms.

Depreciation method of right of use assets the company adopts the straight-line method for depreciation. If it can be reasonably determined that the ownership of the leased asset will be obtained at the expiration of the lease term, the company shall accrue depreciation within the remaining useful life of the leased asset; otherwise, the leased asset shall be depreciated within the shorter of the lease term and the remaining useful life of the leased asset.

For the principles which company determines whether the right-of-use asset has been impaired, please refer to Note (19) Impairment of long-term assets under “3. Significant accounting policies and accounting estimates”.

## 2) Lease liabilities

At the opening of the lease term, the company recognizes the present value of the unpaid lease payments as lease liabilities, except for short-term leases and low value asset leases. The lease liability is initially measured at the present value of outstanding lease payments. Lease payments include:

- a) Fixed payments (including actual fixed payments), if there is a lease incentive, deduct the relevant amount of the lease incentive;
- b) Variable lease payments that depend on an index or ratio;
- c) The expected payment according to the residual value of the guarantee provided by the company;
- d) The exercise price of the purchase option, provided that the company is reasonably certain that the option will be exercised;
- e) Payments for exercising the option to terminate the lease, provided that the lease term reflects that the company will exercise the option to terminate the lease.

The company uses the interest rate implicit in the lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, the company's incremental borrowing rate is used as the discount rate.

The company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate, and includes it into the current profit and loss or the cost of related assets.

Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit and loss or the cost of related assets when they are actually incurred.

After the commencement date of the lease term, the Company shall re-measure the lease liabilities and adjust the corresponding right-of-use assets under the following circumstances. If the book value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the difference is included in the current profit and loss:

- a) When there is a change in the evaluation results of the purchase option, lease renewal option or termination option, or the actual exercise of the aforementioned options is inconsistent with the original evaluation result, the Company shall calculate the lease payment amount after the change and the revised discounted value. Remeasure the lease liability at the present value of the rate calculation;
- b) When the actual fixed payment changes, the estimated payable amount of the residual

value guarantee changes, or the index or ratio used to determine the lease payment changes, the company calculates the present value based on the changed lease payment and the original discount rate Remeasure the lease liability. However, where changes in lease payments result from changes in floating interest rates, a revised discount rate is used to calculate the present value.

### 3) Short-term leases and low-value asset leases

The company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and low-value asset leases, and includes the relevant lease payments in the current profit and loss or related asset costs on a straight-line basis over each period of the lease term. Short-term leases refer to leases with a lease term of not more than 12 months and excluding purchase options on the commencement date of the lease term. A low-value asset lease refers to a lease with a lower value when a single leased asset is a brand-new asset. If the company subleases or expects to sublease the leased assets, the original lease is not a low-value asset lease.

### 4) Lease change

If the lease changes and the following conditions are met at the same time, the company will account for the lease change as a separate lease:

- a) The lease modification expands the scope of the lease by adding the right to use one or more leased assets;
- b) The increased consideration is equivalent to the amount adjusted by the individual price of the expanded part of the lease scope according to the contract.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the company re-allocates the consideration of the contract after the change, re-determines the lease term, and calculates the current value based on the lease payment after the change and the revised discount rate. value to remeasure the lease liability.

If the lease change leads to the narrowing of the lease scope or the shortening of the lease term, the company will reduce the book value of the right-of-use asset accordingly, and include the relevant gains or losses on partial or complete termination of the lease into the current profit and loss. If other lease changes result in re-measurement of lease liabilities, the Company adjusts the book value of the right-of-use asset accordingly.

### 5) Rent concessions related to COVID-19

For those adopting the simplified method of rent reduction related to the new crown pneumonia epidemic, the company does not assess whether there is a lease change, and continues to calculate the interest expense of the lease liability at the same discount rate as before the reduction and include it in the current profit and loss, and continue to use the same discount rate as before the reduction. The right-of-use asset is depreciated using the same method as before. In the event of rent reduction or exemption, the company will treat the reduced rent as the variable lease payment amount. When the original rent payment obligation is relieved by reaching a concession agreement, the discounted amount at the undiscounted or pre-discount discount rate will be used to offset the cost of relevant assets. or expenses, and adjust the lease liabilities accordingly; if the rent payment is delayed, the company offsets the lease liabilities recognized in the previous period when the actual payment is made.

For short-term leases and low-value asset leases, the company continues to include the original contract rent in the cost or expense of the relevant assets in the same way as before the concession. In the event of rent reduction or exemption, the company will take the reduced rent as the variable lease payment, and write down the relevant asset costs or expenses during the reduction or exemption period; if the rent payment is delayed, the company will recognize the rent payable as payable during the original payment period. When the actual payment is made, the payables recognized in the previous period are offset.

(2) The company as lessor

On the lease commencement date, the Company classifies leases into finance leases and operating leases. A financial lease is a lease that essentially transfers almost all the risks and rewards associated with the ownership of the leased asset, regardless of whether the ownership is ultimately transferred. Operating leases refer to leases other than finance leases. When the company acts as a sublease lessor, it classifies the sublease based on the right-of-use asset arising from the original lease.

1) Accounting treatment of operating leases

Lease receipts from operating leases are recognized as rental income on a straight-line basis over each period of the lease term. The Company capitalizes the initial direct expenses incurred in relation to operating leases, and is amortized and included in the current profit and loss on the same basis as the rental income is recognized during the lease term. Variable lease payments not included in lease receipts are included in profit or loss for the period when they are actually incurred. If the operating lease is changed, the company will account for it as a new lease from the effective date of the change, and the advance receipts or lease receivables related to the lease before the change are regarded as the receipts of the new lease.

2) Accounting treatment of financial lease

On the lease commencement date, the Company recognizes the finance lease receivables for the finance lease and derecognizes the finance lease assets. When the Company initially measures the finance lease receivables, the net investment in the lease is regarded as the entry value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the commencement date of the lease term, discounted at the interest rate implicit in the lease.

The company calculates and recognizes the interest income in each period of the lease period according to the fixed periodic interest rate. For the derecognition and impairment of finance lease receivables, please refer to Note (10) Financial instruments under “3. Significant accounting policies and accounting estimates”.

Variable lease payments that are not included in the net lease investment measurement are included in the current profit and loss when they are actually incurred.

If the financial lease is changed and the following conditions are met at the same time, the company will account for the change as a separate lease:

- a) The change expands the scope of the lease by increasing the right to use one or more of the leased assets;
- b) • The increased consideration is equivalent to the stand-alone price of the expanded lease area, adjusted for the contract.



- c) If the modification of a financial lease is not accounted for as a separate lease, the company shall deal with the modified lease under the following circumstances:
- d) If the change takes effect on the lease inception date, the lease will be classified as an operating lease, and the company will account for it as a new lease from the effective date of the lease change, and use the net lease investment before the effective date of the lease change as the book value of the leased asset;
- e) If the change takes effect on the lease commencement date, the lease will be classified as a financial lease, and the Company will conduct accounting treatment in accordance with the policy on revising or renegotiating contracts in Note (10) Financial instruments under “3. Significant accounting policies and accounting estimates”.

### 3) Rent concessions related to COVID-19

For operating leases that adopt the simplified method of rent reduction related to the new crown pneumonia epidemic, the company continues to recognize the original contract rent as rental income in the same way as before the reduction; if rent reduction or exemption occurs, the company treats the reduced rent as a variable lease. The payment amount shall be offset from the lease income during the reduction or exemption period; if the rental collection is delayed, the company shall recognize the receivable rent as an account receivable during the original collection period, and offset the receivable recognized in the previous period when it is actually received.

For financial leases that adopt the simplified method of rent reduction related to the new crown pneumonia epidemic, the company continues to calculate the interest at the same discount rate as before the reduction and recognize it as lease income. In the event of rent reduction or exemption, the company will treat the reduced rent as variable lease payments, and when a concession agreement is reached, etc. to waive the right to receive the original rent, the discounted amount at the undiscounted or pre-discount discount rate will be used to offset the originally recognized amount. For lease income, the part that is not enough to be written off is included in investment income, and the finance lease receivables are adjusted accordingly; if the rent is delayed, the company offsets the finance lease receivables recognized in the previous period when it is actually received.

## **29. Discontinuing operation**

Discontinuing operation is a component that has been disposed or classified as held for sale by the Company, and can be distinguished separately in operating and preparing financial statements when one of the following conditions is met:

- 1) The component stands for an independent main business or a major business area;
- 2) The component is a part of disposal plan of an independent main business or a major business area;
- 3) The component is a subsidiary which is acquired only for sale again.

The profit and loss from continuing operations and the profit and loss from discontinued operations are separately listed in the income statement. Operational gains and losses such as impairment losses and reversal amount and disposal gains and losses from discontinued operations



are reported as discontinued operation gains and losses. For the discontinued operations reported in the current period, the Company adjusts the information previously disclosed as continuing operations profits and losses in the current financial statements as the discontinued operations profits and losses for the comparable accounting period.

### **30. Major accounting estimates and judgments**

When preparing financial statements, the Company's management needs to use estimates and assumptions, which will affect the application of accounting policies and the amount of assets, liabilities, income and expenses. Actual conditions may differ from these estimates. The management of the company continuously evaluates the judgment of key assumptions and uncertainties involved in the estimation, and the impact of changes in accounting estimates will be recognized in the current and future periods.

The main uncertainties in the estimated amount are as follows:

#### **(1) Measurement of expected credit losses**

The company calculates the expected credit loss through the default risk exposure and the expected credit loss rate, and determines the expected credit loss rate based on the default probability and the default loss rate. When determining the expected credit loss rate, the company uses internal historical credit loss experience and other data, and adjusts the historical data in combination with current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Company include the risk of economic downturn, the expected increase in unemployment rate, changes in the external market environment, technological environment and customer conditions. The Company regularly monitors and reviews assumptions related to the calculation of expected credit losses.

#### **(2) Inventory Impairment**

As mentioned in note (11) Inventory under “3 Significant accounting policies and accounting estimates”, the Company regularly estimates the net realizable value of the inventory, and recognizes the difference in inventory cost higher than the net realizable value. When estimating the net realizable value of inventory, the Company considers the purpose of holding the inventory and uses the available information as the basis for estimation, including the market price of the inventory and the Company's past operating costs. The actual selling price, completion cost, sales expenses and taxes of the inventory may change according to changes in market sales conditions, production technology, or the actual use of the inventory. Therefore, the amount of inventory depreciation reserve may change according to the above reasons. Adjustments to the inventory impairment will affect the current profit and loss.

#### **(3) Impairment of other assets except inventory and financial assets**

As mentioned in note (19) Long-term Asset Impairment under “3 Significant accounting policies and accounting estimates”, the company performs an impairment assessment on assets other than inventory and financial assets on the balance sheet date to determine whether the recoverable amount of the asset has fallen to a lower level than its book value. If the situation shows that the book value of the long-term assets may not be fully recovered, the relevant assets will be deemed to be impaired and the impairment loss will be recognized accordingly.

The recoverable amount is the higher of the net value of the fair value of the asset (or asset group)

minus the disposal expenses and the present value of the asset (or asset group) 's expected future cash flow. Because the Company cannot reliably obtain the public market price of assets (or asset groups), and cannot reliably and accurately estimate the fair value of assets. Therefore, the Company regards the present value of the expected future cash flow as the recoverable amount. When estimating the present value of future cash flows, it is necessary to make a significant judgment on the output, selling price, related operating costs of the products produced by the asset (or asset group), and the discount rate used in calculating the present value. The Company will use all available relevant information when estimating the recoverable amount, including the prediction of output, selling price and related operating costs based on reasonable and supportable assumptions.

(4) Depreciation and amortization of assets such as fixed assets and intangible assets

As described in note 16 Fixed Assets and note 19 Intangible Assets, the company shall accrue depreciation for the fixed assets and amortization for intangible assets within the useful life after considering their residual value. The company regularly reviews the useful life of related assets to determine the amount of depreciation and amortization expenses to be included in each reporting period. The useful life of assets is determined by the company based on past experience with similar assets and in combination with anticipated technological changes. If the previous estimates change significantly, the depreciation and amortization expenses will be adjusted in the future.

(5) Deferred tax assets

When it is estimated that sufficient taxable income can be obtained in the future to use the unrecovered tax losses and deductible temporary differences, the relevant deferred tax assets are calculated and confirmed on the basis of the applicable income tax rate during the period when the asset is expected to be recovered and the amount of taxable income is limited to deductible tax losses and deductible temporary differences likely to be obtained by the Company. The Company needs to use judgment to estimate the time and amount of future taxable income, and make reasonable estimates and judgments on the future applicable income tax rate according to the current tax policy and other related policies to determine the deferred tax assets that should be recognized. If the time and amount of profits actually generated in the future period or the actual applicable income tax rate are different from the management's estimate, the difference will have an impact on the amount of deferred tax assets.

**31. Change of significant accounting policy and accounting estimate**

None.

**IV. Taxes**

**1. Major type of taxes and corresponding tax rates**

| Tax                   | Taxation Method   | Tax Rate    |
|-----------------------|---|-------------|
| Value-added Tax (VAT) | The balance of output VAT calculated based on product sales and taxable services revenue in accordance with the tax laws after subtracting the deductible input VAT of the period | 6%, 9%, 13% |

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|                                       |                            |        |
|---------------------------------------|----------------------------|--------|
| City maintenance and construction tax | Based on VAT actually paid | 7%, 5% |
| Enterprise income tax                 | Based on taxable profit    | 25%    |

### 2. Tax Preference

None.

## V. Notes to the consolidated financial statements

### 1. Cash at bank and on hand

| Items   | 30 June 2022     | 31 December 2021 |
|---|------------------|------------------|
| Cash on hand  | 1,232.53         | 24,334.93        |
| Cash at bank  | 4,750,472,065.98 | 6,299,074,728.55 |
| Other monetary funds                                    | 54,897,399.20    | 2,531,996,674.37 |
| Total   | 4,805,370,697.71 | 8,831,095,737.85 |
| Of which: the total amount of restricted monetary funds | 54,897,399.20    | 2,531,996,674.37 |

The details of restricted funds resulted from mortgage, pledge or freezing, restrictions on withdrawals due to centralized management of funds, and monetary funds abroad which restricted from repatriation are as follows:

| Items  | 30 June 2022  | 31 December 2021 |
|--|---------------|------------------|
| Margin for bank acceptance bill              | 52,952,399.20 | 1,492,236,674.37 |
| Margin for letter of credit                  |               | 125,000,000.00   |
| Time deposit or notice deposit for guarantee | 1,185,000.00  | 174,000,000.00   |
| Loan deposit                                 | 760,000.00    | 760,000.00       |
| Restricted deposit                           |               | 740,000,000.00   |
| Total  | 54,897,399.20 | 2,531,996,674.37 |

### 2. Notes receivable

(1) Notes receivable presented by category

| Items                      | 30 June 2022   | 31 December 2021 |
|----------------------------|----------------|------------------|
| Commercial acceptance bill | 141,318,446.72 | 1,540,482,182.07 |
| Total                      | 141,318,446.72 | 1,540,482,182.07 |

### 3. Accounts receivable

(1) Accounts receivable presented by aging analysis

| Items | 20211231 | 20201231 |
|-------|----------|----------|
|-------|----------|----------|

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|                               |                |                |
|-------------------------------|----------------|----------------|
| Within 1 year (inclusive)     | 279,779,976.34 | 256,620,123.38 |
| 1-2 years (inclusive)         | 33,111,831.89  | 6,224,788.02   |
| 2-3 years (inclusive)         | 6,224,788.02   | 57,059,913.27  |
| Over 3 years                  | 482,667,477.68 | 427,997,121.96 |
| Sub-total                     | 801,784,073.93 | 747,901,946.63 |
| Less: Provision for bad debts | 493,896,723.85 | 491,051,163.92 |
| Total                         | 307,887,350.08 | 256,850,782.71 |

### (2) Accounts receivable presented by bad debt accrued method

| Items                                      | 30 June 2022    |                |                         |                     | Book value     |
|--|-----------------|----------------|-------------------------|---------------------|----------------|
|  | Carrying amount |                | Provision for bad debts |                     |                |
|  | Amount          | Percentage (%) | Amount                  | Bad debts ratio (%) |                |
| Provision for bad debts individually       | 352,985,418.30  | 44.02          | 352,985,418.30          | 100.00              |                |
| Provision for bad debts based on portfolio | 448,798,655.63  | 55.98          | 140,911,305.55          | 31.40               | 307,887,350.08 |
| Including:                                 |                 |                |                         |                     |                |
| Portfolio 1: Aging portfolio               | 448,798,655.63  | 60.42          | 140,911,305.55          | 31.40               | 307,887,350.08 |
| Total                                      | 801,784,073.93  | 100.00         | 493,896,723.85          | 61.60               | 307,887,350.08 |

(Continued)

| Items                                      | 31 December 2021 |                |                         |                     | Book value     |
|--|------------------|----------------|-------------------------|---------------------|----------------|
|  | Carrying amount  |                | Provision for bad debts |                     |                |
|  | Amount           | Percentage (%) | Amount                  | Bad debts ratio (%) |                |
| Provision for bad debts individually       | 352,985,418.30   | 47.20          | 352,985,418.30          | 100.00              |                |
| Provision for bad debts based on portfolio | 394,916,528.33   | 52.80          | 138,065,745.62          | 34.96               | 256,850,782.71 |
| Include:                                   |                  |                |                         |                     |                |
| Portfolio 1: Aging portfolio               | 394,916,528.33   | 52.80          | 138,065,745.62          | 34.96               | 256,850,782.71 |
| Total                                      | 747,901,946.63   | 100.00         | 491,051,163.92          | 65.66               | 256,850,782.71 |

| Items  | 30 June 2022    |                         |                     | Reason                    |
|--|-----------------|-------------------------|---------------------|---------------------------|
|  | Carrying amount | Provision for bad debts | Bad debts ratio (%) |                           |
| Brilliance Automotive Group Holdings Co., Ltd.             | 305,223,081.12  | 305,223,081.12          | 100.00              | Bankruptcy reorganization |
| Benxi Nanfen Xinhe Metallurgical Furnace Material Co., Ltd | 47,762,337.18   | 47,762,337.18           | 100.00              | Shut down of operation    |
| Total  | 352,985,418.30  | 352,985,418.30          | --                  |                           |

Accounts receivables tested for impairment individually:

Provision for bad debts by portfolio: Aging analysis:

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Portfolio accrual item: aging portfolio

| Items                     | 30 June 2022       |                         |                    |
|---------------------------|--------------------|-------------------------|--------------------|
|                           | Account Receivable | Provision for bad debts | Bad debt ratio (%) |
| Within 1 year (inclusive) | 279,779,976.34     | 2,797,799.76            | 1.00               |
| 1-2 years (inclusive)     | 33,111,831.89      | 3,311,183.19            | 10.00              |
| 2-3 years (inclusive)     | 1,380,656.01       | 276,131.21              | 20.00              |
| Over 3 years              | 134,526,191.39     | 134,526,191.39          | 100.00             |
| Total                     | 448,798,655.63     | 140,911,305.55          |                    |

(3) The provision for bad debts accrued, reversed or recovered in the current period

The amount of bad debt provision accrued in the current period is RMB2,845,559.93.

(4) The amount of accounts receivable has been written off in the current period

None.

(5) Top five debtors at the end of period

| Company    | 30 June 2022   |   |                         |
|------------|----------------|---|-------------------------|
|            | Amount         | Percentage of total Accounts receivable (%) | Provision for bad debts |
| The first  | 305,223,081.12 | 38.07                                       | 305,223,081.12          |
| The second | 62,675,196.98  | 7.82  | 626,751.97              |
| The third  | 60,369,509.72  | 7.53  | 603,695.10              |
| The fourth | 53,498,537.83  | 6.67  | 534,985.38              |
| The fifth  | 47,762,337.18  | 5.96  | 47,762,337.18           |
| Total      | 529,528,662.83 | 66.05                                       | 354,750,850.75          |

(6) Accounts receivable derecognized due to the transfer of financial assets

None.

(7) The amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved.

None.

#### 4. Accounts receivable financing

(1) Details of accounts receivable financing

| Items            | 30 June 2022   | 31 December 2021 |
|------------------|----------------|------------------|
| Notes Receivable | 254,184,970.37 | 1,530,735,647.38 |
| Total            | 254,184,970.37 | 1,530,735,647.38 |

Notes: Accounts receivable financing reflects notes receivable and accounts receivable that are measured at fair value through other comprehensive income on the balance sheet date.

(2) At the end of the period, the company has commercial bills pledged in accounts receivable financing amount RMB 101,670,000.00.

(3) At the end of the period, the company's endorsed or discounted commercial bills in accounts receivable financing accounting and not yet matured on the balance sheet date are as follows

| Item                       | Amount derecognised at<br>the end of the period | Amount not yet derecognised<br>at the end of the period |
|----------------------------|---|---|
| Bank acceptance bill       | 6,325,995,134.20                                |   |
| Commercial acceptance bill |   |   |
| Total                      | 6,325,995,134.20                                |   |

(4) No accounts receivable financing has been transferred into accounts receivable due to failure of drawer to perform.

## 5. Prepayments

(1) Prepayments presented by aging

| Aging         | 30 June 2022     |                | 31 December 2021 |                |
|---------------|------------------|----------------|------------------|----------------|
|               | Amount           | Percentage (%) | Amount           | Percentage (%) |
| Within 1 year | 1,909,662,527.08 | 97.89          | 977,541,107.55   | 98.31          |
| 1-2 years     | 35,979,071.76    | 1.84           | 16,681,487.73    | 1.68           |
| 2-3 years     | 5,263,490.34     | 0.27           | 147,750.36       | 0.01           |
| Total         | 1,950,905,089.18 | 100.00         | 994,370,345.64   | 100.00         |

Notes: As of June 30, 2022, there were no significant prepayments over 1 year.

(2) Top five prepaid companies at the end of period

| Name of the company | Amount           | Percentage (%) |
|---------------------|------------------|----------------|
| The First           | 1,306,446,662.94 | 66.97          |
| The Second          | 83,751,404.19    | 4.29           |
| The Third           | 74,983,578.22    | 3.84           |
| The Fourth          | 69,280,603.52    | 3.55           |
| The Fifth           | 62,165,740.17    | 3.19           |
| Total               | 1,596,627,989.04 | 81.84          |

## 6. Other receivables

| Items                | 30 June 2022   | 31 December 2021 |
|----------------------|----------------|------------------|
| Interest receivables |                | 2,523,993.39     |
| Other receivables    | 186,993,663.02 | 163,413,287.02   |
| Total                | 186,993,663.02 | 165,937,280.41   |

(1) Interest receivable

1) Interest receivable presented by category

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| Items            | 30 June 2022 | 31 December 2021 |
|------------------|--------------|------------------|
| Deposit interest |              | 2,523,993.39     |
| Total            |              | 2,523,993.39     |

2) The company has no significant provision for overdue interest and bad debts.

(2) Other receivables

1) Other receivables disclosed by aging

| Items                         | 30 June 2022   | 31 December 2021 |
|-------------------------------|----------------|------------------|
| Within 1 year (inclusive)     | 169,638,358.70 | 153,188,899.24   |
| 1-2 years (inclusive)         | 14,458,325.67  | 4,959,792.25     |
| 2-3 years (inclusive)         | 2,033,318.60   | 3,778,131.84     |
| Over 3 years                  | 71,511,817.23  | 74,186,274.07    |
| Sub-total                     | 257,641,820.20 | 236,113,097.40   |
| Less: Provision for bad debts | 70,648,157.18  | 72,699,810.38    |
| Total                         | 186,993,663.02 | 163,413,287.02   |

2) Information of provision for bad debts

|                                | Stage one   | Stage two   | Stage three   | Total         |
|--------------------------------|---|---|---|---------------|
|                                | Expectation over the coming 12 months Credit loss | Expected credit loss for the entire duration (no credit impairment) | Expected credit loss for the entire duration (credit impairment has occurred) |               |
| Opening balance                | 526,800.70  | 6,305,393.56  | 65,867,616.12   | 72,699,810.38 |
| --Transfer to the second stage | -141,181.23                                       | 141,181.23  |   |               |
| --Transfer to the third stage  |   | -755,315.57   | 755,315.57  |               |
| Accrual for the current period | 448,439.46  | -3,872,783.16   | 1,372,690.50  | -2,051,653.20 |
| Closing balance                | 834,058.93  | 1,818,476.06  | 67,995,622.19   | 70,648,157.18 |

3) Other receivables presented by nature

| Nature                 | 30 June 2022   | 31 December 2021 |
|------------------------|----------------|------------------|
| Receivable and payable | 244,456,728.68 | 224,540,231.45   |
| Others                 | 13,185,091.52  | 11,572,865.95    |
| Total                  | 257,641,820.20 | 236,113,097.40   |

4) Top five debtors at the end of period

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| Company    | Nature            | Amount        | Aging                         | Percentage of total other receivables (%) | Provision for bad debts |
|------------|-------------------|---------------|-------------------------------|---|-------------------------|
| The First  | Temporary payment | 8,009,725.95  | within 1 year                 | 3.11                                      | 80,097.26               |
| The Second | Temporary payment | 2,261,360.00  | over 3 years                  | 0.88                                      | 2,261,360.00            |
| The Third  | Temporary payment | 1,999,979.00  | within 1 year                 | 0.78                                      | 19,999.79               |
| The Fourth | Temporary payment | 1,740,000.00  | over 3 years                  | 0.68                                      |                         |
| The Fifth  | Temporary payment | 1,492,967.97  | within 1 year to over 3 years | 0.58                                      | 1,198,020.34            |
| Total      |                   | 15,504,032.92 |                               | 6.03                                      | 3,559,477.39            |

### 7. Inventories

#### (1) Inventories presented by category

| Items                                     | 30 June 2022     |               |                  | 31 December 2021  |               |                   |
|---|------------------|---------------|------------------|-------------------|---------------|-------------------|
|   | Carrying amount  | Impairment    | Book value       | Carrying amount   | Impairment    | Book value        |
| Raw material and main material            | 3,425,058,786.46 | 26,986,533.69 | 3,398,072,252.77 | 4,730,515,761.34  | 26,986,533.69 | 4,703,529,227.65  |
| Work in process and semi-finished product | 1,774,106,409.43 | 37,312,458.81 | 1,736,793,950.62 | 2,105,832,905.07  | 25,390,821.52 | 2,080,442,083.55  |
| Finished goods                            | 3,641,236,384.80 | 35,568,532.72 | 3,605,667,852.08 | 3,439,625,765.66  | 33,430,937.88 | 3,406,194,827.78  |
| Total                                     | 8,840,401,580.69 | 99,867,525.22 | 8,740,534,055.47 | 10,275,974,432.07 | 85,808,293.09 | 10,190,166,138.98 |

#### (2) Provision for inventory impairment and provision for impairment of contract performance costs

| Category                                  | Opening balance | Increase      |        | Decrease               |        | Closing balance |
|---|-----------------|---------------|--------|------------------------|--------|-----------------|
|   |                 | Provision     | Others | Revered or written-off | Others |                 |
| Raw material and main material            | 26,986,533.69   |               |        |                        |        | 26,986,533.69   |
| Work in process and semi-finished product | 25,390,821.52   | 37,312,458.81 |        | 25,390,821.52          |        | 37,312,458.81   |
| Finished goods                            | 33,430,937.88   | 35,568,532.72 |        | 33,430,937.88          |        | 35,568,532.72   |
| Total                                     | 85,808,293.09   | 72,880,991.53 |        | 58,821,759.40          |        | 99,867,525.22   |

#### (3) Descriptions on closing balance of inventories containing capitalized amount of borrowing costs

None.

### 8. Other current assets

| Items         | 30 June 2022   | 31 December 2021 |
|---------------|----------------|------------------|
| VAT input tax | 131,062,456.78 | 310,939,065.10   |
| Prepaid tax   | 109,606,015.17 | 444,009,128.46   |
| Total         | 240,668,471.95 | 754,948,193.56   |



**9. Long-term equity investment**

| Investees  | 31<br>December<br>2021 | Additional<br>Investment | Reduced<br>Investment | Investment<br>Gains and Losses<br>Recognized<br>under the Equity<br>Method | Increase/decrease                              |                            |  |           |        | 30 June 2022 | Total<br>Impairment<br>Ending<br>Balance |
|--|------------------------|--------------------------|-----------------------|--|--|----------------------------|--|-----------|--------|--------------|--|
|  |                        |                          |                       |  | Other<br>Comprehensive<br>Income<br>Adjustment | Other<br>Equity<br>Changes | Declaration<br>of Cash<br>Dividends<br>or Profit | Provision | Others |              |  |
| Joint Venture  |                        |                          |                       |  |  |                            |  |           |        |              |  |
| Zhejiang Bengang<br>Jingrui Steel Processing<br>Co., Ltd.. | 2,981,784.07           |                          |                       | 85,455.22  |  |                            |  |           |        |              | 3,067,239.29                             |
| Subtotal   | 2,981,784.07           |                          |                       | 85,455.22  |  |                            |  |           |        |              | 3,067,239.29                             |
| Total  | 2,981,784.07           |                          |                       | 85,455.22  |  |                            |  |           |        |              | 3,067,239.29                             |

### 10. Other equity instrument investments

| Item   | 30 June 2022     | 31 December 2021 |
|--|------------------|------------------|
| Equity of Suzhou Bengang Industrial Co., Ltd.              | 3,888,980.00     | 3,888,980.00     |
| Equity of Zhonggang Shanghai Steel Processing Co., Ltd.    |                  |                  |
| Equity of Northeast Special Steel Group Co., Ltd.          | 1,037,735,849.00 | 1,037,735,849.00 |
| Equity of Guangzhou Benpu Automobile Panel Sales Co., Ltd. | 200,000.00       | 200,000.00       |
| Equity of Wuhan Bengang Yuanhong Trading Co., Ltd.         | 200,000.00       | 200,000.00       |
| Total  | 1,042,024,829.00 | 1,042,024,829.00 |

### 11. Fixed assets

#### Fixed assets and Disposal of fixed assets

| Items                    | 30 June 2022      | 31 December 2021  |
|--------------------------|-------------------|-------------------|
| Fixed assets             | 24,397,788,521.52 | 25,480,674,048.94 |
| Disposal of fixed assets | 119,424.50        |                   |
| Total                    | 24,397,907,946.02 | 25,480,674,048.94 |

#### (1) Details of fixed assets

| Items                                     | Houses and buildings | Mechanical equipment | Transportation      | Total             |
|---|----------------------|----------------------|---------------------|-------------------|
|   |                      |                      | and other equipment |                   |
| 1. Total original value                   |                      |                      |                     |                   |
| 31 December 2021                          | 13,244,653,376.33    | 49,481,748,950.04    | 920,958,736.87      | 63,647,361,063.24 |
| Increase in current period                | 14,881,999.31        | 12,174,332.46        | 11,014,765.84       | 38,071,097.61     |
| Including: Purchase                       | 4,445,029.04         | 1,737,223.59         | 4,244,541.23        | 10,426,793.86     |
| Transferred from construction in progress | 10,436,970.27        | 10,437,108.87        | 6,770,224.61        | 27,644,303.75     |
| Merging                                   |                      |                      |                     |                   |
| Decrease in current period                | 7,444,516.45         | 52,776,526.29        | 55,561,257.60       | 115,782,300.34    |
| Including: Disposal or scrapping          | 7,444,516.45         | 52,776,526.29        | 55,561,257.60       | 115,782,300.34    |
| Others                                    |                      |                      |                     |                   |
| 30 June 2022                              | 13,252,090,859.19    | 49,441,146,756.21    | 876,412,245.11      | 63,569,649,860.51 |
| 2. Total accumulated depreciation         |                      |                      |                     |                   |
| 31 December 2021                          | 6,411,622,637.46     | 31,016,196,563.08    | 645,389,717.80      | 38,073,208,918.34 |
| Increase in current period                | 163,514,413.79       | 864,708,797.79       | 77,040,341.36       | 1,105,263,552.94  |
| Including: Provision                      | 163,514,413.79       | 864,708,797.79       | 77,040,341.36       | 1,105,263,552.94  |

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| Items                                   | Houses and buildings | Mechanical equipment | Transportation      |                   |
|---|----------------------|----------------------|---------------------|-------------------|
|   |                      |                      | and other equipment | Total             |
| Decrease in current period              | 3,522,289.43         | 43,679,396.10        | 52,887,542.72       | 100,089,228.25    |
| Including: Disposal or scrapping        | 3,522,289.43         | 43,679,396.10        | 52,887,542.72       | 100,089,228.25    |
| 30 June 2022                            | 6,571,614,761.82     | 31,837,225,964.77    | 669,542,516.44      | 39,078,383,243.03 |
| 3. Total impairment                     |                      |                      |                     |                   |
| 31 December 2021                        | 84,098,414.32        | 9,379,681.64         |                     | 93,478,095.96     |
| Increase in current period              |                      |                      |                     |                   |
| Including: accrued                      |                      |                      |                     |                   |
| Others                                  |                      |                      |                     |                   |
| Decrease in current period              |                      |                      |                     |                   |
| Including: Disposal or scrapping        |                      |                      |                     |                   |
| Others                                  |                      |                      |                     |                   |
| 30 June 2022                            | 84,098,414.32        | 9,379,681.64         |                     | 93,478,095.96     |
| 4. Total net book value of Fixed assets |                      |                      |                     |                   |
| 30 June 2022                            | 6,596,377,683.05     | 17,594,541,109.80    | 206,869,728.67      | 24,397,788,521.52 |
| 31 December 2021                        | 6,748,932,324.55     | 18,456,172,705.32    | 275,569,019.07      | 25,480,674,048.94 |

### (2) Fixed assets that are idle temporarily

| Items                              | Gross value    | Accumulated depreciation | Impairment    | Net book value | Notes |
|------------------------------------|----------------|--------------------------|---------------|----------------|-------|
| Houses and buildings               | 223,416,300.48 | 139,189,651.03           | 84,098,414.32 | 128,235.13     |       |
| Mechanical equipment               | 100,086,005.34 | 89,198,289.39            | 9,379,681.64  | 1,508,034.31   |       |
| Transportation and Other equipment | 1,042,125.89   | 1,042,125.89             |               |                |       |
| Total                              | 324,544,431.71 | 229,430,066.31           | 93,478,095.96 | 1,636,269.44   |       |

### (3) Fixed assets without property rights certificates at the year-end

| Items                | Book value       | Reason     |
|----------------------|------------------|------------|
| Houses and buildings | 1,053,355,221.77 | Processing |

### (4) Disposal of fixed assets

| Items           | 30 June 2022 | 31 December 2021 |
|-----------------|--------------|------------------|
| Other equipment | 119,424.50   |                  |
| Total           | 119,424.50   |                  |

## 12. Construction in progress

### (1) Construction in progress and Project materials

| Items | 30 June 2022 | 31 December 2021 |
|-------|--------------|------------------|
|-------|--------------|------------------|

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| Items                    | 30 June 2022     | 31 December 2021 |
|--------------------------|------------------|------------------|
| Construction in progress | 3,002,101,329.94 | 2,431,761,889.08 |
| Project materials        | 10,344,959.35    | 2,420,212.05     |
| Total                    | 3,012,446,289.29 | 2,434,182,101.13 |

### (2) Details of construction in progress

| Items  | 30 June 2022     |                  |                  | 31 December 2021 |                  |                |
|--|------------------|------------------|------------------|------------------|------------------|----------------|
|  | Gross value      | Total impairment | Net book value   | Gross value      | Total impairment | Net book value |
| Cold-rolled high-strength steel renovation project   | 62,622,790.07    |                  | 62,622,790.07    |                  |                  |                |
| CCPP power generation project  | 699,139,174.08   |                  | 699,139,174.08   | 662,907,316.06   |                  | 662,907,316.06 |
| Special steel rolling mill renovation project  | 287,611,216.37   |                  | 287,611,216.37   | 225,662,005.25   |                  | 225,662,005.25 |
| 360 square meter sintering machine   | 88,405,148.94    |                  | 88,405,148.94    | 88,340,997.99    |                  | 88,340,997.99  |
| 360 square meter sintering machine waste heat utilization  | 56,547,049.50    |                  | 56,547,049.50    |                  |                  |                |
| Special Steel Electric Furnace Capacity Replacement Project  | 1,099,117,705.56 |                  | 1,099,117,705.56 | 975,649,876.97   |                  | 975,649,876.97 |
| 220kV Substation Project of General Energy Plant   | 23,719,815.06    |                  | 23,719,815.06    |                  |                  |                |
| The overall improvement of Benxi Steel's manufacturing Energy General Plant No. 1 Converter Gas Tank System Transformation Project | 36,601,399.00    |                  | 36,601,399.00    | 36,748,743.10    |                  | 36,748,743.10  |
| Caixi Special Steel Feeding Station of Steel Plate Scrap Plant   | 42,748,864.71    |                  | 42,748,864.71    | 38,375,436.67    |                  | 38,375,436.67  |
| Environmental protection transformation of plate raw material plant  | 24,777,584.51    |                  | 24,777,584.51    |                  |                  |                |
| Benxi Steel Baojin Processing and Distribution Project   | 22,396,129.14    |                  | 22,396,129.14    | 22,088,294.34    |                  | 22,088,294.34  |
| Revamping of desulfurization system in coking process of general iron making plant   | 22,017,275.39    |                  | 22,017,275.39    |                  |                  |                |
| Other  | 442,356,806.92   |                  | 442,356,806.92   | 315,511,741.57   |                  | 315,511,741.57 |

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| Items | 30 June 2022     |                  |                  | 31 December 2021 |                  |                  |
|-------|------------------|------------------|------------------|------------------|------------------|------------------|
|       | Gross value      | Total impairment | Net book value   | Gross value      | Total impairment | Net book value   |
| Total | 3,002,101,329.94 |                  | 3,002,101,329.94 | 2,431,761,889.08 |                  | 2,431,761,889.08 |

### 1) The change of major construction in progress

| Project   | Budget (10 thousand yuan) | 31 December 2021 | Increase       | Transfer to FA | Other decrease | 30 June 2022     | Input of Budget (%) | Progress (%) | Accumulated amount of capitalized interest | Including: capitalized interest of current period | Capitalization rate | Source of fund      |
|---|---------------------------|------------------|----------------|----------------|----------------|------------------|---------------------|--------------|--|---|---------------------|---------------------|
| Cold-rolled high-strength steel renovation project                          | 701,535.00                |                  | 62,622,790.07  |                |                | 62,622,790.07    | 85.89               | 100.00       | 857,867,059.71                             |   |                     | Other               |
| CCPP power generation project   | 106,000.00                | 662,907,316.06   | 36,231,858.02  |                |                | 699,139,174.08   | 65.95               | 70.51        | 18,311,583.31                              | 3,814,021.25                                      | 3.93                | Self-raised         |
| Special steel rolling mill renovation project                               | 82,386.00                 | 225,662,005.25   | 61,949,211.12  |                |                | 287,611,216.37   | 47.51               | 47.51        | 8,447,721.10                               | 1,677,488.19                                      | 3.93                | Other               |
| 360 square meter sintering machine  | 137,723.00                | 88,340,997.99    | 64,150,905     |                |                | 88,405,148.94    | 92.00               | 100.00       | 68,627,433.26                              |   |                     | Other               |
| Special Steel Electric Furnace Capacity Replacement Project                 | 192,343.00                | 975,649,876.97   | 123,467,828.59 |                |                | 1,099,117,705.56 | 57.14               | 59.00        |  |   |                     | Self-raised & Other |
| 220kV Substation Project of General Energy Plant                            | 31,500.00                 |                  | 23,719,815.06  |                |                | 23,719,815.06    | 7.53                | 7.53         |  |   |                     | Other               |
| The overall improvement of Benxi Steel's manufacturing                      | 5,600.00                  | 36,748,743.10    | -147,344.10    |                |                | 36,601,399.00    | 65.36               | 80.00        |  |   |                     | Other               |
| Energy General Plant No. 1 Converter Gas Tank System Transformation Project | 16,086.00                 | 66,477,477.13    | 27,562,893.56  |                |                | 94,040,370.69    | 58.46               | 75.00        |  |   |                     | Other               |
| Revamping of desulfur   | 3,925.00                  |                  | 22,017,275.39  |                |                | 22,017,275.39    | 56.09               | 56.09        |  |   |                     | Other               |

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| Project  | Budget (10 thousand yuan) | 31 December 2021        | Increase              | Transfer to FA | Other decrease | 30 June 2022            | Input of Budget (%) | Progress (%) | Accumulated amount of capitalized interest | Including: capitalized interest of current period | Capitalization rate | Source of fund |
|--|---------------------------|-------------------------|-----------------------|----------------|----------------|-------------------------|---------------------|--------------|--|---|---------------------|----------------|
| ization system in coking process of general iron making plan   |                           |                         |                       |                |                |                         |                     |              |  |   |                     |                |
| Caixi Special Steel Feeding Station of Steel Plate Scrap Plant | 12,114.00                 | 38,375,436.67           | 4,373,428.04          |                |                | 42,748,864.71           | 35.29               | 65.00        |  |   |                     | Other          |
| Benxi Steel Baojin Processing and Distribution Project         | 31,037.39                 | 22,088,294.34           | 307,834.80            |                |                | 22,396,129.14           | 7.21                | 12.00        |  |   |                     | Other          |
| <b>Total</b>   | <b>1,320,249.39</b>       | <b>2,116,250,147.51</b> | <b>362,169,741.50</b> |                |                | <b>2,478,419,889.01</b> |                     |              | <b>953,253,797.38</b>                      | <b>5,491,509.44</b>                               |                     |                |

### (3) Construction materials

| Items                  | 30 June 2022         |            |                      | 31 December 2021    |            |                     |
|------------------------|----------------------|------------|----------------------|---------------------|------------|---------------------|
|                        | Gross value          | Impairment | Net Book Value       | Gross value         | Impairment | Net Book Value      |
| Construction materials | 10,344,959.35        |            | 10,344,959.35        | 2,420,212.05        |            | 2,420,212.05        |
| <b>Total</b>           | <b>10,344,959.35</b> |            | <b>10,344,959.35</b> | <b>2,420,212.05</b> |            | <b>2,420,212.05</b> |

### 13. Right-of-use assets

| Items                               | Land             | Houses and buildings | Total            |
|-------------------------------------|------------------|----------------------|------------------|
| 1. Original carrying value          |                  |                      |                  |
| 31 December 2021                    | 1,132,274,415.17 | 368,465,367.56       | 1,500,739,782.73 |
| Increase                            |                  |                      |                  |
| Including: New lease                |                  |                      |                  |
| Merger                              |                  |                      |                  |
| Revaluation adjustment              |                  |                      |                  |
| Decrease                            |                  |                      |                  |
| Including: Transfer to fixed assets |                  |                      |                  |
| Disposal                            |                  |                      |                  |
| 30 June 2022                        | 1,132,274,415.17 | 368,465,367.56       | 1,500,739,782.73 |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

|                                     |                  |                |                  |
|-------------------------------------|------------------|----------------|------------------|
| 2. Depreciation reserves            |                  |                |                  |
| 31 December 2021                    | 39,904,236.22    | 20,470,298.20  | 60,374,534.42    |
| Increase                            | 19,952,118.11    | 10,235,149.11  | 30,187,267.22    |
| Including: Accrued                  | 19,952,118.11    | 10,235,149.11  | 30,187,267.22    |
| Decrease                            |                  |                |                  |
| Including: Transfer to fixed assets |                  |                |                  |
| Disposal                            |                  |                |                  |
| 30 June 2022                        | 59,856,354.33    | 30,705,447.31  | 90,561,801.64    |
| 3. Total Impairment                 |                  |                |                  |
| 31 December 2021                    |                  |                |                  |
| Increase                            |                  |                |                  |
| Including: Accrued                  |                  |                |                  |
| Decrease                            |                  |                |                  |
| Including: Transfer to fixed assets |                  |                |                  |
| Disposal                            |                  |                |                  |
| 30 June 2022                        |                  |                |                  |
| 4. Total net carrying value         |                  |                |                  |
| 30 June 2022                        | 1,072,418,060.84 | 337,759,920.25 | 1,410,177,981.09 |
| 31 December 2021                    | 1,092,370,178.95 | 347,995,069.36 | 1,440,365,248.31 |

### 14. Intangible assets

#### (1) Details of intangible assets

| Items                                | Land use right | Software   | Total          |
|--------------------------------------|----------------|------------|----------------|
| 1. Total gross value                 |                |            |                |
| 31 December 2021                     | 367,668,797.84 | 310,401.55 | 367,979,199.39 |
| Increase                             |                |            |                |
| Including: Purchase                  |                |            |                |
| Internal Research and Development    |                |            |                |
| Merger                               |                |            |                |
| Decrease                             |                |            |                |
| Including: Disposal                  |                |            |                |
| Invalid and terminated confirmation  |                |            |                |
| 30 June 2022                         | 367,668,797.84 | 310,401.55 | 367,979,199.39 |
| 2. Total of Accumulated Amortization |                |            |                |
| 31 December 2021                     | 69,882,153.01  | 175,497.57 | 70,057,650.58  |
| Increase                             | 3,676,687.80   | 13,397.46  | 3,690,085.26   |
| Including: Accrued                   | 3,676,687.80   | 13,397.46  | 3,690,085.26   |
| Decrease                             |                |            |                |
| Including: Disposal                  |                |            |                |
| Invalid and terminated confirmation  |                |            |                |

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|                                     |                |            |                |
|-------------------------------------|----------------|------------|----------------|
| 30 June 2022                        | 73,558,840.81  | 188,895.03 | 73,747,735.84  |
| 3. Total Impairment                 |                |            |                |
| 31 December 2021                    |                |            |                |
| Increase                            |                |            |                |
| Including: Accrued                  |                |            |                |
| Decrease                            |                |            |                |
| Including: Disposal                 |                |            |                |
| Invalid and terminated confirmation |                |            |                |
| 30 June 2022                        |                |            |                |
| 4. Total Net value                  |                |            |                |
| 30 June 2022                        | 294,109,957.03 | 121,506.52 | 294,231,463.55 |
| 31 December 2021                    | 297,786,644.83 | 134,903.98 | 297,921,548.81 |

At the end of the period, the proportion of intangible assets formed through internal research and development of the company to the balance of intangible assets was 0.00%

(2) Land use right without Certificate of Land use right at the end of period

| Items          | Book value    | Reason      |
|----------------|---------------|-------------|
| Land use right | 39,149,867.21 | Processing. |
| Total          | 39,149,867.21 |             |

### 15. Deferred income tax asset and deferred income tax liability

(1) Deferred tax asset which have not been offset

| Items                        | 30 June 2022                     |                    | 31 December 2021                 |                    |
|------------------------------|----------------------------------|--------------------|----------------------------------|--------------------|
|                              | Deductible temporary differences | Deferred tax asset | Deductible temporary differences | Deferred tax asset |
| Impairment of assets         | 467,073,327.08                   | 116,768,331.77     | 451,808,313.33                   | 112,952,078.33     |
| Internal unrealized profit   | 45,320,575.72                    | 11,330,143.93      | 93,178,777.44                    | 23,294,694.36      |
| Depreciation of fixed assets | 21,906,259.43                    | 5,476,564.86       | 21,906,259.43                    | 5,476,564.86       |
| Other                        | 59,049,831.39                    | 14,762,457.85      | 48,132,843.04                    | 12,033,210.76      |
| Total                        | 593,349,993.62                   | 148,337,498.41     | 615,026,193.24                   | 153,756,548.31     |

(2) Unrecognized deferred tax assets

| Items                            | 30 June 2022   | 31 December 2021 |
|----------------------------------|----------------|------------------|
| Deductible temporary differences | 305,231,868.13 | 305,643,743.02   |
| Deductible losses                | 49,389,905.89  | 45,093,302.90    |
| Total                            | 354,621,774.02 | 350,737,045.92   |

(3) The deductible loss of unrecognized deferred tax assets due in the following period

| Items     | 30 June 2022  | 31 December 2021 | Notes |
|-----------|---------------|------------------|-------|
| Year 2022 | 1,001,166.72  | 1,001,166.72     |       |
| Year 2023 | 10,336,118.65 | 10,336,118.65    |       |



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|           |               |               |
|-----------|---------------|---------------|
| Year 2024 | 13,696,334.51 | 13,696,334.51 |
| Year 2025 | 10,723,063.42 | 10,723,063.42 |
| Year 2026 | 9,336,619.60  | 9,336,619.60  |
| Year 2027 | 4,296,602.99  |               |
| Total     | 49,389,905.89 | 45,093,302.90 |

### 16. Other non-current assets

| Items                            | 30 June 2022  |            |                | 31 December 2021 |            |                |
|----------------------------------|---------------|------------|----------------|------------------|------------|----------------|
|                                  | Gross value   | Impairment | Net book value | Gross value      | Impairment | Net book value |
| Prepayments for long-term assets | 81,048,057.73 |            | 81,048,057.73  | 30,630,858.13    |            | 30,630,858.13  |
| Total                            | 81,048,057.73 |            | 81,048,057.73  | 30,630,858.13    |            | 30,630,858.13  |

### 17. Short-term loans

#### (1) Short-term loan presented by category

| Items            | 30 June 2022     | 31 December 2021 |
|------------------|------------------|------------------|
| Guaranteed loans | 3,149,342,280.00 | 3,823,088,140.00 |
| Credit loans     | 200,000,000.00   | 230,000,000.00   |
| Total            | 3,349,342,280.00 | 4,053,088,140.00 |

(2) There is no short-term loans that were overdue at the end of the reporting period

### 18. Notes payable

| Items                      | 30 June 2022     | 31 December 2021 |
|----------------------------|------------------|------------------|
| Commercial acceptance bill | 947,409,186.44   | 2,349,083,376.48 |
| Bank acceptance bill       | 1,276,179,360.19 | 2,286,000,000.00 |
| Total                      | 2,223,588,546.63 | 4,635,083,376.48 |

At the end of the reporting period, there is no notes payable due and unpaid.

### 19. Accounts payable

#### (1) Accounts payable presented by category

| Items                                      | 30 June 2022     | 31 December 2021 |
|--|------------------|------------------|
| Accounts payable for goods                 | 2,324,830,643.95 | 4,272,890,365.57 |
| Accounts payable for labor                 | 85,146,286.47    | 51,392,037.81    |
| Accounts payable for project and equipment | 534,962,159.94   | 557,316,885.80   |
| Repair expense and others                  | 409,754,942.03   | 470,673,396.71   |
| Total                                      | 3,354,694,032.39 | 5,352,272,685.89 |

(2) Significant accounts payable over one year

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| Items     | Ending balance | Notes                                     |
|-----------|----------------|---|
| Company 1 | 19,630,850.46  | not yet reached the settlement conditions |
| Company 2 | 14,200,000.00  | not yet reached the settlement conditions |
| Company 3 | 13,175,829.38  | not yet reached the settlement conditions |
| Company 4 | 12,045,229.32  | not yet reached the settlement conditions |
| Total     | 59,051,909.16  | not yet reached the settlement conditions |

### 20. Contract liabilities

| Items                            | 30 June 2022     | 31 December 2021 |
|----------------------------------|------------------|------------------|
| Advance from customers for goods | 3,977,011,514.55 | 4,708,188,093.78 |
| Total                            | 3,977,011,514.55 | 4,708,188,093.78 |

### 21. Employee benefits payable

#### (1) Presentation of employee benefits payable

| Items   | 31 December 2021 | Increase         | Decrease         | 30 June 2022  |
|---|------------------|------------------|------------------|---------------|
| Short-term employee benefits                          | 152,095,376.49   | 988,379,243.31   | 1,131,189,360.26 | 9,285,259.54  |
| Post-employment benefits - defined contribution plans |                  | 138,719,221.49   | 138,719,221.49   |               |
| Termination benefits                                  |                  | 15,815,754.54    | 11,680,992.07    | 4,134,762.47  |
| Other benefits due within one year                    |                  |                  |                  |               |
| Total   | 152,095,376.49   | 1,142,914,219.34 | 1,281,589,573.82 | 13,420,022.01 |

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

| Items                                    | 31 December 2021 | Increase       | Decrease         | 30 June 2022 |
|--|------------------|----------------|------------------|--------------|
| (1) Salary, bonus, allowance and subsidy | 138,746,833.89   | 652,527,140.06 | 791,158,685.12   | 115,288.83   |
| (2) Employee welfare                     |                  | 123,234,634.36 | 123,234,634.36   |              |
| (3) Social Insurance                     |                  | 108,816,319.43 | 108,816,319.43   |              |
| Including: Medical insurance             |                  | 86,956,629.40  | 86,956,629.40    |              |
| Work injury insurance                    |                  | 21,849,854.35  | 21,849,854.35    |              |
| Maternity insurance                      |                  | 9,835.68       | 9,835.68         |              |
| (4) Housing funds                        | 6,862,795.00     | 67,724,213.48  | 67,722,849.48    | 6,864,159.00 |
| (5) Union funds and staff education fee  | 6,485,747.60     | 13,018,983.90  | 17,198,919.79    | 2,305,811.71 |
| (6) Short-term compensated absences      |                  |                |                  |              |
| (7) Short-term profit - sharing scheme   |                  |                |                  |              |
| (8) Other                                |                  | 23,057,952.08  | 23,057,952.08    |              |
| Total                                    | 152,095,376.49   | 988,379,243.31 | 1,131,189,360.26 | 9,285,259.54 |

#### (3) Defined contribution plans

| Items | 31 December 2021 | Increase | Decrease | 30 June 2022 |
|-------|------------------|----------|----------|--------------|
|-------|------------------|----------|----------|--------------|

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|                        |                |                |
|------------------------|----------------|----------------|
| Basic pension fund     | 134,648,387.08 | 134,648,387.08 |
| Unemployment insurance | 4,070,834.41   | 4,070,834.41   |
| Total                  | 138,719,221.49 | 138,719,221.49 |

### 22. Taxes payable

| Items                                 | 30 June 2022   | 31 December 2021 |
|---------------------------------------|----------------|------------------|
| Value-added tax                       | 152,070,104.68 | 29,696,795.33    |
| Corporate income tax                  | 15,487,881.15  | 35,810,190.67    |
| Individual income tax                 | 809,730.46     | 4,744,348.35     |
| City maintenance and construction tax | 978,200.02     | 2,362,795.25     |
| House property tax                    | 3,831,727.52   | 16,819,232.89    |
| Land holding tax                      | 1,663,417.54   | 2,878,545.36     |
| Educational surcharges                | 730,001.11     | 1,710,729.40     |
| Environmental tax                     | 415,476.53     | 9,935,977.17     |
| Others                                | 4,741,450.85   | 10,309,374.28    |
| Total                                 | 180,727,989.86 | 114,267,988.70   |

### 23. Other payables

| Items          | 30 June 2022     | 31 December 2021 |
|----------------|------------------|------------------|
| Other payables | 1,164,276,844.55 | 1,348,025,731.98 |
| Total          | 1,164,276,844.55 | 1,348,025,731.98 |

Other payables

(1) Other payables presented by nature

| Items    | 30 June 2022     | 31 December 2021 |
|----------|------------------|------------------|
| Deposit  | 5,597,299.54     | 1,556,363.89     |
| Margin   | 124,842,640.00   | 127,642,584.79   |
| Accounts | 932,207,175.86   | 1,133,934,695.19 |
| Others   | 101,629,729.15   | 84,892,088.11    |
| Total    | 1,164,276,844.55 | 1,348,025,731.98 |

(2) At the end of period, no significant other payables aged over one year

### 24. Non-current liabilities due within one year

| Items                                 | 30 June 2022     | 31 December 2021 |
|---------------------------------------|------------------|------------------|
| Long-term loans due within one year   | 1,329,194,156.37 | 246,949,595.95   |
| Bond payables due within one year     |                  | 25,053,455.40    |
| Lease liabilities due within one year | 39,273,924.44    | 38,777,466.79    |

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|       |                  |                |
|-------|------------------|----------------|
| Total | 1,368,468,080.81 | 310,780,518.14 |
|-------|------------------|----------------|

### **25. Other current liabilities**

| Items                        | 30 June 2022   | 31 December 2021 |
|------------------------------|----------------|------------------|
| Output tax to be transferred | 517,011,496.89 | 612,064,452.20   |
| Total                        | 517,011,496.89 | 612,064,452.20   |

### **26. Long-term loans**

Long-term loans presented by category

| Categories       | 30 June 2022     | 31 December 2021 |
|------------------|------------------|------------------|
| Pledged loans    |                  | 622,600,000.00   |
| Guaranteed loans | 289,175,109.00   | 595,921,771.74   |
| Credit loans     | 2,713,208,679.13 | 3,004,300,000.00 |
| Total            | 3,002,383,788.13 | 4,222,821,771.74 |

### **27. Bonds payable**

(1) Details of bonds payable

| Items            | 30 June 2022     | 31 December 2021 |
|------------------|------------------|------------------|
| Convertible Bond | 5,173,595,326.65 | 5,054,251,668.83 |
| Total            | 5,173,595,326.65 | 5,054,251,668.83 |

(2) Changes in Bonds payable (Excluding other financial instruments such as preferred stocks and perpetual bonds classified as financial liabilities)

| Items                               | Face value       | Issue date   | Term to maturity | Issuance amount  | Balance at the end of the previous year | Current issue | Interest accrued at face value | Premium and discount amortization | Repayment this period | Convert to stock this period | Balance at the end of the current year |
|-------------------------------------|------------------|--------------|------------------|------------------|---|---------------|--------------------------------|-----------------------------------|-----------------------|------------------------------|--|
| Convertible Bond (Bond code:127018) | 6,800,000,000.00 | Jun 29, 2020 | 6 years          | 6,800,000,000.00 | 5,054,251,668.83                        |               | 22,524,444.40                  | 141,931,391.31                    |                       | 63,289.09                    | 5,173,595,326.65                       |
| Total                               |                  |              |                  | 6,800,000,000.00 | 5,054,251,668.83                        |               | 22,524,444.40                  | 141,931,391.31                    |                       | 63,289.09                    | 5,173,595,326.65                       |

1) Description of the conditions and time for conversion of convertible corporate bonds

Approved by Shenzhen Stock Exchange "Shen Zheng Shang [2020] No. 656", the Company's RMB 6.80 billion convertible corporate bonds were listed on the Shenzhen Stock Exchange on August 4, 2020, and the abbreviation is "Bengang Convertible Bonds". The bond code is "127018". The conversion period of the convertible corporate bonds issued this time is from the first trading day after six months of the issuance of the convertible corporate bonds (July 3, 2020) to the maturity date of the convertible corporate bonds, that is, from January 4, 2021 to June 28, 2026. The initial conversion price of the convertible bonds is RMB 5.03 per share.

During the period from January 1, 2021 to December 31, 2021, the Company's A-share convertible bonds of RMB 1,168,855,400.00 were converted into the Company's A-share ordinary shares, and the number of converted shares was 232,819,847 shares. Of which:

In the first quarter of 2021, Bengang's convertible bonds decreased by RMB 2,656,000.00 (26,560 bonds) due to share conversion, the number of shares converted was 527,021 shares, and the conversion price was RMB 5.03 per share;

In the second quarter of 2021, Bengang's convertible bonds decreased by RMB 46,087,200.00 (460,872 bonds) due to share conversion, the number of shares converted was 9,162,052 shares, and the conversion price was RMB 5.03 per share;

In the third quarter of 2021, Bengang's convertible bonds decreased by RMB 1,119,957,200.00 (11,199,572 bonds) due to share conversion, the number of shares

converted was 223,096,752 shares, and the conversion price was RMB 5.02 per share;

In the fourth quarter of 2021, Bengang's convertible bonds decreased by RMB 155,000.00 (1,550 bonds) due to share conversion, the number of shares converted was 34,022 shares, and the conversion price was RMB 4.55 per share;

In the first quarter of 2022, Bengang's convertible bonds decreased by RMB 67,000.00 (670 bonds) due to share conversion, the number of shares converted was 14,698 shares, and the conversion price was RMB 4.55 per share;

In the second quarter of 2022, Bengang's convertible bonds decreased by RMB 13,200.00 (132 bonds) due to share conversion, the number of shares converted was 3,029.00 shares, and the conversion price was RMB 4.35 per share;

As at June 30, 2022, the company's remaining balance of convertible bonds was RMB 5,631,064,400.00 (56,310,644 bonds).

2) Notes to other financial instruments classified as financial liabilities

None.

**28. Lease liabilities**

| Items  | 30 June 2022     | 31 December 2021 |
|--|------------------|------------------|
| Lease liabilities                            | 1,444,174,357.07 | 1,463,444,635.94 |
| Include: lease liabilities due within 1 year | 39,273,924.44    | 38,777,466.79    |
| Lease liabilities ending balance             | 1,404,900,432.63 | 1,424,667,169.15 |

**29. Deferred income**

| Items              | 31 December 2021 | Increase     | Decrease      | 30 June 2022  | Reason |
|--------------------|------------------|--------------|---------------|---------------|--------|
| Government Subsidy | 93,106,285.89    | 9,690,000.00 | 30,272,965.00 | 72,523,320.89 |        |
| Total              | 93,106,285.89    | 9,690,000.00 | 30,272,965.00 | 72,523,320.89 |        |

Projects of government subsidies:

| Items   | 31 December 2021 | Increase | Transfer to current profit and loss | Other decrease | 30 June 2022  | Related to assets or income |
|---|------------------|----------|-------------------------------------|----------------|---------------|-----------------------------|
| Liaoning Province "Hundred, Thousand, Thousand, Thousand Talents Project" funding project in 2018   | 220,000.00       |          |                                     |                | 220,000.00    | Assets                      |
| 2018 Municipal Skill Master Workstation Fee   | 58,766.34        |          |                                     |                | 58,766.34     | Assets                      |
| 2019 Municipal Skill Master Workstation Fee   | 98,084.16        |          |                                     |                | 98,084.16     | Assets                      |
| 2020 Ecological Civilization Construction Project (Special Steel Electric Furnace Upgrade Project)  | 20,000,000.00    |          |                                     |                | 20,000,000.00 | Assets                      |
| Advanced Treatment Project of Carbon Fiber Wastewater in Dongfeng Plant Area of Plate Coking Plant  | 7,600,000.00     |          | 950,000.00                          |                | 6,650,000.00  | Assets                      |
| Desulfurization and Denitrification Project of Coal-fired Boiler in High-pressure Workshop of Bengang Power Plant                           | 3,000,000.00     |          | 300,000.00                          |                | 2,700,000.00  | Assets                      |
| Research and development of high-strength steel for the third generation of automobiles   | 1,740,000.00     |          | 290,000.00                          |                | 1,450,000.00  | Assets                      |
| 7 sets of 130 tons combustion boiler flue gas desulfurization project in power plant  | 4,800,000.00     |          | 2,400,000.00                        |                | 2,400,000.00  | Assets                      |
| Power plant three power plant cogeneration reform project   | 2,000,000.00     |          | 1,000,000.00                        |                | 1,000,000.00  | Assets                      |
| Cold-rolled high-strength steel renovation project  | 50,000,000.00    |          | 25,000,000.00                       |                | 25,000,000.00 | Assets                      |
| Liaoning Artisan Subsidy  | 21.89            |          |                                     |                | 21.89         | Assets                      |
| Research on the Influence Mechanism and Control of Rare Earth Oxide Sulfide on Automobile Steel Plasticity                                  | 457,413.50       |          | 122,965.00                          |                | 334,448.50    | Income                      |
| Design of metallurgical slag system of rare earth steel and research on its chemical properties   | 340,000.00       |          |                                     |                | 340,000.00    | Income                      |
| Provincial Science and Technology Department National Natural Science Foundation of China-Liaoning Provincial Government Joint Fund Project | 334,000.00       |          |                                     |                | 334,000.00    | Income                      |
| 2019 Provincial Skilled Master Workstation Fee  | 200,000.00       |          |                                     |                | 200,000.00    | Income                      |



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| Items  | 31 December 2021 | Increase     | Transfer to current profit and loss | Other decrease | 30 June 2022  | Related to assets or income |
|--|------------------|--------------|-------------------------------------|----------------|---------------|-----------------------------|
| 2020 Provincial Skilled Master Workstation Fee   | 100,000.00       |              |                                     |                | 100,000.00    | Income                      |
| Basic research on new technology of composite iron coke low carbon ironmaking charge   | 168,000.00       |              |                                     |                | 168,000.00    | Income                      |
| The second batch of planned projects of the 2020 Liaoning Provincial Central Government to guide local science and technology development funds        | 300,000.00       |              |                                     |                | 300,000.00    | Income                      |
| 2020 Liaoning Province "Hundreds of Thousands of Talents Project" Funding Project  | 50,000.00        |              |                                     |                | 50,000.00     | Income                      |
| Air Pollution Prevention and Control Fund-Second Burning Finishing Dust Removal Ultra-Low Emission Transformation Project                              | 1,640,000.00     |              | 205,000.00                          |                | 1,435,000.00  | Assets                      |
| Special fund project for building a strong province through intelligent manufacturing in 2021  |                  | 8,100,000.00 |                                     |                | 8,100,000.00  | Assets                      |
| 2021 Benxi expert talent and enterprise docking project  |                  | 10,000.00    | 5,000.00                            |                | 5,000.00      | Income                      |
| Special project for pollution control, energy saving and carbon reduction in Benxi in 2021 (converter gas recovery and efficiency improvement project) |                  | 1,500,000.00 |                                     |                | 1,500,000.00  | Assets                      |
| 2021 Provincial Skilled Master Workstation Fee   |                  | 80,000.00    |                                     |                | 80,000.00     | Assets                      |
| Total  | 93,106,285.89    | 9,690,000.00 | 30,272,965.00                       |                | 72,523,320.89 |                             |

### 30. Share capital

| Items          | 31 December 2021 | Increase/decrease (+, -) |              |                           |           | Subtotal  | 30 June 2022     |
|----------------|------------------|--------------------------|--------------|---------------------------|-----------|-----------|------------------|
|                |                  | Issuing of new share     | Bonus shares | Transferred from reserves | Others    |           |                  |
| Capital shares | 4,108,191,379.00 |                          |              |                           | 17,727.00 | 17,727.00 | 4,108,209,106.00 |

Notes: The increase in the current period was due to the conversion of the A-share convertible bonds issued by the company into 17,727 A-share ordinary shares in the current period. For details, please refer to “Note 7 (27) Bonds Payable”.

### 31. Other equity instruments

(1) Changes in financial instruments such as preferred stocks and perpetual bonds issued at the end of the period

| Items                       | 31 December 2021 |                | Increase |            | Decrease |            | 30 June 2022  |                |
|-----------------------------|------------------|----------------|----------|------------|----------|------------|---------------|----------------|
|                             | Number           | Book value     | Number   | Book value | Number   | Book value | Number        | Book value     |
| Convertible corporate bonds | 56,311,446.00    | 947,882,663.63 |          |            | 802.00   | 16,325.76  | 56,310,644.00 | 947,866,337.87 |
| Total                       | 56,311,446.00    | 947,882,663.63 |          |            | 802.00   | 16,325.76  | 56,310,644.00 | 947,866,337.87 |

Notes: The decrease in the current period is due to the accumulative amount of RMB 80,200.00 (802 bonds) of A-share convertible bonds issued by the company being converted into the company’s A-share ordinary shares. As at June 30 2022, the remaining convertible bond balance of the company is RMB5,631,064,400.00 (56,310,644 bonds). For details, please refer to “Note 5. (27) Bonds Payable”.

**32. Capital reserves**

| Items                  | 31 December 2021  | Increase  | Decrease | 30 June 2022      |
|------------------------|-------------------|-----------|----------|-------------------|
| Capital premium        | 13,156,216,704.27 | 61,887.86 |          | 13,156,278,592.13 |
| Other capital reserves | 115,917,468.82    |           |          | 115,917,468.82    |
| Total                  | 13,272,134,173.09 | 61,887.86 |          | 13,272,196,060.95 |

Note: The increase in capital premium is due to the conversion of convertible bonds into company's A-share ordinary shares.

**33. Special Reserves**

| Items                  | 31 December 2021 | Increase      | Decrease     | 30 June 2022  |
|------------------------|------------------|---------------|--------------|---------------|
| Safety production cost | 337,978.57       | 38,838,893.44 | 7,687,308.78 | 31,489,563.23 |
| Total                  | 337,978.57       | 38,838,893.44 | 7,687,308.78 | 31,489,563.23 |

**34. Surplus Reserves**

| Items                      | 31 December 2021 | Increase | Decrease | 30 June 2022     |
|----------------------------|------------------|----------|----------|------------------|
| Statutory surplus reserves | 1,195,116,522.37 |          |          | 1,195,116,522.37 |
| Total                      | 1,195,116,522.37 |          |          | 1,195,116,522.37 |

**35. Undistributed Profits**

| Items  | Current period   | Previous period  |
|--|------------------|------------------|
| Before adjustments: undistributed profits at last year-end   | 2,977,306,297.64 | 2,692,018,405.40 |
| After adjustments: undistributed profit at this year-opening | 2,977,306,297.64 | 2,692,018,405.40 |
| Add: undistributed profit belonging to parent company        | 561,735,377.41   | 2,500,582,902.58 |
| Less: Statutory surplus reserves                             |                  | 234,010,992.52   |
| Common shares dividend payable                               | 2,464,914,827.40 | 1,981,284,017.82 |
| Common shares dividend transferred to paid-in capital        |                  |                  |
| Ending balance of undistributed profits                      | 1,074,126,847.65 | 2,977,306,297.64 |

Notes:

- 1) Adjustments of accounting standards for business enterprises and relevant new regulations at this year opening is amount RMB 0.00.
- 2) Adjustments of Changes in accounting policies at this year opening is amount RMB 0.00.
- 3) Adjustments of Correction of major accounting errors at this year opening is amount RMB 0.00.
- 4) Adjustments of Change of consolidation scope caused by the same control at this year opening is amount RMB 0.00.
- 5) Other adjustments at this year opening is amount RMB 0.00.

### 36. Operating income and operating cost

| Items              | Current period    |                   | Previous period   |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|
|                    | Revenue           | Cost              | Revenue           | Cost              |
| Principal business | 33,109,977,666.90 | 31,509,788,033.31 | 35,798,649,027.39 | 32,161,874,843.45 |
| Other business     | 1,905,199,638.08  | 1,867,689,507.32  | 2,789,479,184.75  | 2,430,950,949.27  |
| Total              | 35,015,177,304.98 | 33,377,477,540.63 | 38,588,128,212.14 | 34,592,825,792.72 |

#### Details for operating income:

| Item  | Principal business | Other business   |
|---|--------------------|------------------|
| Classified by business area                     | 33,109,977,666.90  | 1,905,199,638.08 |
| Including: Domestic                             | 29,041,718,048.17  | 1,905,199,638.08 |
| Abroad  | 4,068,259,618.73   | -                |
| Classified by the time of commodity transfer    | 33,109,977,666.90  | 1,905,199,638.08 |
| Including: recognize at a certain point in time | 33,109,977,666.90  | 1,905,199,638.08 |
| recognize over a certain period of time         |                    |                  |
| Total   | 33,109,977,666.90  | 1,905,199,638.08 |

### 37. Tax and surcharges

| Items                                 | Current period | Previous period |
|---------------------------------------|----------------|-----------------|
| City maintenance and construction tax | 4,726,087.15   | 76,391,993.56   |
| Educational surcharge                 | 3,554,726.34   | 54,742,060.36   |
| Housing property tax                  | 40,822,272.51  | 40,482,761.79   |
| Land use right tax                    | 6,847,915.75   | 6,848,481.27    |
| Vehicle and vessel use tax            | 26,912.88      | 7,286.20        |
| Stamp duty                            | 32,496,146.38  | 52,930,399.36   |
| Environmental tax                     | 11,411,384.22  | 10,152,512.38   |
| Total                                 | 99,885,445.23  | 241,555,494.92  |

### 38. Selling and distribution expenses

| Items                        | Current period | Previous period |
|------------------------------|----------------|-----------------|
| Import and export agency fee | 36,702,096.00  | 36,480,975.97   |
| Salary and benefits          | 18,244,427.10  | 15,027,843.69   |
| Package fee                  | 4,973,464.77   | 3,787,047.04    |
| Others                       | 7,510,887.30   | 4,356,803.02    |
| Total                        | 67,430,875.17  | 59,652,669.72   |

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### 39. General and administrative expenses

| Items                        | Current period | Previous period |
|------------------------------|----------------|-----------------|
| Salary and benefits          | 149,216,492.01 | 174,030,589.62  |
| Repair expense               | 105,587,548.07 | 107,230,408.76  |
| Land use right fee           | 19,965,273.48  | 32,611,483.62   |
| Depreciation                 | 22,309,498.45  | 19,687,001.55   |
| Heating fee                  | 19,696,001.68  | 16,329,843.40   |
| Water resources fee          | 1,099,369.60   | 4,078,271.50    |
| Environmental protection fee | 3,176,610.83   | 4,145,377.97    |
| Others                       | 31,253,889.98  | 30,565,866.81   |
| Total                        | 352,304,684.10 | 388,678,843.23  |

### 40. Research and development expenses

| Items  | Current period | Previous period |
|--|----------------|-----------------|
| Depreciation, materials and compensation, etc. | 22,368,496.87  | 22,504,022.68   |
| Total  | 22,368,496.87  | 22,504,022.68   |

### 41. Financial expenses

| Items                 | Current period | Previous period |
|-----------------------|----------------|-----------------|
| Interest expenditure  | 342,674,208.42 | 554,219,518.90  |
| Less: Interest income | 61,019,147.27  | 222,276,204.79  |
| Exchange loss         | 5,012,400.26   | -15,432,430.80  |
| Others                | 6,425,946.41   | 19,844,815.53   |
| Total                 | 293,093,407.82 | 336,355,698.84  |

### 42. Other income

| Items                                | Current period | Previous period |
|--------------------------------------|----------------|-----------------|
| Government subsidy related to income | 127,965.00     | 75,883.34       |
| Government subsidy related to assets | 30,145,000.00  | 32,135,000.00   |
| Individual tax service fee refund    | 2,577.92       |                 |
| Others                               | 380,000.00     | 448,600.00      |
| Total                                | 30,655,542.92  | 32,659,483.34   |

### 43. Income on investment

| Items  | Current period | Previous period |
|--|----------------|-----------------|
| Income on long-term equity investment by equity method | 85,455.22      | 281,949.15      |

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|       |            |              |
|-------|------------|--------------|
| Other | 30,387.62  | 1,553,175.04 |
| Total | 115,842.84 | 1,835,124.19 |

### 44. Credit impairment losses

| Items                                     | Current period | Previous period |
|---|----------------|-----------------|
| Loss from bad debts of account receivable | -2,845,559.93  | 1,870,902.74    |
| Loss from bad debts of other receivables  | 2,051,653.20   | 179,075.09      |
| Total                                     | -793,906.73    | 2,049,977.83    |

Note: Loss is shown as negative figures

### 45. Assets impairment loss

| Items  | Current period | Previous period |
|--|----------------|-----------------|
| Impairment of inventory and contract performance costs | -72,880,991.53 | 6,629,442.12    |
| Total  | -72,880,991.53 | 6,629,442.12    |

Note: Loss is shown as negative figures

### 46. Asset disposal income

| Items  | Current period | Previous period | The amount recognized in non-recurring profit |
|--|----------------|-----------------|---|
| Disposal gains or losses arising from disposal of fixed assets not held for sale | 3,648,546.62   | 130,675.05      | 3,648,546.62                                  |
| Total  | 3,648,546.62   | 130,675.05      | 3,648,546.62                                  |

Note: Loss is shown as negative figures

### 47. Non-operating income

| Items                             | Current period | Previous period | The amount recognized in non-recurring profit |
|-----------------------------------|----------------|-----------------|---|
| Non-current assets scrapped gains | 711,708.55     | 717,592.73      | 711,708.55                                    |
| Payables that cannot be paid      | 27,948,070.49  |                 | 27,948,070.49                                 |
| Others                            | 1,912,502.31   | 2,555,535.73    | 1,912,502.31                                  |
| Total                             | 30,572,281.35  | 3,273,128.46    | 30,572,281.35                                 |

### 48. Non-operating expense

| Items                            | Current period | Previous period | The amount recognized in non-recurring profit |
|----------------------------------|----------------|-----------------|---|
| Non-current assets scrapped loss | 10,765,339.79  | 22,989,643.14   | 10,765,339.79                                 |
| Total                            | 10,765,339.79  | 22,989,643.14   | 10,765,339.79                                 |

**49. Income tax expenses**

(1) Income tax expenses

| Items                                   | Current period | Previous period |
|---|----------------|-----------------|
| Income tax payable for the current year | 197,785,904.70 | 744,822,287.29  |
| Adjustment of deferred income tax       | 5,419,049.90   | 2,155,303.16    |
| Total                                   | 203,204,954.60 | 746,977,590.45  |

(2) Accounting profit and income tax expense adjustment process

| Items   | Current period |
|---|----------------|
| Total profit  | 783,168,830.84 |
| Income tax expense calculate according to the official or applicable tax rate         | 195,792,207.71 |
| Effect of non-taxable income  | -21,363.81     |
| Effect of non-deductible costs, expenses or losses                                    | 49,182.62      |
| Effect of use of deductible losses of unrecognized deferred tax asset of prior period | -2,632,491.23  |
| Others  | 10,017,419.31  |
| Income tax expenses   | 203,204,954.60 |

**50. Notes of statement of cash flows**

(1) Cash received related to other operating activities

| Items   | Current period | Previous period |
|---|----------------|-----------------|
| Withdraw of current accounts, advance for another | 97,205,274.52  | 14,619,093.59   |
| Interest income                                   | 61,019,147.27  | 222,276,204.79  |
| Special subsidy income                            | 9,690,000.00   | 1,225,520.00    |
| Non-operating income                              |                | 1,068,391.65    |
| Others  | 804,702.43     | 130,327.27      |
| Total   | 168,719,124.22 | 239,319,537.30  |

(2) Cash paid related to other operating activities

| Items                                 | Current period | Previous period |
|---------------------------------------|----------------|-----------------|
| Current accounts, advance for another | 22,514,446.73  | 179,844,208.53  |
| Sales expenses                        | 50,910,874.42  | 4,351,842.16    |
| Administrative expenses               | 168,184,142.54 | 15,765,954.58   |
| Charges                               | 6,425,946.41   | 2,980,552.80    |
| Others                                | 1,023,567.21   | 437,431.93      |
| Total                                 | 249,058,977.31 | 203,379,990.00  |

(3) Cash received related to other financing activities

| Items   | Current period   | Previous period |
|---|------------------|-----------------|
| Margin for bill, letter of guarantee and letter of credit | 2,548,792,921.60 |                 |
| Total   | 2,548,792,921.60 |                 |

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### (4) Cash paid related to other financing activities

| Items   | Current period | Previous period |
|---|----------------|-----------------|
| Margin for bill, letter of guarantee and letter of credit | 71,693,646.43  |                 |
| Total   | 71,693,646.43  |                 |

## 51. Supplementary details of statement of cash flows

### (1) Supplementary details for statement of cash flows

| Items  | Current period    | Previous period   |
|--|-------------------|-------------------|
| 1. A reconciliation of net profit to cash flows from operating activities:                                       |                   |                   |
| Net profit   | 579,963,876.24    | 2,223,166,287.43  |
| Add: Credit impairment loss  | 793,906.73        | 2,049,977.83      |
| Impairment of assets   | 72,880,991.53     | 6,629,442.12      |
| Depreciation of fixed assets   | 1,105,263,552.94  | 1,165,395,017.14  |
| Depreciation of productive biological assets   |                   |                   |
| Depletion of oil and gas properties  |                   |                   |
| Depreciation of right-of-use assets  | 30,187,267.22     | 31,329,731.88     |
| Amortization of intangible assets  | 3,690,085.26      | 3,283,685.40      |
| Amortization of long-term deferred expenses  |                   |                   |
| Losses proceeds from disposal of fixed assets, intangible assets and other long-term assets (Earnings marked“—”) | -3,648,546.62     | 22,272,050.41     |
| Scrapped losses from fixed assets (Earnings marked“—”)   | 10,053,631.24     |                   |
| Loss from changes in fair value (Earnings marked“—”)   |                   |                   |
| Financial expenses (Earnings marked“—”)  | 342,674,208.42    | 336,355,698.84    |
| Investment losses (Earnings marked“—”)   | -115,842.84       |                   |
| Deferred tax assets reduction (Addition marked“—”)   | 5,419,049.90      | -2,155,303.16     |
| Deferred tax liabilities increased (Reduction marked“—”)   |                   |                   |
| Reduction of inventory (Addition marked“—”)  | 1,435,572,851.38  | 376,719,726.97    |
| Operating receivable items reduction (Addition marked“—”)  | 2,160,572,533.72  | 102,664,138.59    |
| Operating payable items increase (Less marked“—”)  | -5,468,912,532.78 | -2,742,794,233.42 |
| Others   | -46,943,190.13    |                   |
| Net cash flows generated from operating activities   | 227,451,842.21    | 1,524,916,220.03  |
| 2. Payments of investing and financing activities not involving cash:  |                   |                   |
| Liabilities transferred to capital   |                   |                   |
| Convertible corporate bonds due within one year  |                   |                   |
| Fixed assets financed by leasing   |                   |                   |
| 3. The net increase in cash and cash equivalents:  |                   |                   |
| Ending balance of cash   | 4,750,473,298.51  | 4,457,454,114.91  |
| Less: Opening balance of cash  | 6,299,099,063.48  | 9,229,417,595.12  |
| Add: Ending balance of cash equivalents  |                   |                   |



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| Items   | Current period    | Previous period   |
|---|-------------------|-------------------|
| Less: Opening balance of cash equivalents     |                   |                   |
| The net increase in cash and cash equivalents | -1,548,625,764.97 | -4,771,963,480.21 |

### (2) The structure of cash and cash equivalents

| Items  | 30 June 2022     | 31 December 2021 |
|--|------------------|------------------|
| 1. Cash  | 4,750,473,298.51 | 6,299,099,063.48 |
| Including: Cash on hand  | 1,232.53         | 24,334.93        |
| Bank deposits available on demand  | 4,750,472,065.98 | 6,299,074,728.55 |
| 2. Cash equivalents  |                  |                  |
| Including: Investment of securities due within 3 months  |                  |                  |
| 3. Ending balance of cash and cash equivalents   | 4,750,473,298.51 | 6,299,099,063.48 |
| Including: Cash and cash equivalents limited to use by the parent company of another subsidiary in the group |                  |                  |

## 52. Assets of which ownership or right to use are restricted

| Items                         | Ending balance | Reason                                 |
|-------------------------------|----------------|--|
| Cash at bank and on hand      | 54,897,399.20  | Deposit for notes and letter of credit |
| Accounts receivable financing | 101,670,000.00 | Pledge for bank acceptance bill        |
| Fixed assets                  | 87,549,758.85  | Mortgage for fund borrowing            |
| Intangible assets             | 35,846,028.60  | Mortgage for fund borrowing            |
| Total                         | 279,963,186.65 |  |

## 53. Foreign currency monetary items

### (1) Foreign currency monetary items

| Items                           | Ending balance in foreign currency | Exchange rate at the year-end | Ending balance translated to RMB |
|---------------------------------|------------------------------------|-------------------------------|----------------------------------|
| <b>Cash at bank and on hand</b> |                                    |                               | 14,102,344.42                    |
| Including: USD                  | 2,101,252.26                       | 6.7114                        | 14,102,344.42                    |
| EUR                             |                                    |                               |                                  |
| HKD                             |                                    |                               |                                  |
| <b>Short-term loans</b>         |                                    |                               | 1,342,280.00                     |
| Including: USD                  | 200,000.00                         | 6.7114                        | 1,342,280.00                     |
| EUR                             |                                    |                               |                                  |
| JPY                             |                                    |                               |                                  |
| <b>Long-term loans</b>          |                                    |                               | 300,627,944.50                   |
| Including: USD                  | 9,500,000.00                       | 6.7114                        | 63,758,300.00                    |

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| Items | Ending balance in foreign currency | Exchange rate at the year-end | Ending balance translated to RMB |
|-------|------------------------------------|-------------------------------|----------------------------------|
| EUR   | 32,904,937.70                      | 7.0084                        | 230,610,965.70                   |
| JPY   | 127,468,000.00                     | 0.0491                        | 6,258,678.80                     |

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(2) The Company has no overseas operating entities.

### 54. Government subsidies

(1) Government subsidies related to assets

| Item  | Amount         | Balance sheet items | The amount included in the current profit or loss or offsetting the loss of related costs |                 |              |
|---|----------------|---------------------|---|-----------------|--------------|
|   |                |                     | Current period  | Previous period | Items        |
| 2018 Municipal Skill Master Workstation Fee   | 240,000.00     | Deferred Income     |   |                 | Other income |
| Advanced Treatment Project of Carbon Fiber Wastewater in Dongfeng Plant Area of Plate Coking Plant                | 9,500,000.00   | Deferred Income     | 950,000.00  | 950,000.00      | Other income |
| Desulfurization and Denitrification Project of Coal-fired Boiler in High-pressure Workshop of Bengang Power Plant | 6,000,000.00   | Deferred Income     | 300,000.00  | 300,000.00      | Other income |
| Research and development of high-strength steel for the third generation of automobiles                           | 2,900,000.00   | Deferred Income     | 290,000.00  | 290,000.00      | Other income |
| 7 sets of 130 tons combustion boiler flue gas desulfurization project in power plant                              | 24,000,000.00  | Deferred Income     | 2,400,000.00  | 2,400,000.00    | Other income |
| Power plant three power plant cogeneration renovation project   | 10,000,000.00  | Deferred Income     | 1,000,000.00  | 1,000,000.00    | Other income |
| Cold-rolled high-strength steel renovation project  | 250,000,000.00 | Deferred Income     | 25,000,000.00   | 25,000,000.00   | Other income |
| Liaoning Artisan Subsidy  | 100,002.97     | Deferred Income     |   |                 | Other income |
| Finishing Dust  | 2,050,000.00   | Deferred            | 205,000.00  |                 | Other        |

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| Item   | Amount        | Balance sheet items | The amount included in the current profit or loss or offsetting the loss of related costs |                 |              |
|--|---------------|---------------------|---|-----------------|--------------|
|  |               |                     | Current period  | Previous period | Items        |
| Removal Ultra-Low Emission Transformation Project  |               | Income              |   |                 | income       |
| Special fund project for building a strong province through intelligent manufacturing in 2021  | 8,100,000.00  | Deferred Income     |   |                 | Other income |
| Special project for pollution control, energy saving and carbon reduction in Benxi in 2021 (converter gas recovery and efficiency improvement project) | 1,500,000.00  | Deferred Income     |   |                 | Other income |
| 2021 Municipal Skill Master Workstation Fee  | 80,000.00     | Deferred Income     |   |                 | Other income |
| 2020 Ecological Civilization Construction Project (Special Steel Electric Furnace Upgrade Project)   | 20,000,000.00 | Deferred Income     |   |                 | Other income |

(2) Government subsidies related to income

| Items  | Amount     | The amount included in the current profit or loss or offsetting the loss of related costs |                 |              |
|--|------------|---|-----------------|--------------|
|  |            | Current period  | Previous period | Items        |
| Research on the Influence Mechanism and Control of Rare Earth Oxide Sulfide on Automobile Steel Plasticity | 547,040.00 | 122,965.00  | 24,876.50       | Other income |
| 2021 Benxi expert talent and enterprise  | 10,000.00  | 5,000.00  |                 | Other income |

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| Items   | Amount     | The amount included in the current profit or loss or offsetting the loss of related costs |                 |              |
|---|------------|---|-----------------|--------------|
|   |            | Current period  | Previous period | Items        |
| docking project   |            |   |                 |              |
| Design of metallurgical slag system of rare earth steel and Study on its physical and chemical properties   | 340,000.00 |   |                 | Other income |
| Joint fund project of provincial science and Technology Department, National Natural Science Foundation of China and Liaoning Provincial Government | 334,000.00 |   |                 | Other income |
| 2019 Provincial Skill Master Workstation Fee  | 200,000.00 |   |                 | Other income |
| 2020 Provincial Skill Master Workstation Fee  | 100,000.00 |   |                 | Other income |
| Research on new technology of composite iron coke low carbon iron making charge   | 168,000.00 |   |                 | Other income |
| The second batch of planned projects of Liaoning provincial central leading local science and technology development funds in 2021                  | 300,000.00 |   |                 | Other income |
| Liaoning Province "ten million Talents Project" funding project in 2020   | 50,000.00  |   |                 | Other income |
| Liaoning Province   | 250,000.00 |   | 30,000.00       | Other income |

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| Items   | Amount     | The amount included in the current profit or loss or offsetting the loss of related costs |                 |                        |
|---|------------|---|-----------------|------------------------|
|   |            | Current period  | Previous period | Items                  |
| "Hundred, Thousand, Thousand, Thousand Talents Project" funding project in 2018 |            |   |                 |                        |
| 2019 Municipal Skill Master Workstation Fee                                     | 180,000.00 |   | 21,006.84       | Other income           |
| Tax refund  | 380,000.00 | 380,000.00  |                 | Other income           |
| Stable Job Subsidy  | 4,120.00   | 4,120.00  |                 | Administrative expense |

(3) Return of government subsidies during the reporting period

None

### 55. Lease

| Item   | Current period |
|--|----------------|
| Interest expense from lease liability  | 27,576,079.44  |
| Short-term lease expenses from simplified treatment included in the cost of related assets or the current profit and loss  |                |
| Low-value asset lease expenses from simplified treatment included in the cost of related assets or the current profit and loss (Except short-term lease expenses from low-value asset) |                |
| Variable lease payments without including in the measurement of the lease liability included in the cost of related assets or the current profit and loss                              |                |
| Including: sale-leaseback transaction generation part  |                |
| Income from subletting the right-of-use assets   |                |
| Total cashflow out related to leasing  | 46,846,358.31  |
| Profit and loss from sale-leaseback transactions   |                |
| Cash inflows from sale-leaseback transactions  |                |
| Cash outflows from leaseback   |                |

## VI. Changes in the scope of consolidation

### 1. Changes in consolidation scope due to other reasons

Chongqing Liaoben Steel & Iron Trading Co., Ltd., a wholly-owned subsidiary, was cancelled in the current period.

## VII. Equity in other entities

### 1. Equity in subsidiaries

#### (1) Constitution of enterprise group

| Name of the subsidiaries                       | Principal place of business | Registered address | Notes of business | Shareholding ratio |          | Acquiring method                          |
|--|-----------------------------|--------------------|-------------------|--------------------|----------|---|
|  |                             |                    |                   | Direct             | Indirect |   |
| Wuxi Bengang Steel & Iron Sales Co., Ltd.      | Wuxi                        | Wuxi               | Sales             | 100.00             |          | Business combination under common control |
| Tianjin Bengang Steel & Iron Trading Co., Ltd. | Tianjin                     | Tianjin            | Sales             | 100.00             |          | Business combination under common control |
| Nanjing Bengang Materials Sales Co., Ltd.      | Nanjing                     | Nanjing            | Sales             | 100.00             |          | Business combination under common control |
| Yantai Bengang Steel & Iron Sales Co., Ltd.    | Yantai                      | Yantai             | Sales             | 100.00             |          | Business combination under common control |
| Harbin Bengang Economic and Trading Co., Ltd.  | Harbin                      | Harbin             | Sales             | 100.00             |          | Business combination under common control |
| Changchun Bengang                              | Changchun                   | Changchun          | Sales             | 100.00             |          | Business combination under                |

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| Name of the subsidiaries                                    | Principal place of business | Registered address | Notes of business | Shareholding ratio |          | Acquiring method                          |
|---|-----------------------------|--------------------|-------------------|--------------------|----------|---|
|   |                             |                    |                   | Direct             | Indirect |   |
| Steel & Iron Sales Co., Ltd.<br>Guangzhou Bengang           |                             |                    |                   |                    |          | common control                            |
| Steel & Iron Trading Co., Ltd.<br>Shanghai Bengang          | Guangzhou                   | Guangzhou          | Sales             | 100.00             |          | Establishment                             |
| Metallurgy Science and Technology Co., Ltd.<br>Bengang      | Shanghai                    | Shanghai           | Sales             | 100.00             |          | Establishment                             |
| Steel Plates Liaoyang Pellet Co., Ltd.<br>Dalian Benruitong | Liaoyang                    | Liaoyang           | Manufacturing     | 100.00             |          | Establishment                             |
| Automobile Material Technology Co., Ltd.<br>Bengang         | Dalian                      | Dalian             | Manufacturing     | 65.00              |          | Establishment                             |
| POSCO Cold-rolled Sheet Co., Ltd.<br>Benxi                  | Benxi                       | Benxi              | Manufacturing     | 75.00              |          | Business combination under common control |
| Benxi   | Benxi                       | Benxi              | Sales             | 100.00             |          | Establishment                             |



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| Name of the subsidiaries                               | Principal place of business | Registered address | Notes of business | Shareholding ratio |          | Acquiring method                          |
|--|-----------------------------|--------------------|-------------------|--------------------|----------|---|
|  |                             |                    |                   | Direct             | Indirect |   |
| Bengang Steel Sales Co., Ltd                           | Shenyang                    | Shenyang           | Sales             | 100.00             |          | Establishment                             |
| Bengang Metallurgical Science and Technology Co., Ltd. | Shenyang                    | Shenyang           | Manufacturing     | 85.00              |          | Business combination under common control |

### (2) Significant but not wholly-owned subsidiaries

| Name of the subsidiaries                  | Proportion of non-controlling interests (%) | Profits and losses attributing to non-controlling shareholders | Dividend declared to distribute to non-controlling shareholders | Ending balance of non-controlling interests |
|---|---|--|---|---|
| Bengang POSCO Cold-rolled Sheet Co., Ltd. | 25.00                                       | 22,883,060.69  |   | 567,286,294.20                              |

### (3) Financial information of significant but not wholly-owned subsidiaries

| Name of the subsidiaries | 30 June 2022     |                    |                  |                     |                         |                   |
|--------------------------|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
|                          | Current assets   | Non-current assets | Total assets     | Current liabilities | Non-current liabilities | Total liabilities |
| Bengang POSCO            | 2,578,868,342.31 | 1,064,567,282.14   | 3,643,435,624.45 | 1,374,290,447.66    |                         | 1,374,290,447.66  |

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| Name of the       | 30 June 2022 |
|-------------------|--------------|
| Cold-rolled Sheet |              |
| Co., Ltd.         |              |
| (Continue)        |              |

| Name of the subsidiaries                  | 31 December 2021 |                    |                  |                     |                         |                   |
|---|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
|   | Current assets   | Non-current assets | Total assets     | Current liabilities | Non-current liabilities | Total liabilities |
| Bengang POSCO Cold-rolled Sheet Co., Ltd. | 2,969,950,327.43 | 1,134,904,732.59   | 4,104,855,060.02 | 1,937,187,863.07    |                         | 1,937,187,863.07  |

| Name of the subsidiaries                  | Current period   |               |                            |  |
|---|------------------|---------------|----------------------------|--|
|   | Operating income | Net profit    | Total comprehensive income | Net cash flows from operating activities |
| Bengang POSCO Cold-rolled Sheet Co., Ltd. | 5,229,533,000.35 | 91,532,242.77 | 91,532,242.77              | 306,038,909.09                           |

| Name of the subsidiaries                  | Previous period  |               |                            |  |
|---|------------------|---------------|----------------------------|--|
|   | Operating income | Net profit    | Total comprehensive income | Net cash flows from operating activities |
| Bengang POSCO Cold-rolled Sheet Co., Ltd. | 5,691,380,556.81 | 62,979,247.98 | 62,979,247.99              | -138,708,467.08                          |

## 2. Other

### (1) Summary of financial information of unimportant joint ventures and associates

|  | 30 June 2022/ Current period | 31 December 2021/ Previous period |
|--|------------------------------|-----------------------------------|
| <b>Joint ventures:</b>   |                              |                                   |
| Total book value of investment:  | 3,067,239.29                 | 2,981,784.07                      |
| The total amount of the following items calculated according to the shareholding ratio |                              |                                   |
| —Net profit  | 85,455.22                    | 520,432.46                        |

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|                             | 30 June 2022/ Current period | 31 December 2021/ Previous period |
|-----------------------------|------------------------------|-----------------------------------|
| —Other comprehensive income |                              |                                   |
| —Total comprehensive income | 85,455.22                    | 520,432.46                        |

### VIII. Risks associated with financial instruments

The company faces various financial risks in its operation: credit risk, market risk and liquidity risk. The company's board of directors is fully responsible for the determination of risk management objectives and policies, and assumes ultimate responsibility for the risk management objectives and policies. However, the board of directors has authorized the company's planning and development department to design and implement procedures that ensure the effective implementation of risk management objectives and policies. The board of directors reviews the effectiveness of the implemented procedures and the rationality of risk management objectives and policies through reports submitted by the planning and development department. The company's internal auditors also audit risk management policies and procedures, and report relevant findings to the audit committee.

The overall goal of the company's risk management is to formulate a risk management policy that minimizes risks without excessively affecting the company's competitiveness and resilience.

#### 1. Credit risk

Credit risk refers to a financial loss to a party due to failure to discharge an obligation by the counterparties. The Company is exposed to credit risk arising from customers' failure to discharge an obligation in sales on credit. Before signing a new contract, the company will assess the credit risk of new customers, including external credit ratings and bank credit certificates in certain cases (when this information is available). The company has set a credit limit for each customer, which is the maximum amount that does not require additional approval.

The Company ensures that the company's overall credit risk is within a controllable range through regular monitoring of existing customers' credit ratings and periodic review of aging analysis of accounts receivable. In addition, the Company strictly approves the line of credit, and only sells on credit to important customers for newly-developed products. In the monitoring of credit risk of customers, the Company sorts customers into groups by their credit characteristics. Those customers which are rated as "high risk" will be put in the restricted client list. The Company can only sell to these customers on credit with additional approval; otherwise, the Company must ask for a corresponding deposit in advance.

## 2. Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when an enterprise fulfills its obligation to settle by delivering cash or other financial assets. It is the Company's policy to ensure that sufficient cash is available to meet debt obligations as they fall due. Liquidity risk is centrally controlled by the Company's financial department. The finance department ensures that the company has sufficient funds to repay its debts under all reasonable forecasts by monitoring unrestricted monetary fund balances, bank acceptance bills that will be realized when due, and rolling forecasts of cash flows for the next 12 months.

The following table sets forth the remaining contractual maturity dates of the Company's non-derivative financial liabilities that should be repaid in accordance with the terms of the agreement. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. Cash flow including interest and principal:

(In 10 thousand Yuan)

| Items                    | 30 June 2022      |               |            |            |              | Total        |
|--------------------------|-------------------|---------------|------------|------------|--------------|--------------|
|                          | Instant repayment | Within 1 year | 1-2years   | 2-5years   | Over 5 years |              |
| Trade and other payables |                   | 693,670.74    |            |            |              | 693,670.74   |
| Borrowing and Interest   |                   | 494,568.82    | 255,904.22 | 678,612.89 | 695.49       | 1,429,781.42 |
| Total                    |                   | 1,188,239.56  | 255,904.22 | 678,612.89 | 695.49       | 2,123,452.16 |

  

| Items                    | 31 December 2021  |               |            |            |              | Total        |
|--------------------------|-------------------|---------------|------------|------------|--------------|--------------|
|                          | Instant repayment | Within 1 year | 1-2years   | 2-5years   | Over 5 years |              |
| Trade and other payables |                   | 1,133,538.18  |            |            |              | 1,133,538.18 |
| Borrowing and Interest   |                   | 441,115.83    | 226,971.68 | 832,756.07 |              | 1,500,843.58 |
| Total                    |                   | 1,574,654.01  | 226,971.68 | 832,756.07 |              | 2,634,381.76 |

## 3. Market risk

Market risk of financial instruments refers to fluctuations of fair value or future cash flows due to market price changes, including currency risk, interest rate risk, and other price risk.

### (1) Interest rate risk

Interest rate risk refers to fluctuations of fair value or future cash flows due to market rate changes. The Company's exposure to currency risk is primarily arising from variable-rate bank balances and variable-rate borrowings. Currently, the Company does not have a specific policy to manage its interest rate risk. The management will carefully choose financing methods, and combine fixed interest rate with variable interest rate, short-term obligations with long-term obligations. By using effective interest rate risk management methods, the

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Company closely monitors interest rate risk and will consider interest-rate swaps to acquire an expected structure of interest rates shall the need arise.

### (2) Currency risk

Currency risk refers to fluctuations of fair value or future cash flows due to exchange rate changes. The Company has been constantly working on the adjustment of the organizational framework of risk management and optimization of debt structures to lower the currency risk.

The currency risk facing the Company originates from the assets and liabilities measured by US dollars, Euro, Hongkong dollars and Japanese Yen. The ending balance of the assets and liabilities after converted in RMB is shown as below:

(In 10 thousand Yuan)

| Items       | 30 June 2022 |           |           |
|-------------|--------------|-----------|-----------|
|             | USD          | Others    | Total     |
| Assets      | 1,410.23     |           | 1,410.23  |
| Liabilities | 6,510.06     | 23,686.96 | 30,197.02 |
| Total       | 7,920.29     | 23,686.96 | 31,607.25 |

  

| Items       | 31 December 2021 |           |            |
|-------------|------------------|-----------|------------|
|             | USD              | Others    | Total      |
| Assets      | 1,795.12         | 397.56    | 2,192.68   |
| Liabilities | 68,060.60        | 34,900.31 | 102,960.91 |
| Total       | 69,855.72        | 35,297.87 | 105,153.59 |

On June 30, 2022, with all other variables held constant, if the relevant currency appreciates or depreciates against RMB by 5%, the company will decrease or increase the net profit of RMB 1,439.34 in 10 thousand (On December 31, 2021: RMB 3,778.81 in 10 thousand). Management believes that 5% reasonably reflects the reasonable range of possible currency-to-renminbi changes in the next year.

## IX. Disclosure of fair value

The input value used in fair value measurement is divided into three levels:

The input value of the first level is the unadjusted quotation of the same asset or liability that can be obtained on the measurement date in an active market.

The input value of the second level is the input value of the related assets or liabilities that is directly or indirectly observable except the input value of the first level.

The third level of input value is the unobservable input value of related assets or liabilities.

The level to which the fair value measurement result belongs is determined by the lowest level to which the input value that is important to the fair value measurement as a whole belongs.

**1. Fair value of assets and liabilities measured at fair value**

| Item   | Fair value at the end of the period       |  |   | Total            |
|--|---|--|---|------------------|
|  | Fair value measurement in the first level | Fair value measurement in the second level | Fair value measurement in the third level |                  |
| <b>1. Continuous fair value measurement</b>                  |   |  |   |                  |
| ◆ Accounts receivable financing                              |   |  | 254,184,970.37                            | 254,184,970.37   |
| ◆ Investment in other equity instruments                     |   |  | 1,042,024,829.00                          | 1,042,024,829.00 |
| <b>Total assets continuously measured at fair value</b>      |   |  | 1,296,209,799.37                          | 1,296,209,799.37 |
| <b>Total liabilities continuously measured at fair value</b> |   |  |   |                  |
| <b>2. Non-continuous fair value measurement</b>              |   |  |   |                  |

**2. The basis for determining the market value of the continuous and non-continuous first-level fair value measurement projects**

The Company has no first level fair value measurement project.

**3. Continuous and non-continuous second-level fair value measurement items, using valuation techniques and qualitative and quantitative information on important parameters**

The Company has no second level fair value measurement items.

**4. Continuous and non-continuous third-level fair value measurement items, using valuation techniques and qualitative and quantitative information on important parameters**

Other equity instrument investments that are continuously measured at level 3 fair value are unlisted equity investments held by the Company. Receivable financing with continuous third-level fair value measurement is the bank acceptance bill held by the company, and its fair

value is confirmed with reference to the par value.

The Company adopted valuation techniques for fair value measurement, mainly using the valuation technique of the listed company comparison method, referring to the stock prices of similar securities and taking into account liquidity discounts.

**5. Continuous third level fair value measurement items, adjustment information between opening and closing book values and sensitivity analysis of unobservable parameters**

None.

**6. For continuous fair value measurement projects, where conversion between various levels occurs during the period, the reason for the conversion and the policy for determining the timing of conversion**

During the current period, there was no conversion between various levels.

**7. Changes in valuation techniques and reasons for changes during the period**

No changes during the period.

**8. Fair value of financial assets and financial liabilities not measured at fair value**

None.

**9. Other**

None.

**X. Related party transactions**

**1. Details of parent company**

| Name of parent company               | Place of Registry | Notes of Business | Registered Capital (billion) | Share proportion (%) | Voting rights (%) |
|--------------------------------------|-------------------|-------------------|------------------------------|----------------------|-------------------|
| Benxi Steel & Iron (Group) Co., Ltd. | Benxi, Liaoning   | Manufacturing     | 7.401                        | 58.65                | 58.65             |

Note: The ultimate controlling party of the Company is Ansteel Group Co., Ltd.

**2. Details of the subsidiaries**

For details of subsidiaries of the company please refer to Note 7 “Equity in other entities”.

### 3. The company's joint ventures and associates

For details of significant joint ventures and associates of the company please refer to Note 7 “Equity in other entities”.

Other joint ventures or associates that have related party transactions with the company in the current period, or have related party transactions with the company in the previous period and formed a balance are as follows:

| Name of joint ventures and associates               | Relationship |
|---|--------------|
| Zhejiang Bengang Jingrui Steel Processing Co., Ltd. | Associate    |

### 4. Details of other related parties

| Name of other related parties  | Relationship                            |
|--|---|
| Bengang Group Co., Ltd. (here in after referred to as “Bengang Group”)   | Parent company &controlling shareholder |
| Benxi Steel Stainless Steel Cold Rolling Dandong Co., Ltd.               | same parent company                     |
| Benxi Iron and Steel (Group) Mining Co., Ltd.                            | same parent company                     |
| Benxi Iron and Steel (Group) Metallurgical Slag Co., Ltd.                | same parent company                     |
| Benxi Iron and Steel (Group) Steel Processing and Distribution Co., Ltd. | same parent company                     |
| Benxi Iron and Steel (Group) Real Estate Development Co., Ltd.           | same parent company                     |
| Benxi Iron and Steel (Group) Machinery Manufacturing Co., Ltd.           | same parent company                     |
| Benxi Iron and Steel (Group) Construction Co., Ltd.                      | same parent company                     |
| Benxi Iron and Steel (Group) Industrial Development Co., Ltd.            | same parent company                     |
| Benxi Iron and Steel (Group) Construction Co., Ltd.                      | same parent company                     |
| Bengang Electric Co., Ltd.   | Associates of the parent company        |
| Benxi High-tech Drilling Tools Manufacturing Co., Ltd.                   | Both belong to Bengang Group            |
| Benxi New Business Development Co., Ltd.                                 | same parent company                     |
| Liaoning Metallurgical Technician College                                | same parent company                     |
| Liaoning Metallurgical Vocational and Technical College                  | same parent company                     |
| Benxi Iron and Steel Group International Economic and Trade Co., Ltd.    | Both belong to Bengang Group            |
| Benxi Iron and Steel (Group) Information Automation Co., Ltd.            | same parent company                     |
| Benxi Iron and Steel (Group) Thermal Development Co., Ltd.               | same parent company                     |
| Benxi Iron and Steel (Group) Design and Research Institute               | same parent company                     |
| Benxi Beiyong Iron and Steel (Group) Co., Ltd.                           | Both belong to Bengang Group            |
| Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd.        | same parent company                     |



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| Name of other related parties  | Relationship                 |
|--|------------------------------|
| Liaoning Hengtai Heavy Machinery Co., Ltd.                                     | same parent company          |
| Angang Electric Co., Ltd.  | Both belong to Ansteel Group |
| Ansteel Scrap Resources (Anshan) Co., Ltd.                                     | Both belong to Ansteel Group |
| Chaoyang Branch of Ansteel Scrap Resources (Anshan) Co., Ltd.                  | Both belong to Ansteel Group |
| Angang Steel Rope Co., Ltd.  | Both belong to Ansteel Group |
| Ansteel Group Engineering Technology Co., Ltd.                                 | Both belong to Ansteel Group |
| Ansteel Group International Economic and Trade Co., Ltd.                       | Both belong to Ansteel Group |
| Ansteel Construction Group Co., Ltd.   | Both belong to Ansteel Group |
| Ansteel Industrial Group Metallurgical Machinery Co., Ltd.                     | Both belong to Ansteel Group |
| Ansteel Steel Processing and Distribution (Dalian) Co., Ltd.                   | Both belong to Ansteel Group |
| Ansteel Group Engineering Technology Development Co., Ltd.                     | Both belong to Ansteel Group |
| Dalian Boroller Steel Pipe Co., Ltd.   | Same parent company          |
| Benxi Iron and Steel (Group) Chint Building Materials Co., Ltd.                | Same parent company          |
| Suzhou Bengang Industrial Co., Ltd.  | Shareholding company         |
| Benxi Iron and Steel Group Finance Co., Ltd.                                   | Both belong to Bengang Group |
| Ansteel Chemical Technology Co., Ltd.  | Both belong to Ansteel Group |
| Ansteel Energy Technology Co., Ltd.  | Both belong to Ansteel Group |
| Panzhong Yihong Metal Products (Chongqing) Co., Ltd.                           | Both belong to Ansteel Group |
| Delin Land Port Supply Chain Service Co., Ltd.                                 | Both belong to Ansteel Group |
| Benxi Iron and Steel Tendering Co., Ltd.                                       | Both belong to Bengang Group |
| Anshan Iron and Steel Co., Ltd.  | Both belong to Ansteel Group |
| Liaoning Hengyi Financial Leasing Co., Ltd.                                    | Both belong to Bengang Group |
| Ansteel Group Finance Co., Ltd.  | Both belong to Ansteel Group |
| Ansteel Scrap Resources (Anshan) Co., Ltd.                                     | Both belong to Ansteel Group |
| Ansteel Heavy Machinery Co., Ltd.  | Both belong to Ansteel Group |
| Ansteel Mining Machinery Manufacturing Co., Ltd.                               | Both belong to Ansteel Group |
| Benxi Iron and Steel (Group) Engineering Construction Supervision Co., Ltd.    | Same parent company          |
| Tianjin Angang Steel Processing and Distribution Co., Ltd.                     | Both belong to Ansteel Group |
| Guangzhou Free Trade Zone Benxi Steel Sales Co., Ltd.                          | Same parent company          |
| Angang Steel Distribution (Hefei) Co., Ltd.                                    | Both belong to Ansteel Group |
| Angang Group (Anshan) railway transportation equipment manufacturing Co., Ltd. | Both belong to Ansteel Group |
| Angang Metal Structure Co., Ltd.   | Both belong to Ansteel Group |
| Angang Green Resources Technology Co., Ltd.                                    | Both belong to Ansteel Group |
| Angang Shenyang steel processing and Distribution Co., Ltd.                    | Both belong to Ansteel Group |
| Angang industrial group (Anshan) equipment operation and                       | Both belong to Ansteel Group |

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| Name of other related parties   | Relationship                 |
|---|------------------------------|
| maintenance Co., Ltd  |                              |
| Angang Steel Casting Co., Ltd   | Both belong to Ansteel Group |
| North Hengda Logistics Co., Ltd   | Both belong to Bengang Group |
| Benxi Aike hydraulic seal Co., Ltd  | Same parent company          |
| Benxi North Steel Pipe Co., Ltd   | Both belong to Bengang Group |
| Benxi North Iron Industry Co., Ltd  | Both belong to Bengang Group |
| Benxi Beitai Casting Pipe Co., Ltd  | Both belong to Bengang Group |
| Benxi Beiyong iron and Steel Group Import and Export Co., Ltd                               | Both belong to Bengang Group |
| Benxi Dongfeng Lake iron and steel resources utilization Co., Ltd                           | Same parent company          |
| Pengcheng branch of Benxi Dongfeng Lake iron and steel resources utilization Co., Ltd       | Same parent company          |
| Benxi Iron and steel (Group) No.2 Construction Engineering Co., Ltd                         | Same parent company          |
| Benxi Iron and steel (Group) No.1 Construction Engineering Co., Ltd                         | Same parent company          |
| Benxi Iron and steel (Group) Engineering Quality Inspection Co., Ltd                        | Same parent company          |
| Benxi Iron and steel (Group) Guomao Tengda Co., Ltd   | Same parent company          |
| Benxi Iron and steel (Group) Electromechanical Installation Engineering Co., Ltd            | Same parent company          |
| Benxi Iron and steel (Group) construction advanced decoration Co., Ltd                      | Same parent company          |
| Benxi Iron and steel (Group) Mine Construction Engineering Co., Ltd                         | Same parent company          |
| Benxi Iron and steel (Group) mining Honghe Industrial Development Co., Ltd                  | Same parent company          |
| Benxi Iron and steel (Group) mining and Mineral Resources Development Co., Ltd              | Same parent company          |
| Benxi Iron and steel (Group) mining Liaoyang jiajiabao iron ore Co., Ltd                    | Same parent company          |
| Benxi Iron and steel (Group) mining Yanjiagou Limestone Mine Co., Ltd                       | Same parent company          |
| Benxi Iron and steel (Group) road and Bridge Construction Engineering Co., Ltd              | Same parent company          |
| Benxi Iron and steel (Group) equipment Engineering Co., Ltd                                 | Same parent company          |
| Benxi Iron and steel (Group) Industrial Development electromechanical installation Co., Ltd | Same parent company          |
| Benxi Iron and steel (Group) Industrial Development Co., Ltd. recycling branch              | Same parent company          |
| Benxi Iron and steel (Group) Co., Ltd   | Same parent company          |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Name of other related parties                                   | Relationship                 |
|---|------------------------------|
| Benxi Xihu metallurgical burden Co., Ltd                        | Same parent company          |
| Benxi Weier surfacing Manufacturing Co., Ltd                    | Same parent company          |
| Benxi Xinhe Mining Co., Ltd                                     | Same parent company          |
| Liaoning slag powder Co., Ltd                                   | Same parent company          |
| Liaoning Tianyu Fire Engineering Co., Ltd                       | Same parent company          |
| Liaoning Yitong Machinery Manufacturing Co., Ltd                | Same parent company          |
| Changchun FAW Angang Steel processing and Distribution Co., Ltd | Both belong to Ansteel Group |

### 5. Related Party Transactions

(1) Related party transactions of purchasing goods and services

Company as the purchaser

Currency unit: Yuan

| Name   | The content of related party transactions | Current period   | Approved transaction limit | Whether the transaction limit is exceeded | Previous period  |
|--|---|------------------|----------------------------|---|------------------|
| Benxi Iron and steel (Group) Co., Ltd                                    | Repair expense                            | 122,783,160.52   | 350,000,000.00             | No  | 147,459,999.95   |
| Benxi Iron and steel (Group) Co., Ltd                                    | Land lease fee                            | 30,187,267.22    |                            | No  | 32,611,483.62    |
| Benxi Steel Stainless Steel Cold Rolling Dandong Co., Ltd.               | Products                                  |                  |                            | No  | 630,542.06       |
| Benxi Iron and Steel (Group) Mining Co., Ltd.                            | Labor cost                                | 2,613,517.18     | 50,000,000.00              | No  | 3,881,885.31     |
| Benxi Iron and Steel (Group) Mining Co., Ltd.                            | Raw materials                             | 3,510,974,470.81 | 8,950,000,000.00           | No  | 3,331,093,031.86 |
| Benxi Iron and Steel (Group) Mining Co., Ltd.                            | Freight                                   |                  |                            | No  | 6,659,006.59     |
| Benxi Iron and Steel (Group) Metallurgical Slag Co., Ltd.                | Raw materials                             | 139,381,388.64   | 51,000,000.00              | No  | 245,760,132.42   |
| Benxi Iron and Steel (Group) Steel Processing and Distribution Co., Ltd. | Processing fee                            |                  |                            | No  | 50,773.63        |
| Benxi Iron and Steel (Group) Machinery Manufacturing Co., Ltd.           | Spare parts                               | 23,012,269.46    | 100,000,000.00             | No  | 14,917,125.64    |

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|  |  |               |                |    |                |
|--|--|---------------|----------------|----|----------------|
| Benxi Iron and Steel (Group)<br>Machinery Manufacturing Co.,<br>Ltd. | Repair service                                   | 15,607,849.52 | 100,000,000.00 | No | 2,923,241.16   |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.               | Spare parts                                      | 4,646,764.56  | 520,000,000.00 | No | 1,987,617.54   |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.               | Project fee                                      | 90,638,976.00 |                | No | 140,577,406.08 |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.               | Repair service                                   | 22,969,228.64 |                | No | 41,682,570.67  |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.               | Raw materials                                    | 4,646,764.56  |                | No | 3,755,915.37   |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.               | Freight  |               |                | No | 874,470.26     |
| Benxi Iron and Steel (Group)<br>Industrial Development Co.,<br>Ltd.  | Spare parts                                      | 14,032,862.42 | 300,000,000.00 | No | 26,936,414.43  |
| Benxi Iron and Steel (Group)<br>Industrial Development Co.,<br>Ltd.  | Raw materials                                    | 36,618,024.06 |                | No | 15,671,303.31  |
| Benxi Iron and Steel (Group)<br>Industrial Development Co.,<br>Ltd.  | Repair service                                   | 443,449.54    |                | No | 189,000.00     |
| Benxi Iron and Steel (Group)<br>Industrial Development Co.,<br>Ltd.  | Freight  | 2,169,588.19  |                | No | 1,916,795.13   |
| Benxi Iron and Steel (Group)<br>Industrial Development Co.,<br>Ltd.  | Project fee                                      |               |                | No | 3,602,864.00   |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.               | Raw material<br>and<br>supplementary<br>material | 2,058,346.87  | 200,000,000.00 | No | 628,272.26     |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.               | Project fee                                      | 17,144,271.62 |                | No | 3,707,364.60   |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.               | Repair expense                                   | 5,748,486.32  |                | No | 2,555,910.39   |
| Bengang Electric Co., Ltd.   | Raw materials                                    | 65,419,935.95 | 200,000,000.00 | No | 73,653,667.71  |
| Bengang Electric Co., Ltd.   | Repair service                                   |               |                | No | 2,206,804.72   |
| Benxi High-tech Drilling Tools<br>Manufacturing Co., Ltd.            | Spare parts                                      | 71,251.70     |                | No | 79,567.24      |
| Benxi New Business<br>Development Co., Ltd.                          | Repair service                                   |               |                | No | 30,108.24      |
| Benxi New Business<br>Development Co., Ltd.                          | Raw material<br>and Meal                         |               |                | No | 1,134,041.61   |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

|   |   | expenses         |                   |    |                  |
|---|---|------------------|-------------------|----|------------------|
| Liaoning Metallurgical Technician College                             | Training fee                            | 580,509.17       | 20,000,000.00     | No | 1,261,635.37     |
| Benxi Iron and Steel Group International Economic and Trade Co., Ltd. | Raw materials                           |                  |                   | No | 8,461,158,580.21 |
| Benxi Iron and Steel Group International Economic and Trade Co., Ltd. | Agency fee                              | 37,145,227.62    | 500,000,000.00    | No | 36,480,975.97    |
| Benxi Iron and Steel Group International Economic and Trade Co., Ltd. | Port surcharges                         | 96,460,418.24    |                   | No | 105,447,143.23   |
| Benxi Iron and Steel (Group) Information Automation Co., Ltd.         | Spare parts                             | 4,990,030.05     | 130,000,000.00    | No | 931,359.00       |
| Benxi Iron and Steel (Group) Information Automation Co., Ltd.         | Project fee                             | 18,816,098.36    |                   | No | 2,365,344.25     |
| Benxi Iron and Steel (Group) Information Automation Co., Ltd.         | Repair service                          | 910,634.86       |                   | No |                  |
| Benxi Iron and Steel (Group) Thermal Development Co., Ltd.            | Heating costs                           | 708,146.88       |                   | No | 91,776.00        |
| Benxi Iron and Steel (Group) Thermal Development Co., Ltd.            | Raw materials                           | 35,759.46        |                   | No | 20,160.00        |
| Benxi Iron and Steel (Group) Design and Research Institute            | Design fees                             |                  |                   | No | 409,620.74       |
| Benxi Beiyong Iron and Steel (Group) Co., Ltd.                        | Raw materials                           | 6,240,995,520.57 | 19,280,000,000.00 | No | 1,406,198,901.45 |
| Benxi Beiyong Iron and Steel (Group) Co., Ltd.                        | Energy & Power                          | 354,632,805.17   | 600,000,000.00    | No | 248,906,302.60   |
| Benxi Beiyong Iron and Steel (Group) Co., Ltd.                        | Freight                                 | 3,501,207.61     |                   | No | 2,265,401.79     |
| Benxi Beiyong Iron and Steel (Group) Co., Ltd.                        | Labor cost                              | 46,977,784.13    |                   | No | 40,418,482.20    |
| Benxi Beiyong Iron and Steel (Group) Co., Ltd.                        | Spare parts                             | 2,823,257.54     |                   | No | 11,548,340.88    |
| Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd.     | Raw material and supplementary material | 66,215,321.16    | 250,000,000.00    | No | 34,815,337.28    |
| Liaoning Hengtong   | Repair service                          |                  |                   | No | 669,321.70       |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

|   |                                  |                |                  |    |               |
|---|----------------------------------|----------------|------------------|----|---------------|
| Metallurgical Equipment<br>Manufacturing Co., Ltd.                  | Raw material                     |                |                  |    |               |
| Liaoning Hengtai Heavy<br>Machinery Co., Ltd.                       | and<br>supplementary<br>material | 1,158,044.41   | 41,000,000.00    | No | 707,939.24    |
| Liaoning Hengtai Heavy<br>Machinery Co., Ltd.                       | Repair service                   | 3,363,187.60   |                  | No | 4,254,425.91  |
| Bengang Group Co., Ltd.   | Labor cost                       | 1,947,299.50   | 100,000,000.00   | No | 87,933,408.03 |
| Bengang Group Co., Ltd.   | House rental fee                 |                |                  | No | 376,146.79    |
| Ansteel Scrap Resources<br>(Anshan) Co., Ltd.                       | Raw materials                    | 55,204,556.15  | 700,000,000.00   | No |               |
| Chaoyang Branch of Ansteel<br>Scrap Resources (Anshan) Co.,<br>Ltd. | Raw materials                    | 40,861,009.95  |                  | No |               |
| Ansteel Group International<br>Economic and Trade Co., Ltd.         | Raw materials                    | 8,328,324.66   | 1,200,000,000.00 | No |               |
| Ansteel Construction Group<br>Co., Ltd.                             | Project fee                      | 21,192,660.55  | 30,000,000.00    | No |               |
| Ansteel Industrial Group<br>Metallurgical Machinery Co.,<br>Ltd.    | Repair service                   | 563,736.00     |                  | No |               |
| Angang Steel Co., Ltd.  | Raw materials                    | 75,504,413.81  | 1,300,000,000.00 | No |               |
| Ansteel Steel Processing and<br>Distribution (Dalian) Co., Ltd.     | Labor cost                       | 11,353.84      |                  | No |               |
| North Hengda Logistics Co.,<br>Ltd                                  | Freight                          | 14,102,106.06  |                  | No |               |
| Ansteel Group Mine Industry<br>Gong Chang Ling Co., Ltd.            | Raw materials                    | 238,405,486.63 | 1,600,000,000.00 | No |               |

Company as the seller

Currency unit: Yuan

| Name   | The content of related party transactions | Current period | Previous period  |
|--|---|----------------|------------------|
| Bengang Electric Co., Ltd.   | Energy & Power                            | 2,966,904.10   | 394,612.01       |
| Benxi Beiyong Iron and Steel<br>(Group) Co., Ltd.                    | Raw material and supplementary material   | 404,510,783.18 | 1,663,276,711.80 |
| Benxi Beiyong Iron and Steel<br>(Group) Co., Ltd.                    | Products                                  | 7,805,748.05   | 11,504,924.12    |
| Benxi Beiyong Iron and Steel<br>(Group) Co., Ltd.                    | Energy & Power                            | 36,045,489.04  | 64,612,276.29    |
| Benxi Iron and Steel (Group)<br>Real Estate Development Co.,<br>Ltd. | Energy & Power                            | 40,312.15      | 9,407.84         |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Name   | The content of related party transactions | Current period | Previous period |
|--|---|----------------|-----------------|
| Benxi Iron and Steel (Group)<br>Steel Processing and<br>Distribution Co., Ltd. | Energy & Power                            |                | 4,553.41        |
| Benxi Iron and Steel (Group)<br>Machinery Manufacturing Co.,<br>Ltd.           | Products                                  | 10,523,900.28  | 4,459,605.76    |
| Benxi Iron and Steel (Group)<br>Machinery Manufacturing Co.,<br>Ltd.           | Energy & Power                            | 10,883,794.65  | 10,862,017.82   |
| Benxi Iron and Steel (Group)<br>Machinery Manufacturing Co.,<br>Ltd.           | Raw material and supplementary material   |                | 164,051.83      |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.                         | Energy & Power                            | 7,783,309.92   | 3,775,753.79    |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.                         | Raw material and supplementary material   |                | 1,714,633.10    |
| Benxi Iron and Steel (Group)<br>Mining Co., Ltd.                               | Energy & Power                            | 368,746,319.95 | 334,269,066.87  |
| Benxi Iron and Steel (Group)<br>Mining Co., Ltd.                               | Raw material and supplementary material   | 67,380,113.36  | 53,126,208.04   |
| Benxi Iron and Steel (Group)<br>Mining Co., Ltd.                               | Freight                                   | 4,717,137.94   | 3,392,900.80    |
| Benxi Iron and Steel (Group)<br>Mining Co., Ltd.                               | Products                                  | 1,298,986.47   |                 |
| Benxi Iron and Steel (Group)<br>Thermal Development Co.,<br>Ltd.               | Energy & Power                            | 17,198,224.54  | 36,494,765.92   |
| Benxi Iron and Steel (Group)<br>Thermal Development Co.,<br>Ltd.               | Raw material and supplementary material   | 13,425,740.25  | 8,935,674.95    |
| Benxi Iron and Steel (Group)<br>Industrial Development Co.,<br>Ltd.            | Energy & Power                            | 1,312,651.56   | 4,136,805.19    |
| Benxi Iron and Steel (Group)<br>Industrial Development Co.,<br>Ltd.            | Products                                  |                | 5,013,408.82    |
| Benxi Iron and Steel (Group)<br>Industrial Development Co.,<br>Ltd.            | Raw material and supplementary material   |                | 6,608,404.18    |
| Benxi Iron and Steel (Group)<br>Information Automation Co.,<br>Ltd.            | Energy & Power                            | 78,150.86      | 52,303.28       |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.                         | Energy & Power                            | 508,442.14     | 595,504.47      |
| Benxi Iron and Steel (Group)<br>Construction Co., Ltd.                         | Raw material and supplementary material   |                | 1,039,847.44    |
| Benxi Iron and Steel (Group)<br>Metallurgical Slag Co., Ltd.                   | Energy & Power                            | 2,923,049.91   | 225,878,060.70  |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Name  | The content of related party transactions | Current period | Previous period |
|---|---|----------------|-----------------|
| Benxi Iron and Steel (Group) Metallurgical Slag Co., Ltd.         | Raw material and supplementary material   | 6,434,506.40   |                 |
| Benxi Iron and Steel (Group) Metallurgical Slag Co., Ltd.         | Products                                  | 81,209,016.00  |                 |
| Benxi Iron and steel (Group) Co., Ltd                             | Energy & Power                            | 1,830,219.24   | 2,630,608.21    |
| Benxi Iron and steel (Group) Co., Ltd                             | Raw material and supplementary material   | 2,815,485.28   | 3,469,768.28    |
| Benxi New Business Development Co., Ltd.                          | Energy & Power                            | 56,559.67      | 116,321.08      |
| Dalian Boroller Steel Pipe Co., Ltd.                              | Products                                  | 10,411,580.55  | 6,555,953.09    |
| Benxi Iron and Steel (Group) Chint Building Materials Co., Ltd.   | Energy & Power                            |                | 13,104.81       |
| Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd. | Raw material and supplementary material   | 2,432,735.65   | 355,855.50      |
| Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd. | Products                                  | 16,247,225.07  |                 |
| Benxi Steel Stainless Steel Cold Rolling Dandong Co., Ltd.        | Products                                  |                | 2,954,071.01    |
| Suzhou Bengang Industrial Co., Ltd.                               | Products                                  | 1,706,801.34   | 383,152,138.87  |
| Benxi Iron and Steel Group Finance Co., Ltd.                      | Energy & Power                            | 6,024.27       | 6,529.58        |
| Bengang Group Co., Ltd.   | Energy & Power                            | 54,228.93      | 614,550.80      |
| Liaoning Hengtai Heavy Machinery Co., Ltd.                        | Energy & Power                            | 59,737.59      | 174,308.00      |
| Ansteel Chemical Technology Co., Ltd.                             | Products                                  | 85,184,242.50  |                 |
| Ansteel Energy Technology Co., Ltd.                               | Raw material and supplementary material   | 97,132.19      |                 |
| Angang Green Resources Technology Co., Ltd                        | Products                                  | 14,016,402.04  |                 |
| Benxi Weier surfacing Manufacturing Co., Ltd                      | Energy & Power                            | 23,434.19      |                 |
| Liaoning Tianyu Fire Engineering Co., Ltd                         | Energy & Power                            | 27,076.31      |                 |
| North Hengda Logistics Co., Ltd                                   | Products                                  | 732,332,869.53 |                 |
| Benxi North Steel Pipe Co., Ltd                                   | Energy & Power                            | 8,456.61       |                 |
| Benxi North Iron Industry Co., Ltd                                | Products                                  | 341,033,255.96 |                 |
| Angang Steel Co., Ltd.  | Products                                  | 33,602,226.06  |                 |
| Angang Steel Casting Co., Ltd                                     | Products                                  | 87,707.40      |                 |
| Benxi Dongfeng Lake iron and steel resources utilization Co., Ltd | Products                                  | 11,652,917.70  |                 |
| Benxi Dongfeng Lake iron and steel resources utilization Co., Ltd | Energy & Power                            | 3,170,242.42   |                 |
| Liaoning slag powder Co., Ltd                                     | Products                                  | 30,084,672.83  |                 |
| Changchun FAW Angang Steel processing and Distribution Co., Ltd   | Products                                  | 9,458,338.35   |                 |
| Pan Zhong Yi Hong Metalware (Chong Qiong) Co., Ltd                | Products                                  | 8,131,733.60   |                 |



## **Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report**

(2) Lease information of related parties  
Company as the lessor

Currency unit: Yuan

| Lessee   | Lease capital category             | Lease income of 2021 | Lease income of 2020 |
|--|------------------------------------|----------------------|----------------------|
| Benxi Steel & Iron<br>(Group) Steel & Iron<br>Process and Logistics Co.,<br>Ltd. | Warehouse and ancillary facilities |                      | 250,000.00           |
| Benxi Steel Tendering Co.,<br>Ltd  | Plants and ancillary facilities    | 250,917.43           |                      |

Company as the lessee

Currency unit: Yuan

| Lessor                                       | Lease capital category  | Rental expense for short-term leases and leases of low-value assets and variable lease payments not included in the measurement of lease liabilities | Rent paid      |                 | Interest expense on lease liability |                 | Increased right-of-use assets |                 |
|--|---|--|----------------|-----------------|-------------------------------------|-----------------|-------------------------------|-----------------|
|  |   |  | Current period | Previous period | Current period                      | Previous period | Current period                | Previous period |
| Benxi Steel & Iron (Group) Co., Ltd          | Land use right<br>7,669,068.17 square meter.  |  | 27,625,616.70  | 27,625,616.70   | 19,500,054.00                       | 19,800,104.64   |                               |                 |
| Benxi Steel & Iron (Group) Co., Ltd          | Land use right<br>42,920.00 square meter<br>2300 Hot rolling product line,<br>related real estate |  | 8,049,080.53   | 8,049,080.53    | 3,870,344.33                        | 3,991,324.48    |                               |                 |
| Benxi Beiyong Steel & Iron (Group) Co., Ltd. | 1780 Hot rolling product line,<br>related real estate   |  | 6,198,949.54   | 6,198,949.54    | 2,980,721.72                        | 3,073,893.84    |                               |                 |
| Bengang Group Co.,                           | Land use right  |  | 4,972,711.54   | 4,972,711.54    | 1,224,959.39                        | 1,333,461.96    |                               |                 |

Ltd. 728,282.30 square meter.

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Notes:

- 1). According to the "Land Use Right Leasing Contract" and subsequent supplementary agreements signed between the Company and Bengang Steel (Group) on April 7, 1997, December 30, 2005 and subsequent, the Company leases land from Benxi Steel (Group), with a monthly rent of 0.594 yuan per square meter. The leased land is 7,669,068.17 square meters and the annual rent is 54,665.10 thousand yuan.
- 2). On August 14, 2019, the Company signed the "House Lease Agreement" with Benxi Steel (Group) and Beiyang Iron and Steel Company, and leased the houses and auxiliary facilities occupied by the 2300 hot rolling mill production line and the 1780 hot rolling mill production line. The lease term of the houses and ancillary facilities is until December 31, 2038.
- 3). On July 15, 2019, the Company signed "Land Lease Agreement" with Bengang Group and Bengang Steel (Group) respectively, leased and used a total of 8 pieces of land from Bengang Group and Bengang Group Company, with leased areas of 42,920.00 square meters and 728,282.30 square meters. The lease term is 20 years, the rental price is 1.138 yuan per square meter per month.

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

### (3) Information of Guarantee among related parties

Company as a guarantor:

None

Company as the warrantee

| Warrantor   | Amount of guarantee | Starting date of Guarantee | Ending date of Guarantee | Has the guarantee been fulfilled |
|---|---------------------|----------------------------|--------------------------|----------------------------------|
| Bengang Group Co., Ltd.&Benxi Iron and steel (Group) Co., Ltd | CNY 280,000,000.00  | 2016-3-30                  | 2022-11-20               | not fulfilled                    |
| Bengang Group Co., Ltd.&Benxi Iron and steel (Group) Co., Ltd | CNY 70,000,000.00   | 2017-2-27                  | 2025-2-20                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 34,292,930.00   | 2016-12-27                 | 2024-6-21                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 17,850,000.00   | 2016-12-27                 | 2022-12-21               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 17,850,000.00   | 2016-12-27                 | 2023-6-21                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 4,800,000.00    | 2016-12-27                 | 2023-12-21               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 15,771,790.00   | 2016-12-27                 | 2022-12-21               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 15,771,790.00   | 2016-12-27                 | 2023-6-21                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 15,771,790.00   | 2016-12-27                 | 2023-12-21               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 4,105,341.87    | 2015-12-28                 | 2022-9-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 4,105,341.87    | 2015-12-28                 | 2023-3-31                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 4,105,341.87    | 2015-12-28                 | 2023-9-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 4,105,341.87    | 2015-12-28                 | 2024-3-31                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 4,105,341.87    | 2015-12-28                 | 2024-9-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 4,105,341.87    | 2015-12-28                 | 2025-3-31                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 4,105,342.36    | 2015-12-28                 | 2025-9-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 14,662,676.13   | 2015-12-28                 | 2022-10-30               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 3,065,150.02    | 2015-12-28                 | 2023-4-28                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 11,597,526.11   | 2015-12-28                 | 2023-4-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 14,662,676.13   | 2015-12-28                 | 2023-10-30               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 14,662,676.13   | 2015-12-28                 | 2024-4-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 14,662,676.13   | 2015-12-28                 | 2024-10-30               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 6,507,003.58    | 2015-12-28                 | 2025-4-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 14,662,676.69   | 2015-12-28                 | 2025-10-30               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 6,507,003.65    | 2015-12-28                 | 2026-4-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 7,948,057.33    | 2015-12-28                 | 2022-12-30               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 7,948,057.33    | 2015-12-28                 | 2023-6-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 7,948,057.33    | 2015-12-28                 | 2023-12-29               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 7,948,057.33    | 2015-12-28                 | 2024-6-28                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 7,948,057.33    | 2015-12-28                 | 2024-12-31               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 7,948,058.03    | 2015-12-28                 | 2025-6-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 8,155,672.56    | 2015-12-28                 | 2025-4-30                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 6,434,212.86    | 2015-12-28                 | 2022-8-29                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 6,434,212.86    | 2015-12-28                 | 2023-2-28                | not fulfilled                    |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Warrantor   | Amount of guarantee | Starting date of Guarantee | Ending date of Guarantee | Has the guarantee been fulfilled |
|---|---------------------|----------------------------|--------------------------|----------------------------------|
| Bengang Group Co., Ltd.                                       | CNY 6,434,212.86    | 2015-12-28                 | 2023-8-28                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 6,434,212.86    | 2015-12-28                 | 2024-2-28                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 6,434,212.86    | 2015-12-28                 | 2024-8-28                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 6,434,212.86    | 2015-12-28                 | 2025-2-28                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 6,434,212.86    | 2015-12-28                 | 2025-8-29                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 420,000,000.00  | 2021-11-29                 | 2022-11-29               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 200,000,000.00  | 2022-2-25                  | 2023-2-25                | not fulfilled                    |
| Bengang Group Co., Ltd.&Benxi Iron and steel (Group) Co., Ltd | CNY 588,000,000.00  | 2021-9-30                  | 2022-9-15                | not fulfilled                    |
| Bengang Group Co., Ltd.&Benxi Iron and steel (Group) Co., Ltd | CNY 200,000,000.00  | 2021-10-15                 | 2022-10-14               | not fulfilled                    |
| Bengang Group Co., Ltd.&Benxi Iron and steel (Group) Co., Ltd | CNY 200,000,000.00  | 2021-10-20                 | 2022-10-19               | not fulfilled                    |
| Bengang Group Co., Ltd.&Benxi Iron and steel (Group) Co., Ltd | CNY 200,000,000.00  | 2021-10-21                 | 2022-10-20               | not fulfilled                    |
| Bengang Group Co., Ltd.&Benxi Iron and steel (Group) Co., Ltd | CNY 200,000,000.00  | 2021-10-13                 | 2022-8-10                | not fulfilled                    |
| Bengang Group Co., Ltd.&Benxi Iron and steel (Group) Co., Ltd | CNY 200,000,000.00  | 2021-7-9                   | 2022-7-8                 | not fulfilled                    |
| Bengang Group Co., Ltd.&Benxi Iron and steel (Group) Co., Ltd | CNY 200,000,000.00  | 2021-7-13                  | 2022-7-12                | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 740,000,000.00  | 2021-12-30                 | 2022-12-30               | not fulfilled                    |
| Bengang Group Co., Ltd.                                       | CNY 1,342,280.00    | 2021-7-30                  | 2022-7-25                | not fulfilled                    |

### 6. Receivables and payables of the related parties

#### (1) Receivables of the Company

Currency unit: Yuan

| Items | Name               | 30 June 2022    |                         | 31 December 2021 |                         |
|-------|--------------------|-----------------|-------------------------|------------------|-------------------------|
|       |                    | Carrying amount | Provision for bad debts | Carrying amount  | Provision for bad debts |
| Notes | Benxi Beiyong Iron |                 |                         | 1,146,019,625.74 |                         |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items                               | Name   | 30 June 2022       |                               | 31 December 2021   |                               |
|-------------------------------------|--|--------------------|-------------------------------|--------------------|-------------------------------|
|                                     |  | Carrying<br>amount | Provision<br>for bad<br>debts | Carrying<br>amount | Provision<br>for bad<br>debts |
| receivable                          | and Steel (Group) Co.,<br>Ltd.   |                    |                               |                    |                               |
| Notes<br>receivable                 | Benxi Iron and Steel<br>(Group) Mining Co.,<br>Ltd.                            |                    |                               | 6,906,467.75       |                               |
| Accounts<br>receivable<br>financing | Suzhou Bengang<br>Industrial Co., Ltd.   |                    |                               | 6,580,000.00       |                               |
| Accounts<br>receivable<br>financing | Benxi Beiyong Iron<br>and Steel (Group) Co.,<br>Ltd.                           |                    |                               | 2,300,000.00       |                               |
| Accounts<br>receivable<br>financing | Benxi Iron and steel<br>(Group) Co., Ltd                                       |                    |                               | 2,300,000.00       |                               |
| Accounts<br>receivable              | Benxi Iron and Steel<br>Group International<br>Economic and Trade<br>Co., Ltd. |                    |                               | 30,777,943.03      | 307,779.43                    |
| Accounts<br>receivable              | Benxi Iron and Steel<br>(Group) Thermal<br>Development Co., Ltd.               |                    |                               | 7,007,076.55       | 70,070.77                     |
| Accounts<br>receivable              | Angang Green<br>Resources Technology<br>Co., Ltd                               | 5,865,959.31       | 58,659.59                     |                    |                               |
| Accounts<br>receivable              | Benxi Beiyong Iron<br>and Steel (Group) Co.,<br>Ltd.                           | 60,369,509.72      | 603,695.10                    |                    |                               |
| Accounts<br>receivable              | Benxi Iron and steel<br>(Group) Mine<br>Construction                           | 5,322,812.35       | 53,228.12                     |                    |                               |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items               | Name   | 30 June 2022    |                         | 31 December 2021 |                         |
|---------------------|--|-----------------|-------------------------|------------------|-------------------------|
|                     |  | Carrying amount | Provision for bad debts | Carrying amount  | Provision for bad debts |
|                     | Engineering Co., Ltd                             |                 |                         |                  |                         |
|                     | Benxi Iron and steel                             |                 |                         |                  |                         |
| Accounts receivable | (Group) mining                                   | 31,314,019.74   | 313,140.20              |                  |                         |
|                     | Liaoyang jiajiabao iron ore Co., Ltd             |                 |                         |                  |                         |
|                     | Liaoning Hengtong Metallurgical                  |                 |                         |                  |                         |
| Accounts receivable | Equipment  | 390,333.56      | 3,903.34                |                  |                         |
|                     | Manufacturing Co., Ltd.                          |                 |                         |                  |                         |
|                     | Benxi Iron and Steel                             |                 |                         |                  |                         |
| Prepayments         | Group International Economic and Trade Co., Ltd. |                 |                         | 562,083,080.63   |                         |
|                     | Benxi Iron and Steel                             |                 |                         |                  |                         |
| Prepayments         | (Group) Machinery Manufacturing Co., Ltd.        | 74,983,578.22   |                         | 46,764,418.62    |                         |
|                     | Benxi New Business                               |                 |                         |                  |                         |
| Prepayments         | Development Co., Ltd.                            | 2,262,005.64    |                         | 2,525,240.41     |                         |
|                     | Liaoning Hengtong Metallurgical                  |                 |                         |                  |                         |
| Prepayments         | Equipment  |                 |                         | 365,010.53       |                         |
|                     | Manufacturing Co., Ltd.                          |                 |                         |                  |                         |
| Prepayments         | Angang Steel Co., Ltd.                           | 1,465,776.37    |                         |                  |                         |
|                     | Ansteel Construction                             |                 |                         |                  |                         |
| Prepayments         | Group Co., Ltd.                                  | 4,722,050.00    |                         |                  |                         |
|                     | North Hengda                                     |                 |                         |                  |                         |
| Prepayments         | Logistics Co., Ltd                               | 30,844.04       |                         |                  |                         |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items             | Name   | 30 June 2022     |                         | 31 December 2021 |                         |
|-------------------|--|------------------|-------------------------|------------------|-------------------------|
|                   |  | Carrying amount  | Provision for bad debts | Carrying amount  | Provision for bad debts |
| Prepayments       | Benxi Beiyong Iron and Steel (Group) Co., Ltd.                                   | 1,306,446,662.94 |                         |                  |                         |
| Prepayments       | Benxi Iron and steel (Group) Electromechanical Installation Engineering Co., Ltd | 30,115,564.35    |                         |                  |                         |
| Prepayments       | Benxi Iron and Steel (Group) Construction Co., Ltd.                              | 25,413,663.14    |                         |                  |                         |
| Prepayments       | Benxi Xinhe Mining Co., Ltd  | 336,181.55       |                         |                  |                         |
| Prepayments       | Liaoning Hengtai Heavy Machinery Co., Ltd.                                       | 3,915,532.06     |                         |                  |                         |
| Other receivables | Benxi Iron and Steel (Group) Real Estate Development Co., Ltd.                   | 150,931.19       | 1,509.31                | 2,798,975.71     | 2,585,594.69            |
| Other receivables | Bengang Group Co., Ltd.  | 35,367.45        |                         | 1,403,512.36     |                         |
| Other receivables | Benxi Iron and Steel Tendering Co., Ltd.   |                  |                         | 602,040.84       | 6,020.41                |
| Other receivables | Angang Steel Co., Ltd.   |                  |                         | 421,142.66       | 421,142.66              |
| Other receivables | Benxi Iron and Steel (Group) Chint Building Materials Co., Ltd.                  |                  |                         | 270,462.55       | 211,172.50              |
| Other             | Liaoning Metallurgical   |                  |                         | 58,042.46        | 58,042.46               |



## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items       | Name                  | 30 June 2022       |                               | 31 December 2021   |                               |
|-------------|-----------------------|--------------------|-------------------------------|--------------------|-------------------------------|
|             |                       | Carrying<br>amount | Provision<br>for bad<br>debts | Carrying<br>amount | Provision<br>for bad<br>debts |
| receivables | Technician College    |                    |                               |                    |                               |
|             | Benxi Iron and Steel  |                    |                               |                    |                               |
| Other       | Group International   |                    |                               |                    |                               |
| receivables | Economic and Trade    |                    |                               |                    |                               |
|             | Co., Ltd.             |                    |                               |                    |                               |
| Other       | Ansteel Construction  | 97,949.22          | 979.49                        |                    |                               |
| receivables | Group Co., Ltd.       |                    |                               |                    |                               |
| Other       | North Hengda          | 643,182.28         |                               |                    |                               |
| receivables | Logistics Co., Ltd    |                    |                               |                    |                               |
|             | Benxi Iron and steel  |                    |                               |                    |                               |
|             | (Group)               |                    |                               |                    |                               |
| Other       | Electromechanical     | 93,019.02          | 930.19                        |                    |                               |
| receivables | Installation          |                    |                               |                    |                               |
|             | Engineering Co., Ltd  |                    |                               |                    |                               |
|             | Benxi Iron and steel  |                    |                               |                    |                               |
| Other       | (Group) mining and    | 59,814.27          | 598.14                        |                    |                               |
| receivables | Mineral Resources     |                    |                               |                    |                               |
|             | Development Co., Ltd  |                    |                               |                    |                               |
|             | Benxi Iron and steel  |                    |                               |                    |                               |
| Other       | (Group) mining        | 902,791.24         | 9,027.91                      |                    |                               |
| receivables | Yanjiagou Limestone   |                    |                               |                    |                               |
|             | Mine Co., Ltd         |                    |                               |                    |                               |
|             | Benxi Iron and Steel  |                    |                               |                    |                               |
| Other       | (Group) Thermal       | 325,208.41         | 3,252.08                      |                    |                               |
| receivables | Development Co., Ltd. |                    |                               |                    |                               |
| Other       | Ansteel Construction  |                    |                               | 9,222,050.00       |                               |
| non-current | Group Co., Ltd.       |                    |                               |                    |                               |
| assets      |                       |                    |                               |                    |                               |

(2) Payables of the Company

Currency unit: Yuan

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items         | Name   | 30 June 2022   | 31 December<br>2021 |
|---------------|--|----------------|---------------------|
| Notes payable | Benxi Iron and Steel Group International<br>Economic and Trade Co., Ltd.               |                | 2,591,000,000.00    |
| Notes payable | Benxi Iron and Steel (Group) Industrial<br>Development Co., Ltd.                       | 5,981,899.63   | 27,323,238.23       |
| Notes payable | Liaoning Metallurgical Vocational and<br>Technical College                             |                | 2,891,901.05        |
| Notes payable | Benxi Iron and Steel (Group) Construction<br>Co., Ltd.                                 |                | 2,441,547.34        |
| Notes payable | Liaoning Metallurgical Technician<br>College   |                | 1,087,201.26        |
| Notes payable | Ansteel Industrial Group Metallurgical<br>Machinery Co., Ltd.                          |                | 616,291.83          |
| Notes payable | Liaoning Hengtai Heavy Machinery Co.,<br>Ltd.  |                | 532,627.10          |
| Notes payable | Bengang Electric Co., Ltd.   |                | 371,305.57          |
| Notes payable | Liaoning Hengtong Metallurgical<br>Equipment Manufacturing Co., Ltd.                   |                | 63,696.00           |
| Notes payable | Benxi Iron and Steel (Group) Mining Co.,<br>Ltd.                                       | 129,288,496.97 | 30,916.80           |
| Notes payable | Benxi Iron and Steel (Group) Machinery<br>Manufacturing Co., Ltd.                      | 12,168,774.12  | 15,544.28           |
| Notes payable | Benxi Beiyong iron and steel (Group) Co.,<br>Ltd                                       | 203,366,694.80 |                     |
| Notes payable | Benxi Iron and steel (Group) equipment<br>Engineering Co., Ltd                         | 68,040.00      |                     |
| Notes payable | Benxi Iron and steel (Group)<br>Electromechanical Installation<br>Engineering Co., Ltd | 761,447.53     |                     |
| Notes payable | Benxi Iron and steel (Group) construction<br>advanced decoration Co., Ltd              | 110,410.00     |                     |
| Notes payable | Benxi Iron and steel (Group) Industrial<br>Development electromechanical               | 1,129,395.64   |                     |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items            | Name  | 30 June 2022   | 31 December<br>2021 |
|------------------|---|----------------|---------------------|
|                  | installation Co., Ltd   |                |                     |
| Notes payable    | Ansteel Industrial Group Metallurgical Machinery Co., Ltd.            | 701,991.03     |                     |
| Notes payable    | Liaoning Hengyi Financial Leasing Co., Ltd.                           | 87,515,323.96  |                     |
| Notes payable    | Benxi Iron and Steel (Group) Metallurgical Slag Co., Ltd.             | 27,644,602.07  |                     |
| Accounts payable | Benxi Iron and Steel (Group) Mining Co., Ltd.                         | 227,142,227.42 | 227,930,805.86      |
| Accounts payable | Liaoning Hengyi Financial Leasing Co., Ltd.                           | 40,106,086.75  | 243,646,365.75      |
| Accounts payable | Benxi Iron and Steel (Group) Construction Co., Ltd.                   |                | 177,332,809.50      |
| Accounts payable | Benxi Iron and Steel (Group) Construction Co., Ltd.                   | 5,484,676.22   | 127,382,098.50      |
| Accounts payable | Benxi Beiyong Iron and Steel (Group) Co., Ltd.                        |                | 158,531,101.75      |
| Accounts payable | Benxi Iron and Steel (Group) Metallurgical Slag Co., Ltd.             | 37,863,244.79  | 158,531,101.75      |
| Accounts payable | Benxi Iron and Steel (Group) Industrial Development Co., Ltd.         | 11,871,384.19  | 65,505,709.65       |
| Accounts payable | Benxi Iron and Steel (Group) Information Automation Co., Ltd.         | 21,476,707.45  | 64,470,595.80       |
| Accounts payable | Bengang Electric Co., Ltd.  |                | 18,627,189.71       |
| Accounts payable | Liaoning Hengtai Heavy Machinery Co., Ltd.                            | 747,497.91     | 17,366,942.72       |
| Accounts payable | Bengang Group Co., Ltd.   | 53,142.53      | 16,260,041.69       |
| Accounts payable | Benxi Iron and Steel Group International Economic and Trade Co., Ltd. |                | 11,684,948.95       |
| Accounts payable | Liaoning Metallurgical Technician College                             |                | 11,290,066.24       |
| Accounts payable | Benxi Iron and Steel (Group) Machinery                                | 2,749,458.39   | 6,869,554.14        |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items            | Name  | 30 June 2022  | 31 December<br>2021 |
|------------------|---|---------------|---------------------|
|                  | Manufacturing Co., Ltd.   |               |                     |
| Accounts payable | Benxi Steel Stainless Steel Cold Rolling<br>Dandong Co., Ltd.                       |               | 6,108,342.90        |
| Accounts payable | Ansteel Scrap Resources (Anshan) Co.,<br>Ltd.                                       | 22,080,250.93 | 4,257,477.87        |
| Accounts payable | Liaoning Metallurgical Vocational and<br>Technical College                          |               | 3,509,300.42        |
| Accounts payable | Liaoning Hengtong Metallurgical<br>Equipment Manufacturing Co., Ltd.                | 7,430,501.05  | 2,527,096.00        |
| Accounts payable | Benxi Iron and Steel (Group) Thermal<br>Development Co., Ltd.                       |               | 2,430,350.86        |
| Accounts payable | Ansteel Heavy Machinery Co., Ltd.   | 581,385.00    | 1,572,500.00        |
| Accounts payable | Angang Electric Co., Ltd.   | 32,700.00     | 1,231,700.00        |
| Accounts payable | Ansteel Industrial Group Metallurgical<br>Machinery Co., Ltd.                       | 581,385.00    | 1,125,059.03        |
| Accounts payable | Angang Steel Rope Co., Ltd.   | 894,924.67    | 913,473.62          |
| Accounts payable | Benxi Iron and Steel (Group) Real Estate<br>Development Co., Ltd.                   |               | 615,214.61          |
| Accounts payable | Ansteel Mining Machinery Manufacturing<br>Co., Ltd.                                 | 304,530.41    | 304,530.41          |
| Accounts payable | Benxi High-tech Drilling Tools<br>Manufacturing Co., Ltd.                           |               | 221,233.55          |
| Accounts payable | Benxi New Business Development Co.,<br>Ltd.   | 286,600.62    | 67,596.20           |
| Accounts payable | Benxi Iron and Steel (Group) Engineering<br>Construction Supervision Co., Ltd.      | 419,142.00    | 39,142.00           |
| Accounts payable | Benxi Iron and Steel (Group) Chint<br>Building Materials Co., Ltd.                  |               | 2,362.00            |
| Accounts payable | Angang Group (Anshan) railway<br>transportation equipment manufacturing<br>Co., Ltd | 32,000.02     |                     |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items            | Name  | 30 June 2022  | 31 December<br>2021 |
|------------------|---|---------------|---------------------|
| Accounts payable | Ansteel Group Engineering Technology<br>Development Co., Ltd.                                     | 45,000.00     |                     |
| Accounts payable | Ansteel Group International Economic<br>and Trade Co., Ltd.                                       | 4,519,076.99  |                     |
| Accounts payable | North Hengda Logistics Co., Ltd   | 9,178,783.42  |                     |
| Accounts payable | Benxi Aike hydraulic seal Co., Ltd  | 6,108,773.76  |                     |
| Accounts payable | Benxi Beitai Casting Pipe Co., Ltd  | 257,454.77    |                     |
| Accounts payable | Benxi Dongfeng Lake iron and steel<br>resources utilization Co., Ltd                              | 23,458,449.16 |                     |
| Accounts payable | Benxi Iron and steel (Group) No.2<br>Construction Engineering Co., Ltd                            | 8,542,384.18  |                     |
| Accounts payable | Benxi Iron and steel (Group) Engineering<br>Quality Inspection Co., Ltd                           | 75,000.00     |                     |
| Accounts payable | Benxi Iron and steel (Group) Guomao<br>Tengda Co., Ltd  | 6,090,961.68  |                     |
| Accounts payable | Benxi Iron and steel (Group)<br>Electromechanical Installation<br>Engineering Co., Ltd            | 145,364.13    |                     |
| Accounts payable | Benxi Iron and steel (Group) construction<br>advanced decoration Co., Ltd                         | 4,802,498.48  |                     |
| Accounts payable | Benxi Iron and steel (Group) Mine<br>Construction Engineering Co., Ltd                            | 164,325.29    |                     |
| Accounts payable | Benxi Iron and steel (Group) mining<br>Honghe Industrial Development Co., Ltd                     | 21,496.60     |                     |
| Accounts payable | Benxi Iron and steel (Group) mining<br>Liaoyang jiajiabao iron ore Co., Ltd                       | 1,637,670.23  |                     |
| Accounts payable | Benxi Iron and steel (Group) road and<br>Bridge Construction Engineering Co., Ltd                 | 2,610,941.87  |                     |
| Accounts payable | Benxi Iron and steel (Group) Industrial<br>Development electromechanical<br>installation Co., Ltd | 1,010,472.18  |                     |
| Accounts payable | Benxi Iron and steel (Group) Co., Ltd   | 115,299.07    |                     |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items  | Name  | 30 June 2022  | 31 December<br>2021 |
|--|---|---------------|---------------------|
| Accounts payable                               | Benxi Xihu metallurgical burden Co., Ltd                          | 29,131,307.14 |                     |
| Accounts payable                               | Benxi Weier surfacing Manufacturing Co., Ltd                      | 26,103.44     |                     |
| Accounts payable                               | Liaoning Tianyu Fire Engineering Co., Ltd                         | 459,355.39    |                     |
| Accounts payable                               | Liaoning Yitong Machinery Manufacturing Co., Ltd                  | 7,014,400.87  |                     |
| Contract liabilities/Other current liabilities | Suzhou Bengang Industrial Co., Ltd.                               |               | 23,506,109.92       |
| Contract liabilities/Other current liabilities | Delin Land Port Supply Chain Service Co., Ltd.                    |               | 20,392,114.80       |
| Contract liabilities/Other current liabilities | Bengang Group Co., Ltd.   |               | 15,675,115.92       |
| Contract liabilities/Other current liabilities | Panzhong Yihong Metal Products (Chongqing) Co., Ltd.              |               | 7,227,779.60        |
| Contract liabilities/Other current liabilities | Dalian Boroller Steel Pipe Co., Ltd.                              | 2,966,766.93  | 2,361,852.95        |
| Contract liabilities/Other current liabilities | Benxi Iron and Steel (Group) Metallurgical Slag Co., Ltd.         | 0.01          | 1,123,998.85        |
| Contract liabilities/Other current liabilities | Benxi Iron and Steel (Group) Industrial Development Co., Ltd.     |               | 745,498.28          |
| Contract liabilities/Other current liabilities | Ansteel Energy Technology Co., Ltd.                               |               | 445,249.81          |
| Contract liabilities/Other current liabilities | Benxi Steel Stainless Steel Cold Rolling Dandong Co., Ltd.        |               | 377,261.08          |
| Contract liabilities/Other current liabilities | Tianjin Angang Steel Processing and Distribution Co., Ltd.        | 281,521.20    | 260,000.00          |
| Contract liabilities/Other current liabilities | Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd. |               | 199,879.86          |
| Contract liabilities/Other current liabilities | Ansteel Chemical Technology Co., Ltd.                             | 13,044,197.29 | 127,391.30          |
| Contract liabilities/Other                     | Benxi Iron and Steel Group International                          | 100,971.10    |                     |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items                      | Name                                      | 30 June 2022   | 31 December<br>2021 |
|----------------------------|---|----------------|---------------------|
| current liabilities        | Economic and Trade Co., Ltd.              |                |                     |
| Contract liabilities/Other | Ansteel Steel Processing and Distribution |                |                     |
| current liabilities        | (Dalian) Co., Ltd.                        | 3,381,695.06   |                     |
| Contract liabilities/Other | Angang Steel Distribution (Hefei) Co.,    |                |                     |
| current liabilities        | Ltd                                       | 5,567.11       |                     |
| Contract liabilities/Other | Angang Steel Co., Ltd.                    |                |                     |
| current liabilities        |   | 12,076.46      |                     |
| Contract liabilities/Other | North Hengda Logistics Co., Ltd           |                |                     |
| current liabilities        |   | 54,781,949.15  |                     |
| Contract liabilities/Other | Benxi Dongfeng Lake iron and steel        |                |                     |
| current liabilities        | resources utilization Co., Ltd            | 5,046,997.07   |                     |
| Contract liabilities/Other | Benxi Iron and steel (Group) Mine         |                |                     |
| current liabilities        | Construction Engineering Co., Ltd         | 720.00         |                     |
| Contract liabilities/Other | Benxi Iron and steel (Group) Industrial   |                |                     |
| current liabilities        | Development Co., Ltd. recycling branch    | 60.84          |                     |
| Contract liabilities/Other | Liaoning slag powder Co., Ltd             |                |                     |
| current liabilities        |   | 328,394.92     |                     |
| Contract liabilities/Other | Liaoning Metallurgical Vocational and     |                |                     |
| current liabilities        | Technical College                         | 0.01           |                     |
| Contract liabilities/Other | Changchun FAW Angang Steel processing     |                |                     |
| current liabilities        | and Distribution Co., Ltd                 | 8,971.58       |                     |
| Other payables             | Benxi Iron and steel (Group) Co., Ltd     | 228,643,749.38 | 249,739,175.64      |
| Other payables             | Benxi Iron and Steel Group International  |                |                     |
|                            | Economic and Trade Co., Ltd.              | 475,752.29     | 28,083,978.93       |
| Other payables             | Benxi Iron and Steel (Group) Construction |                |                     |
|                            | Co., Ltd.                                 | 4,804,778.00   | 24,834,667.16       |
| Other payables             | Benxi Iron and Steel (Group) Industrial   |                |                     |
|                            | Development Co., Ltd.                     | 2,296,945.30   | 18,283,705.72       |
| Other payables             | Benxi Iron and Steel (Group) Steel        |                |                     |
|                            | Processing and Distribution Co., Ltd.     |                | 16,869,219.13       |
| Other payables             | Guangzhou Free Trade Zone Benxi Steel     |                |                     |
|                            | Sales Co., Ltd.                           |                | 2,674,436.85        |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report

| Items          | Name  | 30 June 2022 | 31 December<br>2021 |
|----------------|---|--------------|---------------------|
| Other payables | Benxi Iron and Steel (Group) Thermal Development Co., Ltd.                            | 159,312.00   | 2,187,450.17        |
| Other payables | Benxi New Business Development Co., Ltd.  | 3,854,296.94 | 2,069,075.26        |
| Other payables | Benxi Iron and Steel (Group) Real Estate Development Co., Ltd.                        |              | 1,435,884.63        |
| Other payables | Ansteel Scrap Resources (Anshan) Co., Ltd.  | 500,000.00   | 500,000.00          |
| Other payables | Liaoning Metallurgical Technician College   | 388,880.00   | 190,513.04          |
| Other payables | Bengang Group Co., Ltd.   | 2,733,456.27 | 155,733.55          |
| Other payables | Benxi Iron and Steel (Group) Machinery Manufacturing Co., Ltd.                        |              | 10,082.30           |
| Other payables | Ansteel Construction Group Co., Ltd.  | 10,000.00    |                     |
| Other payables | Angang Metal Structure Co., Ltd   | 10,000.00    |                     |
| Other payables | Angang Shenyang steel processing and Distribution Co., Ltd                            | 125,815.85   |                     |
| Other payables | Angang industrial group (Anshan) equipment operation and maintenance Co., Ltd         | 3,917,572.97 |                     |
| Other payables | North Hengda Logistics Co., Ltd   | 4,623,540.70 |                     |
| Other payables | Benxi Beiyong iron and Steel Group Import and Export Co., Ltd                         | 6,126,699.18 |                     |
| Other payables | Benxi Dongfeng Lake iron and steel resources utilization Co., Ltd                     | 210,000.00   |                     |
| Other payables | Pengcheng branch of Benxi Dongfeng Lake iron and steel resources utilization Co., Ltd | 132,932.51   |                     |
| Other payables | Benxi Iron and steel (Group) No.2 Construction Engineering Co., Ltd                   | 2,000.00     |                     |
| Other payables | Benxi Iron and steel (Group) No.1   | 440,385.06   |                     |



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| Items          | Name  | 30 June 2022  | 31 December<br>2021 |
|----------------|---|---------------|---------------------|
|                | Construction Engineering Co., Ltd   |               |                     |
| Other payables | Benxi Iron and steel (Group) Guomao<br>Tengda Co., Ltd  | 24,432,265.52 |                     |
| Other payables | Benxi Iron and steel (Group)<br>Electromechanical Installation<br>Engineering Co., Ltd            | 1,805,011.50  |                     |
| Other payables | Benxi Iron and steel (Group) construction<br>advanced decoration Co., Ltd                         | 1,035,743.27  |                     |
| Other payables | Benxi Iron and steel (Group) Mine<br>Construction Engineering Co., Ltd                            | 2,000.00      |                     |
| Other payables | Benxi Iron and steel (Group) mining and<br>Mineral Resources Development Co., Ltd                 | 20,000.00     |                     |
| Other payables | Benxi Iron and Steel (Group) Mining Co.,<br>Ltd.  | 2,324.00      |                     |
| Other payables | Benxi Iron and steel (Group) road and<br>Bridge Construction Engineering Co., Ltd                 | 30,000.00     |                     |
| Other payables | Benxi Iron and steel (Group) Industrial<br>Development electromechanical<br>installation Co., Ltd | 1,465,841.15  |                     |
| Other payables | Benxi Iron and Steel (Group) Information<br>Automation Co., Ltd.                                  | 4,052,084.86  |                     |
| Other payables | Benxi Xihu metallurgical burden Co., Ltd  | 100,000.00    |                     |
| Other payables | Dalian Boroller Steel Pipe Co., Ltd.  | 20,000.00     |                     |
| Other payables | Liaoning Hengtai Heavy Machinery Co.,<br>Ltd.   | 376,674.00    |                     |
| Other payables | Liaoning Hengtong Metallurgical<br>Equipment Manufacturing Co., Ltd.                              | 68,976.00     |                     |
| Other payables | Liaoning Tianyu Fire Engineering Co.,<br>Ltd  | 57,232.00     |                     |
| Other payables | Liaoning Metallurgical Vocational and<br>Technical College  | 396,278.00    |                     |

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| Items          | Name   | 30 June 2022 | 31 December |
|----------------|--|--------------|-------------|
|                |  |              | 2021        |
| Other payables | Liaoning Yitong Machinery Manufacturing Co., Ltd | 4,409.00     |             |

### 7. Other related party transactions

(1) The main contents of the centralized management of funds that the company participates in and implements are as follows:

In December 2021, after negotiation with Ansteel Group Finance Co., Ltd. (hereinafter referred to as Ansteel Finance Co., Ltd.), the Financial Services Agreement (2022-2024) was signed to agree on the agreement between the company and its subsidiaries and Ansteel in 2022, 2023, and 2024. Relevant financial business terms and relevant transaction amount caps between financial companies. The agreement stipulates that the maximum daily deposit balance of the company and its holding subsidiaries in Ansteel Finance Company in the next twelve months is 4.5 billion yuan, and the maximum credit limit of loans, bills and other forms is 5 billion yuan, and Ansteel Finance Company provides entrusted loans to the company. The maximum limit is 2 billion yuan.

(2) Funds collected by the company to the group

Funds deposited by the company directly into the finance company without being collected into the account of the parent company of the group

| Items   | 30 June 2022 |           | 31 December 2021 |           |
|---|--------------|-----------|------------------|-----------|
|   | Amount       | Provision | Amount           | Provision |
| Cash at bank (deposited in Ansteel Group Finance Co., Ltd.) | 395,029.86   |           | 442,965.63       |           |
| Cash at bank (deposited in Bengang Group Finance Co., Ltd.) |              |           |                  |           |
| Total   | 395,029.86   |           | 442,965.63       |           |

(3) Funds collected by the company to the group

| Items          | 30 June 2022  | 31 December 2021 |
|----------------|---------------|------------------|
| Other payables | 83,835,000.00 | 82,081,562.50    |
| Total          | 83,835,000.00 | 82,081,562.50    |

Dalian Benruitong Automotive Materials Technology Co., Ltd., a subsidiary of the company, borrowed RMB 75,000,000.00 from Benxi Iron and Steel (Group) Co., Ltd. As

of June 30, 2022, the company's unpaid interest was RMB8,835,000.00 (as of December 31, 2021, the company's unpaid interest was RMB7,081,562.50).

## **XI. Commitments and Contingencies**

### **1. Commitments**

#### (1) Lease contracts in progress or to be performed and their financial impacts

According to the "Land Use Right Leasing Contract" and subsequent supplementary agreements signed by the company and Benxi Steel (Group) on April 7, 1997, December 30, 2005, the Company leased land from Benxi Steel (Group). The monthly rent is 0.594 yuan per square meters, the leased land area is 7,669,068.17 square meters, and the annual rent is 54,665,100 yuan.

On August 14, 2019, the Company signed the "House Lease Agreement" with Benxi Steel (Group) and Beiyang Steel respectively, leasing the houses and auxiliary facilities occupied by 2300 and 1780 hot rolling mill production lines, and the lease term ends on December 31, 2038. The rental fee is based on the depreciation of the original rent value and the national additional tax, plus reasonable profit negotiation. The estimated annual rent is not more than 20 million yuan and 18 million yuan respectively. The rental fee is settled and paid monthly. This related party transaction has been reviewed and approved at the fourth meeting of the eighth board of directors of the Company.

On July 15, 2019, the Company signed "Land Lease Agreement" with Bengang Group and Benxi Steel (Group) respectively, and leased and used a total of 8 pieces of land of the two companies. The lease areas are 42,920.00 square meters and 728,282.30 square meters respectively, with a lease term of 20 years, and a rental price of 1.138 yuan per square meter per month. After the agreement comes into effect, considering the national law and policy adjustments every five years, both parties should determine whether the rent needs to be adjusted according to the pricing basis stipulated in Article 2 of this agreement. This related party transaction has been reviewed and approved at the third meeting of the eighth board of directors of the company.

### **2. Contingencies**

As at June 30, 2022, no significant contingencies need to be disclosed.

## **XII. Subsequent events**

### **1. Other subsequent events**

Not applicable.

## **XIII. Other significant events**

### **1. Other important matters that have an impact on investor decisions**

(1) The controlling shareholder pledges the Company's shares

As of the balance sheet date, the Company's controlling shareholder Benxi Iron and Steel (Group) Co., Ltd. held 2,409,628,094 shares of the Company, of which 110,000,000 shares were in pledged status and 102,100,000 shares were in restricted sales and frozen status.

## **XIV. Notes to the financial statements of parent company**

### **1. Notes receivable**

(1) Notes receivable disclosed by category

| Items                      | 30 June 2022   | 31 December 2021 |
|----------------------------|----------------|------------------|
| Bank acceptance bill       |                |                  |
| Commercial acceptance bill | 141,318,446.72 | 1,514,416,395.80 |
| Total                      | 141,318,446.72 | 1,514,416,395.80 |

(2) The company has no pledged notes receivable at the end of period

(3) No Notes receivable which have been endorsed or discounted by the company and have not yet matured at the end of period

(4) No Notes receivable has been transferred into accounts receivable due to inability of drawer to meet acceptance bill at the end of period

### **2. Accounts receivable**

(1) Accounts receivable disclosed by aging

| Items                         | 30 June 2022   | 31 December 2021 |
|-------------------------------|----------------|------------------|
| Within 1 year (inclusive)     | 398,363,651.65 | 352,756,383.14   |
| 1-2 years (inclusive)         | 32,839,122.15  | 1,380,655.78     |
| 2-3 years (inclusive)         | 1,380,655.78   | 1,942,837.68     |
| Over 3 years                  | 180,879,679.02 | 180,383,550.49   |
| Sub-total                     | 613,463,108.60 | 536,463,427.09   |
| Less: Provision for bad debts | 185,896,313.56 | 182,831,863.67   |

## **Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report**

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|       |                |                |
|-------|----------------|----------------|
| Total | 427,566,795.04 | 353,631,563.42 |
|-------|----------------|----------------|

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(2) Accounts receivable disclosed by category

**Bengang Steel Plates Co., Ltd. 2022 Semi-annual Financial Report**

| Items                                  | 30 June 2022    |                |                         |                     |                | 31 December 2021 |                |                         |                     |                |
|--|-----------------|----------------|-------------------------|---------------------|----------------|------------------|----------------|-------------------------|---------------------|----------------|
|  | Carrying amount |                | Provision for bad debts |                     | Book value     | Carrying amount  |                | Provision for bad debts |                     | Book value     |
|  | Amount          | Percentage (%) | Amount                  | Bad debts ratio (%) |                | Amount           | Percentage (%) | Amount                  | Bad debts ratio (%) |                |
| Provision for Bad Dept individually    | 47,762,337.18   | 7.79           | 47,762,337.18           | 100.00              |                | 47,762,337.18    | 8.90           | 47,762,337.18           | 100.00              |                |
| Provision for Bad Dept by portfolio    | 565,700,771.42  | 92.21          | 138,133,976.38          | 24.42               | 427,566,795.04 | 488,701,089.91   | 91.10          | 135,069,526.49          | 27.64               | 353,631,563.42 |
| Include:                               |                 |                |                         |                     |                |                  |                |                         |                     |                |
| Portfolio 1: Aging                     | 400,868,081.60  | 65.35          | 138,133,976.38          | 34.46               | 262,734,105.22 | 328,112,713.51   | 61.16          | 135,069,526.49          | 41.17               | 193,043,187.02 |
| Portfolio 2:<br>Combined related party | 164,832,689.82  | 26.86          |                         |                     | 164,832,689.82 | 160,588,376.40   | 29.93          |                         |                     | 160,588,376.40 |
| Total                                  | 613,463,108.60  | 100.00         | 185,896,313.56          |                     | 427,566,795.04 | 536,463,427.09   | 100.00         | 182,831,863.67          |                     | 353,631,563.42 |

## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Report

| Items                                      | 30 June 2022        |                         |                     |  |
|--|---------------------|-------------------------|---------------------|--|
|  | Accounts receivable | Provision for bad debts | Bad debts ratio (%) | Reason                                 |
| Benxi Nanfen Xinhe Metallurgical Co., Ltd. | 47,762,337.18       | 47,762,337.18           | 100.00              | Benxi Nanfen Xinhe has halt operation. |
| Total                                      | 47,762,337.18       | 47,762,337.18           |                     |  |

Accounts receivable tested for impairment by portfolio:

Portfolio tested by aging

| Items         | 30 June 2022    |                         |                     |
|---------------|-----------------|-------------------------|---------------------|
|               | Carrying amount | Provision for bad debts | Bad debts ratio (%) |
| Within 1 year | 234,418,556.23  | 2,344,185.56            | 1.00                |
| 1-2 years     | 32,839,122.15   | 3,283,912.22            | 10.00               |
| 2-3 years     | 1,380,655.78    | 276,131.16              | 20.00               |
| Over 3 years  | 132,229,747.44  | 132,229,747.44          | 100.00              |
| Total         | 400,868,081.60  | 138,133,976.38          |                     |

(3) The provision for bad debts accrued, reversed or recovered in the current period.

The amount of bad debt provision accrued in the current period is RMB 3,064,449.89

(4) No accounts receivable has been written off this year.

(5) Top five debtors at the year-end

| Company    | 30 June 2022   |   |                         |
|------------|----------------|---|-------------------------|
|            | Amount         | Percentage of total accounts receivable (%) | Provision for bad debts |
| The first  | 163,945,095.42 | 26.72                                       |                         |
| The second | 62,675,196.98  | 10.22                                       | 626,751.97              |
| The third  | 53,498,537.83  | 8.72  | 534,985.38              |
| The fourth | 47,762,337.18  | 7.79  | 47,762,337.18           |
| The fifth  | 42,236,411.19  | 6.88  | 2,878,318.66            |
| Total      | 370,117,578.60 | 60.33                                       | 51,802,393.19           |

(6) There are no accounts receivable derecognized due to the transfer of financial assets in the current period.

(7) There is no assets and liabilities formed by continued involvement due to the transfer of Account receivables.

### 3. Accounts receivable financing

(1) Details of accounts receivable financing

| Items                         | 30 June 2022     | 31 December 2021 |
|-------------------------------|------------------|------------------|
| Notes receivable              | 1,504,640,362.79 | 4,143,431,412.08 |
| Include: Bank acceptance bill | 1,504,640,362.79 | 1,876,753,316.46 |

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|                            |                  |                  |
|----------------------------|------------------|------------------|
| Commercial acceptance bill |                  | 2,266,678,095.62 |
| Total                      | 1,504,640,362.79 | 4,143,431,412.08 |

Other information: The "receivable financing" item reflects the notes and accounts receivable that are measured at fair value at the balance sheet date and whose changes are included in other comprehensive income.

(2) At the end of the period, the company has no commercial bills pledged in accounts receivable financing

(3) At the end of the period, the company's endorsed or discounted commercial bills in accounts receivable financing accounting and not yet matured on the balance sheet date are as follows

| Items                      | De recognized amount | Not derecognized amount |
|----------------------------|----------------------|-------------------------|
| Bank acceptance bill       | 17,940,518,873.62    |                         |
| Commercial acceptance bill |                      |                         |
| Total                      | 17,940,518,873.62    |                         |

(4) No Notes receivable has been transferred into accounts receivable due to inability of drawer to meet acceptance bill at the end of period

#### 4. Other receivables

| Item                 | 30 June 2022   | 31 December 2021 |
|----------------------|----------------|------------------|
| Interest receivables |                | 2,014,931.61     |
| Other receivables    | 171,552,044.44 | 266,591,116.91   |
| Total                | 171,552,044.44 | 268,606,048.52   |

(1) Interest receivables

1) Interest receivable disclosed by category

| Items                        | 30 June 2022 | 31 December 2021 |
|------------------------------|--------------|------------------|
| Deposit interest             |              | 2,014,931.61     |
| Subtotal                     |              | 2,014,931.61     |
| Less: provision for bad debt |              |                  |
| Total                        |              | 2,014,931.61     |

2) There is no significant provision for overdue interest and bad debt provision.

3) There is no provisions for interest receivable

(2) Other receivables disclosed by aging

| Items                     | 30 June 2022   | 31 December 2021 |
|---------------------------|----------------|------------------|
| Within 1 year (inclusive) | 155,295,417.96 | 144,080,381.27   |
| 1-2 years (inclusive)     | 14,118,123.37  | 4,002,692.25     |
| 2-3 years (inclusive)     | 2,033,318.60   | 3,776,577.88     |



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|                               |                       |                       |
|-------------------------------|-----------------------|-----------------------|
| Over 3 years                  | 69,951,933.09         | 186,249,689.29        |
| Sub-total                     | 241,398,793.02        | 338,109,340.69        |
| Less: Provision for bad debts | 69,846,748.58         | 71,518,223.78         |
| <b>Total</b>                  | <b>171,552,044.44</b> | <b>266,591,116.91</b> |

### 1) Other receivables disclosed by nature

| Nature                 | 30 June 2022          | 31 December 2021      |
|------------------------|-----------------------|-----------------------|
| Receivable and payable | 230,864,964.65        | 327,876,947.80        |
| Other                  | 10,533,828.37         | 10,232,392.89         |
| <b>Total</b>           | <b>241,398,793.02</b> | <b>338,109,340.69</b> |

### 2) Provision for bad debt provision

| Provision for bad debts   | Stage one                       | Stage two  | Stage three  | Total         |
|---------------------------|---------------------------------|--|--|---------------|
|                           | 12-month expected credit losses | Lifetime expected credit losses (no credit impairment) | Lifetime expected credit losses (credit impairment occurred) |               |
| Opening balance           | 526,800.70                      | 6,305,393.56   | 64,686,029.52  | 71,518,223.78 |
| --Transfer to Stage two   | -141,181.23                     | 141,181.23   |  |               |
| --Transfer to Stage three |                                 | -755,315.57  | 755,315.57   |               |
| Current period provision  | 347,745.00                      | -3,872,783.16  | 1,853,562.96   | -1,671,475.20 |
| Ending balance            | 733,364.47                      | 1,818,476.06   | 67,294,908.05  | 69,846,748.58 |

### 3) Top five debtors at the year-end

| Company      | Nature or content      | Amount              | Aging                    | Percentage of total other receivables (%) | Provision for bad debts |
|--------------|------------------------|---------------------|--------------------------|---|-------------------------|
| The First    | Receivable and payable | 2,261,360.00        | Over 3 years             | 0.94                                      | 2,261,360.00            |
| The Second   | Receivable and payable | 1,402,127.96        | Over 3 years             | 0.58                                      | 1,402,127.96            |
| The Third    | Receivable and payable | 1,740,000.00        | Over 3 years             | 0.72                                      |                         |
| The Fourth   | Receivable and payable | 1,492,967.97        | Within 1 year to 3 years | 0.62                                      | 1,198,020.34            |
| The Fifth    | Receivable and payable | 1,380,203.32        | Within 1 year to 2 years | 0.57                                      | 76,715.75               |
| <b>Total</b> |                        | <b>8,276,659.25</b> |                          | <b>3.43</b>                               | <b>4,938,224.05</b>     |

4) No other receivables involving government subsidies in the current period.

5) There are no other receivables derecognized due to the transfer of financial assets in the current period.

6) No assets and liabilities formed by continued involvement due to the transfer of other receivables in the current period.

**5. Long-term equity investment**

| Items  | Ending balance   |                |                  | Opening balance  |                              |                              |
|--|------------------|----------------|------------------|------------------|------------------------------|------------------------------|
|  | Carrying amount  | Impairment     | Book value       | Carrying amount  | Impairment                   | Book value                   |
| Subsidiaries   | 2,835,186,190.50 |                | 2,835,186,190.50 | 2,015,186,190.50 |                              | 2,015,186,190.50             |
| Total  | 2,835,186,190.50 |                | 2,835,186,190.50 | 2,015,186,190.50 |                              | 2,015,186,190.50             |
| Details of investment in subsidiaries                        |                  |                |                  |                  |                              |                              |
| Name of entity   | Opening balance  | Increase       | Decrease         | Ending balance   | Impairment of current period | Ending balance of impairment |
| Guangzhou Bengang Steel & Iron Trading Co., Ltd.             | 30,000,000.00    | 170,000,000.00 |                  | 200,000,000.00   |                              |                              |
| Shanghai Bengang Metallurgy Science and Technology Co., Ltd. | 30,000,000.00    | 170,000,000.00 |                  | 200,000,000.00   |                              |                              |
| Bengang Steel Plates Liaoyang Pellet Co., Ltd.               | 529,899,801.38   |                |                  | 529,899,801.38   |                              |                              |
| Dalian Benruitong Automobile Material Technology Co., Ltd.   | 65,000,000.00    |                |                  | 65,000,000.00    |                              |                              |
| Bengang POSCO Cold-rolled Sheet Co., Ltd.                    | 1,019,781,571.10 |                |                  | 1,019,781,571.10 |                              |                              |
| Changchun Bengang Steel & Iron                               | 28,144,875.36    |                |                  | 28,144,875.36    |                              |                              |

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| Name of entity  | Opening balance | Increase       | Decrease | Ending balance | Impairment of current period | Ending balance of impairment |
|---|-----------------|----------------|----------|----------------|------------------------------|------------------------------|
| Sales Co., Ltd.   |                 |                |          |                |                              |                              |
| Harbin Bengang Economic and Trading Co., Ltd.                   | 29,923,398.23   |                |          | 29,923,398.23  |                              |                              |
| Nanjing Bengang Materials Sales Co., Ltd.                       | 2,081,400.65    |                |          | 2,081,400.65   |                              |                              |
| Wuxi Bengang Steel & Iron Sales Co., Ltd.                       | 29,936,718.57   |                |          | 29,936,718.57  |                              |                              |
| Yantai Bengang Steel & Iron Sales Co., Ltd.                     | 49,100,329.41   | 170,000,000.00 |          | 219,100,329.41 |                              |                              |
| Tianjin Bengang Steel & Iron Trading Co., Ltd.                  | 60,318,095.80   | 170,000,000.00 |          | 230,318,095.80 |                              |                              |
| Benxi Bengang Steel Sales Co., Ltd.                             | 30,000,000.00   |                |          | 30,000,000.00  |                              |                              |
| Shenyang Bengang Metallurgical Science and Technology Co., Ltd. | 30,000,000.00   | 170,000,000.00 |          | 200,000,000.00 |                              |                              |

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| Name of entity  | Opening balance  | Increase       | Decrease      | Ending balance   | Impairment of current period | Ending balance of impairment |
|---|------------------|----------------|---------------|------------------|------------------------------|------------------------------|
| Chongqing Liaoben Steel & Iron Trade Co., Ltd.                          | 30,000,000.00    |                | 30,000,000.00 | 0.00             |                              |                              |
| Bengang Baojin (Shenyang) Automobile New Materials Technology Co., Ltd. | 51,000,000.00    |                |               | 51,000,000.00    |                              |                              |
| <b>Total</b>  | 2,015,186,190.50 | 850,000,000.00 | 30,000,000.00 | 2,835,186,190.50 |                              |                              |

### 6. Operating Income and Operating Cost

| Items              | Current period    |                   | Previous period   |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|
|                    | Revenue           | Cost              | Revenue           | Cost              |
| Principal business | 33,392,817,816.17 | 32,060,330,971.40 | 35,825,208,026.61 | 32,386,871,142.30 |
| Other business     | 2,381,220,254.26  | 2,344,381,961.67  | 3,255,993,831.68  | 2,898,719,746.40  |
| <b>Total</b>       | 35,774,038,070.43 | 34,404,712,933.07 | 39,081,201,858.29 | 35,285,590,888.70 |

#### Details for operating income:

| Items   | Principal Business | Other Business   |
|---|--------------------|------------------|
| Classified by business area                     | 33,392,817,816.17  | 2,381,220,254.26 |
| Including: Domestic                             | 29,324,558,197.44  | 2,381,220,254.26 |
| Abroad  | 4,068,259,618.73   |                  |
| Classified by the time of commodity transfer    | 33,392,817,816.17  | 2,381,220,254.26 |
| Including: recognize at a certain point in time | 33,392,817,816.17  | 2,381,220,254.26 |
| recognize over a certain period of time         |                    |                  |
| <b>Total</b>                                    | 33,392,817,816.17  | 2,381,220,254.26 |

## 7. Income on investment

| Items  | Current period | Previous period |
|--|----------------|-----------------|
| Income from disposal of long-term equity investment            | 6,059,547.35   |                 |
| Income on long-term equity investment accounted by cost method | 53,139,377.16  |                 |
| Short term Bank financial product income                       |                | 1,553,175.04    |
| Total  | 59,198,924.51  | 1,553,175.04    |

## XV. Supplementary information

### 1. Details of non-recurring profit and loss

| Items   | Amount        | Notes |
|---|---------------|-------|
| Profit or loss from disposal of non-current assets  | 3,648,546.62  |       |
| Government subsidy attributable to profit and loss of current period (except such government subsidy closely related to the company's normal business operation, meeting the regulation of national policy and enjoyed constantly in certain quota or quantity according to a certain standard) | 30,655,542.92 |       |
| Other non-operating revenue and expenditure other than above items  | 19,806,941.56 |       |
| Subtotal  | 54,111,031.1  |       |
| Impact of income tax  | 13,527,757.78 |       |
| Impact of minority interests  | 1,067,322.84  |       |
| Total   | 39,515,950.48 |       |

### 2. Net asset yield and earnings per share

| Profit in the Reporting Period   | Weighted average net assets yield (%) | Earnings per share (Yuan) |             |
|--|---------------------------------------|---------------------------|-------------|
|  |                                       | Basic EPS                 | Diluted EPS |
| Net profit attributable to ordinary shareholders   | 2.60                                  | 0.14                      | 0.14        |
| Net profit attributable to ordinary shareholders after deducting non-recurring profit and loss | 2.42                                  | 0.13                      | 0.13        |

The above data are calculated by the following calculation formula:

(1) Weighted average return on net assets

$$\text{Weighted average return on net assets} = P_0 / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

Wherein: P<sub>0</sub> is the net profit attributable to the common shareholders of the company, or the net profit attributable to the common shareholders of the company after deducting the non-recurring profit and loss; NP is the net profit attributable to ordinary shareholders of the company; E<sub>0</sub> is the opening net assets attributable to the ordinary shareholders of the company; E<sub>i</sub> is the net assets of the company's common shareholders newly increased by issuing new shares or Converting Debt into equity during the reporting period; E<sub>j</sub> is the net assets attributable to the

common shareholders of the company that are reduced by repurchase or cash dividends during the reporting period; M0 is the number of months in the reporting period; Mi is the cumulative number of months from the next month of new net assets to the end of the reporting period; MJ is the cumulative number of months from the month following the reduction of net assets to the end of the reporting period; EK is the increase or decrease in net assets attributable to the common shareholders of the company due to other transactions or events; MK is the cumulative number of months from the month following the increase or decrease of other net assets to the end of the reporting period;

(2) Basic earning per share

$$\text{Basic earning per share} = P0 \div S, \quad S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$$

Wherein: P0 is the net profit attributable to ordinary shareholders of the company or the net profit attributable to ordinary shareholders after deducting non recurring profits and losses; S is the weighted average number of ordinary shares issued; S0 is the total number of shares at the beginning of the year; S1 is the number of shares increased due to the conversion of reserve fund into share capital or the distribution of stock dividends during the reporting period; Si is the number of shares increased due to the issuance of new shares or debt to equity conversion in the reporting period; Sj is the number of shares reduced due to repurchase during the reporting period; Sk is the number of shares reduced in the reporting period; M0 number of months in the reporting period; Mi is the cumulative number of months from the month following the increase of shares to the end of the reporting period; MJ is the cumulative number of months from the next month of share reduction to the end of the reporting period.

(3) Diluted earning per share

$$\text{diluted earning per share} = P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Weighted average number of ordinary shares increased by warrants, share options, convertible bonds, etc})$$

Wherein: P1 is the net profit attributable to the ordinary shareholders of the company, or the net profit attributable to the ordinary shareholders of the company after deducting the non recurring profit and loss, and considering the impact of dilutive potential ordinary shares, it shall be adjusted according to the accounting standards. When calculating diluted earnings per share, the company shall consider the impact of all diluted potential ordinary shares on the net profit attributable to ordinary shareholders of the company or the net profit attributable to ordinary shareholders of the company after deducting the non recurring profit and loss and the weighted average number of shares, and record the diluted earnings per share in the order of the dilution degree from the largest to the smallest until the diluted earnings per share reaches the minimum value.