



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

**FINANCIAL STATEMENTS**

**(From January to June 2021)**

**(Unaudited)**

**25 August 2021**

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**BENGANG STEEL PLATES CO., LTD.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Assets	Notes 5	30 June 2021	31 December 2020
Current assets			
Cash at bank and on hand	(1)	9,510,700,502.67	13,126,666,915.26
Settlement provisions			
Capital lent			
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	(2)	225,510,568.92	245,217,182.66
Accounts receivable financing	(3)	5,143,627,467.44	4,189,977,871.92
Prepayments	(4)	2,027,008,212.85	2,108,044,777.65
Premium receivable			
Reinsurance accounts receivable			
Receivable deposit for reinsurance contract			
Other receivables	(5)	160,180,391.22	142,101,351.27
Redemptory financial assets for sale			
Inventories	(6)	8,663,345,615.68	9,040,065,342.65
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	(7)	7,138,313,168.95	5,523,646,836.01
<b>Total current assets</b>		<b>32,868,685,927.73</b>	<b>34,375,720,277.42</b>
Non-current assets			
Loan and advances issued			
Debt Investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	(8)	3,024,013.88	2,742,064.73
Other equity instrument investments	(9)	1,042,024,829.00	1,042,024,829.00
Other non-current financial assets			
Investment property			
Fixed assets	(10)	25,137,148,377.89	26,284,567,956.44
Construction in progress	(11)	2,878,339,506.26	1,839,933,715.58
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(12)	1,510,538,778.93	
Intangible assets	(13)	261,648,967.14	264,932,652.54
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	(14)	199,553,629.68	201,708,932.84
Other non-current assets	(15)	851,101,139.47	995,840,320.65
<b>Total non-current assets</b>		<b>31,883,379,242.25</b>	<b>30,631,750,471.78</b>
<b>Total assets</b>		<b>64,752,065,169.98</b>	<b>65,007,470,749.20</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.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**  
**As at 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Liabilities and equities	Notes 5	30 June 2021	31 December 2020
<b>Current Liabilities</b>			
Short-term loans	(16)	7,495,419,000.00	10,067,731,000.00
Loan from central bank			
Loan from other banks			
Financial liability held for trading			
Derivative financial liabilities			
Notes payable	(17)	6,114,692,166.66	9,814,149,348.42
Accounts payable	(18)	5,505,623,541.96	5,914,228,256.82
Advance from customers			
Contract liabilities	(19)	6,182,094,798.39	4,458,671,819.90
Financial assets sold for repurchase			
Deposits from customers and interbank			
Receipt from vicariously traded securities			
Receipt from vicariously underwriting securities			
Employee benefits payable	(20)	33,208,964.92	25,749,485.25
Current tax liabilities	(21)	350,870,891.00	55,302,080.96
Other payables	(22)	712,159,087.35	709,448,301.92
Handling charges and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	(23)	137,878,355.58	1,308,030,361.43
Other current liabilities	(24)	803,672,323.79	579,627,336.58
<b>Total current liabilities</b>		<b>27,335,619,129.65</b>	<b>32,932,937,991.28</b>
<b>Non-current liabilities</b>			
Provision for insurance contract			
Long-term loans	(25)	4,309,786,941.97	3,502,934,427.65
Bonds payable	(26)	5,732,396,546.29	5,752,229,339.52
Including: Preferred stock			
Perpetual bond			
Lease liabilities	(27)	1,549,600,900.45	
Long-term payables	(28)	1,907,492,831.36	1,114,232,362.74
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	(29)	123,466,469.89	154,451,833.23
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>13,622,743,689.96</b>	<b>10,523,847,963.14</b>
<b>Total liabilities</b>		<b>40,958,362,819.61</b>	<b>43,456,785,954.42</b>
<b>Shareholders' equity:</b>			
Share capital	(30)	3,885,060,605.00	3,875,371,532.00
Other equity instruments	(31)	1,138,070,880.42	1,146,290,662.42
Including: Preferred stock			
Perpetual bond			
Capital reserves	(32)	12,381,969,365.52	12,343,209,847.29
Less: treasury shares			
Other comprehensive income			
Special reserves	(33)	18,330,611.35	300,412.14
Surplus reserves	(34)	961,105,529.85	961,105,529.85
General risk reserve			
Undistributed profits	(35)	4,862,062,857.99	2,692,018,405.40
Total equity attributable to equity holders of the parent company		23,246,599,850.13	21,018,296,389.10
Non-controlling interests		547,102,500.24	532,388,405.68
<b>Total shareholder's equity</b>		<b>23,793,702,350.37</b>	<b>21,550,684,794.78</b>
<b>Total of liabilities and owners' equity</b>		<b>64,752,065,169.98</b>	<b>65,007,470,749.20</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.**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Assets	Notes 14	30 June 2021	31 December 2020
Current assets			
Cash at bank and on hand		9,010,915,677.50	11,808,618,300.87
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	(1)	248,701,019.49	289,865,462.20
Accounts receivable financing	(2)	4,967,026,780.38	4,143,431,412.08
Prepayments		2,062,013,838.67	2,117,204,935.75
Other receivables	(3)	241,659,108.07	228,180,190.02
Inventories		6,254,749,916.24	7,420,499,172.20
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		7,000,000,000.00	5,437,282,088.94
<b>Total current assets</b>		<b>29,785,066,340.35</b>	<b>31,445,081,562.06</b>
Non-current assets			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	(4)	2,016,281,902.16	2,016,281,902.16
Other equity instrument investments		1,041,624,829.00	1,041,624,829.00
Other non-current financial assets			
Investment property			
Fixed assets		23,745,957,631.09	24,755,665,765.30
Construction in progress		2,834,878,491.65	1,798,639,941.58
Productive biological assets			
Oil and gas assets			
Right-of-use assets		1,510,538,778.93	
Intangible assets		140,510,834.76	142,163,903.40
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		96,325,403.07	98,480,706.23
Other non-current assets		851,101,139.47	988,475,426.53
<b>Total non-current assets</b>		<b>32,237,219,010.13</b>	<b>30,841,332,474.20</b>
<b>Total assets</b>		<b>62,022,285,350.48</b>	<b>62,286,414,036.26</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.**  
**STATEMENT OF FINANCIAL POSITION (Continued)**  
**As at 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Liabilities and shareholders' equities	Notes 14	30 June 2021	31 December 2020
Current liabilities			
Short-term loans		7,195,419,000.00	9,107,731,000.00
Financial liability held for trading			
Derivative financial liabilities			
Notes payable		5,816,080,763.35	8,348,607,405.21
Accounts payable		5,528,443,992.45	6,280,468,684.34
Advance from customers			
Contract liabilities		5,829,654,787.35	5,324,357,761.83
Employee benefits payable		32,760,446.39	23,981,010.53
Current tax liabilities		332,417,391.02	42,514,891.31
Other payables		367,238,464.60	368,374,954.61
Liabilities held for sale			
Non-current liabilities due within one year		137,878,355.58	1,308,030,361.43
Other current liabilities		757,855,122.36	692,166,509.04
<b>Total current liabilities</b>		<b>25,997,748,323.10</b>	<b>31,496,232,578.30</b>
Non-current liabilities			
Long term loans		4,309,786,941.97	3,502,934,427.65
Bonds payable		5,732,396,546.29	5,752,229,339.52
Including: Preferred stock			
Perpetual bond			
Lease liabilities		1,549,600,900.45	
Long-term payables		1,900,392,952.74	1,108,412,163.50
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		123,466,469.89	154,451,833.23
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>13,615,643,811.34</b>	<b>10,518,027,763.90</b>
<b>Total liabilities</b>		<b>39,613,392,134.44</b>	<b>42,014,260,342.20</b>
Shareholder's equity:			
Share capital		3,885,060,605.00	3,875,371,532.00
Other equity instruments		1,138,070,880.42	1,146,290,662.42
Including: Preferred stock			
Perpetual bond			
Capital reserves		11,961,817,683.40	11,923,058,165.17
Less: Treasury shares			
Other comprehensive income			
Special reserves		15,912,566.72	120,972.62
Surplus reserves		961,105,529.85	961,105,529.85
Undistributed Profits		4,446,925,950.65	2,366,206,832.00
<b>Total shareholder's equity</b>		<b>22,408,893,216.04</b>	<b>20,272,153,694.06</b>
<b>Total liabilities and shareholder's equity</b>		<b>62,022,285,350.48</b>	<b>62,286,414,036.26</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.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Items	Notes 5	Jan – Jun 2021	Jan – Jun 2020
1. Total operating income		38,588,128,212.14	22,184,537,260.05
Including: Operating income	(36)	38,588,128,212.14	22,184,537,260.05
Interest income			
Premium earned			
Income from handling charges and commission			
2. Total operating cost		35,641,572,522.11	21,927,105,960.14
Including: Operating cost	(36)	34,592,825,792.72	20,440,246,362.67
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)	241,555,494.92	88,398,436.68
Selling and distribution expenses	(38)	59,652,669.72	642,393,218.78
General and administrative expenses	(39)	388,678,843.23	380,828,316.41
Research and development expenses	(40)	22,504,022.68	20,202,985.20
Financial expenses	(41)	336,355,698.84	355,036,640.40
Including: Interest expense		554,219,518.90	439,861,353.93
Interest income		222,276,204.79	154,882,284.33
Add: Other income	(42)	32,659,483.34	38,587,332.40
Income on investment ( “-” for loss )	(43)	1,835,124.19	29,304.00
Including: Income from associates and joint ventures		281,949.15	29,304.00
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)	2,049,977.83	3,487,783.42
Asset impairment loss ( “-” for loss )	(45)	6,629,442.12	-15,321,598.62
Assets disposal gains ( “-” for loss )	(46)	130,675.05	325,651.61
3. Operational profit ( “-” for loss )		2,989,860,392.56	284,539,772.72
Add: Non-operating income	(47)	3,273,128.46	1,140,364.12
Less: Non-operating expenses	(48)	22,989,643.14	20,035,471.42
4. Total profit ( “-” for loss )		2,970,143,877.88	265,644,665.42
Less: Income tax expenses	(49)	746,977,590.45	9,237,815.08
5. Net profit ( “-” for loss )		2,223,166,287.43	256,406,850.34
1. Classification by continuing operating		2,223,166,287.43	256,406,850.34
1. Net profit from continuing operation ( “-” for loss )		2,223,166,287.43	256,406,850.34
2. Net profit from discontinued operation ( “-” for loss )			
2. Classification by ownership		2,223,166,287.43	256,406,850.34
1. Net profit attributable to the owners of parent company ( “-” for loss )		2,208,798,167.91	254,644,204.33
2. Net profit attributable to non-controlling shareholders ( “-” for loss )		14,368,119.52	1,762,646.01
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 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 ) The effective portion of cash flow hedges and losses			
6 ) Translation differences in foreign currency financial statements			
7 ) Other			
Other comprehensive income attributable to non-controlling shareholders' equity after tax			
7. Total comprehensive income		2,223,166,287.43	256,406,850.34
Total comprehensive income attributable to the owner of the parent company		2,208,798,167.91	254,644,204.33
Total comprehensive income attributable to non-controlling shareholders		14,368,119.52	1,762,646.01
8. Earnings per share			

Items	Notes 5	Jan – Jun 2021	Jan – Jun 2020
1 ) Basic earnings per share (Yuan/share)		0.57	0.07
2 ) Diluted earnings per share (Yuan/share)		0.57	0.07

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.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Items	Notes 14	Jan – Jun 2021	Jan – Jun 2020
1. Total operating income	(5)	39,081,201,858.29	21,759,781,682.12
Less: Operating cost	(5)	35,285,590,888.70	20,379,148,281.27
Tax and surcharges		213,178,320.80	74,240,782.35
Selling and distribution expenses		55,267,199.05	386,932,932.93
General and administrative expenses		360,747,887.96	354,627,152.28
Research and development expenses		22,504,022.68	20,202,985.20
Financial expenses		327,299,367.65	337,504,255.84
Including: Interest expense		304,352,578.12	410,264,451.89
Interest income		210,228,568.88	141,297,649.84
Add: Other income		32,210,883.34	38,002,345.53
Income on investment ( “-” for loss )	(6)	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 )		2,049,977.83	2,627,938.73
Assets impairment loss ( “-” for loss )		6,571,234.79	-15,321,598.62
Assets disposal gains ( “-” for loss )		130,675.05	325,651.61
2. Operational profit ( “-” for loss )		2,859,130,117.50	232,759,629.50
Add: Non-operating income		1,295,851.57	811,659.87
Less: Non-operating expenses		22,989,643.14	19,487,380.11
3. Total profit ( “-” for loss )		2,837,436,325.93	214,083,909.26
Less: Income tax expenses		717,963,491.96	-3,173,414.97
4. Net profit ( “-” for loss )		2,119,472,833.97	217,257,324.23
1. Net profit from continuing operation ( “-” for loss )		2,119,472,833.97	217,257,324.23
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 ) The effective portion of cash flow hedges and losses			
6 ) Translation differences in foreign currency financial statements			
7 ) Other			
6. Total comprehensive income		2,119,472,833.97	217,257,324.23
7. Earnings per share			
1 ) Basic earnings per share (Yuan/share)			
2 ) Diluted earnings per share (Yuan/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.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Items	Notes 5	Jan – Jun 2021	Jan – Jun 2020
<b>1. Cash flow from operating activities</b>			
Cash received from sale of goods or rendering of services		27,681,479,863.67	15,423,965,198.05
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		40,128,927.12	310,509,228.43
Other cash received relating to operating activities	(51)	239,319,537.30	174,016,797.00
Subtotal of cash inflows from operating activities		<b>27,960,928,328.09</b>	<b>15,908,491,223.48</b>
Cash paid for goods and services		24,177,763,290.52	14,428,717,102.76
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		972,651,151.35	884,844,841.18
Cash paid for all types of taxes		1,082,217,676.19	520,116,275.37
Other cash paid relating to operating activities	(51)	203,379,990.00	226,288,711.25
Subtotal of cash outflows from operating activities		<b>26,436,012,108.06</b>	<b>16,059,966,930.56</b>
<b>Net cash flows from operating activities</b>		<b>1,524,916,220.03</b>	<b>-151,475,707.08</b>
<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			
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		<b>3,001,553,175.04</b>	
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,148,767,202.27	706,681,059.07
Cash paid for acquisition of 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		<b>5,748,767,202.27</b>	<b>706,681,059.07</b>
<b>Net cash flows from investing activities</b>		<b>-2,747,214,027.23</b>	<b>-706,681,059.07</b>
<b>3. Cash flows from financing activities</b>			
Proceeds from investment			
Including: Proceeds from investment of non-controlling shareholders of subsidiary			
Proceeds from borrowings		1,512,381,000.00	4,987,194,000.00
Other proceeds relating to financing activities			
Subtotal of cash inflows from financing activities		<b>1,512,381,000.00</b>	<b>4,987,194,000.00</b>
Cash repayments of borrowings		4,477,892,475.61	5,671,544,896.99
Cash payments for distribution of dividends, profit or interest expenses		567,804,337.49	480,183,996.49
Including: Cash paid to non-controlling shareholders as dividend and profit by subsidiaries			
Other cash payments relating to financing activities			
Subtotal of cash outflows from financing activities		<b>5,045,696,813.10</b>	<b>6,151,728,893.48</b>
<b>Net cash flows from financing activities</b>		<b>-3,533,315,813.10</b>	<b>-1,164,534,893.48</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-16,349,859.91</b>	<b>-1,130,665.43</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>-4,771,963,480.21</b>	<b>-2,023,822,325.06</b>
Add: Cash and cash equivalents at the beginning of the period		<b>9,229,417,595.12</b>	<b>13,441,414,988.58</b>
<b>6. Cash and cash equivalents at the ending of the period</b>		<b>4,457,454,114.91</b>	<b>11,417,592,663.52</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.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Items	Notes 14	Jan – Jun 2021	Jan – Jun 2020
<b>1. Cash flow from operating activities</b>			
Cash received from sale of goods or rendering of services		27,601,858,925.93	15,003,373,098.45
Tax rebate received		15,393,055.96	260,246,235.34
Other cash received relating to operating activities		230,589,337.92	163,299,247.34
Subtotal of cash inflows from operating activities		<b>27,847,841,319.81</b>	<b>15,426,918,581.13</b>
Cash paid for goods and services		24,802,523,270.32	14,323,769,183.95
Cash paid to and on behalf of employees		926,763,546.78	840,886,166.89
Cash paid for all types of taxes		984,236,622.57	465,606,411.99
Other cash paid relating to operating activities		139,392,329.61	159,126,577.28
Subtotal of cash outflows from operating activities		<b>26,852,915,769.28</b>	<b>15,789,388,340.11</b>
<b>Net cash flows from operating activities</b>		<b>994,925,550.53</b>	<b>-362,469,758.98</b>
<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			
Net cash received from disposal of subsidiary and other operating units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		<b>3,001,553,175.04</b>	
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,131,314,182.16	696,005,001.44
Cash paid for acquisition of investments		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		<b>5,731,314,182.16</b>	<b>696,005,001.44</b>
<b>Net cash flows from investing activities</b>		<b>-2,729,761,007.12</b>	<b>-696,005,001.44</b>
<b>3. Cash flows from financing activities</b>			
Proceeds from investment			
Cash received from borrowings		1,412,381,000.00	4,747,194,000.00
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		<b>1,412,381,000.00</b>	<b>4,747,194,000.00</b>
Cash repayments of borrowings		3,722,892,475.61	5,051,544,896.99
Cash payments for distribution of dividends, profit or interest		544,896,337.46	433,692,125.89
Other cash payments relating to financing activities			
Subtotal of cash outflows from financing activities		<b>4,267,788,813.07</b>	<b>5,485,237,022.88</b>
<b>Net cash flows from financing activities</b>		<b>-2,855,407,813.07</b>	<b>-738,043,022.88</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-16,347,695.55</b>	<b>-1,134,392.87</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>-4,606,590,965.21</b>	<b>-1,797,652,176.17</b>
Add: Cash and cash equivalents at the beginning of the period		<b>8,897,859,003.60</b>	<b>13,029,616,298.47</b>
<b>6. Ending balance of cash and cash equivalents</b>		<b>4,291,268,038.39</b>	<b>11,231,964,122.30</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.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Items		Jan – Jun 2021												
		Owner's equity attributable to parent company											Non-controlling interest	Total of owner's equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit	Subtotal		
		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. Beginning 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)	9,689,073.00			-8,219,782.00	38,759,518.23			18,030,199.21			2,170,044,452.59	2,228,303,461.03	14,714,094.56	2,243,017,555.59
1) Total comprehensive income											2,208,798,167.91	2,208,798,167.91	14,368,119.52	2,223,166,287.43
2) Capital increase and decrease by shareholders	9,689,073.00			-8,219,782.00	38,759,518.23							40,228,809.23		40,228,809.23
(1) Common share invested by shareholders														
(2) Capital input by the holder of other equity instruments	9,689,073.00			-8,219,782.00	38,759,518.23							40,228,809.23		40,228,809.23
(3) Share-based payment attributable to owners' equity														
(4) Others														
3) Profit distribution											-38,753,715.32	-38,753,715.32		-38,753,715.32
(1) Appropriation to surplus reserves														
(2) Appropriation to general risk reserve														
(3) Profit distribution to shareholders											-38,753,715.32	-38,753,715.32		-38,753,715.32
(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								18,030,199.21				18,030,199.21	345,975.04	18,376,174.25
(1) Provision of special reserves								24,398,347.80				24,398,347.80	345,975.04	24,744,322.84
(2) Use of special reserves								6,368,148.59				6,368,148.59		6,368,148.59
6) Others														
4. Ending balance of current year	3,885,060,605.00			1,138,070,880.42	12,381,969,365.52			18,330,611.35	961,105,529.85		4,862,062,857.99	23,246,599,850.13	547,102,500.24	23,793,702,350.37

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 EQUITY**  
**For the year ended 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Items		Jan – Jun 2020												
		Owner's equity attributable to parent company											Non-controlling interest	Total of owner's equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit	Subtotal		
		Preference shares	Perpetual bond	Others										
1. Ending balance of last year	3,875,371,532.00				12,343,209,847.29			212,687.41	961,105,529.85		2,307,765,664.62	19,487,665,261.17	525,161,580.23	20,012,826,841.40
Add: Change of accounting policies														
Correction of errors for last period														
Business consolidation under common control														
Others														
2. Beginning balance of current year	3,875,371,532.00				12,343,209,847.29			212,687.41	961,105,529.85		2,307,765,664.62	19,487,665,261.17	525,161,580.23	20,012,826,841.40
3. Changes in current year ("–" for decrease)				1,146,290,662.42				87,724.73			384,252,740.78	1,530,631,127.93	7,226,825.45	1,537,857,953.38
1) Total comprehensive income											384,252,740.78	384,252,740.78	7,226,825.45	391,479,566.23
2) Capital increase and decrease by shareholders				1,146,290,662.42								1,146,290,662.42		1,146,290,662.42
(1) Common share invested by shareholders														
(2) Capital input by the holder of other equity instruments				1,146,290,662.42										1,146,290,662.42
(3) Share-based payment attributable to owners' equity														
(4) Others														
3) Profit distribution														
(1) Appropriation to surplus reserves														
(2) Appropriation to general risk reserve														
(3) Profit distribution to shareholders														
(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								87,724.73				87,724.73		87,724.73
(1) Provision of special reserves								54,000,536.58				54,000,536.58		54,000,536.58
(2) Use of special reserves								53,912,811.85				53,912,811.85		53,912,811.85
6) Others														
4. Ending 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

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.**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Items		Jan – Jun 2021									
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholder's equity
		Preference shares	Perpetual 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. Beginning 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)	9,689,073.00			-8,219,782.00	38,759,518.23			15,791,594.10		2,080,719,118.65	2,096,510,712.75
1) Total comprehensive income										2,119,472,833.97	2,119,472,833.97
2) Capital increase and decrease by shareholders	9,689,073.00			-8,219,782.00	38,759,518.23						
(1) Common share invested by shareholders											
(2) Capital input by the holder of other equity instruments	9,689,073.00			-8,219,782.00	38,759,518.23						40,228,809.23
(3) Share-based payment attributable to shareholders' equity											
(4) Others											
3) Profit distribution										-38,753,715.32	-38,753,715.32
(1) Appropriation of surplus reserves											
(2) Profit distribution to shareholders										-38,753,715.32	-38,753,715.32
(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								15,791,594.10			15,791,594.10
(1) Provision of special reserves								21,981,008.86			21,981,008.86
(2) Use of special reserves								6,189,414.76			6,189,414.76
6) Others											
4. Ending balance of current year	3,885,060,605.00			1,138,070,880.42	11,961,817,683.40			15,912,566.72	961,105,529.85	4,446,925,950.65	22,408,893,216.04

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.**  
**STATEMENT OF CHANGES IN EQUITY (Continued)**  
**For the year ended 30 June 2021**  
*(Expressed in Renminbi unless otherwise indicated)*

Items	Share capital	Jan – Jun 2020									
		Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholder's equity
		Preference shares	Perpetual bond	Others							
1. Ending balance of last year	3,875,371,532.00				11,923,058,165.17			53,330.99	961,105,529.85	1,742,251,419.03	18,501,839,977.04
Add: Change of accounting policies											
Correction of errors for last period											
Others											
2. Beginning balance of current year	3,875,371,532.00				11,923,058,165.17			53,330.99	961,105,529.85	1,742,251,419.03	18,501,839,977.04
3. Changes in current year ("–" for decrease)				1,146,290,662.42				67,641.63		623,955,412.97	1,770,313,717.02
1) Total comprehensive income										623,955,412.97	623,955,412.97
2) Capital increase and decrease by shareholders				1,146,290,662.42							1,146,290,662.42
(1) Common share invested by shareholders											
(2) Capital input by the holder of other equity instruments				1,146,290,662.42							1,146,290,662.42
(3) Share-based payment attributable to shareholders' equity											
(4) Others											
3) Profit distribution											
(1) Appropriation of surplus reserves											
(2) Profit distribution to shareholders											
(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								67,641.63			67,641.63
(1) Provision of special reserves								47,926,472.22			47,926,472.22
(2) Use of special reserves								47,858,830.59			47,858,830.59
6) Others											
4. Ending 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

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.**

## **Notes to the financial statements**

**For the period from Jan. to Jun. 2021**

*(Expressed in Renminbi unless otherwise indicated)*

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

#### **(1) Company profile**

Bengang Steel Plates Co., Ltd. (hereinafter referred to as “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. (“Bengang 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 HKD2.38 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, Bengang 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 Bengang Group and the proceeds would be used to purchase the related assets of the Group. On the same day, Bengang Group received circular Zheng-Jian-Gong-Si-Zi [2006] No. 127 issued by China Securities Regulatory Committee, and were exempted for the liability of undertaking the purchase offer. The liability was caused by subscribing of the 2 billion new shares and the total shareholding was thus increased to 2.5752 billion shares (accounting for 82.12% of the total capital shares of the Company). 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.

As at 30 June 2021, the capital shares were totaled to 3,885,060,605 shares.

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

The Company's registered address: No.16 Renmin Road, Pingshan District, Benxi, Liaoning Province.

The Company's legal representative: Gao Lie.

The parent company of Bengang Steel Plates Co., Ltd is Benxi Steel and Iron (Group) Co., Ltd. and the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council of Liaoning province.

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. Consolidation scope

The financial statements have been approved for reporting by the board of directors of the Company on 25 August 2021.

## (2) Consolidation scope

As at 30 June 2021, subsidiaries included in the Company's consolidated financial statements are as follows:

Name of the subsidiaries
Guangzhou Bengang Steel & Iron Trading Co., Ltd.
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.
Bengang Steel Plates Liaoyang Pellet Co., Ltd.
Dalian Benruitong Automobile Material Technology Co., Ltd.
Changchun Bengang Steel & Iron Sales Co., Ltd.
Harbin Bengang Economic and Trading Co., Ltd.
Nanjing Bengang Materials Sales Co., Ltd.
Wuxi Bengang Steel & Iron Sales Co., Ltd.
Xiamen Bengang Steel & Iron Sales Co., Ltd.
Yantai Bengang Steel & Iron Sales Co., Ltd.
Tianjin Bengang Steel & Iron Trading Co., Ltd.
Bengang Posco Cold-rolled Sheet Co., Ltd.
Benxi Bengang Steel Sales Co., Ltd

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**Name of the subsidiaries**

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Shenyang Bengang Metallurgical Science and Technology Co., Ltd.

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Chongqing Liaoben Steel & Iron Trading Co., Ltd.

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Bengang Baojin (Shenyang) Automobile New Material Technology Co., Ltd.

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The scope of the consolidated financial statements in this period has not changed compared with the previous period.

## **2. 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.

## **3. 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 see Note (10) Financial instruments, (11) Inventory, (15) Fixed assets, (18) Intangible assets, (24) 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**

**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.

**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 beginning 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 beginning 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 beginning 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 beginning 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 beginning 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.

For the accounting policy of the Company's investment in joint ventures, please refer to Note (13) Long-term Equity Investment under "3. Significant accounting policies and accounting estimates"

## **(8) Recognition of cash and cash equivalents**

For the purpose of preparing the statement of cash flows, 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. If the overseas business is disposed of partially, the Company shall calculate the balance arising from the translation of foreign currency statements of the part of disposal based on the disposal rate and shall shift them into the 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 amortised cost, financial assets measured at fair value through other comprehensive income (debt instrument) and financial assets measured at fair value through profit or loss at initial measurement.

A financial asset shall be measured at amortised 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. Other financial assets other than these are classified as financial assets measured at fair value through profit or loss.

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. At the initial recognition, in order to eliminate or significantly reduce accounting mismatches, financial assets can be designated as financial assets measured at fair value through profit or loss. According to the above conditions, the company does not have such designated financial assets.

The Company shall classify financial liabilities as financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss at initial measurement.

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.

According to the above conditions, the Company does not have such designated financial assets.

## **2. Recognition and measurement of financial instruments**

### **(1) Financial assets measured at amortised 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 recognised in profit and loss.

When the financial assets are derecognized, the accumulated gain or loss previously. recognised in other comprehensive income is transferred from other comprehensive income and recognised 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 recognised 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 recognised 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 amortised cost**

Financial liabilities measured at amortised 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 recognised in profit and loss.

### **3. Recognition and measurement of financial assets transfer**

Where the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. 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 terminated 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 considers all reasonable and relevant information, including forward-looking information, to recognize the expected credit loss on financial assets measured at amortized cost, and financial assets measured at fair value through other comprehensive income (debt instruments) on the individual or portfolio basis. The measurement of expected credit loss depends on whether there is a significant increase in credit risk of financial assets since the initial recognition.

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.

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 recognise provision for impairment of the financial asset individually.

For account receivables, 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 those accounts receivable, lease receivables, long-term receivables formed by the company through the sale of goods or rendering of services, notes receivable, accounts receivable financing, and other receivables which contains significant financing component, the Company chooses to use the general financial asset impairment method, that is, according to whether the credit risk has increased significantly or not since the initial recognition to measure the expected credit loss at an amount equal to 12-month expected credit losses (stage one) or at an amount equal to the lifetime expected credit losses (stage two and stage three).

## **(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.

### **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**

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.

The Company shall make provision for loss on decline in value of inventories on the ground of each item of inventories at the year end. For inventories with large quantity and relatively low unit prices, the provision for loss on decline in value of inventories shall be made on the ground of the categories of inventories. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision for loss on decline in value of inventories shall be made on a combination basis.

Unless clear evidence shows that the market price is exceptionally fluctuating, the net realizable value of inventory is based on the market price at the balance sheet date.

The net realizable value of inventory at the year-end is based on the market price at the balance sheet date. Specifically, if the inventory held for the execution of the sales contract or labor contract, and the sales contract order quantity is equal to the quantity of inventory held by the enterprise, the contract price of the finished product or commodity is used as the basis for calculating the net realizable value; The quantity of inventory is more than the quantity ordered by the sales contract, and the net realizable value of the excess inventory is based on the general sales price of the finished product or commodity; if the quantity of inventory held by the enterprise is less than the quantity ordered by the sales contract, the actual Contract-related inventory uses the price specified in the sales contract as the basis for calculating the net realizable value.

#### **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 under "3. Significant accounting policies and accounting estimates"

### **(13) Long-term equity investment**

#### **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.

If the exchange of non-monetary assets is commercial in nature and the fair values of both the assets received and surrendered can be reliably measured, the fair value of the assets surrendered shall be used as the basis for determining the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed above, the carrying value and relevant payable taxes of the assets surrendered shall be the initial cost of the assets received.

The initial cost of a long-term equity investment obtained by debt restructuring shall be ascertained on the basis of fair values.

## **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 an 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.

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. Any losses resulting from transactions between the investor and investee which are attributable to asset impairment shall be recognized in full. If the transaction of investment or sale of assets among the Company and associate and joint venture and the assets is a business, it shall apply the treatment mentioned in Note 3 (5) "The accounting treatment for Business combination under/now under common control" and Note 3 (6) "Consolidation of Financial Statements".

When the Company recognizes the losses of invested enterprise, it shall follow the following sequence: First of all, offset the book value of long term equity investment. If the book value of long-term equity is insufficient to dilute, the investing enterprise shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. If the company still has the obligation to undertake extra losses per contract, and then estimated liabilities shall be recognized into current profit and loss accordingly to the estimated obligation.

## **(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.

When the previously-held equity investment is accounted for under the equity method, 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. Those owner's equity recognized other than the change of net profits or loss, other comprehensive income, profit distribution of the invested entity shall be transferred proportionally into profit or loss of current period, other comprehensive income arising from the re-measurement of defined benefit plan is excluded.

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, the remaining equity investment shall be accounted for in accordance with financial instruments recognition and measurement standard. The difference between the fair value and the carrying amount at the date of the loss of joint control or significant influence shall be charged to profit or loss for the current period. When the previously-held equity investment is accounted for under the equity method, 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. Those owner's equity recognized other than the change of net profits or loss, other comprehensive income, profit distribution of the invested entity shall be transferred into profit or loss of current period in full when the Company cease to adopt the equity method.

When the Company can no longer exercise control over an investee due to partial disposal of equity investment or due to decrease of shareholding ratio because of additional investment by other investors, and with the retained interest, still has joint control of, or significant influence over, the investee, when preparing the individual financial statements, the investor shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the first acquisition. If the investor cannot exercise joint control of or significant influence over the investee after partial disposal of equity investment, the remaining equity investment shall be accounted for in accordance with financial instruments recognition and measurement standards, and the difference between the fair value and carrying amount at the date of the loss of control shall be charged to profit or loss for the current period.

When the equity investment disposed is acquired through business combination due to additional investment or other reasons, in stand-alone financial statement, the remaining equity investment shall adopt cost method or equity method, any other comprehensive income and other owner's interests previously recognized of the previously-held equity investment under the equity method shall be transferred proportionally. For those remaining equity investments accounted for in accordance with financial instruments recognition and measurement standard after disposal, other comprehensive income and other owner's interests previously recognized shall be transferred to profit or loss in full.

#### (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).

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.

##### 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:

Category	Depreciation method	Depreciation Period	Residual Value Rate (%)	Depreciation Rate (%)
Plants and Buildings	straight line method	10-45 years	0	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. Recognition criteria for fixed asset leased in by financial leasing and its valuation**

Where a lease satisfies one or more of the following criteria, it shall be recognized as a financial leasing:

- (1) The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- (2) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable;
- (3) The lease term covers the major part of the use life of the leased asset; and
- (4) The present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the initial book value, recognize the amount of the minimum lease payments as the initial book value of long-term account payable, and treat the difference between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

### **(16) Construction in progress**

The cost of fixed assets transferred from a construction in progress includes all the necessary expenses incurred for bringing the asset to the expected conditions for use. Construction in progress is transferred to fixed asset when it has reached its working condition for its intended use. In case the final project accounts have not been completed or approved, the asset shall be transferred to fixed assets at an estimated value by considering project budget, cost or actual cost of the project and etc., and the depreciation of the said fixed assets shall be provided in accordance with the Company's accounting policy since it has reached its working condition for its intended use. After the project accounts have been approved, the estimated values shall be adjusted based on the actual cost, but those provided depreciation shall not be adjusted.

### **(17) Borrowing costs**

#### **1. Principle of the recognition of capitalized borrowing costs**

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings.

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 real estate, 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.

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.

## **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.

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.

Where each part of a qualified asset under acquisition and construction or production is completed separately and is ready for use, the capitalization of the borrowing costs in relation to this part of asset shall be ceased.

Where each part of an asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it cannot be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

## **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 amount 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.

## **(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. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

For intangible assets obtained from debt restructuring as settlement of liabilities from debtors, initial recognition is based on its fair value, and the difference between the debt restructured and the fair value of the intangible assets are recognized in the current profit and loss.

For intangible assets obtained from non-monetary transactions with commercial substance, and the fair value of the assets obtained or surrendered can be reliably measured, the initial recognition of the asset obtained is based on the fair value of the asset surrendered, unless there is strong evidence that the fair value of the asset obtained is more reliable. For intangible assets obtained through non-monetary transactions which do not meet the above criteria, the initial recognition is based on the book value of the assets surrendered and the relevant taxes payable. No gain or loss will be recognized.

#### **(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

The Company shall review the useful lives and amortization methods of intangible assets with limited useful lives at each year end.

## 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 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 recognise, 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 benefits which are non-monetary benefits shall be measured at fair value if it could be measured reliably.

### **2. Accounting treatment of post-employment benefits**

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.

In addition to basic pension fund, the company has also established an enterprise annuity payment system (supplementary pension fund) / enterprise annuity plan in accordance with the relevant policies of the national enterprise annuity system. The company pays a local social insurance institution's contribution / annuity plan according to a certain percentage of the total wages of employees, and the corresponding expenditure is included in the current profit and loss or related asset costs.

### **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**

### **1. Recognition criteria of estimated liabilities**

The obligation pertinent to a Contingency (litigation, guarantees, loss contract, restructuring) 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.

### **2. Measurement of estimated liabilities**

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.

## **(24) Revenue**

The company shall recognise 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 recognise 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 recognises revenue over time, if one of the following criteria is met. Otherwise, the company satisfies the performance obligation at a point in time.

- (a) the customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs;
- (b) the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) 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 recognise 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 recognise 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 recognise 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:

- (a) The company has a present right to payment for the promised goods or services and the customer is presently obliged to pay for that;
- (b) The company has transferred the legal title of the goods to the customer, that is, the customer has the legal title to the goods;
- (c) The company has transferred physical possession of the goods to the customer, that is, the customer has taken possession of the goods;
- (d) 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;
- (e) The customer has accepted the promised goods or services.

## **(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 recognise 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 recognise as an asset the incremental costs of obtaining a contract with a customer if the company expects to recover those costs.

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

The company shall recognise 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 recognised as expenses.

The company shall recognise in profit or loss a reversal of some or all of an impairment loss previously recognised 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 recognised 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.

## **2. Recognition**

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 over the periods during the useful lives of the relevant assets.

The government subsidies related to incomes to compensate future expenses, shall be recognized as deferred income and transferred to current profit or loss. Government subsidies to compensate expenses or losses already incurred shall be recognized in current profit and loss.

## **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:

- (a) 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 preferential interest rate is used to calculate the relevant borrowing costs.
- (b) If the government directly allocates the discounted funds to the company, the company will offset the relevant borrowing costs with the corresponding discounts, directly accounted for the current profit or loss or recognized as deferred income.

## **(27) Deferred tax assets and deferred tax liabilities**

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).

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**

### **Accounting policy from January 1, 2021**

Lease refers to a contract in which the lessor transfers the right to use the asset to the lessee within a certain period of time to obtain consideration.

On the starting date of the contract, the company assesses whether the contract is a lease or contains a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is, or contains, a lease.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lease shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### **1. The company as the lessee**

##### **(1) Right-of-use assets**

On the start date of the lease term, the company recognizes the right-of-use asset for leases other than short-term leases and low-value asset leases. Right-of-use assets are initially measured at cost.

This cost includes:

The initial measurement amount of the lease liability;

If there is a lease incentive for the lease payment paid on or before the start of the lease term, the relevant amount of the lease incentive already enjoyed shall be deducted;

The initial direct expenses incurred by the company;

The company expects to incur costs for dismantling and removing leased assets, restoring the site where leased assets are located, or restoring leased assets to the state agreed upon in the lease terms, but does not include the costs incurred for the production of inventory.

The company depreciates the right-of-use assets with reference to the relevant depreciation policies of "3. (15) Fixed assets" in this note. If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, the company shall depreciate the leased asset during the remaining useful life; otherwise, the leased asset will be depreciated during the shorter period of the lease term and the remaining useful life of the leased asset .

The company determines whether the right-of-use asset has been impaired in accordance with the principles described in "3. (19) Long-term asset impairment" in this note, and conducts accounting treatment for the identified impairment loss.

## (2) Lease liabilities

At the beginning of the lease term, the company recognizes lease liabilities for leases other than short-term leases and leases of low-value assets. Lease liabilities are initially measured based on the present value of the payments that are not paid at that date. Lease payments include:

- 1) Fixed payment (including in-substance fixed payment), less any lease incentives receivable;
- 2) Variable lease payments that depend on an index or a ratio;
- 3) Amounts expected to be payable by the lease under residual value guarantees;
- 4) The exercise price of the purchase option if the lease is reasonably certain to exercise that option;
- 5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an 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 interest rate is used as the discount rate.

The company calculates the interest expense of the lease liability during each period of the lease term according to a fixed periodic interest rate, and includes it in 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 occur.

After the start of the lease term, if the following circumstances occur, the company re-measures the lease liability and



adjusts the corresponding right-of-use asset. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the difference shall be included in the current profit and loss:

- When the evaluation result or actual exercise situation of the purchase option, renewal option or termination option changes, the company remeasures the lease liability based on the present value calculated by the lease payment after the change and the revised discount rate;
- When the actual fixed payment changes, the expected payable amount of the guarantee residual value 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 to remeasure the lease liability. However, if changes in lease payments originate from changes in floating interest rates, the 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 calculates the relevant lease payments in the current profit and loss or related asset costs on a straight-line basis during each period of the lease term. Short-term lease refers to a lease that does not include purchase options for a lease period not exceeding 12 months at the beginning of the lease period. Low-value asset leasing refers to a lease with a lower value when a single leased asset is a 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 modifications

The lease shall account for a lease modification as a separate lease if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustment to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification a lessee shall allocate the consideration in the modified contract, determine the lease term of the modified lease and remeasure the lease liabilities by discounting the revised lease payments using a revised discount rate.

For a lease modification that is not accounted for as a separate lease, the lessee shall account for the remeasurement of the lease liabilities by decreasing the carrying amount of the right-of-use assets to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease; or by making a corresponding adjustment to the right-of-asset for all other lease modifications.

## **2. The company as the lessor**

On the commencement date of the lease, the company divides the lease into finance lease and operating lease. Finance

lease refers to a lease in which almost all the risks and rewards related to the ownership of the leased asset are transferred regardless of whether the ownership is ultimately transferred. Operating leases refer to leases other than financial leases. When the company acts as a sublease lessor, it classifies subleases based on the right-of-use assets generated from the original lease.

(1) Accounting treatment of operating leases

The lease receipts of operating leases are recognized as rental income in each period of the lease term according to the straight-line method. The company capitalizes the initial direct costs incurred related to operating leases, and allocates them to the current profit and loss on the same basis as the recognition of rental income during the lease term. Variable lease payments that are not included in the lease receipts are included in the current profit and loss when they actually occur.

(2) Accounting treatment of finance leasing

On the start date of the lease, the company recognizes the finance lease receivables for the finance lease and terminates the recognition of the finance lease assets. When the company initially measures the finance lease receivables, the net lease investment is taken as the entry value of the financial lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease payment not yet received at the beginning of the lease term, discounted at the interest rate implicit in the lease.

The company calculates and recognizes the interest income for each period of the lease term based on a fixed periodic interest rate. The derecognition and impairment of finance lease receivables shall be accounted for in accordance with "3. (10) Financial Instruments" in this Note.

Variable lease payments that are not included in the measurement of the net lease investment are included in the current profit or loss when they actually occur.

A lessor shall account for a modification to a finance lease as a separate lease if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets;
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, a lessor shall account for the modification as follows:

- if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the lessor shall account for the lease modification as a new lease from the effective date of the modification; and measure the carrying amount of the underlying assets as the net investment in the lease immediately before the effective date of the lease modification.
- If the change takes effect on the lease start date, the lease will be classified as a financial lease, and the company will perform accounting treatment in accordance with the policy of "3. (10) Financial Instruments" in this Note on the modification or re-negotiation of the contract.

### 3. Sale and leaseback transaction

The company evaluates and determines whether the asset transfer in the sale and leaseback transaction is a sale in accordance with the principles described in "3. (24) Revenue" of this Note.

#### (1) As the lessee

If the transfer of an asset in the sale and leaseback transaction is a sale, the company as the lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the lessee and recognize only the amount of any gain or loss that relates to the rights transferred to the lessor. If the asset transfer in the sale and leaseback transaction does not belong to the sale, the company as the lessee continues to recognize the transferred assets and at the same time recognize a financial liability equal to the transfer proceeds. For the accounting treatment of financial liabilities, please refer to "3. (10) Financial Instruments" in this note.

#### (2) As a lessor

If the asset transfer in the sale and leaseback transaction is a sale, the company acts as the lessor to account for the purchase of the asset, and the asset lease is accounted for in accordance with the aforementioned "2. The company as the lessor" policy; in the sale and leaseback transaction If the transfer of assets is not a sale, the company as the lessor does not recognize the transferred assets, but recognizes a financial asset equal to the transfer proceeds. For the accounting treatment of financial assets, please refer to "3. (10) Financial Instruments" in this note.

### **Accounting policy before January 1, 2021**

#### 1. Accounting treatment of operating leases

(1) The lease fee paid by the company for rented assets shall be apportioned on a straight-line basis during the entire lease period without deducting the rent-free period and included in the current expenses. The initial direct expenses related to the lease transaction paid by the company shall be included in the current expenses.

When the asset lessor bears the lease-related expenses that should be borne by the company, the company deducts this part of the expenses from the total rent, and the deducted rent expenses are amortized during the lease term and included in the current expenses.

(2) The lease fee collected by the company for renting assets shall be apportioned according to the straight-line method during the entire lease period without deducting the rent-free period and recognized as lease-related income. The initial direct expenses paid by the company related to the lease transaction shall be included in the current expenses; if the amount is large, it shall be capitalized and included in the current income in installments based on the same basis as the lease-related income recognition during the entire lease period.

When the company bears the lease-related expenses that should be borne by the lessee, the company deducts this part

of the expenses from the total rental income, and distributes the deducted rental expenses during the lease term.

## 2. Accounting treatment of finance lease

(1) Finance lease assets: On the start date of the lease, the company takes the lower of the fair value of the leased asset and the present value of the minimum lease payment as the entry value of the leased asset, and the minimum lease payment as the long-term payable Entered value, and the difference is regarded as unrecognized financing expenses. The company uses the effective interest method to amortize unrecognized financing expenses during the asset lease period and include them in financial expenses. The initial direct costs incurred by the company are included in the value of the leased assets.

(2) Assets leased out by financing: On the lease start date, the company recognizes the difference between the sum of the receivable financing lease payments and the unguaranteed residual value and its present value as unrealized financing income, and it is recognized as unrealized financing income during each period when the rent is received in the future. Rental income. The initial direct expenses incurred by the company related to the lease transaction are included in the initial measurement of the financial lease receivables, and the amount of income recognized during the lease period is reduced.

## **(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:

The component stands for an independent main business or a major business area;

The component is a part of disposal plan of an independent main business or a major business area;

The component is a subsidiary which is acquired only for sale again.

## **(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 (20) 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 can not reliably obtain the public market price of assets (or asset groups), and can not 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 under “3 Significant accounting policies and accounting estimates”, 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**

**1. Change of major accounting policy during the current reporting period**

(1) Implementation of "Accounting Standards for Business Enterprises No. 21-Leases" (revised in 2018)

The Ministry of Finance revised the "Accounting Standards for Business Enterprises No. 21-Leases" (referred to as the "New Lease Standards") in 2018. The company will implement the new lease standard from January 1, 2021. According to the revised standards, the company chooses not to reassess whether it is a lease or contains a lease on the date of the first implementation for the contracts that already existed before the first implementation date.

- The company as the lessee

The company chose to adjust the amount of retained earnings and other related items in the financial statements at the beginning of the year when the new lease standards were first implemented based on the cumulative impact of the first implementation of the new lease standards, and did not adjust the comparable period information.

For operating leases that existed before the first implementation date, the company measures the lease liability based on the present value of the remaining lease payments discounted by the Japanese company's incremental borrowing interest rate for the first implementation on the first implementation day, and chooses one from the following two methods according to each lease to measuring right-of-use assets:

-The amount equal to the lease liability, with necessary adjustments based on the prepaid rent.

For operating leases before the first execution date, the company applies the above methods and chooses one or more of the following simplified treatments according to each lease:

- 1) Leases completed within 12 months after the first implementation date will be treated as short-term leases;
- 2) When measuring lease liabilities, leases with similar characteristics use the same discount rate;
- 3) The measurement of the right-of-use asset does not include the initial direct costs;
- 4) If there is an option to renew the lease or to terminate the lease, the lease term shall be determined according to the actual exercise of the option before the first execution date and other latest conditions;
- 5) As an alternative to the impairment test of the right-of-use asset, assess whether the contract containing the lease is a loss-making contract before the first execution date in accordance with "3. (23) Estimated liabilities" of this Note Adjust the amount of loss reserves for the right-of-use asset;
- 6) Lease changes that occur before the first implementation date will not be adjusted retrospectively, and will be accounted for in accordance with the new lease standard according to the final arrangement of the lease change.

When measuring lease liabilities, the company uses the lessee's incremental borrowing rate on January 1, 2021 to discount the lease payment.

The unpaid minimum lease payments for major operating leases disclosed in the consolidated financial statements on December 31, 2020	2,530,278,897.76
The present value discounted by the company's incremental borrowing interest rate as of January 1, 2021	1,541,868,510.81
Lease liabilities under the new lease standard on January 1, 2021	1,541,868,510.81
The difference between the above discounted present value and the lease liability	0.00

For financial leases that existed before the first implementation date, the company measures the right-of-use assets and lease liabilities based on the original book values of the financial leased assets and the financial lease payables on the first implementation date.

- The company as the lessor

For sub-leases that are classified as operating leases before the first implementation date and continue after the first implementation date, the company will reassess them based on the remaining contract duration and terms of the original lease and sub-lease on the first implementation date, and classify them in accordance with the new lease standards. If it is reclassified as a finance lease, the company treats it as a new finance lease for accounting treatment.

Except for sub-lease, the company does not need to adjust its lease as a lessor in accordance with the new lease standard. The company conducts accounting treatment in accordance with the new lease standard from the date of first implementation.

- The main impacts of the company's implementation of the new lease standards on the financial statements are as follows:

Change of accounting policy content and reason		Affected items	January 1, 2021	
			Consolidated Financial statement	Parent company financial statement
The adjustment to operating lease that existed before the first adoption date by the company as the lessee	Authorization	Right of use assets	1,541,868,510.81	1,541,868,510.81
		Lease liabilities	1,502,969,848.79	1,502,969,848.79
		Non-current liabilities due within one year	38,898,662.02	38,898,662.02

## 2. Change of accounting estimation

None.

## 3. Adjustments of the beginning balance due to the first implementation of new lease standards

Consolidated statement of financial position:

Items	Ending balance of the previous year	Beginning balance of the current year	Adjustment		
			Reclassification	Remeasurement	Total
Right of use assets		1,541,868,510.81		1,541,868,510.81	1,541,868,510.81
Lease liabilities		1,502,969,848.79		1,502,969,848.79	1,502,969,848.79
Non-current liabilities due within one year		38,898,662.02		38,898,662.02	38,898,662.02

Statement of financial position of the parent company



Items	Ending balance of the previous year	Beginning balance of the current year	Adjustment		
			Reclassification	Remeasurement	Total
Right of use assets		1,541,868,510.81		1,541,868,510.81	1,541,868,510.81
Lease liabilities		1,502,969,848.79		1,502,969,848.79	1,502,969,848.79
Non-current liabilities due within one year		38,898,662.02		38,898,662.02	38,898,662.02

#### 4. 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, 10, 13
City maintenance and construction tax	Based on VAT and business tax actually paid	7, 5
Enterprise income tax	Based on taxable profit	25

#### 5. Notes to the consolidated financial statements

##### (1) Cash at bank and on hand

Items	30 June 2021	31 December 2020
Cash on hand	6,271.10	3,026.68
Cash at bank	4,457,447,843.81	9,229,414,568.44
Other monetary funds	5,053,246,387.76	3,897,249,320.14
Total	<b>9,510,700,502.67</b>	<b>13,126,666,915.26</b>
Total amount deposited abroad		

The details of restricted monetary funds resulted from guarantee or pledge or freeze accounts are as follows:

Items	30 June 2021	31 December 2020
Margin for bank acceptance bill	4,161,606,387.76	3,306,509,320.14
Margin for letter of credit	338,900,000.00	78,000,000.00
Fixed deposit or notice deposit used	552,000,000.00	512,000,000.00

Items	30 June 2021	31 December 2020
for guarantee		
Loan margin	740,000.00	740,000.00
Others		
Total	5,053,246,387.76	3,897,249,320.14

## (2) Accounts receivable

### 1. Accounts receivable disclosed by aging

Items	30 June 2021	31 December 2020
Within 1 year (inclusive)	226,242,229.74	245,084,695.28
1-2 years (inclusive)	57,104,726.32	57,537,987.36
2-3 years (inclusive)	250,933,831.67	251,762,129.07
Over 3 years	177,992,483.25	179,465,975.74
Total	712,273,270.97	733,850,787.45
Less: Provision for bad debts	486,762,702.05	488,633,604.79
Total	225,510,568.92	245,217,182.66

### 2. Accounts receivable disclosed by category

Items	30 June 2021				
	Gross carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Tested for impairment individually	352,985,418.30	49.56	352,985,418.30	100.00	
Tested for impairment by portfolio	359,287,852.67	50.44	133,777,283.75	37.23	225,510,568.92
Include:					
Portfolio 1: Aging portfolio	359,287,852.67	50.44	133,777,283.75	37.23	225,510,568.92
Total	712,273,270.97	100.00	488,633,604.79		225,510,568.92

Items	31 December 2020		
	Gross carrying amount	Provision for bad debts	Book value

	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually	352,985,418.30	48.1	352,985,418.30	100	
Accounts receivable tested for impairment by portfolio	380,865,369.15	51.9	135,648,186.49	35.62	245,217,182.66
Include:					
Other insignificant items but tested for impairment individually	380,865,369.15	51.9	135,648,186.49	35.62	245,217,182.66
Total	733,850,787.45	100	488,633,604.79		245,217,182.66

#### Accounts receivables tested for impairment individually

Company	30 June 2021			
	Gross carrying amount	Provision for bad debts	Bad debts ratio (%)	Reason
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	operation ceased
Total	352,985,418.30	352,985,418.30		

#### Accounts receivable tested for impairment by aging portfolio:

Items	30 June 2021		
	Gross carrying amount	Provision for bad debts	Bad debts ratio (%)
Within 1 year (inclusive)	221,398,097.73	2,213,980.98	1.00
1-2 years (inclusive)	1,987,650.73	198,765.07	10.00
2-3 years (inclusive)	5,671,958.15	1,134,391.63	20.00
Over 3 years	130,230,146.07	130,230,146.07	100.00
Total	359,287,852.67	133,777,283.75	

### 3. Information of provision, reversal or recovery of bad debts of current period.

The reversal of bad debts of current period is RMB 1,870,902.74.

**4. No accounts receivable has been written off during the current period.**

**5. Top five debtors at the end of period**

Company	30 June 2021		
	Gross carrying amount	Percentage of total Accounts receivable (%)	Provision for bad debts
The first	305,223,081.12	42.85	305,223,081.12
The second	90,812,279.39	12.75	908,122.79
The third	52,940,642.68	7.43	529,406.43
The fourth	47,762,337.18	6.71	47,762,337.18
The fifth	23,016,558.21	3.23	230,165.58
Total	519,754,898.58	72.97	354,653,113.10

**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

**(3) Accounts receivable financing**

**1. Accounts receivable financing by category**

Item	30 June 2021	31 December 2020
Notes Receivable	5,143,627,467.44	4,189,977,871.92
Including: Bank acceptance bill	4,727,663,597.31	1,875,594,439.85
Commercial acceptance bill	415,963,870.13	2,314,383,432.07
Total	5,143,627,467.44	4,189,977,871.92

Note: Accounts receivable financing reflects notes receivable and accounts receivable that are measured at fair value through other comprehensive income.

**2. The pledged acceptance bill at the end of the period**

Items	30 June 2021
Bank acceptance bill	16,991,847.39
Commercial acceptance bill	6,000,000.00
Total	<b>22,991,847.39</b>

**3. The amount of notes receivable endorsed over but not yet matured at the end of the period**

Items	Derecognized ending balance	Unrecognized ending balance
Bank acceptance bill	23,332,790,273.96	
Commercial acceptance bill		573,182,722.67
Total	<b>23,332,790,273.96</b>	<b>573,182,722.67</b>

**4. No notes receivable has been transferred into accounts receivable due to inability of drawer to meet acceptance bill at the end of the period**

**(4) Prepayments**

**1. Prepayments disclosed by aging**

Aging	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	2,015,400,779.69	99.43	2,096,232,640.14	99.44
1-2 years (inclusive)	11,607,433.17	0.57	11,812,137.51	0.56
2-3 years (inclusive)				
Over 3 years				
Total	<b>2,027,008,212.86</b>	<b>100.00</b>	<b>2,108,044,777.65</b>	<b>100.00</b>

Notes: As of June 30, 2021, there were no outstanding prepayments over 1 year.

**2. Top five prepaid companies at the end of the period**

Name of the company	Amount	Percentage (%)
The First	1,371,730,593.76	67.67
The Second	112,823,353.80	5.57
The Third	82,441,146.14	4.07
The Fourth	59,475,880.47	2.93
The Fifth	53,435,651.36	2.64
Total	<b>1,679,906,625.53</b>	<b>82.88</b>

## (5) Other receivables

Items	30 June 2021	31 December 2020
Interest receivables	51,637,650.49	33,685,359.01
Dividend receivables		
Other receivables	108,542,740.73	108,415,992.26
Total	160,180,391.22	142,101,351.27

### 1 . Interest receivable

#### (1) Interest receivable disclosed by category

Items	30 June 2021	31 December 2020
Deposit interest	51,637,650.49	33,685,359.01
Subtotal	51,637,650.49	33,685,359.01
Less: provision for bad debts		
Total	51,637,650.49	33,685,359.01

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

### 2 . Other receivables

#### (1) Other receivables disclosed by aging

Items	30 June 2021	31 December 2020
Within 1 year (inclusive)	53,547,523.88	53,420,775.41
1-2 years (inclusive)	42,323,476.43	42,323,476.43
2-3 years (inclusive)	12,988,305.06	12,988,305.06
Over 3 years	68,088,848.67	68,267,923.76
Total	176,948,154.04	177,000,480.66
Less: Provision for bad debts	68,405,413.31	68,584,488.40
Total	108,542,740.73	108,415,992.26

#### (2) Information of provision for bad debts

	Stage one	Stage two	Stage three	
Provision for bad debts	12-month expected credit losses	lifetime expected credit losses (credit impairment has not occurred)	lifetime expected credit losses (credit impairment has already occurred)	Total

	Stage one	Stage two	Stage three	
Provision for bad debts	12-month expected credit losses	lifetime expected credit losses (credit impairment has not occurred)	lifetime expected credit losses (credit impairment has already occurred)	Total
Beginning balance	352376.05	9,566,849.71	58,665,262.64	68,584,488.4
Transfer into second stage				
Transfer into third stage				
Transfer back to second stage				
Transfer back to first stage				
Provision during the current period				
Write-back during the current period		179,075.09		179,075.09
Reversal during the current period				
Write-off during the current period				
Other changes				
Ending balance	352,376.05	9,387,774.62	58,665,262.64	68,405,413.31

**Changes in the gross carrying amount of other receivables are as follows:**

	Stage one	Stage two	Stage three	
Provision for bad debts	12-month expected credit losses	lifetime expected credit losses (credit impairment has not occurred)	lifetime expected credit losses (credit impairment has already occurred)	Total
Beginning balance	97,730,535.73	20,604,580.70	58,665,364.23	177,000,480.66
Transfer into second stage				

	Stage one	Stage two	Stage three	
Provision for bad debts	12-month expected credit losses	lifetime expected credit losses (credit impairment has not occurred)	lifetime expected credit losses (credit impairment has already occurred)	Total
Transfer into third stage				
Transfer back to second stage				
Transfer back to first stage				
Increase	160,729,544.48	2,719,095.30		163,448,639.77
Decrease	181,359,715.57	2,050,596.28	90,654.55	183,500,966.40
Other changes				
Ending balance	<b>77,100,364.64</b>	<b>21,273,079.72</b>	<b>58,574,709.68</b>	<b>156,948,154.04</b>

(3) There is no other receivables written off in the current period.

(4) Other receivables disclosed by nature

Nature	30 June 2021	31 December 2020
Current Account	167,883,799.30	167,775,115.62
Others	9,064,354.74	9,225,365.04
Total	<b>176,948,154.04</b>	<b>177,000,480.66</b>

(5) Top five debtors at the end of the period

Company	Nature or content	Amount	Aging	Percentage of total other receivables (%)	Provision for bad debts
The First	Accounts	5,926,131.29	within 1 year	3.35	
The Second	Accounts	4,706,815.40	within 1 year	2.66	47,068.15
The Third	Accounts	3,359,795.18	within 1 year	1.90	
The Fourth	Accounts	3,125,550.76	within 1 year to over 3 years	1.77	2,538,389.24
The Fifth	Accounts	2,394,571.41	within 1 year	1.35	



Total		19,512,864.04		11.03	2,585,457.39
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- (6) There is no other receivables relates to government subsidies at the end of the reporting period.
- (7) There is no other receivables derecognized due to the transfer of financial assets at the end of the reporting period.
- (8) There is no transfer of other receivables and continued involvement in the amount of assets and liabilities formed at the end of the reporting period.

## (6) Inventories

### 1. Inventories disclosed by category

Items	30 June 2021			31 December 2020		
	Gross carrying amount	Impairment	Book value	Gross carrying amount	Impairment	Book value
Raw material and main material	4,267,026,164.99	26,986,533.69	4,240,039,631.30	4,535,270,857.67	26,986,533.69	4,508,284,323.98
Work in process and self-made semi-finished product	1,730,031,748.42		1,730,031,748.42	1,732,705,334.71	1,946,088.69	1,730,759,246.02
Finished products	2,693,274,235.96		2,693,274,235.96	2,805,646,918.75	4,625,146.10	2,801,021,772.65
Total	8,690,332,149.37	26,986,533.69	8,663,345,615.68	9,073,623,111.13	33,557,768.48	9,040,065,342.65

### 2. Impairment of inventory

Category	31 December 2020	1 January 2021	Increase		Decrease		30 June 2021
			Provision	Others	Write-back or write-off	Others	
Raw material and main material	26,986,533.69	26,986,533.69					26,986,533.69
Work in process and self-made semi-finished product	1,946,088.69	1,946,088.69			1,946,088.69		

Category	31 December 2020	1 January 2021	Increase		Decrease		30 June 2021
			Provision	Others	Write-back or write-off	Others	
Finished products	4,625,146.10	4,625,146.10			4,625,146.10		
Total	<b>33,557,768.48</b>	<b>33,557,768.48</b>			<b>6,571,234.79</b>		<b>26,986,533.69</b>

(7) Other current assets

Items	30 June 2021	31 December 2020
Prepaid tax		183,320,437.20
VAT input tax	138,313,168.95	86,091,954.53
Term Deposit	7,000,000,000.00	5,254,234,444.28
Total	<b>7,138,313,168.95</b>	<b>5,523,646,836.01</b>

**(8) Long-term equity investment**

Investees	31 December 2020	Increase/decrease								30 June 2021	Total Impairment
		Addition of Investment	Reduction of Investment	Income or loss on investment recognized under the equity method	Other Comprehensive Income Adjustment	Other Equity Changes	Declaration of Cash Dividends or Profit	Provision	Others		
1. Joint Venture											
Subtotal											
2. Associated Enterprise											
Zhejiang Bengang Jingrui Steel Processing Co., Ltd..	2,742,064.73			281,949.15						3,024,013.88	
Subtotal	2,742,064.73			281,949.15						3,024,013.88	
Total	2,742,064.73			281,949.15						3,024,013.88	

**(9) Other equity instrument investment**

Items	30 June 2021	31 December 2020
Suzhou Bengang Industrial Co., Ltd.	3,888,980.00	3,888,980.00
Sinosteel Shanghai Steel Processing Co., Ltd.		
Northeast Special Steel Group Co., Ltd.	1,037,735,849.00	1,037,735,849.00
Guangzhou Benpu Auto Board Sales Co., Ltd.	200,000.00	200,000.00
Wuhan Bengang Yuanhong Trading Co., Ltd	200,000.00	200,000.00
Total	1,042,024,829.00	1,042,024,829.00

Notes:

The item "Other equity instrument investment" reflects the ending book value of the non-trading equity instrument investment designated by the company as measured at fair value at fair value through other comprehensive income on the balance sheet date.

The company holds 15% equity in Sinosteel Shanghai Steel Processing Co., Ltd.

The 10% equity of Northeast Special Steel Group Co., Ltd. held by the company has been pledged to Bank of Dalian Co., Ltd., Shenyang branch.

**(10) Fixed assets**

**1. Fixed assets and Disposal of fixed assets**

Items	30 June 2021	31 December 2020
Fixed assets	25,137,148,377.89	26,284,567,956.44
Disposal of fixed assets		
Total	25,137,148,377.89	26,284,567,956.44

**2. Details of fixed assets**

Items	Buildings	Machinery	Transportation equipment and others	Total
1. Gross carrying amount				
(1) 31 December 2020	12,992,173,762.87	48,920,259,525.40	912,920,312.85	62,825,353,601.12
(2) Increase in current period	2,072,031.87	17,602,680.61	21,571,760.13	41,246,472.61
Including: Purchase		5,095,357.71	1,550,536.37	6,645,894.08
Transferred from construction in progress	2,072,031.87	12,507,322.90	20,021,223.76	34,600,578.53

Items	Buildings	Machinery	Transportation equipment and others	Total
Merging				
(3) Decrease in current period	21,486,289.18	85,651,353.05	13,196,686.98	120,334,329.21
Including: Disposal	21,486,289.18	85,651,353.05	13,196,686.98	120,334,329.21
Others				
(4) 30 June 2021	12,972,759,505.56	48,852,210,852.96	921,295,386.00	62,746,265,744.52
2. Total accumulated depreciation				
(1) 31 December 2020	6,133,288,869.64	29,679,421,087.16	629,132,131.82	36,441,842,088.62
(2) Increase in current period	156,696,842.77	916,015,124.86	92,683,049.51	1,165,395,017.14
Including: Provision	156,696,842.77	916,015,124.86	92,683,049.51	1,165,395,017.14
(3) Decrease in current period	7,104,196.69	77,399,251.84	12,559,846.66	97,063,295.19
Including: Disposal	7,104,196.69	77,399,251.84	12,559,846.66	97,063,295.19
(4) 30 June 2021	6,282,881,515.72	30,518,036,960.18	709,255,334.67	37,510,173,810.57
3. Total impairment				
(1) 31 December 2020	36,963,620.92	61,979,935.14		98,943,556.06
(2) Increase in current period				
Including: Provision				
Others				
(3) Decrease in current period				
Including: Disposal				
(4) 30 June 2021	36,963,620.92	61,979,935.14		98,943,556.06
4. Total net book value of Fixed assets				
(1) 30 June 2021	<b>6,652,914,368.92</b>	<b>18,272,193,957.64</b>	<b>212,040,051.33</b>	<b>25,137,148,377.89</b>
(2) 31 December 2020	<b>6,821,921,272.31</b>	<b>19,178,858,503.10</b>	<b>283,788,181.03</b>	<b>26,284,567,956.44</b>

### 3. Fixed assets idled temporarily

Items	Gross carrying amount	Accumulated depreciation	Impairment	Book value
Buildings	94,707,444.27	59,005,241.87	35,702,202.40	
Machinery	539,534,736.81	474,959,225.20	63,241,353.66	1,334,157.95

Items	Gross carrying amount	Accumulated depreciation	Impairment	Book value
Transportation equipment and others	1,042,125.89	1,042,125.89		
Total	635,284,306.97	535,006,592.96	98,943,556.06	1,334,157.95

#### 4. Fixed assets leased in through financial leasing

As of the end of the current reporting period, the original value of the fixed assets leased in through financial leasing was RMB 1,907,492,831.36, all of which were leased from the related party Liaoning Hengyi Financial Leasing Co., Ltd.

#### 5. Fixed assets leased out by operating lease

Items	Book value
Buildings	6,755,257.55
Total	6,755,257.55

#### 6. Fixed assets without property rights certificates at the end of the period

Items	Book value	Reason
Buildings	1,145,596,922.34	To be handled

### (11) Construction in progress

#### 1. Construction in progress and Construction materials

Items	30 June 2021	31 December 2020
Construction in progress	2,875,627,953.81	1,837,160,389.66
Project materials	2,711,552.45	2,773,325.92
Total	2,878,339,506.26	1,839,933,715.58

## 2. Details of construction in progress

Items	30 June 2021			31 December 2020		
	Gross carrying amount	Total impairment	Book value	Gross carrying amount	Total impairment	Book value
Special Steel Electric Furnace Capacity Replacement Project	586,967,067.58		586,967,067.58	358,101,195.01		358,101,195.01
CCPP power generation project	618,341,552.04		618,341,552.04	300,907,874.71		300,907,874.71
Special steel rolling mill renovation project	221,971,351.85		221,971,351.85	151,433,585.06		151,433,585.06
Advanced Treatment and Reuse Project of Reclaimed Water in General Energy Plant	107,261,475.47		107,261,475.47	98,563,871.96		98,563,871.96
360 square meter sintering machine	106,378,428.49		106,378,428.49	82,878,409.99		82,878,409.99
No. 7 blast furnace dry dust removal and energy-saving transformation of TRT power generation	71,310,841.86		71,310,841.86	70,402,228.77		70,402,228.77
Environmental protection overhaul project of No. 6 blast furnace	66,322,604.36		66,322,604.36	66,322,604.36		66,322,604.36
360 square meter sintering machine waste heat utilization	56,547,049.50		56,547,049.50	56,547,049.50		56,547,049.50
One-tower desulfurization revamp in the coking plant	45,127,284.61		45,127,284.61	31,893,853.65		31,893,853.65
The overall improvement of Benxi Steel's manufacturing management	32,540,243.11		32,540,243.11	29,824,289.00		29,824,289.00
Flue gas desulfurization and denitrification of No. 7 coke oven in the plate coking plant	28,794,085.23		28,794,085.23	28,774,283.25		28,774,283.25
Energy General Plant No. 1 Converter Gas Tank System Transformation Project	46,420,310.06		46,420,310.06	24008553.86		24008553.86
Cold rolled high-strength steel renovation project	62,631,294.36		62,631,294.36	23961023.15		23961023.15
220kV Substation Project of General Energy Plant	85,045,639.28		85,045,639.28	23,302,571.03		23,302,571.03
Chemical Coke Oven Gas Project - Bengang transferred to Liaoning Coal	21,840,791.70		21,840,791.70	21,840,791.70		21,840,791.70
5#Blast furnace relocation overhaul	30,605,158.49		30,605,158.49			
1700 Hot Rolling Improvement	10,197,720.39		10,197,720.39			
Environmental protection transformation of No. 4-6 converter	7,583,100.51		7,583,100.51			
1# converter energy saving and environmental protection transformation	3,642,180.47		3,642,180.47			
Newly built 8# single-strand slab caster project	33,160,739.55		33,160,739.55			
5#-7# Oxygen Generator Nitrogen-increasing and Energy-saving Modification	877,876.11		877,876.11			
Transformation of No. 2 Casting Machine in Steelmaking Plant	4,652,919.13		4,652,919.13			
Other	627,408,239.66		627,408,239.66	468,398,204.66		468,398,204.66
<b>Total</b>	<b>2,875,627,953.81</b>		<b>2,875,627,953.81</b>	<b>1,837,160,389.66</b>		<b>1,837,160,389.66</b>





### 3. Changes in important construction projects in the current period

Items	Budget	31 December 2020	Increase during current period	Transferred to fixed asset during current period	Other decrease during current period	30 June 2021	Project cumulative investment accounted for the proportion of the budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Including : Interest capitalization amount in current period	Interest capitalization rate in current period (%)	Sources of funds
Special Steel Electric Furnace Capacity Replacement Project	161,761.00	358,101,195.01	228,865,872.57			586,967,067.58	36.00%	40%				Capital raised
CCPP power generation project	106,000.00	300,907,874.71	317,433,677.33			618,341,552.04	58.00%	60%	9,433,121.11	3,074,117.80	4.35%	Capital raised
Special steel rolling mill renovation project	59,607.00	151,433,585.06	70,537,766.79			221,971,351.85	37.00%	40%	5,076,881.26	1,170,984.20	4.35%	Others
Advanced Treatment and Reuse Project of Reclaimed Water in General Energy Plant	17,000.00	98,563,871.96	8,697,603.51			107,261,475.47	63.00%	65%				others
No. 7 blast furnace dry dust removal and energy-saving transformation of TRT power generation	9,332.00	70,402,228.77	908,613.09			71,310,841.86	76.00%	75%	361,850.63	67,870.57	4.35%	others

Items	Budget	31 December 2020	Increase during current period	Transferred to fixed asset during current period	Other decrease during current period	30 June 2021	Project cumulative investment accounted for the proportion of the budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Including : Interest capitalization amount in current period	Interest capitalization rate in current period (%)	Sources of funds
Environmental protection overhaul project of No. 6 blast furnace	25,225.00	66,322,604.36				66,322,604.36	75.00%	75%				others
One-tower desulfurization revamp in the coking plant	7,000.00	31,893,853.65	13,233,430.96			45,127,284.61	64.00%	65%				others
5#Blast furnace relocation overhaul	124,086.50		30,605,158.49			30,605,158.49	66.00%	70%	36,576,844.35	5,166,620.30	4.35%	Capital raised
1700 Hot Rolling Improvement	25,000.00		10,197,720.39			10,197,720.39	71.00%	75%				others
Environmental protection transformation of No. 4-6 converter	27,000.00		7,583,100.51			7,583,100.51	61.00%	95%	3,729,352.38	929,554.12	4.35%	Capital raised
1# converter energy saving and environmental protection transformation	21,800.00		3,642,180.47			3,642,180.47	65.00%	70%	2,220,278.55	449,519.92	4.35%	others
Newly built 8# single-strand slab caster project	64,341.00		33,160,739.55			33,160,739.55	59.00%	60%				others
5#-7# Oxygen Generator	4,726.10		877,876.11			877,876.11	83.00%	85%				others

Items	Budget	31 December 2020	Increase during current period	Transferred to fixed asset during current period	Other decrease during current period	30 June 2021	Project cumulative investment accounted for the proportion of the budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Including : Interest capitalization amount in current period	Interest capitalization rate in current period (%)	Sources of funds
Nitrogen-increasing and Energy-saving Modification												
Transformation of No. 2 Casting Machine in Steelmaking Plant	10,090.00		4,652,919.13			4,652,919.13	87.00%	90%	387,012.00	102,460.41	4.35%	others
Total	662,968.60	1,077,625,213.52	730,396,658.90			1,808,021,872.42			57,785,340.28	10,961,127.32		

**4. There is no impairment of construction in progress during the current period.**

**5. Construction materials**

Items	30 June 2021			31 December 2020		
	Gross carrying amount	Impairment	Book value	Gross carrying amount	Impairment	Book value
Construction materials	2,711,552.45		2,711,552.45	2,773,325.92		2,773,325.92
Total	2,711,552.45		2,711,552.45	2,773,325.92		2,773,325.92

**(12) Right of use assets**

Items	Book value	Reason
Right of use assets	1,510,538,778.93	
Total	1,510,538,778.93	

**(13) Intangible assets**

**1. Details of intangible assets**

Items	Land use right	Software	Total
1. Total of original value			
(1) 31 December 2020	327,028,797.84	310,401.55	327,339,199.39
(2) Increase			
Including: Purchase			
Internal R&D			
Increase in Mergers			
(3) Decrease			
Including: Disposal			
Others			
(4) 30 June 2021	327,028,797.84	310,401.55	327,339,199.39
2. Total of Accumulated Amortization			
(1) 31 December 2020	62,257,844.20	148,702.65	62,406,546.85
(2) Increase	3,270,287.94	13,397.46	3,283,685.40
Including: Provision	3,270,287.94	13,397.46	3,283,685.40

Items	Land use right	Software	Total
Others			
(3) Decrease			
Including: Disposal			
Others			
(4) 30 June 2021	65,528,132.14	162,100.11	65,690,232.25
3. Total of Impairment			
(1) 31 December 2020			
(2) Increase			
Including: Provision			
Others			
(3) Decrease			
Including: Disposal			
Others			
(4) 30 June 2021			
4. Total of Net value			
(1) 31 December 2020	261,500,665.70	148,301.44	261,648,967.14
(2) 30 June 2021	264,770,953.64	161,698.90	264,932,652.54

**2. Land use right without Certificate of Land use right at the end of the period.**

None.

**(14) Deferred tax asset and deferred tax liability**

**1. Deferred tax assets before taking into consideration of the balance offsetting**

Items	30 June 2021		31 December 2020	
	Deductible temporary differences	Deferred tax asset	Deductible temporary differences	Deferred tax asset
Impairment	389,810,760.81	97,452,690.20	398,431,973.43	99,607,993.35
Internal unrealized profit	74,424,898.88	18,606,224.72	74,424,898.92	18,606,224.73
Differences of depreciation and amortization	333,978,859.03	83,494,714.76	333,978,859.03	83,494,714.76
Total	798,214,518.72	199,553,629.68	806,835,731.38	201,708,932.84

## 2. Unrecognized deferred tax assets

Items	30 June 2021	31 December 2020
Deductible temporary differences	305,702,137.30	305,702,137.30
Deductible losses		54,629,940.42
<b>Total</b>	<b>305,702,137.30</b>	<b>360,332,077.72</b>

## 3. The deductible loss of unrecognized deferred tax assets due in the following period

Items	30 June 2021	31 December 2020	Notes
Year 2021		10,945,961.04	
Year 2022		1,001,166.72	
Year 2023		14,114,953.21	
Year 2024		17,910,573.13	
Year 2025		10,657,286.32	
<b>Total</b>		<b>54,629,940.42</b>	

## (15) Other non-current assets

Items	30 June 2021			31 December 2020		
	Gross carrying amount	Impairment	Book value	Gross carrying amount	Impairment	Book value
Prepayment for long-term assets	851,101,139.47		851,101,139.47	995,840,320.65		995,840,320.65
<b>Total</b>	<b>851,101,139.47</b>		<b>851,101,139.47</b>	<b>995,840,320.65</b>		<b>995,840,320.65</b>

## (16) Short-term loans

### 1. Classification of short-term loans

Items	30 June 2021	31 December 2020
Pledge loans		
Mortgage loans		
Guaranteed loans	7,285,419,000.00	9,687,731,000.00
Credit loans	210,000,000.00	380,000,000.00

Items	30 June 2021	31 December 2020
Total	7,495,419,000.00	10,067,731,000.00

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

**(17) Notes payables**

Items	30 June 2021	31 December 2020
Bank acceptance bill	4,140,752,366.66	7,747,043,186.29
Domestic letter of credit	635,939,800.00	857,106,162.13
Domestic letter of credit	1,338,000,000.00	1,210,000,000.00
Total	6,114,692,166.66	9,814,149,348.42

Notes: There are no outstanding notes payable at the end of this period.

**(18) Accounts payable**

**1. Accounts payable disclosed by category**

Items	30 June 2021	31 December 2020
Accounts payable for goods	4,822,988,701.75	5,122,416,750.84
Accounts payable for labor	15,842,004.02	18,697,483.74
Accounts payable for project and equipment	443,173,947.38	513,842,739.32
Repair expense	223,618,888.81	259,271,282.92
Total	5,505,623,541.96	5,914,228,256.82

**2. Significant accounts payable aging over one year**

Items	Ending balance	Amount aging over one year
Company 1	36,218,300.00	36,218,300.00
Company 2	35,081,745.24	30,361,745.24
Company 3	23,579,692.14	23,379,692.14
Company 4	15,810,625.07	15,810,625.07
Company 5	14,200,000.00	14,200,000.00
Company 6	14,126,435.78	12,651,035.78
Total	139,016,798.23	

Notes: The above significant accounts payable aged over one year have not yet reached the settlement conditions.

**(19) Contract liabilities**

Items	30 June 2021	31 December 2020
Payment received in advance	6,182,094,798.39	4,458,671,819.90
Total	<b>6,182,094,798.39</b>	<b>4,458,671,819.90</b>

As of June 30, 2021, the value-added tax received in advance when the payment is received in advance is RMB 803,672,323.79 and is shown as other current liabilities

**(20) Employee benefits payable**

**1. Employee benefits payable**

Items	31 December 2020	Increase	Decrease	30 June 2021
(1) Short-term employee benefits	25,748,902.30	937,619,306.42	930,159,243.80	33,208,964.92
(2) Post-employment benefits - defined contribution plans	582.95	104,179,630.07	104,180,213.02	
(3) Termination benefits				
(4) Other benefits due within one year				
Total	<b>25,749,485.25</b>	<b>1,041,798,936.49</b>	<b>1,034,339,456.82</b>	<b>33,208,964.92</b>

**2. Short-term employee benefits**

Items	31 December 2020	Increase	Decrease	30 June 2021
(1) Salary, bonus, allowance and subsidy	16,591,117.11	761,247,064.95	754,888,309.88	22,949,872.18
(2) Employee welfare		30,254,179.78	30,254,179.78	
(3) Social Insurance	653,712.74	68,075,443.50	68,075,507.09	653,649.15
Including: Medical insurance	3,683.11	52,218,853.23	52,218,853.23	3,683.11
Work injury insurance	650,029.63	15,846,547.47	15,846,547.47	650,029.63
Maternity insurance		10,042.80	10,042.80	
(4) Housing	6,859,195.00	62,336,339.00	62,332,739.00	6,862,795.00
(5) Union funds and staff	1,644,877.45	15,706,279.19	14,608,508.05	2,742,648.59



Items	31 December 2020	Increase	Decrease	30 June 2021
education fee				
(6) Short-term compensated absences				
(7) Short-term profit - sharing scheme				
Total	<b>25,748,902.30</b>	937,619,306.42	930,159,243.80	<b>33,208,964.92</b>

### 3. Defined contribution plans

Items	31 December 2020	Increase	Decrease	30 June 2021
Basic pension fund	565.28	100,645,692.28	100,646,257.56	
Unemployment insurance	17.67	3,533,937.79	3,533,955.46	
Total	<b>582.95</b>	<b>104,179,630.07</b>	<b>104,180,213.02</b>	

### (21) Current tax liabilities

Items	30 June 2021	31 December 2020
Value-added tax	133,075,994.19	22,541,925.74
Corporate income tax	180,745,973.41	9,589,798.62
City maintenance and construction tax	16,511,584.41	4,490,656.56
House property tax	3,823,901.19	3,661,600.13
Educational surcharges	11,842,865.16	3,211,296.48
Land use right tax	1,180,402.66	1,180,402.66
Environmental tax	775,068.53	8,398,902.77
Others	2,915,101.45	2,227,498.00
Total	<b>350,870,891.00</b>	<b>55,302,080.96</b>

### (22) Other payables

Items	30 June 2021	31 December 2020
Interest payables		
Dividends payables	38,753,715.32	
Other payables	673,405,372.03	709,448,301.92
Total	<b>712,159,087.35</b>	<b>709,448,301.92</b>

### 1. Interest Payable

Items	30 June 2021	31 December 2020
Loan interests	38,753,715.32	
Total	38,753,715.32	

## 2. Other payables

### (1) Other payables disclosed by nature

Items	30 June 2021	31 December 2020
Deposit	2,074,097.73	1,713,563.89
Margin	111,559,681.36	98,316,454.89
Accounts	487,437,063.26	525,775,209.97
Others	72,334,529.68	83,643,073.17
Total	673,405,372.03	709,448,301.92

(2) There is no significant other payables aged over one year at the end of the reporting period.

### (23) Non-current liabilities due within one year

Items	30 June 2021	31 December 2020
Long-term loans due within one year	71,011,323.08	1,287,630,361.43
Bond payables due within one year	27,200,000.00	20,400,000.00
Long-term payables due within one year	39,667,032.50	38,898,662.02
Total	137,878,355.58	1,346,929,023.45

Notes: Among the long-term loans due within one year, RMB71,011,323.08 is guaranteed loan.

### (24) Other current liabilities

Items	30 June 2021	31 December 2020
Output VAT to be recognized	803,672,323.79	579,627,336.58
Total	803,672,323.79	579,627,336.58

### (25) Long-term loans

Items	30 June 2021	31 December 2020
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Items	30 June 2021	31 December 2020
Pledged loans	622,600,000.00	622,600,000.00
Mortgage loan		
Guaranteed loans	962,934,418.16	798,714,362.65
Credit loans	2,724,252,523.81	2,081,620,065.00
Total	<b>4,309,786,941.97</b>	<b>3,502,934,427.65</b>

**(26) Bond payables**

**(1) Bonds payables disclosed by category**

Items	30 June 2021	31 December 2020
Convertible Bond	5,732,396,546.29	5,752,229,339.52
Total	5,732,396,546.29	5,752,229,339.52

**(1) Changes in Bonds payables ( Excluding other financial instruments such as preferred stocks and perpetual bonds classified as financial liabilities)**

Items	Book 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 in 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	5,752,229,339.52		47,600,000.00	26,884,660.81	40,548,132.42	5,732,396,546.29
<b>Total</b>	<b>6,800,000,000.00</b>			<b>6,800,000,000.00</b>	<b>5,752,229,339.52</b>		<b>47,600,000.00</b>	<b>26,884,660.81</b>	<b>40,548,132.42</b>	<b>5,732,396,546.29</b>

**Description:**

Approved by the China Securities Regulatory Commission "Zheng Jian Xu Ke [2020] No. 46", the Company publicly issued 68 million convertible corporate bonds on June 29, 2020, each with a face value of 100 yuan and a total issuance of RMB 6.8 billion. The term to maturity is 6 years from June 29, 2020 to June 28, 2026. The bond coupon rate is 0.6% in the first year, 0.8% in the second year, 1.5% in the third year, 2.9% in the fourth year, 3.8% in the fifth year, and 5.0% in the sixth year. The interest payment method is once a year, and the starting date of interest calculation is the first day of issuance of the convertible bond, that is, June 29, 2020. The interest payment date of each year is the first day of the issuance of convertible bonds (June 29, 2020) on the day of each full year. If that day is a legal holiday or a rest day, it will be postponed to the next working day, and no interest will be paid during the postponement period. Every two adjacent interest payment dates constitute an interest calculation year.

In the initial measurement of the convertible corporate bonds issued by the Company this time, the fair value of the corresponding liability component after deducting the allocated issuance expenses is RMB 5,612,624,636.40, which is included in the bonds payable; the fair value of the corresponding equity component after deducting the allocated issuance cost of the Company is RMB 1,146,290,662.42, which is included in other equity instruments. In the subsequent measurement, the liability part is measured and adjusted by amortized cost using the effective interest rate method.

**(2) 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 will be 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. The conversion price of the convertible bonds is adjusted to RMB 5.02 per share on July 19, 2021.

**(3) Notes to other financial instruments classified as financial liabilities**

None.

**(27) Lease liabilities**

Items	30 June 2021	31 December 2020
Special payables	1,549,600,900.45	
Total	1,549,600,900.45	

**(28) Long-term payables**

Items	30 June 2021	31 December 2020
Long-term payables	1,907,492,831.36	1,114,232,362.74
Special payables		
Total	1,907,492,831.36	1,114,232,362.74

**Long-term payables**

Items	30 June 2021	31 December 2020
Financing lease payments	1,907,492,831.36	1,114,232,362.74
In which: Unrealized financing expenses	1,190,601,171.64	779,232,152.85
Total	1,907,492,831.36	1,114,232,362.74

Notes: At the end of the reporting period, the amount of unrealized financing expenses payable for financing leases is RMB1,190,601,171.64;

The minimum financing lease payment to be paid after the balance sheet date is RMB 1,907,492,831.36:

The company needs to pay interest on time, the principal is a one-off payment after the lease contract expires, and the lease contract that has not been executed has an expiry date of more than 3 years.

**(29) Deferred income**

Items	31 December 2020	Increase	Decrease	30 June 2021	Reason
Government subsidy	154,451,833.23	1,225,520.00	32,210,883.34	123,466,469.89	
Total	154,451,833.23	1,225,520.00	32,210,883.34	123,466,469.89	

Projects of government subsidies:

Items	31 December 2020	Increase	Transfer to non-operating income	Transfer to other income	Offsetting cost or expenses	Other decrease	30 June 2021	Related to assets or income
“Steel for high-strength pipelines under low-temperature and high-pressure service conditions” Project national support funds	30,677.74						30,677.74	Income
2018 Municipal Skill Master Workstation Fee	66,616.34						66,616.34	Income
Advanced Treatment Project of Carbon Fiber Wastewater in Dongfeng Plant Area of Plate Coking Plant	9,500,000.00			950,000.00			8550000	Assets
Desulfurization and Denitrification Project of Coal-fired Boiler in High-pressure Workshop of Bengang Power Plant	3,600,000.00			300000			3,300,000.00	Assets
Research and development of high-strength steel for the third generation of automobiles	2,320,000.00			290,000.00			2,030,000.00	Assets
7 sets of 130 tons combustion boiler flue gas desulfurization project in power plant	9,600,000.00			2,400,000.00			7,200,000.00	Assets
Power plant three power plant cogeneration reform project	4,000,000.00			1,000,000.00			3,000,000.00	Assets
Demonstration project of construction of energy management center for industrial enterprises	2,320,000.00			1,160,000.00			1,160,000.00	Assets
Research and development of anti-oxidation hot forming steel PHS1500A	165,152.27						165,152.27	Income
Automatic air quality monitoring system	35,000.00			35,000.00			0	Assets
Cold-rolled high-strength steel reconstruction project	100,000,000.00			25,000,000.00			75000000	Assets
Liaoning Artisan Subsidy	21.89						21.89	Income
Construction of professional technology innovation	200,000.00						200000	Assets

Items	31 December 2020	Increase	Transfer to non-operating income	Transfer to other income	Offsetting cost or expenses	Other decrease	30 June 2021	Related to assets or income
platform for automobile steel industry								
Research on the Influence Mechanism and Control of Rare Earth Oxide Sulfide on Automobile Steel Plasticity	184,364.99			24,876.50			159,488.49	Income
Introduce special funds for overseas advanced applicable technology (progress in production technology of high-grade electro-galvanized sheet)	2,000,000.00			1,000,000.00			1,000,000.00	Assets
2019 Municipal Skills Master Workstation Cost	180,000.00			21006.84			158993.16	Income
2020 Ecological Civilization Construction Project (Special Steel Electric Furnace Upgrade Project)	20,000,000.00						20,000,000.00	Assets
Liaoning Province "Hundred, Thousand, Thousand, Thousand Talents Project" funding project in 2018	250,000.00			30,000.00			220,000.00	Income
Research on the Influence Mechanism and Control of Rare Earth Oxide Sulfide on Automobile Steel Plasticity		925520					925,520.00	Income
Provincial master station subsidy		300,000.00					300,000.00	Income
Total	154,451,833.23	1,225,520.00		32,210,883.34			123,466,469.89	

(30) Share capital

Items	31 December 2020	Increase/decrease (+, -)					30 June 2021
		Issuing of new share	Bonus shares	Transferred from reserves	Others	Subtotal	



Items	31 December 2020	Increase/decrease (+, -)					30 June 2021
		Issuing of new share	Bonus shares	Transferred from reserves	Others	Subtotal	
Capital shares	3,875,371,532.00				9,689,073.00	9,689,073.00	3,885,060,605.00

**(31) Other equity instruments**

**1. Information of other financial instruments such as preferred stocks and perpetual bonds issued at the end of the period**

The Company's other equity instruments at the end of the period are the equity part of convertible corporate bonds. For details, please refer to "Note 5 (26) Bonds payable".

**2. Changes in financial instruments such as preferred stocks and perpetual bonds issued at the end of the period**

Notes:

Items	20201231		Increase		Decrease		20210630	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
Convertible corporate bonds	68,000,000.00	1,146,290,662.42			487,432	8,219,782.00	67,512,568	1,138,070,880.42
Total	<b>68,000,000.00</b>	<b>1,146,290,662.42</b>			<b>487,432</b>	<b>8,219,782.00</b>	<b>67,512,568</b>	<b>1,138,070,880.42</b>

Other equity instruments' changes in the current period, explanations of the reasons for the changes, and the basis for related accounting treatments:

As of June 30, 2021, convertible corporate bonds have been partially converted into shares, and the number of shares converted is 487,432

**(32) Capital reserves**

Items	31 December 2020	Increase	Decrease	30 June 2021
Capital premium over par value	12,227,292,378.47			12,227,292,378.47
Other capital reserves	115,917,468.82	38,759,518.23		154,676,987.05
Total	<b>12,343,209,847.29</b>	<b>38,759,518.23</b>		<b>12,381,969,365.52</b>

**(33) Special Reserves**

Items	31 December 2020	Increase	Decrease	30 June 2021
Safety production cost	300,412.14	24,398,347.80	6,368,148.59	18,330,611.35
Total	<b>300,412.14</b>	<b>24,398,347.80</b>	<b>6,368,148.59</b>	<b>18,330,611.35</b>

**(34) Surplus Reserves**

Items	31 December 2020	1 January 2021	Increase	Decrease	30 June 2021
Statutory surplus reserves	961,105,529.85	961,105,529.85			961,105,529.85
Total	<b>961,105,529.85</b>	<b>961,105,529.85</b>			<b>961,105,529.85</b>

**(35) Undistributed Profits**

Items	Current period	Previous period
Before adjustments: undistributed profits at last year-end	2,692,018,405.40	2,307,765,664.62
Adjustments of the beginning distributed profits (increase + / decrease -)		
After adjustments: undistributed profit at this year-beginning	2,692,018,405.40	2,307,765,664.62
Add: undistributed profit belonging to parent company	2,208,798,167.91	384,252,740.78
Less: Statutory surplus reserves		
Discretionary reserves		
General risk reserves		

Items	Current period	Previous period
Common shares dividend payable	38,753,715.32	
Common shares dividend transferred to paid-in capital		
Ending balance of undistributed profits	<b>4,862,062,857.99</b>	<b>2,692,018,405.40</b>

**(36) Operating income and operating cost**

Items	Current period		Previous period	
	Revenue	Cost	Revenue	Cost
Principal business	35,798,649,027.39	32,161,874,843.45	20,470,526,587.62	18,886,384,469.92
Other business	2,789,479,184.75	2,430,950,949.27	1,714,010,672.43	1,553,861,892.75
Total	<b>38,588,128,212.14</b>	<b>34,592,825,792.72</b>	<b>22,184,537,260.05</b>	<b>20,440,246,362.67</b>

Details for operating income:

Item	Principal business	Other business
Classified by business area	35,798,649,027.39	2,789,479,184.75
Including: Domestic	31,875,366,736.04	2,789,479,184.75
Abroad	3,923,282,291.35	
Classified by the time of commodity transfer	35,798,649,027.39	2,789,479,184.75
Including: recognize at a certain point in time	35,798,649,027.39	2,789,479,184.75
recognize over a certain period of time		
Total	<b>35,798,649,027.39</b>	<b>2,789,479,184.75</b>

**(37) Tax and surcharges**

Items	Current period	Previous period
City maintenance and construction tax	76,391,993.56	13,467,815.13
Educational surcharge	54,742,060.36	9,674,693.55
Housing property tax	40,482,761.79	40,089,186.70
Land use right tax	6,848,481.27	6,457,679.78
Stamp duty and others	10,152,512.38	5,619,563.86
Environmental tax	52,930,399.36	12,962,357.84

Items	Current period	Previous period
others	7,286.20	127,139.82
<b>Total</b>	<b>241,555,494.92</b>	<b>88,398,436.68</b>

**(38) Selling and distribution expenses**

Items	Current period	Previous period
Freight		532,184,917.51
Port surcharges		53,812,369.10
Import and export agency fee	36,480,975.97	30,678,165.54
Salary and benefits	15,027,843.69	12,735,597.76
Others	3,787,047.04	9,404,066.26
Package fee	4,356,803.02	3,578,102.61
<b>Total</b>	<b>59,652,669.72</b>	<b>642,393,218.78</b>

**(39) General and administrative expenses**

Items	Current period	Previous period
Salary and benefits	174,030,589.62	134,676,282.75
Repair expense	107,230,408.76	102,044,859.99
Land use right fee	32,611,483.62	32,611,483.62
Depreciation	19,687,001.55	18,573,834.52
Heating fee	16,329,843.40	18,050,334.83
Water resources fee	4,078,271.50	12,470,097.22
Environment protection fee	4,145,377.97	4,414,545.30
Others	30,565,866.81	57,986,878.18
<b>Total</b>	<b>388,678,843.23</b>	<b>380,828,316.41</b>

**(40) Research and development expenses**

Items	Current period	Previous period
Depreciation, materials and compensation, etc.	22,504,022.68	20,202,985.20
<b>Total</b>	<b>22,504,022.68</b>	<b>20,202,985.20</b>

**(41) Financial expenses**

Items	Current period	Previous period
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Items	Current period	Previous period
Interest expenditure	554,219,518.90	439,861,353.93
Less: Interest income	222,276,204.79	154,882,284.33
Exchange loss	-15,432,430.80	45,932,418.60
Others	19,844,815.53	24,125,152.20
Total	<b>336,355,698.84</b>	<b>355,036,640.40</b>

**(42) Other income**

Items	Current period	Previous period
Government subsidy	32,210,883.34	37,894,126.40
Others	448,600.00	693,206.00
Total	<b>32,659,483.34</b>	<b>38,587,332.40</b>

**(43) Income on investment**

Items	Current period	Previous period
Income on disposal of long-term equity investment by equity method	281,949.15	29,304.00
Investment income from disposal of trading financial assets		
Dividend from holding other equity instruments		
Income on bank short-term financial products	1,553,175.04	
Total	<b>1,835,124.19</b>	<b>29,304.00</b>

**(44) Credit impairment loss**

Items	Current period	Previous period
Loss from bad debts of account receivable	1,870,902.74	3,266,886.62
Loss from bad debts of receivable financing		
Loss from bad debts of other receivables	179,075.09	220,896.80
Total	<b>2,049,977.83</b>	<b>3,487,783.42</b>

**(45) Asset impairment loss**

Items	Current period	Previous period
Inventory impairment loss	6,629,442.12	-15,321,598.62
Impairment of fixed assets		

Items	Current period	Previous period
Total	6,629,442.12	-15,321,598.62

**(46) Assets disposal gains**

Items	Current period	Previous period	The amount recognized in non-recurring profit
Disposal gains or losses arising from disposal of fixed assets not classified for sale	130,675.05	325,651.61	130,675.05
Total	130,675.05	325,651.61	130,675.05

**(47) Non-operating income**

Items	Current period	Previous period	The amount recognized in non-recurring profit
Non-current assets scrapped gains	717,592.73	302,362.80	717,592.73
Debt restructuring gain		32,800.02	
Others	2,555,535.73	805,201.30	2,555,535.73
Total	3,273,128.46	1,140,364.12	3,273,128.46

**(48) Non-operating expense**

Items	Current period	Previous period	The amount recognized in non-recurring profit
Non-current assets scrapped loss	22,989,643.14	20,035,471.42	22,989,643.14
Total	22,989,643.14	20,035,471.42	22,989,643.14

**(49) Income tax expense**

**1. Income tax expense**

Items	Current period	Previous period
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Items	Current period	Previous period
Income tax payable for the current year	744,822,287.29	12,626,191.22
Adjustment of deferred income tax	2,155,303.16	-3,388,376.14
Total	<b>746,977,590.45</b>	<b>9,237,815.08</b>

## 2. Accounting profit and income tax expense adjustment process

Items	Current period
Total profit	2,970,143,877.88
Income tax expense calculate according to the official or applicable tax rate	742,535,969.47
Effect of different tax rates applied by subsidiaries	
Effect of adjustment of the income tax expense of prior period	
Effect of non-taxable income	
Effect of undeductible costs, expenses or losses	
Effect of use of deductible losses of unrecognized deferred tax asset of prior period	4,441,620.98
Effect of deductible temporary differences or deductible losses of unrecognized deferred tax asset of current period	
Changes in the balance of deferred income tax assets and liabilities at the beginning of the period due to additional deductible expenses and tax rate adjustments required by the tax law	
Income tax expenses	<b>746,977,590.45</b>

## (50) Earning per share

### 1. Basic earnings per share

The basic earnings per share is calculated by dividing the consolidated net profit attributable to the common stock shareholders of the parent company by the weighted average number of common stocks issued by the company:

Items	Current period	Previous period
Consolidated net profit attributable to ordinary shareholders of parent company	2,208,798,167.91	254,644,204.33
The weighted average number of common shares issued by the company	3,885,060,605.00	3,875,371,532.00
Basic earnings per share	<b>0.57</b>	<b>0.07</b>

Items	Current period	Previous period
Including: basic earnings per share for continuing operations	0.57	0.07
Basic earnings per share for discontinued operations		

## 2. Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company (diluted) by the weighted average number of ordinary shares issued by the company (diluted):

Since convertible bonds have caused anti-dilution, diluted earnings per share are disclosed in accordance with basic earnings per share.

## (51) 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	14,619,093.59	16,851,204.08
Interest income	222,276,204.79	154,882,284.33
Special subsidy income	1,225,520.00	1,626,919.00
Non-operating income	1,068,391.65	503,009.25
Others	130,327.27	153,380.34
Total	<b>239,319,537.30</b>	<b>174,016,797.00</b>

### 2. Cash paid related to other operating activities

Items	Current period	Previous period
Current accounts, advance for another	179,844,208.53	199,605,380.27
Sales expenses	4,351,842.16	4,545,479.59
Administrative expenses	15,765,954.58	18,446,185.30
Bank charges	2,980,552.81	3,331,343.25
Others	437,431.93	360,322.84
Total	<b>203,379,990.00</b>	<b>226,288,711.25</b>

## (52) 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	2,223,166,287.43	256,406,850.34
Add: Credit impairment loss	2,049,977.83	3,487,783.42
Asset impairment loss	6,629,442.12	-15,321,598.62
Depreciation of fixed assets and so on	1,165,395,017.14	1,201,263,368.47
Amortization of right of use assets	31,329,731.88	
Amortization of oil assets		
Amortization of intangible assets	3,283,685.40	3,283,685.40
Long-term deferred expenses		
Losses proceeds from disposal of PPE, intangible assets and other long-term assets (Earnings marked“—”)	22,272,050.41	19,733,108.62
Scrapped losses from fixed assets (Earnings marked“—”)		
Change in fair value loss (Earnings marked“—”)		
Financial expenses (Earnings marked“—”)	336,355,698.84	355,036,640.40
Investment losses (Earnings marked“—”)		
Deferred tax assets reduction (Addition marked“—”)	-2,155,303.16	-3,388,376.14
Deferred tax liabilities increased (Reduction marked“—”)		
Reduction of inventory (Addition marked“—”)	376,719,726.97	-1,885,641,689.91
Operating receivable items reduction (Addition marked“—”)	102,664,138.59	-1,938,821,059.08
Operating payable items increase (Less marked“—”)	-2,742,794,233.42	1,852,485,580.02
Other		
Net cash flows generated from operating activities	<b>1,524,916,220.03</b>	<b>-151,475,707.08</b>
2. Payments of investing and financing activities not involving cash:		
Liabilities transferred to capital		
Convertible bonds due within one year		
Fixed assets financed by leasing		

Items	Current period	Previous period
3. The net increase in cash and cash equivalents:		
Ending balance of cash	4,457,454,114.91	11,417,592,663.52
Less: Beginning balance of cash	9,229,417,595.12	13,441,414,988.58
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	<b>-4,771,963,480.21</b>	<b>-2,023,822,325.06</b>

## 2. The structure of cash and cash equivalents

Items	30 June 2021	31 December 2020
1. Cash	4,457,454,114.91	11,417,592,663.52
Including: Cash on hand	6,271.10	7,110.40
Bank deposits available on demand	4,457,447,843.81	11,417,585,553.12
Other monetary funds available on demand		
Central bank deposits available on demand		
Balances with other financial institutions		
Loans to other financial institutions		
2. Cash equivalents		
Including: Investment of securities due within 3 months		
3. Ending balance of cash and cash equivalents	4,457,454,114.91	11,417,592,663.52
Including: Cash and cash equivalents limited to use by the parent company of other subsidiary in the group		

## (53) Assets of which ownership or right to use are restricted

Items	30 June 2021	Reason
Cash at bank and on hand	5,053,246,387.76	Deposit for notes and letter of credit
Accounts receivable	22,991,847.39	Pledged for acceptance bill and short term loan
Other equity instrument investments	1,037,735,849.00	Pledged for loans
Fixed assets	94,790,118.09	Mortgaged for loans

Items	30 June 2021	Reason
Intangible assets	37,116,386.66	Mortgaged for loans
Total	6,245,880,588.90	

(54) **Foreign currency monetary items**

**1. Foreign currency monetary items**

Items	Ending balance in foreign currency	Exchange rate at the end of the period	Ending balance translated to RMB
<b>Cash at bank and on hand</b>			7,190,592.52
Including: USD	1,011,332.92	6.4601	6,533,311.80
EUR	55,902.49	7.6862	429,677.72
HKD	273,528.43	0.8321	227,603.01
<b>Short-term loans</b>			1,227,419,000.00
Including: USD	190,000,000.00	6.4601	1,227,419,000.00
<b>Non-current liabilities due within one year</b>			37,881,323.08
Including: JPY	23,176,000.00	0.0658	1,524,980.80
EUR	4,730,080.18	7.6862	36,356,342.28
<b>Long-term loans</b>			386,965,986.45
Including: USD	14,200,000.00	6.4601	77,320,065.00
EUR	37,635,016.95	7.6862	302,021,017.45
JPY	115,880,000.00	0.0658	7,624,904.00

**2. The Company has no overseas operating entities.**

**(55) Government subsidy**

**1. Related to assets**

Items	Amount	Balance sheet presentation items	The amount included in the current profit and loss or offset the loss of related costs		
			Current period	Previous period	Items
Advanced Treatment Project of Carbon Fiber Wastewater in Dongfeng Plant Area of Plate Coking Plant	8,550,000.00	Deferred income	950,000.00		Other income
Desulfurization and Denitrification Project of Coal-fired Boiler in High-pressure Workshop of Bengang Power Plant	3,300,000.00	Deferred income	300,000.00	300,000.00	Other income
Research and development of high-strength steel for the third generation of automobiles	2,030,000.00	Deferred income	290,000.00		Other income
7 sets of 130 tons combustion boiler flue gas desulfurization project in power plant	7,200,000.00	Deferred income	2,400,000.00	2,400,000.00	Other income
Power plant three power plant cogeneration reform project	3,000,000.00	Deferred income	1,000,000.00	1,000,000.00	Other income
Industrial enterprise energy management center construction demonstration project	1,160,000.00	Deferred income	1,160,000.00	1,160,000.00	Other income

Items	Amount	Balance sheet presentation items	The amount included in the current profit and loss or offset the loss of related costs		
			Current period	Previous period	Items
Automatic air quality monitoring system	-	Deferred income	35,000.00	35,000.00	Other income
Cold-rolled high-strength steel reconstruction project	75,000,000.00	Deferred income	25,000,000.00	25,000,000.00	Other income
Construction of a professional technology innovation platform for the automotive steel industry	200,000.00	Deferred income		300,000.00	Other income
Introduce special funds for overseas advanced applicable technology (progress in production technology of high-grade electro-galvanized sheet)	1,000,000.00	Deferred income	1,000,000.00	1,000,000.00	Other income
2020 Ecological Civilization Construction Project (Special Steel Electric Furnace Upgrade Project)	20,000,000.00	Deferred income			Other income
Bengang Automotive Sheet Engineering Laboratory Project		Deferred income		160,206.60	Other income
Energy saving and environmental protection project for sintering machine in		Deferred income		580,000.00	Other income

Items	Amount	Balance sheet presentation items	The amount included in the current profit and loss or offset the loss of related costs		
			Current period	Previous period	Items
ironworks					
Production line of high-grade electro-galvanized sheet for automobile		Deferred income		4,104,000.00	Other income
Total	121,440,000.00		32,135,000.00	36,039,206.60	

## 2. Related to income

Items	Amount	The amount included in the current profit and loss or offset the loss of related costs		
		Current period	Previous period	Items
“Steel for high-strength pipelines under low-temperature and high-pressure service conditions” Project national support funds	30,677.74		93,575.00	Other income
2018 Municipal Skill Master Workstation Fee	66,616.34		120,423.00	Other income
Research and development of anti-oxidation hot forming steel PHS1500A	165,152.27			Other income
Liaoning artisan subsidy	21.89		14,002.80	Other income
Research on the Influence Mechanism and Control of Rare Earth Oxide Sulfide on	159,488.49	24,876.50		Other income

Items	Amount	The amount included in the current profit and loss or offset the loss of related costs		
		Current period	Previous period	Items
Automobile Steel Plasticity				
2019 Municipal Skills Master Workstation Cost	158,993.16	21,006.84		Other income
Liaoning Province "Hundred, Thousand, Thousand, Thousand Talents Project" funding project in 2018	220,000.00	30,000.00		Other income
Research on the Influence Mechanism and Control of Rare Earth Oxide Sulfide on Automobile Steel Plasticity	925,520.00			Other income
Provincial master station subsidy	300,000.00			Other income
Others			693,206.00	Other income
Total	2,026,469.89	75,883.34	921,206.80	

### 3. Return of government subsidies during the reporting period

None

## 6. Changes in the scope of consolidation

There is no changes to the scope of consolidation during the current period.

## 7. 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	
Xiamen Bengang Steel & Iron Sales Co., Ltd.	Xiamen	Xiamen	Sales	100.00		Business combination under common control
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 Steel & Iron Sales Co., Ltd.	Changchun	Changchun	Sales	100.00		Business combination under common control
Guangzhou Bengang Steel & Iron Trading Co., Ltd.	Guangzhou	Guangzhou	Sales	100.00		Establishment
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	Shanghai	Shanghai	Sales	100.00		Establishment
Bengang Steel Plates Liaoyang Pellet Co., Ltd.	Liaoyang	Liaoyang	Manufacturing	100.00		Establishment
Dalian Benruitong Automobile Material Technology Co., Ltd.	Dalian	Dalian	Manufacturing	65.00		Establishment
Bengang Posco Cold-rolled Sheet Co., Ltd.	Benxi	Benxi	Manufacturing	75.00		Business combination under common control



Name of the subsidiaries	Principal place of business	Registered address	Notes of business	Shareholding ratio		Acquiring method
				Direct	Indirect	
Benxi Bengang Steel Sales Co., Ltd	Benxi	Benxi	Sales	100.00		Establishment
Shenyang Bengang Metallurgical Science and Technology Co., Ltd.	Shenyang	Shenyang	Sales	100.00		Establishment
Chongqing Liaoben Steel & Iron Trading Co., Ltd.	Chongqing	Chongqing	Sales	100.00		Establishment
Bengang Baojin (Shenyang) auto new material technology Co., Ltd.	Shenyang	Shenyang	Manufacturing	85.00		Business combination under common control

The proportion of shares held in subsidiaries is different from the proportion of voting rights: the company does not have such matters.

Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee: The company does not have such matters.

For important structured entities included in the scope of consolidation, the basis for control: The company does not have such matters.

## 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%	15,744,812.00		522,224,787.93

The minority shareholder's shareholding ratio is different from the voting rights ratio: the company does not have such matters.

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

Name of the subsidiaries	30 June 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bengang Posco Cold-rolled Sheet Co., Ltd.	1,611,242,660.77	1,255,121,323.33	2,866,363,984.10	777,464,832.39		777,464,832.39

Name of the subsidiaries	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bengang Posco Cold-rolled Sheet Co., Ltd.	3,799,519,376.39	1,384,600,108.47	5,184,119,484.86	3,159,583,481.30		3,159,583,481.30

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.	5,691,380,556.81	62,979,247.98	62,979,247.98	-138,708,467.08

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.	3,483,712,504.36	12,484,509.92	12,484,509.92	389,115,477.57

### 4. Significant restrictions on the use of corporate group assets and the settlement of corporate group debts

None.

### 5. Financial support or other support provided to structured entities included in the scope of consolidated financial statements

None.

**(2) The share of owner's equity in the subsidiary changes and the subsidiary still controls the transaction**

None.

**(3) Equity in joint venture or associates**

**1. Summary of financial information of important joint ventures and associates**

The company has no important joint ventures or associates.

**2. Summary of financial information of unimportant joint ventures and associates**

Items	30 June 2021/Current period	31 December 2020/Previous period
<b>Joint ventures:</b>		
Total book value of investment:	3,024,013.88	2,742,064.73
The total amount of the following items calculated according to the shareholding ratio		
—Net profit	281,949.15	374,119.86
—Other comprehensive income		
—Total comprehensive income	281,949.15	374,119.86

**3. Explanation of significant restrictions on the ability of joint ventures or associates to transfer funds to the company**

None.

**4. Excess losses incurred by joint ventures or associates**

None.

**5. Unconfirmed commitments related to joint venture investment**

None.

**6. Contingent liabilities related to investment in joint ventures or associates**

None.

**(4) Important joint operations**

None.

**(5) Equity in structured entities not included in the scope of consolidated financial statements**

None.

**8. 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 evaluate the credit risk of the new customer, including the external credit rating and in some cases the bank credit certificate (when this information is available). The company has set a credit sales limit for each customer, which is the maximum amount without additional approval.

The Company ensures that the company's overall credit risk is within a controllable range through regular monitoring of existing customer credit ratings and regular review of accounts receivable aging analysis. 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) 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 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 and Euro. The ending balance of foreign currency financial assets and foreign currency financial liabilities after converted in RMB is shown as below:

(In 10 Thousand)

Items	30 June 2021				
	USD	Euro	HKD	Japanese Yen	Total
Assets	653.33	42.97	22.76		719.06
Liabilities	130,473.91	33,837.74		914.99	165,226.63

Items	31 December 2020				
	USD	Euro	HKD	Japanese Yen	Total
Assets	46,968.50	40.73	23.02		47,032.25
Liabilities	134,771.81	37,793.88		1,025.89	173,591.58

On June 30, 2021, with all other variables remaining unchanged, if the relevant currency appreciates or depreciates against the RMB by 5%, the company will increase or decrease its net profit by RMB 82.2538 million. Management believes that 5% reasonably reflects a reasonable range of possible changes in the relevant currency against RMB in the next year.

### (3) Liquidity risk

Liquidity risk refers to the risk of shortage of funds which occurs in fulfilling the obligation of settlement in a manner of delivering cash or other financial assets. The Company's policy is to maintain sufficient cash to meet maturing obligations. Liquidity risk is centralized controlled by the Company's finance department. Through the monitoring of unrestricted cash and cash equivalents, bank acceptance bills due in short time and the continues forecasting of cash flow in the next 12 months, the finance department ensures that the Company has sufficient cash to meet obligations in all predicted reasonable circumstances.

The following table details the Company's mature date of residual contract value of underivative financial liabilities to repay according to the contract terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

(In 10 Thousand Yuan)

Items	30 June 2021				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade and other payables	1,421,297.62			94,375.48	1,515,673.10
Loans and interests	850,110.65	22,466.81	307,758.00	2,746.22	1,183,081.68
Total	2,271,408.27	22,466.81	307,758.00	97,121.71	2,698,754.78

(In 10 Thousand Yuan)

Items	31 December 2020				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade and other payables	1,643,593.66			111,423.24	1,755,016.90
Loans and interests	1,137,576.14	25,647.04	321,586.21	3,060.20	1,487,869.59

Items	31 December 2020				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Total	2,781,169.80	25,647.04	321,586.21	114,483.44	3,242,886.49

## 9. 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			
	Fair value measurement in the first level	Fair value measurement in the second level	Fair value measurement in the third level	Total
<b>1. Continuous fair value measurement</b>				
◆ Financial assets held for trading				
(1) Financial assets measured at fair value and whose changes are included in the current profit and loss				
(a) Investment in debt instruments				

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) Investment in equity instruments				
(c) Derivative financial assets				
(d) Others				
(2) Designated as a financial asset measured at fair value and its changes are included in the current profit and loss				
(1) Investment in debt instruments				
(2) Others				
◆ Accounts receivable financing			5,143,627,467.44	5,143,627,467.44
◆ Other debt investments				
◆ Investment in other equity instruments			1,042,024,829.00	1,042,024,829.00
◆ Other non-current financial assets				
(1) Financial assets measured at fair value and whose changes are included in the current profit and loss				
(a) Investment in debt instruments				
(b) Investment in equity instruments				



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	
(c) Derivative financial assets				
(d) Others				
(2) Designated as a financial asset measured at fair value and its changes are included in the current profit and loss				
(a) Investment in debt instruments				
(b) Others				
<b>Total assets continuously measured at fair value</b>			6,185,652,296.44	6,185,652,296.44
<b>◆ Financial liabilities held for trading</b>				
Including:				
Issued trading bonds				
Derivative financial liabilities				
Others				
◆ Designated as a financial liability measured at fair value and its changes included in the current profit and loss				
<b>Total liabilities continuously measured at fair value</b>				

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>2. Non-continuous fair value measurement</b>				
(1) Assets held for sale				
<b>Total assets not measured continuously at fair value</b>				
<b>For example: Liabilities held for sale</b>				
<b>Total liabilities not measured continuously at fair value</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**

The other equity instruments that continue the third level of fair value measurement are mainly unlisted equity investments held by the company. The company adopted valuation techniques for fair value measurement, mainly using valuation techniques of listed company comparison method, referring to stock prices of similar securities and considering liquidity discounts.

**(5) 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

**(6) Changes in valuation techniques and reasons for changes during the period**

No changes during the period.

**(7) Fair value of financial assets and financial liabilities not measured at fair value**

No

**10. Related party transactions**

**(1) Details of parent company**

(In 100 Million Yuan)

Name of parent company	Place of Registry	Notes of Business	Registered capital	Share proportion (%)	Voting rights (%)
Benxi Steel & Iron (Group) Co., Ltd.	Benxi	Manufacturing	62.92	62.02	62.02

Note: The ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of Liaoning Province.

**(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**

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
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<b>Name of Other related parties</b>	<b>Relationship</b>
Bengang Group Co., Ltd. (Hereinafter referred to as "Bengang Group")	Controlling shareholder of parent company.
Bengang Group International Economic and Trading Co., Ltd.	Belongs to Bengang Group Co., Ltd.
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Same parent company
Benxi Beiyang Steel & Iron (Group) Co., Ltd. (Hereinafter referred to as "Beiyang Steel")	Belongs to Bengang Group Co., Ltd.
Bengang Electronics and Gas Co., Ltd.	Associate of parent company
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Designing Institute	Same parent company
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Same parent company
Benxi Iron and Steel (Group) Engineering Construction Supervision Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	Same parent company
Benxi High-tech Drilling Tools Manufacture Co., Ltd.	Belongs to Bengang Group Co., Ltd.
Benxi New Career Development Co., Ltd.	Same parent company
Dalian Boluole Steel Tube Co., Ltd.	Belongs to Benxi Steel and Iron (Group) Co., Ltd.
Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	Belongs to Benxi Steel and Iron (Group) Co., Ltd.

Name of Other related parties	Relationship
Benxi Steel & Iron (Group) General Hospital	Belongs to Benxi Steel and Iron (Group) Co., Ltd.
Liaoning Bengang Steel & Iron Trading Co., Ltd.	Same parent company
Liaoning Hengtai Heavy Machinery Co., Ltd.	Same parent company
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Same parent company
Liaoning Metallurgy Technician College	Same parent company
Liaoning Metallurgy Vocational Technical College	Same parent company
Suzhou Bengang Industrial Co., Ltd.	Shareholding company
Benxi Steel & Iron (Group) Medical Services Department	Associate of parent company
Bengang Group Finance Co., Ltd.	Belongs to Bengang Group Co., Ltd.
Liaoning Hengyi Financial Leasing Co., Ltd.	Belongs to Bengang Group Co., Ltd.

## (5) Related Party Transactions

### 1. Related party transactions of purchasing goods and services

#### Company as the purchaser

(In 10 Thousand Yuan)

Name	The content of related party transactions	Current period	Previous period
Benxi Steel & Iron (Group) Co., Ltd.	Repair expense	14,746.00	15,947.21
Benxi Steel & Iron (Group) Co., Ltd.	Land lease fee	3,261.15	3261.15
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Products	63.05	7.95
Benxi Steel & Iron (Group) Mining Co., Ltd.	Labor cost	388.19	361.1
Benxi Steel & Iron (Group) Mining Co., Ltd.	Raw material and supplementary material	333,109.30	280,270.14
Benxi Steel & Iron (Group) Mining Co., Ltd.	Freight	665.90	87.47
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Raw material and supplementary material	24,576.01	14,869.84
Benxi Steel & Iron (Group) Steel & Iron	Processing fee	5.08	23.81

Bengang Steel Plates Co., Ltd.  
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Name	The content of related party transactions	Current period	Previous period
Process and Logistics Co., Ltd.			
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Spare parts	1491.71	2,296.73
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Repair services	292.32	330.54
Benxi Steel & Iron (Group) Construction Co., Ltd.	Spare parts	198.76	19.75
Benxi Steel & Iron (Group) Construction Co., Ltd.	Project fee	14,057.74	7490.59
Benxi Steel & Iron (Group) Construction Co., Ltd.	Repair services	4,168.26	3,660.09
Benxi Steel & Iron (Group) Construction Co., Ltd.	Raw material and supplementary material	375.59	367.31
Benxi Steel & Iron (Group) Construction Co., Ltd.	Freight	87.45	87.94
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Spare parts	2693.64	2568.9
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Raw material and supplementary material	1,567.13	5,906.02
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Repair services	18.90	790.53
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Freight	191.68	188.69
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Project fee	360.29	332
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Raw material & supplementary materials	62.83	128.19

Bengang Steel Plates Co., Ltd.  
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Name	The content of related party transactions	Current period	Previous period
	& spare parts		
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Project fee	370.74	2,992.87
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Repair expense	255.59	2,673.04
Bengang Electronics and Gas Co., Ltd.	Raw material and supplementary material	7,365.37	6,886.40
Bengang Electronics and Gas Co., Ltd.	Repair services	220.68	1,168.35
Benxi High-tech Drilling Tools Manufacture Co., Ltd.	Spare parts	7.96	6.22
Benxi New Career Development Co., Ltd.	#N/A	3.01	22.45
Benxi New Career Development Co., Ltd.	Raw material and supplementary material and food	113.40	107.92
Liaoning Metallurgy Technician College	Spare parts	126.16	117.57
Bengang Group International Economic and Trading Co., Ltd.	Raw material and supplementary material	846115.86	0
Bengang Group International Economic and Trading Co., Ltd.	Agency fee	3648.1	3067.82
Bengang Group International Economic and Trading Co., Ltd.	Port surcharges	10,544.71	5381.24
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Spare parts	93.14	285.13
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Project fee	236.53	1,368.24
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Heating costs	9.18	18.98

Bengang Steel Plates Co., Ltd.  
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Name	The content of related party transactions	Current period	Previous period
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Raw material and supplementary material	2.02	55.00
Benxi Steel & Iron (Group) Designing Institute	Design fees	40.96	28.77
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Raw material and supplementary material	140619.89	466858.5
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Energy & Power	24890.63	21856.41
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Freight	226.54	166.79
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Labor cost	4,041.85	2,016.35
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Spare parts	1,154.83	897.66
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Raw material and spare parts	3481.53	5120.05
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Repair services	66.93	0.00
Liaoning Hengtai Heavy Machinery Co., Ltd.	Raw material and spare parts	70.79	43.48
Liaoning Hengtai Heavy Machinery Co., Ltd.	Repair services	425.44	509.57
Bengang Group Co., Ltd.	Labor cost	8793.34	0
Bengang Group Co., Ltd.	House Rental fee	37.61	37.61
<b>Total</b>		<b>1,455,343.77</b>	<b>860,682.37</b>

**Company as the seller**

(In 10 Thousand Yuan)



Bengang Steel Plates Co., Ltd.  
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Name	The content of related party transactions	Current period	Previous period
Bengang Electronics and Gas Co., Ltd.	Energy & Power	39.46	38.10
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Raw material & supplementary materials & spare parts	166,327.67	135,340.23
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Products	1,150.49	1,271.42
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Energy & Power	6,461.23	6,882.65
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Energy & Power	0.94	6.25
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Energy & Power	0.46	20.39
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Products	445.96	1,014.55
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Energy & Power	1,086.20	1,216.43
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Raw material & supplementary materials & spare parts	16.41	139.52
Benxi Steel & Iron (Group) Construction Co., Ltd.	Energy & Power	377.58	335.07
Benxi Steel & Iron (Group) Construction Co., Ltd.	Raw material & supplementary materials & spare parts	171.46	15.12
Benxi Steel & Iron (Group) Mining Co., Ltd.	Energy & Power	33,426.91	33,585.45
Benxi Steel & Iron (Group) Mining Co.,	Raw material &	5,312.62	512.75

Bengang Steel Plates Co., Ltd.  
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Name	The content of related party transactions	Current period	Previous period
Ltd.	supplementary materials & spare parts		
Benxi Steel & Iron (Group) Mining Co., Ltd.	Freight revenue	339.29	497.33
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Energy & Power	3,649.48	2,264.65
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Raw material & supplementary materials & spare parts	893.57	682.22
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Energy & Power	413.68	409.62
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Products	501.34	912.10
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Raw material & supplementary materials & spare parts	660.84	936.70
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Energy & Power	5.23	11.69
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Energy & Power	59.55	66.60
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Energy & Power	103.98	105.91
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Raw material & supplementary materials & spare parts	22,587.81	13,364.82
Benxi Steel & Iron (Group) Co., Ltd.	Energy & Power	263.06	430.55
Benxi Steel & Iron (Group) Co., Ltd.	Raw material &	346.98	308.79

Bengang Steel Plates Co., Ltd.  
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Notes to the financial statements

Name	The content of related party transactions	Current period	Previous period
	supplementary materials & spare parts		
Benxi New Career Development Co., Ltd.	Energy & Power	11.63	381.86
Dalian Boluole Steel Tube Co., Ltd.	Products	655.60	279.34
Benxi Steel & Iron (Group) General Hospital	Energy & Power	-	1.06
Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	Energy & Power	1.31	3.20
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Raw material & supplementary materials & spare parts	35.59	493.65
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Products	295.41	736.33
Suzhou Bengang Industrial Co., Ltd.	Products	38,315.21	19,082.32
Bengang Group Finance Co., Ltd.	Energy & Power	0.65	0.65
Bengang Group Co., Ltd.	Energy & Power	61.46	8.82
Bengang Group Co., Ltd.	Raw material & supplementary materials & spare parts	240,324.13	221,356.12
Liaoning Hengtai Heavy Machinery Co., Ltd.	Products	17.43	-
		<b>524,360.62</b>	<b>442,712.26</b>

Notes:

The pricing policy is based on the transaction content and pricing principles specified in the "Raw Material and Service Supply Agreement" and "Land Use Right Leasing Contract" and supplementary agreements entered into between the Company and Bengang Group and Benxi Steel and Iron (Group) Co., Ltd. The main pricing principle is that if there is a market price, the market price will be used. If there is no market price, then the full cost plus the national additional

tax plus a reasonable profit will be used as the pricing standard.

## 2. Lease information of related parties

### Company as the lessor

Lessee	Lease capital category	Lease income of current period	Lease income of previous period
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Warehouse and machinery	250,000.00	250,000.00

### Company as the lessee

Lessor	Lease capital category	Lease charges of current period (Without tax)	Lease charges of previous period (Without tax)
Benxi Steel & Iron (Group) Co., Ltd.	Land use right 7,669,068.17 square meter	28,691,677.66	28,691,677.66
	Land use right 42,920.00 square meter		
Benxi Steel & Iron (Group) Co., Ltd.	2300 Hot rolling product line, related real estate	8,355,712.17	8,355,712.17
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	1780 Hot rolling product line, related real estate	7,789,338.83	5,002,327.68
Bengang Group Co., Ltd.	Land use right	4,972,711.54	4,972,711.56
	728,282.30 square meter		

#### Notes:

1. According to the "Land Use Right Leasing Contract" and subsequent supplementary agreements signed between the Company and Bengang Steel and Iron (Group) Co., Ltd. on April 7, 1997, December 30, 2005, the Company leases land from Bengang 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 Bengang Steel and Iron (Group) Co., Ltd. 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 and Iron (Group) Co., Ltd. respectively, leased and used a total of 8 pieces of land from Bengang Group and Bengang Steel and Iron (Group) Co., Ltd., with leased areas of 42,920.00 square meters, and 728,282.30 square meters, respectively. The lease term is 20 years, the rental price is 1.138 yuan per square meter per month.

#### Financial leasing:

During the reporting period, the company leased machinery and equipment from Liaoning Hengyi Finance Leasing Co., Ltd. in the form of financial leasing. From January to June 2021, the purchase amount is RMB 667,085,164.5, and the amount of interest and commission is RMB 11,763,370.53 (The aforementioned amounts are tax included.)

### 3. Information of Guarantee among related parties

#### (1) Company as the warrantee

Guarantee of loans:

Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	CNY 15,000,000,000.00	2020/8/13	2022/8/12	No
Bengang Group Co., Ltd.	CNY 500,000,000.00	2020/6/19	2021/6/18	No
Bengang Group Co., Ltd.	CNY 310,000,000.00	2020/5/26	2021/5/25	No
Bengang Group Co., Ltd.	CNY 670,000,000.00	2020/5/26	2021/5/25	No
Bengang Group Co., Ltd.	CNY 400,000,000.00	2020/10/20	2021/10/19	No
Bengang Group Co., Ltd.	CNY 1,280,000,000.00	2020/11/5	2021/11/4	No
Bengang Group Co., Ltd.	CNY 400,000,000.00	2020/10/28	2021/10/27	No
Bengang Group Co., Ltd.	CNY 1,800,000,000.00	2020/12/1	2021/12/1	No
Bengang Group Co., Ltd.	CNY 6,024,000,000.00	2020/3/17	2021/3/17	No
Benxi Steel & Iron (Group) Co., Ltd.	CNY 5,024,000,000.00	2020/11/4	2021/11/4	No
Bengang Steel Plates Co., Ltd	CNY 250,000.00	2020/5/25	2021/5/25	No
Bengang Steel Plates Co., Ltd	CNY 490,000.00	2020/8/20	2021/8/20	No
Bengang Steel Plates Co., Ltd	CNY 200,000,000.00	2020/12/24	2021/12/24	No

Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	CNY 70,000,000.00	2016/3/30	2025/3/20	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	CNY 430,000,000.00	2017/2/27	2025/2/20	No
Bengang Group Co., Ltd.	CNY 622,600,000.00	2017/12/15	2024/8/20	No
Bengang Group Co., Ltd.	CNY 87,280,000.00	2018/3/26	2024/6/21	No
Bengang Group Co., Ltd.	CNY 24,620,000.00	2017/11/15	2021/12/21	No
Bengang Group Co., Ltd.	CNY 30,560,000.00	2015/6/25	2021/9/21	No
Bengang Group Co., Ltd.	CNY 24,000,000.00	2015/12/9	2022/3/21	No
Bengang Group Co., Ltd.	EUR 166,579.87	2015/6/25	2025/9/30	No
Bengang Group Co., Ltd.	EUR 5,691,165.00	2015/8/20	2025/9/30	No
Bengang Group Co., Ltd.	EUR 407,161.22	2015/6/25	2026/4/30	No
Bengang Group Co., Ltd.	EUR 4,984,751.64	2015/12/28	2026/4/30	No
Bengang Group Co., Ltd.	EUR 2,077,667.88	2016/12/14	2026/4/30	No
Bengang Group Co., Ltd.	EUR 6,162.48	2015/6/25	2026/4/30	No
Bengang Group Co., Ltd.	EUR 4,069.11	2015/12/28	2026/4/30	No
Bengang Group Co., Ltd.	EUR 779,734.95	2017/6/30	2025/10/31	No
Bengang Group Co., Ltd.	EUR 2,733,223.28	2016/6/27	2020/4/30	No
Bengang Group Co., Ltd.	EUR 334,941.21	2015/6/25	2025/6/30	No
Bengang Group Co., Ltd.	EUR 9,577,728.02	2015/6/25	2025/6/30	No
Bengang Group Co., Ltd.	EUR 294,013.70	2015/12/28	2025/6/30	No
Bengang Group Co., Ltd.	EUR 7,585,942.33	2015/6/25	2025/10/31	No
Bengang Group Co., Ltd.	EUR 3,271,319.20	2015/12/28	2025/10/31	No
Bengang Group Co., Ltd.	EUR 8,390,619.39	2015/6/25	2025/8/31	No
Bengang Group Co., Ltd.	EUR 180,800.00	2015/12/28	2025/8/31	No
Bengang Group Co., Ltd.	EUR 609,296.41	2015/6/25	2025/8/31	No
Bengang Group Co., Ltd.	JPY 162,232,000.00	1997/10/10	2027/9/10	No

Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Benxi Steel & Iron (Group) Co., Ltd.	CNY 12,000,000,000.00	2019/3/16	2021/9/3	No
Bengang Group Co., Ltd.	CNY 740,000,000.00	2021/1/8	2022/1/8	No

#### 4. Assets sale and debt restructuring with related party

Name of related party	Content of transaction	Transaction in current period	Transaction in previous period
Benxi Steel & Iron (Group) Co., Ltd.	Purchase of 2300 hot rolling mill production line		3,004,988,590.00
Benxi Beiyang Iron and Steel (Group) Co., Ltd.	Purchase of 1780 hot rolling mill production line		684,727,905.00

#### 5. Other related party transactions

##### (1) Loan from and deposits in Bengang Group Finance Co., Ltd.

(In 10 Thousand Yuan)

Item	Beginning balance	Increase	Decrease	Ending balance	Notes
Deposits	1,332,199.78	8,587,031.95	9,061,766.57	857,465.16	

1. The interests of deposits in Bengang Group Finance Co., Ltd. is RMB 186,359 thousand from January to June in 2021. As at 30 June 2021, the interest receivable from Bengang Group Finance Co., Ltd. is RMB 51,637.7 thousand.

2. As at 30 June 2021, the restricted deposits in Bengang Group Finance Co., Ltd. is RMB 427,389.00 thousand.

3. From January to June in 2021, the company and its subsidiaries did not borrow money from financial companies.

4. Bengang Group Finance Co., Ltd. granted the company an unsecured credit line of RMB 4.5 billion from January to June in 2021. As at 30 June 2021, the amount of acceptance bill opened by Bengang Group Finance Co., Ltd. was RMB 0.27 billion, and the amount of the acceptance bill that had been opened and unpaid by Bengang Group Finance Co., Ltd. is RMB0.72 billion, and the proportion of deposit is 100%.

(2) The company's loan and interest payment to Benxi Steel and Iron (Group) Co., Ltd.

(In 10 Thousand yuan).

Item	Beginning balance	Increase	Decrease	Ending balance
Capital lending	7,500.00			7,500.00
Total	7,500.00			7,500.00

Notes: The interest accrued is RMB 1,753,437.50 during the current period, and as at 30 June 2021, the interest that has not been paid is RMB 1,753,437.50.

## (6) Receivables and payables of the related parties

### 1. Receivables of the Company

(in 10 thousand yuan)

Items Name	Name	30 June 2021		31 December 2020	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable financing	Benxi Beiyang Steel & Iron (Group) Co., Ltd.	3,601.27		230,217.55	
Accounts receivable financing	Benxi Steel & Iron (Group) Co., Ltd.			81.99	
Accounts receivable financing	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	1,400.00			
Accounts receivable	Bengang Group International Economic and Trading Co., Ltd.	9,081.23	90.81	10,463.45	104.63
Accounts receivable	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	2,301.66	23.02	2,692.94	26.93
Accounts receivable	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	129.47	1.88	188.46	1.88
Accounts receivable	Benxi Steel & Iron			0.10	



Bengang Steel Plates Co., Ltd.  
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Items Name	Name	30 June 2021		31 December 2020	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
	(Group) Metallurgy Residues Co., Ltd.				
<b>Accounts receivable</b>	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.				
<b>Prepayments</b>	Bengang Group International Economic and Trading Co., Ltd.	137,173.06		114,662.12	
<b>Prepayments</b>	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.			6,470.61	
<b>Prepayments</b>	Benxi Beiyang Steel & Iron (Group) Co., Ltd.				
<b>Other receivables</b>	Bengang Group International Economic and Trading Co., Ltd.	592.61		601.21	
<b>Other receivables</b>	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	312.56	253.84	278.31	253.84
<b>Other receivables</b>	Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	29.36	19.96	27.05	19.96
<b>Other receivables</b>	Liaoning Metallurgy Technician College	6.30	0.06	5.80	5.80
<b>Other receivables</b>	Benxi Steel & Iron (Group) Medical Services Department;				
<b>Other receivables</b>	Benxi Steel & Iron (Group) Industrial				

Items Name	Name	30 June 2021		31 December 2020	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
	Development Co., Ltd.				
<b>Other non-current assets</b>	Liaoning Hengyi Financial Leasing Co., Ltd.	81,046.11	-	86,459.06	-

## 2. Payables of the Company

(in 10 thousand yuan)

Items	Name	30 June 2021	31 December 2020
Notes payable	Bengang Group International Economic and Trading Co., Ltd.	217,045.35	345,103.76
Notes payable	Benxi Steel & Iron (Group) Mining Co., Ltd.	153,644.04	91,857.00
Notes payable	Bengang Electronics and Gas Co., Ltd.		6,414.33
Notes payable	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	2,036.01	5,253.76
Notes payable	Liaoning Hengyi Financial Leasing Co., Ltd.	1,185.05	4,602.43
Notes payable	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.		868.28
Notes payable	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	345.00	255.94
Notes payable	Liaoning Metallurgy Technician College		133.27
Notes payable	Liaoning Hengtai Heavy Machinery Co., Ltd.	77.82	84.78
Notes payable	Liaoning Metallurgy Vocational Technical College		47.90
Notes payable	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	144.11	16.62
Notes payable	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	1,222.32	
Notes payable	Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	106.53	

Bengang Steel Plates Co., Ltd.  
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Items	Name	30 June 2021	31 December 2020
Notes payable	Benxi Steel & Iron (Group) Construction Co., Ltd.	658.19	
Notes payable	Benxi Steel & Iron (Group) Co., Ltd.	15,691.17	
Notes payable	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	633.49	
Accounts payable	Benxi Steel & Iron (Group) Mining Co., Ltd.	22,670.45	20,807.68
Accounts payable	Liaoning Hengyi Financial Leasing Co., Ltd.	5,552.06	5,799.10
Accounts payable	Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	6,166.19	5,182.75
Accounts payable	Benxi Beiyong Steel & Iron (Group) Co., Ltd.	4,025.98	3,172.95
Accounts payable	Benxi Steel & Iron (Group) Construction Co., Ltd.	2,882.30	2,394.63
Accounts payable	Liaoning Hengtai Heavy Machinery Co., Ltd.	2,579.28	2,171.25
Accounts payable	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	2,216.19	1,852.50
Accounts payable	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	1,907.79	1,645.14
Accounts payable	Bengang Electronics and Gas Co., Ltd.	1,869.76	1,500.74
Accounts payable	Liaoning Metallurgy Technician College	1,709.09	1,388.84
Accounts payable	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	1,464.80	1,297.91
Accounts payable	Bengang Group Co., Ltd.	1,399.75	1,246.38
Accounts payable	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	1,046.84	964.33
Accounts payable	Liaoning Metallurgy Vocational Technical College	810.77	746.81
Accounts payable	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	730.99	616.72
Accounts payable	Bengang Group International Economic and Trading Co., Ltd.	671.63	579.53

Bengang Steel Plates Co., Ltd.  
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Items	Name	30 June 2021	31 December 2020
Accounts payable	Benxi New Career Development Co., Ltd.	452.56	415.37
Accounts payable	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	438.57	385.20
Accounts payable	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	212.64	178.73
Accounts payable	Benxi Iron and Steel (Group) Engineering Construction Supervision Co., Ltd.	83.12	65.51
Accounts payable	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	74.05	61.52
Accounts payable	Benxi High-tech Drilling Tools Manufacture Co., Ltd.	45.85	38.60
Accounts payable	Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	0.28	0.24
Contract liabilities	Suzhou Bengang Industrial Co., Ltd.	4,621.73	5,374.03
Contract liabilities	Dalian Boluole Steel Tube Co., Ltd.	120.02	181.60
Contract liabilities	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	182.45	161.66
Contract liabilities	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	62.63	55.77
Contract liabilities	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	57.33	52.81
Contract liabilities	Bengang Group International Economic and Trading Co., Ltd.	47.44	43.70
Other payables	Benxi Steel & Iron (Group) Co., Ltd.	15,082.08	13,013.80
Other payables	Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	1,831.67	1,681.17
Other payables	Bengang Group International Economic and Trading Co., Ltd.	1,454.91	1,277.85
Other payables	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	668.32	561.73
Other payables	Benxi Steel & Iron (Group) Construction Co., Ltd.	553.54	436.25

Items	Name	30 June 2021	31 December 2020
Other payables	Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	321.91	267.44
Other payables	Liaoning Hengyi Financial Leasing Co., Ltd.	247.80	208.60
Other payables	Benxi New Career Development Co., Ltd.	236.40	197.61
Other payables	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	166.51	143.59
Other payables	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	39.03	31.33
Other payables	Liaoning Metallurgy Technician College	1.65	1.34
Other payables	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	1.14	1.01
Other payables	Bengang Group Finance Co., Ltd.	0.27	0.98
Long-term payables	Liaoning Hengyi Financial Leasing Co., Ltd.	190,749.28	111,423.24

## 11. Commitments and Contingencies

### (1) Commitments

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

(1) 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.

(2) 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.

(3) 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. Irrevocable letter of credit**

As at June 30, 2021, the amount of irrevocable letter of credit that was not fulfilled is RMB 1.338 billion.

## **(2) Contingencies**

At the balance sheet date, no significant contingencies need to be disclosed.

## **12. Subsequent events**

### **(1) Important non-adjustment matters**

None

### **(2) Profit distribution**

Profit or dividend to be distributed	<p>On April 26, 2021, the seventeenth meeting of the eighth board of directors of the company passed the 2020 dividend distribution plan. It is planned to use the total share capital of 3,875,371,532 shares at the end of 2020 as the base, and distribute a cash dividend of 0.1 yuan to all shareholders for every 10 shares (including tax), a total of 38,753,715.32 yuan of cash dividends will be distributed. This distribution will not be converted from capital reserves to share capital. The above profit distribution plan has been implemented on July 19.</p> <p>On August 26, 2021, the 20th meeting of the 8th Board of Directors of the company passed the 2021 interim dividend distribution plan. It is planned to use the total share capital of 3,885,060,605 shares at the end of June 2021 as the base, and distribute cash dividends to all shareholders for every 10 shares. 5 yuan (including tax), a total of 1,942,530,302.5 yuan in cash dividends will be distributed. In this distribution, the capital reserve will not be converted into share capital. After the company's profit distribution plan is announced and before its implementation, if the company's share capital changes, adjustments will be made in accordance with the principle that the total amount of the distribution does not change.</p>
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**(3) Sales Return**

Not applicable.

**(4) Divided into assets held for sale and disposal portfolio**

Not applicable.

**(5) Other subsequent events**

Not applicable.

**13. Other significant events**

**(1) Correction of previous accounting errors**

None.

**(2) Debt restructuring**

None.

**(3) Asset replacement**

None.

**(4) Termination of business**

None.

**(5) Segment information**

Since the Company's main product is steel with other products accounting for only a small proportion of sales, and the main production base is located in Liaoning area, segmented reporting is not applicable.

**(6) Other material issues that will influence investors' decisions**

**1. Financing Lease**

For prioritizing the capital structure and exploring financing channel, the Company signed the "Financial lease cooperation framework" with Liaoning Hengyi Financial Leasing Co., Ltd. with the amount of financial lease not exceeding RMB 5 billion per year. The Company obtains the fund through sales and lease back financial lease with interest rate not above the benchmark interest rate of loan over the same period published by the People's bank of China and the interest rate will be adjusted with the changes of benchmark interest rate of loan published by the People's bank of China over the lease term. The lease security ratio is not higher than 30% of the lease principal amount.

**2. Shares pledged by the Controlling Shareholders**

As at 30 June 2021, the total 2,409,628,094 shares were held by the controlling shareholder Benxi Steel & Iron (Group) Co., Ltd., of which 1,577,545,000 shares were pledged and 108,326,179 shares were frozen.

**3. Major strategic restructuring of indirect controlling shareholders**

The company received a notice from Bengang Group, the controlling shareholder of the parent company, and learned that Ansteel Group Co., Ltd. is planning to reorganize the



Bengang Group, which may lead to changes in the company's control. Obtain the approval of relevant departments.

On August 18, 2021, the State-owned Assets Supervision and Administration Commission of the State Council and the People's Government of Liaoning Province jointly issued a notice agreeing that Ansteel Group Co., Ltd. will reorganize Bengang Group Co., Ltd., and the Liaoning Provincial State-owned Assets Supervision and Administration Commission will transfer 51% equity of Bengang Group to Ansteel Group for free. The transfer still needs to perform the necessary procedures, and there is still uncertainty about whether the relevant approval can be obtained and whether the transfer can be implemented smoothly.

On August 20, 2021, the State-owned Assets Supervision and Administration Commission of the People's Government of Liaoning Province, which holds 80% of the company's indirect controlling shareholder Bengang Group Co., Ltd., and the State-owned Assets Supervision and Administration Commission of the State Council, which hold 100% share of Ansteel Group Co., Ltd., made an agreement: "agreement on the Gratuitous Transfer of State-owned Equity of Bengang Group Co., Ltd. between the State-owned Assets Supervision and Administration Commission of the People's Government of Liaoning Province and Ansteel Group Co., Ltd.". According to the agreement, the State-owned Assets Supervision and Administration Commission of Liaoning Province will transfer its 51% stake in Bengang Group to Ansteel Group for free. After the completion of this transfer, Ansteel Group will become the controlling shareholder of Bengang Group. Ansteel Group indirectly controls 81.08% of the company's shares through Bengang Group, Benxi Iron and Steel (Group) Co., Ltd. and Ansteel Group Capital Holding Co., Ltd. The direct controlling shareholder of the company remains unchanged, still Benxi Iron & Steel (Group) Co., Ltd., and the actual controller of the company is changed to the State-owned Assets Supervision and Administration Commission of the State Council.

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

### **(1) Accounts receivable**

#### **1. Accounts receivable disclosed by aging**

Items	30 June 2021	31 December 2020
Within 1 year (inclusive)	242,295,140.93	283,561,303.90
1-2 years (inclusive)	2,368,098.28	2,420,511.80
2-3 years (inclusive)	6,457,890.55	6,500,255.55
Over 3 years	175,437,393.38	177,111,797.34
Sub-total	426,558,523.14	469,593,868.59
Less: Provision for bad debts	177,857,503.65	179,728,406.39
<b>Total:</b>	<b>248,701,019.49</b>	<b>289,865,462.20</b>

## 2. Accounts receivable disclosed by category

Items	30 June 2021				Book value
	Gross carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually	47,762,337.18	11.20	47,762,337.18	100	
Accounts receivable tested for impairment by portfolio	378,796,185.96	88.80	130,095,166.47	31.28	248,701,019.49
Include:					
Portfolio 1: Aging	225,673,278.40	52.90	130,095,166.47	53.71	95,578,111.93
Portfolio 2: Related party within consolidation scope	153,122,907.56	35.90			153,122,907.56
Total	426,558,523.14	100.00	177,857,503.65		248,701,019.49

Items	31 December 2020				
	Gross carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually	47,762,337.18	10.17	47,762,337.18	100	
Accounts receivable tested for impairment by portfolio	421,831,531.41	89.83	131,966,069.21	31.28	289,865,462.20
Include:					
Portfolio 1: Aging	245,720,903.60	52.33	131,966,069.21	53.71	113,754,834.39
Portfolio 2: Related party within consolidation scope	176,110,627.81	37.5			176,110,627.81
Total	<b>469,593,868.59</b>	<b>100.00</b>	<b>179,728,406.39</b>		<b>289,865,462.20</b>

Receivables individually insignificant but tested for impairment individually:

Items	30 June 2021			
	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 ceased operation.
Total	47,762,337.18	47,762,337.18		

Accounts receivable tested for impairment by portfolio

Portfolio tested by aging

Items	30 June 2021		
	Gross carrying amount	Provision for bad debts	Bad debts ratio (%)

Items	30 June 2021		
	Gross carrying amount	Provision for bad debts	Bad debts ratio (%)
Within 1 year	89,172,233.37	891,722.33	1.00
1-2 years	2,368,098.28	236,809.83	10.00
2-3 years	6,457,890.55	1,291,578.11	20.00
Over 3 years	127,675,056.20	127,675,056.20	100.00
Total	225,673,278.40	130,095,166.47	

### 3. Information of provision, reversal or recovery of bad debts of current period.

The reversal of bad debts of current period is RMB 1,870,902.74.

### 4. No accounts receivable has been written off this year.

### 5. Top five debtors at the end of the period

Company	30 June 2021		
	Amount	Percentage of total accounts receivable (%)	Provision for bad debts
No.1	153,122,907.56	35.90	
No.2	55,439,913.76	13.00	554,399.14
No.3	47,762,337.18	11.20	47,762,337.18
No.4	26,597,899.13	6.24	269,294.00
No.5	8,719,094.48	2.04	9,008,967.00
Total	291,642,152.11	68.37	57,594,997.32

### 6. There is no account receivables be derecognized due to the transfer of financial assets at the end of the period.

### 7. There is no account receivables be transferred and further involved in assets and liabilities during the current period.

## (2) Accounts receivable financing

### 1. Details of accounts receivable financing

Items	30 June 2021	31 December 2020
Notes receivable	4,967,026,780.38	4,143,431,412.08
Include: Bank acceptance bill	4,551,062,910.25	1,876,753,316.46
Commercial acceptance bill	415,963,870.13	2,266,678,095.62
<b>Total</b>	<b>4,967,026,780.38</b>	<b>4,143,431,412.08</b>

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

## 2. The pledged acceptance bill at the end of the period

Items	Pledged amount
Bank acceptance bill	16,991,847.39
Commercial acceptance bill	6,000,000.00
<b>Total</b>	<b>22,991,847.39</b>

## 3. The amount of notes receivable endorsed over or discounted but not yet matured at the end of the period

Items	Derecognized amount	Not derecognized amount
Bank acceptance bill	23,332,790,273.96	
Commercial acceptance bill		573,182,722.67
<b>Total</b>	<b>23,332,790,273.96</b>	<b>573,182,722.67</b>

## 4. There is no notes receivable has been transferred into accounts receivable due to inability of drawer to meet acceptance bill at the year-end.

### (3) Other receivables

Items	30 June 2021	31 December 2020
Interest receivables	46,266,951.12	23,028,942.73
Dividend receivables		
Other receivables	195,392,156.95	205,151,247.29
<b>Total</b>	<b>241,659,108.07</b>	<b>228,180,190.02</b>

### 1. Interest receivable

#### (1) Interest receivable disclosed by category

Items	30 June 2021	31 December 2020
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Items	30 June 2021	31 December 2020
Deposit interest	46,266,951.12	23,028,942.73
Subtotal	46,266,951.12	23,028,942.73
Less: provision for bad debt		
<b>Total</b>	<b>46,266,951.12</b>	<b>23,028,942.73</b>

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

## 2. Other receivables

(1) Other receivables disclosed by Aging

Items	30 June 2021	31 December 2020
Within 1 year (inclusive)	27,403,063.93	35,550,478.46
1-2 years (inclusive)	40,528,700.32	42,319,451.22
2-3 years (inclusive)	13,842,023.46	13,842,023.46
Over 3 years	180,717,695.14	180,717,695.14
Sub-total	262,491,482.85	272,429,648.28
Less: Provision for bad debts	67,099,325.90	67,278,400.99
<b>Total</b>	<b>195,392,156.95</b>	<b>205,151,247.29</b>

(2) Provision for bad debt provision

	Stage one	Stage two	Stage three	
Provision for bad debts	12-month expected credit losses	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit impairment occurred)	Total
Beginning balance	352,376.05	9,475,267.75	57,450,757.19	67,278,400.99
Beginning balance in current period				
--Transfer to Stage two				
--Transfer to Stage three				
--Reversal to Stage two				
--Reversal to Stage one				

	Stage one	Stage two	Stage three	
Provision for bad debts	12-month expected credit losses	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit impairment occurred)	Total
Current period provision				
Current period reversal				
Current period write-back		179,075.09		179,075.09
Current period write-off				
Other change				
Ending balance	352,376.05	9,296,192.66	57,450,757.19	67,099,325.90

**Changes in the gross carrying amount of other receivables are as follows**

	Stage one	Stage two	Stage three	
Gross carrying amount	12-month expected credit losses	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit impairment occurred)	Total
Ending balance of last year	194,557,372.69	20,421,416.81	57,450,858.78	272,429,648.28
Beginning balance	194,557,372.69	20,421,416.81	57,450,858.78	272,429,648.28
--Transfer to Stage two				
--Transfer to Stage three				
--Reversal to Stage two				
--Reversal to Stage one				

	Stage one	Stage two	Stage three	
Gross carrying amount	12-month expected credit losses	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit impairment occurred)	Total
Increase	57,173,194.63	6,006,395.62		137,227,870.96
Derecognition	65,320,609.16	7,797,146.52		177,194,576.13
Other change				
Ending balance	<b>186,409,958.16</b>	<b>18,630,665.91</b>	<b>57,450,858.78</b>	<b>262,491,482.85</b>

(3) There is no written-off of Other receivables in the current period.

(4) Other receivables disclosed by nature

Nature	30 June 2021	31 December 2020
Receivable and payable	255,494,499.52	264,617,899.56
Other	6,996,983.33	7,811,748.72
Total	<b>262,491,482.85</b>	<b>272,429,648.28</b>

(4) 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	5,492,200.00	Within 1 year	2.81	54,922.00
The Second	Receivable and payable	3,125,550.76	Within 1 year and over 3 years	1.60	2,538,389.24
The Third	Receivable and payable	2,261,360.00	over 3 years	1.16	2,261,360.00



Company	Nature or content	Amount	Aging	Percentage of total other receivables (%)	Provision for bad debts
The Fourth	Receivable and payable	2,123,692.31	2-3 years	1.09	424,738.46
The Fifth	Receivable and payable	1,908,708.06	RMB353,22 2.31 is 2-3 years and the rest is over 3 years	0.98	1,626,130.21
Total		<b>14,911,511.13</b>		<b>7.63</b>	<b>6,905,539.91</b>

- (5) There is no other receivables relates to government subsidies at the end of the reporting period.
- (6) There is no other receivables derecognized due to the transfer of financial assets at the end of the reporting period.
- (7) There is no transfer of other receivables and continued involvement in the amount of assets and liabilities formed at the end of the reporting period.

#### (4) Long-term equity investment

Items	30 June 2021			31 December 2020		
	Gross carrying amount	Impairment	Book value	Gross carrying amount	Impairment	Book value
Subsidiaries	2,016,281,902.16		2,016,281,902.16	2,016,281,902.16		2,016,281,902.16
Joint ventures						
Total	2,016,281,902.16		2,016,281,902.16	2,016,281,902.16		2,016,281,902.16

#### Details of investment in subsidiaries

Name of entity	Beginning balance	Increase	Decrease	Ending balance	Impairment of current period	Ending balance of impairment

Bengang Steel Plates Co., Ltd.  
For the half year ended 30 June 2021  
Notes to the financial statements

Guangzhou Bengang Steel & Iron Trading Co., Ltd.	30,000,000.00			30,000,000.00		
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	30,000,000.00			30,000,000.00		
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 Sales Co., Ltd.	28,144,875.36			28,144,875.36		
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		
Xiamen Bengang Steel & Iron Sales Co., Ltd.	1,095,711.66			1,095,711.66		
Yantai Bengang Steel & Iron Sales Co., Ltd.	49,100,329.41			49,100,329.41		
Tianjin Bengang Steel & Iron Trading Co., Ltd.	60,318,095.80			60,318,095.80		
Benxi Bengang Steel Sales Co., Ltd	5,000,000.00			5,000,000.00		
Shenyang Bengang Metallurgical Science and Technology Co., Ltd.	30,000,000.00			30,000,000.00		
Chongqing Liaoben Steel & Iron Trade Co., Ltd.	30,000,000.00			30,000,000.00		
Bengang Baojin (Shenyang) Automobile New Materials Technology Co., Ltd.	76,000,000.00			76,000,000.00		
Total	2,016,281,902.16			2,016,281,902.16		

**(5) Operating income and operating cost**

Items	Current period		Previous period	
	Revenue	Cost	Revenue	Cost
Principal business	35,825,208,026.61	32,386,871,142.30	19,591,244,860.47	18,369,564,255.82
Other business	3,255,993,831.68	2,898,719,746.40	2,168,536,821.65	2,009,584,025.45
Total	<b>39,081,201,858.29</b>	<b>35,285,590,888.70</b>	<b>21,759,781,682.12</b>	<b>20,379,148,281.27</b>

Details of operating income:

Items	Principal Business	Other Business
Classified by business area	35,825,208,026.61	3,255,993,831.68
Including: Domestic	32,477,047,388.32	3,255,993,831.68
Abroad	3,348,160,638.29	
Classified by the time of commodity transfer	35,825,208,026.61	3,255,993,831.68
Including: recognize at a certain point in time	35,825,208,026.61	3,255,993,831.68
recognize over a certain period of time		
Total	35,825,208,026.61	3,255,993,831.68

(5) Income on investment

Items	Current period	Previous period
Income from long-term equity investment (cost method)		
Short term Bank financial product income	1,553,175.04	
Total	1,553,175.04	

16. Supplementary information

(1) Details of non-recurring profit and loss

Items	Amount	Notes
Profit or loss from disposal of non-current assets	-22,272,050.41	
Tax refund, reduction or exemption of unauthorized approval or no formal approval document		
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)	32,659,483.34	
Fund occupation fee charged to non-financial enterprises included in current profit and loss		

Items	Amount	Notes
The investment cost of an enterprise acquiring subsidiaries, associates and joint ventures is less than the income from the fair value of the identifiable net assets of the investee when obtaining the investment		
Non-monetary asset exchange gains and losses		
Profit or loss from investment or assets entrusted to others		
Provision for asset impairment due to unavoidable factors such as natural disasters		
Profit or loss from debt restructuring		
Restructuring costs, such as the cost of relocating employees, integration costs, etc.		
Profits and losses in excess of fair value from unfair transaction		
Subsidiary companies arising from business combinations under the same control		
Profits and losses from contingencies are not related to the company's normal business operations		
Profits excluded effective hedging business related to the company's normal business operations, from holding transactional financial assets, derivative financial assets, transactional financial liabilities, fair value changes in derivative financial liabilities, and disposal of transactional financial assets and derivative financial Investment income from assets, trading financial liabilities, derivative financial liabilities and other debt investments		
Reversal of impairment provision for individually tested impairment of receivables		
Profits and losses from external entrusted loans		
Profits and losses from changes in fair value of investment real estate that use the fair value model for subsequent measurement		
Profit and loss affected due to the adjustments of requirements of taxation, accounting and other laws and regulations		
Trustee income from trust operations		
Other non-operating revenue and expenditure other than above items	2,555,535.73	
Other non-recurring profit and loss		
Subtotal		

Items	Amount	Notes
Impact of income tax	3,235,742.17	
Impact of minority interests	51,621.88	
<b>Total</b>	<b>9,655,604.61</b>	

**(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	9.98	0.569	0.569
Net profit attributable to ordinary shareholders after deducting non-recurring profit and loss	9.94	0.566	0.566

**(3) Differences between Domestic and Foreign Accounting Standards**

Not applicable.

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

**(Seal)**

**25 August 2021**