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Chongqing Iron & Steel Company Limited **重慶鋼鐵股份有限公司**

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(在中華人民共和國註冊成立的股份有限公司)

(Stock Code: 1053)

ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSET IMPAIRMENT AND ASSET DISPOSAL FOR 2021

This announcement is made by the board of directors of Chongqing Iron & Steel Company Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

At the 10th meeting of the ninth session of the board of directors and the 6th meeting of the ninth session of the supervisory committee of the Company held on 30 March 2021, the Proposal on Provision for Asset Impairment and Asset Disposal for 2021 was approved by voting, details of which are as follows:

I. SUMMARY OF THE PROVISION FOR ASSET IMPAIRMENT AND ASSET DISPOSAL

In order to better present its assets and financial conditions in a true, accurate and fair manner, the Company prudentially conducted a comprehensive review of its assets as at the end of 2021 in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies. The net realizable value and recoverable amounts in respect of various assets were fully assessed and analyzed, and impairment provision was made for assets that might be subject to impairment losses and such assets were scrapped and disposed of. The Company’s current credit impairment loss and asset impairment loss is RMB367,600,000 in total, and the asset disposal loss is RMB182,000,000, totaling RMB549,600,000, which exceeds 10% of the audited net profit of the Company for the last accounting year.

The Company makes provision for bad debts based on the amount of expected credit losses during the entire duration of the receivables. The Company's inventory is measured at the lower of cost and net realizable value as at the balance sheet date, and a provision for inventory write-down shall be made while the net realizable value of the inventory is lower than its cost. Fixed assets are measured at the lower of carrying amount and recoverable amount as at the balance sheet date. An asset's recoverable amount should be calculated as the higher of its fair value less disposal costs and the present value of its estimated future cash flows. If the asset's recoverable amount is less than its carrying amount, a provision for impairment of the fixed asset is made.

A breakdown of the Company's current asset impairment loss and asset disposal loss by category is set out as follows:

Unit: RMB0'000

Project of provision for asset impairment	Provision amount for the current period	Percentage in the audited net profit of 2020 (%)	Provision amount for the previous period
Credit impairment loss	1,905	2.98	–
Inventory write-down loss	8,944	14.01	1,334
Impairment loss on fixed assets	25,911	40.58	35,157
Disposal loss on assets	18,200	28.51	2,018
	<u>54,960</u>	<u>86.08</u>	<u>38,509</u>
Total	<u>54,960</u>	<u>86.08</u>	<u>38,509</u>

II. PARTICULARS OF THE PROVISION FOR ASSET IMPAIRMENT

(I) Bad debt provision

After testing, the Company should make a bad debt provision of RMB23,610,000 at the end of 2021, and has made a provision of RMB4,560,000. The reversal for the current period is RMB790,000, and the provision for the current period is RMB19,840,000.

Unit: RMB0'000

Bad debt provision item	Balance at the beginning of the year	Provision in the current year	Reversal in the current year	Written off in the current year	Balance at the end of the year
Accounts receivable	105	1	-	-	106
Other receivables	351	1,983	(79)	-	2,255
Subtotal	456	1,984	(79)	-	2,361

(II) Provision for inventory write-down

After testing, the provision for decline in value of inventories at the end of 2021 was RMB297,540,000, of which RMB284,480,000 was provided, RMB20,030,000 was reversed, RMB76,380,000 was written off, and RMB109,470,000 was provided for the period.

Unit: RMB0'000

Item	Opening balance of impairment provision	Inventory write-down provision made for the current period that affects the current profit or loss			Closing balance of impairment provision
		Provision	Reversal	Resale	
Raw materials	13,662	-	-	-	13,662
Low-value consumables and repair parts	14,786	-	(2,003)	(7,638)	5,145
Goods in process	-	3,296	-	-	3,296
Goods in stock	-	7,651	-	-	7,651
Subtotal	28,448	10,947	(2,003)	(7,638)	29,754

1. There is no value in use of the subsidence ores. Provision for low price of inventories was made in previous years. The provision for low price of subsidence ores remained unchanged in the current year.
2. In 2021, the price of raw materials fluctuated significantly. As the net realizable value of goods in progress and finished goods held by the Company at the end of the year was lower than its cost, impairment occurred, and provision for inventory impairment was RMB109,470,000 at the end of the year.
3. The rolls that was impaired in previous years was transformed and used in the production line, and the corresponding inventory impairment provision of RMB20,030,000 was reversed.
4. In 2021, the Company disposed of the repair spare parts that were impaired in previous years, and reversed the corresponding inventory impairment provision of RMB76,380,000.

(III) Provision for impairment of fixed assets

In 2021, the Company upgraded and renovated the production equipment and supporting facilities involved in all production processes, and made a provision of RMB259,110,000 for impairment loss on fixed assets such as equipment needed to be scrapped for replacement.

Unit: RMB0'000

Category	Original amount	Accumulated depreciation	Net value	Provision for impairment for the current period
Equipment	41,307	16,326	24,981	24,981
Buildings and structures	1,194	264	930	930
Total	<u>42,501</u>	<u>16,590</u>	<u>25,911</u>	<u>25,911</u>

III. LOSS OF THE ASSET DISPOSAL

(I) Disposal of fixed assets for which impairment losses have been accrued in previous years

Unit: RMB0'000

Item	Net value	Provision for impairment	Estimated recoverable amount	Actual disposal gain	Affect the decrease in current profit and loss
Equipment	21,243	19,119	2,124	1,266	858
Building	12,520	12,520	–	–	–
Total	<u>33,763</u>	<u>31,639</u>	<u>2,124</u>	<u>1,266</u>	<u>858</u>

(II) Disposal of repair spare parts which impairment losses have been accrued in previous years

Unit: RMB0'000

Item	Net value	Provision for impairment	Estimated recoverable amount	Actual disposal gain	Affect the decrease in current profit and loss
Repair parts	7,638	7,638	–	383	-383

(III) Disposal of assets without provision for impairment loss

Building and other assets of the Company's upgrading and renovation projects involved in the demolition and replacement directly recorded loss of RMB177,250,000 by net value.

To sum up, the total losses on asset disposal were RMB182,000,000.

IV. IMPACT OF THE PROVISION FOR ASSET IMPAIRMENT AND ASSET DISPOSAL ON THE COMPANY

The losses of credit impairment and asset impairment of the Company for the current period are amounted to RMB367,600,000 in total and the loss of asset disposal is amounted to RMB182,000,000, resulting in a decrease of RMB549,600,000 in the net profit attributable to the shareholders of the listed company.

The Company will strengthen asset management and accelerate the disposal of useless spare parts and scrapped assets.

V. OPINIONS OF THE INDEPENDENT DIRECTORS AND THE SUPERVISORY COMMITTEE ON PROVISION FOR ASSET IMPAIRMENT AND ASSET DISPOSAL

(I) Opinions of independent directors

1. The Company has conducted a comprehensive check of assets as of the end of 2021. The total of credit impairment loss and asset impairment losses for the current period was RMB367,600,000, and the loss of asset disposal was RMB182,000,000, totaling RMB549,600,000. The provision for asset impairment and asset disposal has complied with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies, as well as the accounting principle of prudence; the provision was made on the basis of sufficient supporting information, and would enable a better reflection of the Company's assets and financial conditions in a true, accurate and fair manner; and the decision making procedures for the provision are in compliance with the requirements of the relevant laws and regulations and the regulations of the Company, without causing any prejudice to the legitimate interests of the Company and its minority shareholders.
2. Approving the Proposal on Provision for Asset Impairment and Asset Disposal for 2021 of the Company.

(II) Opinions of the supervisory committee

The provision for asset impairment and asset disposal for 2021 made by the Company has complied with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies, as well as the accounting principle of prudence; the provision was made on the basis of sufficient supporting information, and would enable a better reflection of the Company's assets and financial conditions in a true, accurate and fair manner; and the decision making procedures for the provision are in compliance with the requirements of the relevant laws and regulations and the Articles of Association of the Company.

By order of the Board
Chongqing Iron & Steel Company Limited
Zou An
Secretary to the Board

Chongqing, China, 31 March 2022

As at the date of this announcement, the Directors of the Company are: Mr. Zhang Wenxue (Executive Director), Mr. Xie Zhixiong (Executive Director), Mr. Zou An (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lai Xiaomin (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Mr. Zhang Jinruo (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).