



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

**2022 Semi-annual Report**

**August, 2022**

## **Section I. Important Notice, Table of Contents, and Definitions**

The Board of Directors, the Supervisory Committee and the Directors, members of the Supervisory Committee and senior management of the Company guarantee that there are no misrepresentations or misleading statements, or material omission in this report, and individually and collectively accept full responsibility for the authenticity, accuracy and integrity of the information contained in this report.

Huo Gang, Legal representative, Jiang Xiaoyu, Chief financial officer, and Sun Yanbin, Chief accountant, (the person in charge of the accounting), make the pledge for the authenticity, accuracy and integrity of the attached financial statements.

All the members of the Board of Directors attended the board meeting on which this report was examined.

The prospective statements contained in this annual report do not constitute any substantial commitment to the investors. Investors should pay attention to the risks attached to investment decisions. This report is prepared in both of Chinese and English. The Chinese version shall prevail when there are any controversial statements in the two versions.

The company has described the existing risks and countermeasures in detail in this report. Please refer to Section III-10 “Risks faced by the company and Countermeasures”. “China Securities Journal”, “Securities Times”, “Hong Kong Commercial Daily” and Juchao Information Network ([www.cninfo.com.cn](http://www.cninfo.com.cn)) are the company's selected information disclosure media. All information of the company is based on the information published in the above-mentioned designated media. Investors are advised to pay attention to investment risks.

The company does not have any significant risks that require investors' attention.

There exists no plan for the company to distribute profit ,bonus stocks or convert capital reserve into share capital.

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## **Reference File Directory**

1. Financial statements signed and sealed by Legal representative, Chief financial officer, Chief accountant (the person in charge of the accounting).
2. The originals of all company documents and announcements publicly disclosed during the reporting period.
3. Semi-annual reports published in other securities markets.

## **Definition**

<b>Terms to be defined</b>	<b>Refers to</b>	<b>Definition</b>
Bengang Bancai, Bengang Steel, the Company, the Listed Company	Refers to	Bengang Steel Plates Co., Ltd.
Ansteel Group	Refers to	Ansteel Group Co., Ltd.
Bensteel Group	Refers to	Bensteel Group Co., Ltd.
Benxi Steel & Iron CO., Bengang Co.	Refers to	Benxi Steel & Iron (Group) Co., Ltd.
Liaoning Provincial State-asset Administration	Refers to	Liaoning State-owned Asset Supervisory and Management Committee
SSE	Refers to	Shenzhen Stock Exchange
Bengang Puxiang	Refers to	Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.

## Section II. Company Profile and Main Financial Index

### I. Company Information

Stock abbreviation	Bengang Bancai, Bengangban B	Stock Code	000761, 200761
Stock exchange for listing	Shenzhen Stock Exchange		
Company name in Chinese	本钢板材股份有限公司		
Abbreviation of Company name in Chinese	本钢板材		
Company name in English (If any)	BENGANG STEEL PLATES CO., LTD.		
Abbreviation of Company name in English (If any)	BSP		
Legal representative	Huo Gang		

### II. Contact Information

	Secretary of Board of Directors	Representative of Securities Affairs
Name	Jiang Xiaoyu	
Address	No.16, Renmin Road, Pingshan District, Benxi City, Liaoning Province	
Tel	024-47827003	
Fax	024-47827004	
Email	bgbcjxy@163.com	

### III. Other Information

#### 1. Contract information

Changes of registration address, office address, mail code, Company website and E-mail address of Company

Applicable  Not applicable

There exists no changes in registration address, office address, mail code, Company website and E-mail address of Company during the reporting period. Investors are advised to refer to Annual Report 2021 for detail information.

#### 2. Information Disclosure and Place for Consulting

Changes of information disclosure and place for consulting.

Applicable  Not applicable

There exists no changes in Press media for information disclosure, Web address for the Semi-annual report as assigned by CSRC and the place for consulting. Investors are advised to refer to Annual Report 2021 for detail information.

#### 3. Other relevant Information

Changes of other relevant information.

Applicable  Not applicable

### IV. Main Accounting Data and Financial Index

Whether the company needs to retrospectively adjust or restate accounting data for previous years

Yes  No

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	Current period	Previous period	Changes over previous period
Operating income (RMB)	35,015,177,304.98	38,588,128,212.14	-9.26%
Net profit attributable to the shareholders of the listed company (RMB)	561,735,377.41	2,208,798,167.91	-74.57%
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (RMB)	522,219,426.93	2,199,142,563.30	-76.25%
Net Cash flow generated by business operation (RMB)	227,451,842.21	1,524,916,220.03	-85.08%
Basic earnings per share (RMB/Share)	0.14	0.57	-75.44%
Diluted earnings per share (RMB/Share)	0.14	0.57	-75.44%
Weighted average net assets yield	2.60%	9.98%	-7.38%
	30 June 2022	31 December 2021	Changes over 31 December 2021
Gross assets (RMB)	47,017,104,048.88	55,147,123,275.30	-14.74%
Net assets attributable to shareholders of the listed company (RMB)	20,629,004,438.07	22,500,969,014.30	-8.32%

### V. Differences between Domestic and Foreign Accounting Standards

#### 1. Differences of net profit and net assets disclosed in financial reports prepared under IFRS and Chinese accounting standards.

Applicable  Not applicable

There are no differences of net profit and net assets disclosed in financial reports prepared under IFRS and Chinese accounting standards during the reporting period.

#### 2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards.

Applicable  Not applicable

There are no differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards during the reporting period.

### VI. Items and Amount of Non-recurring Profits and Losses

Applicable  Not applicable

Unit: Yuan

Item	Amount	Notes
Gains and losses on disposal of non-current assets (including the write off part of the provision for impairment)	3,648,546.62	

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Government subsidy attributable to profit and loss of current period (except such government subsidy closely related to the company's normal business operation, meeting the regulation of national policy and enjoyed constantly in certain quota or quantity according to a certain standard)	30,655,542.92	
Other non-operating income and expenses other than above	19,806,941.56	
Less: impact of income tax	13,527,757.78	
impact of minority equity (after tax)	1,067,322.84	
Total	39,515,950.48	--

Other profit and loss items that meet the definition of non-recurring profit and loss:

Applicable  Not applicable

There exists no situation of other profit and loss items that meet the definition of non-recurring profit and loss.

Explanation on defining the non-recurring profit and loss items listed in the "Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-recurring Profit and Loss" as recurring profit and loss items.

Applicable  Not applicable

The company does not define the non-recurring profit and loss items listed in the "Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-recurring Profit and Loss" as recurring profit and loss items.

## **Section III. Management Discussion and Analysis**

### **I. The main business of the company during the reporting period**

#### **1. Industry development situation**

In the first half of the year 2022, the macroeconomic situation in domestic and abroad is facing severe challenges. The conflict between Russia and Ukraine has led to a sharp rise in global energy prices, created more inflationary pressure, and the global supply chain was strongly impacted. Affected by the COVID-19 epidemic in the second quarter, domestic steel demand was sluggish. In addition, in the first half of this year, steel mills began to increase production volume in a large scale. Under the background of strong supply and weak demand, the basic surface of steel industry was deteriorating gradually, and therefore steel price ran in weak section. In the first half of the year 2022, the steel market was in a state of "high cost" and "low profit" for a long time.

#### **2. Main business, main products and their uses**

During the reporting period, the company's main businesses include iron and steel smelting, rolling processing, power generation, coal chemical industry, special steel profiles, railways, import and export trade, scientific research, product sales, etc. The introduction of world advanced equipment and technology to implement equipment upgrades for the main iron and steel industry and have built a high-quality steel base, formed more than 60 varieties, more than 7,500 specifications of product series, the proportion of high value-added and high-tech products reached more than 80%. The leading products for automotive surface panels, home appliance panels, petroleum pipeline steel, container panels, shipboard, etc. are widely used in the fields of automobiles, home appliances, petrochemicals, aerospace, machinery manufacturing, energy and transportation, building decoration and metal products, and are exported to more than 60 countries and regions. There exists no changes in main business during the reporting period.

#### **3. Business model**

Procurement model: The company's procurement model includes domestic procurement and foreign procurement. Domestic material procurement is carried out through centralized procurement, unified bidding, price comparison, and consultation. The procurement of foreign materials is carried out through long-term cooperative procurement, direct procurement, open and invitational bidding, inquiry and price comparison, competitive negotiation, negotiation procurement, etc., which mainly act by Bensteel Group International Economic and Trade Co., Ltd.

Sales model: The company's sales are divided into domestic sales and export sales. Domestic sales mainly adopt the direct sales model. The company sells directly to large customers, and other small and medium customers sell to them through regional sales subsidiaries. Export sales mainly act through the strong marketing network accumulated in international trade by Bensteel Group International Economic and Trade Co., Ltd., who acts as agent of the export sales and charges the agency fee.

#### **4. Key drivers of performance**

During the reporting period, the company obtained hard-won operating and reform achievement through series of specific measures, and the level of corporate governance was significantly improved as well. These specific measures were mainly guided by focusing on "7531" strategic objectives and "1357" work guidelines, changing operating mind, self-pressurization, firmly grasping two main lines of benchmark and reform, sticking to taking economic benefits as center, vigorously promoting the implementation of "1 + 2 + 3" key work. The company's main business performance indicators have achieved steady growth, including: pig iron completed 4.95 million tons, a year-on-year decrease of 4.07% which represents 0.2 million tons; crude steel completed 5.20 million tons, a year-on-year decrease of 6.60% which represents 0.37 million tons; hot-rolled plates completed 6.77 million tons, a year-on-year decrease of 4.01% which represents 0.29 million tons; cold-rolled plates completed 2.30 million tons, a year-on-year decrease of 4.29% which represents 0.13 million tons; special steel products completed 0.28 million tons, a year-on-year decrease of 27.99% which represents 0.11 million tons. Reviewing the work of the first half year, it was mainly carried out in the following aspects:

(1) Anchoring two benefits and four ratios, the company's anti-risk ability was enhanced.

In the first half of the year 2022, under the dual pressure of the year-on-year increase of the budget and the year-on-year decrease of the industry, the sales profit margin achieved the target and ranked higher among the steel enterprises. Even with a dividend distribution of 2.465 billion yuan, the asset liability ratio still declined, better than the average level of the iron and steel industry, and the company achieved "double wins".

(2) Implementing the high-quality strategy and reaching a new high output of automobile panels.

For purpose of making the automobile plate as a strategic fist product, the company vigorously promoted the research and development of the third generation automobile steel and quality research, improved the consistent manufacturing technology of automobile plate, and prepared the product plan of automobile plate, thus improved company's benefit creation ability continuously.

(3) Taking the system as the starting point, and steadily improving the quality of real product.

The company vigorously promoted the consistent quality management of the whole process, and furtherly refined the quality control of the production process. The first-time pass rate of the original varieties in each process continued to increase month on month. B170P phosphorized high-strength cold-rolled steel strip, cold-rolled low-carbon steel sheet and strip won the gold-cup award for quality of metallurgical products of China Iron and Steel Industry Association.

(4) Insisting on tapping potentialities through benchmarking, cost reduced significantly.

By studying and making judgement on the market situation in both supply and demand sides, beginning with reducing production costs, and declaring motivation orders and encouragement policies for all employees to improve quality and reduce cost, the company obtained significant achievement in reducing cost and improving economic benefits.

(5) Concentrating on advantages, the "star production line" achieved initial results.

With the "star production line" as the guide, through the inclination of resources input, policies making and other aspects, the production efficiency was greatly improved, and the key indicators continued to be improved on the basis of operating the company economically.

(6) Breaking the traditional shackles and making new strides in enterprise reform.

The company started pilot exploration in the reform of "authorization + common benefit" applicable to different tracks such as docking market, similar business portfolio integration, etc., and the company achieved good results during reporting period.

(7) In adherence to the innovation driven, creating the source of original technology.

With taking the advantages of the restructuring of Ansteel and Bensteel Co.,Ltd, the company completed the revision of the "14th five year plan" that will guide the high-quality development of the company in a long way. Hot rolled oxidation resistant coating free hot forming steel cf-phs1500 was launched in the world and reached the international leading level. Substantial progress has been made in the development and application of raw pure iron bgyt3. A historic breakthrough in the level of converter steel reached the domestic leading level.

## **II. Analysis on Core Competitiveness**

The company adheres to the innovation-driven and "quality + service" development model, pursues for the strategic goal of building an internationally competitive high-quality plate base, a domestic first-class special steel base and a comprehensive service provider, and acting as a strategic leading role, focusing on improving quality and efficiency, In terms of product upgrades, technological innovation, green and intelligent manufacturing, we made efforts to innovate management ideas, enhance the core competitiveness of enterprises, and promote enterprises to achieve high-quality, green and intelligent development.

### **1. Manufacturing capabilities**

Through the innovation of management mind, strengthening professional management and controlling capacity of the entire chain, and continuously improving corporate management efficiency, all departments and units interact with each other, continue to implement the concept of priority on output, adhere to the iron system as the core, focus on the process connection of iron and steel, and rationally match the production line and resource production organization principles of the steel post process, so that the production process and operation continuously standardize and refine, make every effort to maximize quality, efficiency and production scale, and promote the entire production chain toward high-end manufacturing.

### **2. Equipment transformation and upgrading**

In 2022, the company launched a fixed asset investment plan of 1.66 billion yuan. Implemented a new round of large-scale technological transformation and ultra-low emission transformation projects represented by key projects such as special steel electric furnace upgrading, special steel rolling mill renovation, CCPP power generation project, coke oven flue gas desulfurization and denitrification, sintering gas desulfurization and denitrification . At present, the CCPP power generation project has been put into operation. The special steel electric furnace upgrade and transformation project will be commissioned and put a set of electric furnaces and supporting refining equipment, continuous casting equipment into production in the second half of the year 2022. Coke oven flue gas and sintering gas desulfurization and denitrification projects are expected to be constructed one after another in this year.

### **3. New product development capabilities**

The company plans to develop 35 grades of steel production. Until the end of the first half of the year 2022, 24 grades of steel production which represents 68.6% have been completed and launched in the market. With the successful development of the hot rolled base material brq1 of oriented silicon steel, the company filled the blank in the field of oriented silicon steel production. The steel 18crnimo7-6fph for construction machinery exported to

Belgium has been developed and the product meets the requirements of the German standard din50602 and the American Standard astme381. The development of market unique limit width (2000mm) high-strength tank steel 550gt-th accessed is the first one developed in China.

#### **4. Technological innovation ability**

In the aspect of scientific and technological cooperation, as the promotion of scientific and technological cooperation between Ansteel and Bensteel, the company transplanted and transformed mature technologies of Ansteel gradually and signed 10 contracts. Also, the company carried out research on new products and cutting-edge technologies relying on the platform of Liaoning industry university research innovation alliance and signed 8 Industrial University research cooperation projects with Dalian University of technology, Northeast University and Liaoning University of science and technology. In terms of intellectual property rights, 3 national standards and 57 corporate standards were drafted; 127 patents were accepted by the National Bureau, and 55 patents were authorized by the National Bureau, including 9 inventions. In terms of scientific and technological achievements, integrated innovation and practice of production technology of high-end environmental protection and fingerprint resistant galvanizing products won the second prize of science and technology of Liaoning Province; *the development of steel for oil production well control equipment series, the research and development and application of low-cost and high-performance cold rolled 590MPa grade dual phase steel, the research and application of key preparation technology of non quenched and tempered ultra high strength structural steel for construction machinery, and the key technology and application of coking coal price effect evaluation and large-scale blast furnace coke quality adaptive optimization control* all won the third prize of science and technology of Liaoning Province; *development of high-quality and economical Nb microalloyed automobile galvanized dual phase steel series* won the second prize of CITIC niobium steel technology progress.

#### **5. Green development capability**

In accordance with the steel industry and local ultra-low emission policy requirements, the company was committed to social responsibilities. Relying on professional planning and research institutions, the company prepared an environmental protection improvement plan and an annual implementation plan. A total of more than 40 ultra-low emission projects were checked, all of which have been included in the investment plan and are under construction or preliminary work. Through comprehensive green improvement such as cleaner production level, three waste management, environmental protection management, and AAA" scenic spot garden factory, the company achieved community-based environmental quality, promoted the integration of industry and city, and is striving to achieve ultra-low emission by the end of 2023, and build the company into an "ecological steel" that develops harmoniously with the city.

#### **6. Intelligent manufacturing capabilities**

The company has vigorously promoted the construction of intelligent manufacturing related projects. In 2022, the company has issued to carry out intelligent transformation strategy in such fields as the integration construction of information system for the restructuring of Ansteel and Bensteel Co., Ltd., and the supporting system for the overall improvement of iron and steel industry management and information technology. Learn the informatization and intelligent construction experience of Bayuquan and Jilin Jianlong and apply the good modular system, formulate the development plan of the plate company in the next 3-5 years, and improve the information

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technology service application ability. Vigorously promote the construction of "digital Ansteel", break the information island, set up 12 special groups to promote integration and supporting projects, actively integrate Ansteel's management mind, and comprehensively improve management efficiency and effectiveness.

### III. Management Discussion and Analysis

#### 1. General

The investors are advised to refer to "I. The main business of the company during the reporting period" for details.

#### 2. Significant Change of Main Accounting Data

Unit: Yuan

	Current period	Previous period	Change over previous period	Notes to significant change
Operating income	35,015,177,304.98	38,588,128,212.14	-9.26%	Due to the year-on-year decrease in steel price.
Operating Cost	33,377,477,540.63	34,592,825,792.72	-3.51%	
Selling and distribution expenses	67,430,875.17	59,652,669.72	13.04%	
General and administrative expenses	352,304,684.10	388,678,843.23	-9.36%	
Financial expenses	293,093,407.82	336,355,698.84	-12.86%	
Income tax expenses	203,204,954.60	746,977,590.45	-72.80%	Due to the year-on-year decrease in profit before tax
Research and Development Input	963,465,760.00	869,601,179.00	10.79%	
Net cash flows from operating activities	227,451,842.21	1,524,916,220.03	-85.08%	Due to the year-on-year decrease in profit before tax and payment of trading liabilities.
Net cash flows from investing activities	-755,346,775.62	-2,747,214,027.23	-72.50%	Due to the decreased investment in PPE, and the company did not carry out financial investment in the first half of 2022.
Net cash flows from financing activities	-1,022,947,841.22	-3,533,315,813.10	-71.05%	Due to the comprehensive effects of belows :

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				① the net repayment amount of financial liabilities decreased significantly; ② the amount of dividends distributed increased significantly; ③ the net recovery amount such as Bill margin increased significantly.
Net increase in cash and cash equivalents	-1,548,625,764.97	-4,771,963,480.21	-67.55%	

Note: there exists no significant change in in profit composition or profit source during the reporting period.

### 3. Breakdown of Operating Income

Currency unit: Yuan

	Current period		Previous period		Change over previous period
	Amount	Proportion	Amount	Proportion	
Total operating income	35,015,177,304.98	100%	38,588,128,212.14	100%	-9.26%
By industries					
Industry	35,015,177,304.98	100.00%	38,588,128,212.14	100.00%	-9.26%
By products					
Steel plate	33,109,977,666.90	94.56%	35,798,649,027.39	92.77%	-7.51%
Others	1,905,199,638.08	5.44%	2,789,479,184.75	7.23%	-31.70%
By regions					
Northeast	12,303,656,651.85	35.14%	13,764,490,687.62	35.67%	-10.61%
North China	4,208,207,527.97	12.02%	4,282,969,762.68	11.10%	-1.75%
East China	13,168,521,446.80	37.61%	15,059,297,569.71	39.03%	-12.56%
Northwest	75,492,130.13	0.22%	82,611,121.25	0.21%	-8.62%
Central south	1,323,870,974.23	3.78%	1,475,476,779.53	3.82%	-10.28%
Export	3,935,428,574.00	11.24%	3,923,282,291.35	10.17%	0.31%

### 4. Industry, Product and Regions Accounting for the Company's Operating Income or Profit over 10%

√ Applicable □ Not applicable

Items	Operating income	Operating costs	Gross	Operating income change	Operating costs change over	Gross margin change over

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			margin	over previous period	previous period	previous period
By industries						
Industry	35,015,177,304.98	33,377,477,540.63	4.68%	-9.26%	-3.51%	-5.67%
By products						
Steel plate	33,109,977,666.90	31,509,788,033.31	4.83%	-7.51%	-2.03%	-5.33%
Others	1,905,199,638.08	1,867,689,507.32	1.97%	-31.70%	-23.17%	-10.88%
By regions						
Northeast	12,303,656,651.85	11,752,573,377.32	4.48%	-10.61%	-4.49%	-6.13%
North China	4,208,207,527.97	4,002,005,359.10	4.90%	-1.75%	4.85%	-5.98%
East China	13,168,521,446.80	12,544,333,530.22	4.74%	-12.56%	-7.03%	-5.66%
Northwest	75,492,130.13	71,951,549.22	4.69%	-8.62%	-6.64%	-2.02%
Central south	1,323,870,974.23	1,262,840,522.32	4.61%	-10.28%	-8.43%	-1.92%
Export	3,935,428,574.00	3,743,773,202.45	4.87%	0.31%	6.30%	-5.36%

Operating data of recent one period according to adjusted statistics caliber at the period-end in the case that the Company's main business statistics caliber has changed during the reporting period

Applicable  Not applicable

Explanation of the reasons for the year-on-year change over 30% in relevant data

Applicable  Not applicable

### IV. Analysis on Non-core Business

Applicable  Not applicable

Items	Amount	Proportion of total profit	Reason for formation	Whether it is sustainable or not
Investment income	115,842.84	0.01%	Due to investment income from long term equity investment accounted by equity method	No
Asset impairment loss	-72,880,991.53	-9.31%	Due to the provision for inventory impairment	No
Non-operating income	30,572,281.35	3.90%	Due to the clean up of the long-term unclaimed debt and the debt belonging to cancelled customer accounts which are expected unable to be paid.	No
Non-operating	10,765,339.79	1.37%	Due to loss on the retired	No

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expense			property and equipment	
Assets disposal gains	3,648,546.62	0.47%	Due to gains from disposal of fixed assets	No

### V. Analysis on Assets and Liabilities

#### 1. Significant Change of Assets Components

	Ending balance of 2021		Opening balance of 2021		Proportion change	Notes to significant change
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Cash at bank and on hand	4,805,370,697.71	10.22%	8,831,095,737.85	16.01%	-5.79%	Due to distribution of dividend and payment of trading liabilities
Accounts receivable	307,887,350.08	0.65%	256,850,782.71	0.47%	0.18%	
Inventories	8,740,534,055.47	18.59%	10,190,166,138.98	18.48%	0.11%	
Long-term equity investment	3,067,239.29	0.01%	2,981,784.07	0.01%	0.00%	
Fixed assets	24,397,907,946.02	51.89%	25,480,674,048.94	46.20%	5.69%	Due to the decline in total assets that leads a passive increase in the proportion of fixed assets
Construction in process	3,012,446,289.29	6.41%	2,434,182,101.13	4.41%	2.00%	
Right-of-use assets	1,410,177,981.09	3.00%	1,440,365,248.31	2.61%	0.39%	
Short-term loans	3,349,342,280.00	7.12%	4,053,088,140.00	7.35%	-0.23%	
Contract liabilities	3,977,011,514.55	8.46%	4,708,188,093.78	8.54%	-0.08%	
Long-term loans	3,002,383,788.13	6.39%	4,222,821,771.74	7.66%	-1.27%	
Lease liabilities	1,404,900,432.63	2.99%	1,424,667,169.15	2.58%	0.41%	

#### 2. Main Assets Overseas

Applicable  Not applicable

### 3. Assets and Liabilities Measured at Fair Value

Applicable  Not applicable

### 4. Restricted Assets by the End of the Period

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

## VI. Investment

### 1. General

Applicable  Not applicable

### 2. Acquiring Significant Equity Investment in the Reporting Period

Applicable  Not applicable

### 3. Undergoing Significant Non-Equity Investment in the Reporting Period

Applicable  Not applicable

### 4. Investment of Financial Assets

(1) Investment in Securities

Applicable  Not applicable

There was no investment in securities during the reporting period.

(2) Investment in Derivatives

Applicable  Not applicable

There was no investment in derivatives during the reporting period.

### 5. Use of Raised Funds

Applicable  Not applicable

(1) Use of Raised Funds

Applicable  Not applicable

Unit: 10 thousand yuan

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Year	Method of raising funds	Total amount of raised funds	Used amount of raised fund this period	The total used amount of funds raised	The total amount of funds raised for change of purpose during the reporting period	Cumulative total amount of funds raised for change of purpose	Cumulative proportion of total raised funds for changes of purposes	The total amount of funds raised not used	The purpose and destination of the raised funds not yet used	Amount of funds raised after being idle for more than two years
2018	Non-public offering of stocks	396,580	776.80	334,983.1				61,949.10	Deposit	
2020	Public issuance of convertible corporate bonds	675,920	316.02	361,384.42				315,245.22	Deposit	
Total	--	1,072,500	1,092.82	696,367.52				377,194.32	--	
Description of the overall use of raised funds										
<p>1. Status of use of funds for investment projects with raised funds</p> <p>As of June 30, 2022, the amount of funds raised by the company through issue of non-public offering of stocks have invested by a total of 3,349,831,034.97 yuan in raised investment projects (including 3,342,063,034.97 yuan invested in raised investment projects in previous years and 7,768,000.00 yuan invested in raised investment projects in this year), and the accumulated net amount of interest income minus handling fees is 3,522,053.81 yuan.</p> <p>As of June 30, 2022, the amount of funds raised by the company through issue of convertible bonds have invested by a total of 3,613,844,239.01 yuan (including 3,610,684,085.61 yuan of invested projects in previous years and 3,160,153.40 yuan of invested projects in this year), and the accumulated net amount of interest income minus renewal fee is 7,096,406.57 yuan.</p> <p>2. Status of changes in the implementation location and implementation method of the projects invested by raised funds</p> <p>During the reporting period, there is no situation of change the investment projects of raised funds or their implementation locations and implementation methods.</p> <p>3. Status of preliminary investment and replacement of raised funds for investment projects</p> <p>(1) Status of preliminary investment and replacement of funds raised from non-public offering of stocks</p> <p>At the 14th meeting of the 7th Board of Directors and the 10th meeting of the 7th Board of Supervisors of the Company, “t About the use of raised funds to replace pre-invested raised funds for investment projects “was reviewed and approved. Before the raised funds arrive in the account, in order to ensure the smooth implementation of the raised investment projects, the company uses self-raised funds for project construction. As of February 28, 2018, the pre-invested amount of self-raised funds replaced by raised funds was RMB 1,822,749,211.07, including RMB 1,484,133,089.39 for the cold-rolled high-strength steel reconstruction project and RMB 338,616,121.68 for the hot-dip galvanizing production line project of the third cold rolling plant.</p> <p>During the period from March 1, 2018 to February 28, 2019, the company paid RMB 88,296,207.56 for the construction of projects with</p>										

self-raised funds, of which RMB 86,709,830.40 was invested in the cold-rolled high-strength steel reconstruction project, and the third cold-rolling plant was hot-dip galvanized. The zinc production line project is 1,586,377.16 yuan (not yet replaced from the special account of raised funds). The company has transferred 86,709,830.40 yuan from the fundraising account to the general deposit account in 2020.

During the period from March 1, 2019 to May 31, 2021, the company paid RMB 62,608,242.01 for the construction of the project with self-raised funds, of which RMB 50,391,999.49 was invested in the cold-rolled high-strength steel reconstruction project, and the third cold-rolling plant was hot-dip galvanized. The zinc production line project is 12,216,242.52 yuan. The company has transferred the above amount from the fundraising account to the general deposit account in 2021.

(2) Status of preliminary investment and replacement of funds raised from public issuance of convertible corporate bonds

After the 13th meeting of the 8th Board of Directors and the 11th meeting of the 8th Board of Supervisors of the Company, the "Proposal on Using Raised Funds to Replacing Pre-invested Raised Funds for Investment Projects and Self-raised Funds for which Issuance Fees Have Been Paid" was reviewed and approved. The company used the raised funds to replace the self-raised funds that had been invested in the investment projects with raised funds and had paid the issuance fees, and the total replacement amount was 366,180,860.17 yuan. There is no disguised change in the use of the raised funds in this replacement, and it does not affect the normal progress of the investment projects with the raised funds. The replacement time is less than 6 months from the time when the raised funds arrive in the account, which is in line with the relevant laws and regulations.

Before the raised funds arrive in the account, the company has used self-raised funds to pre-invest in the raised investment projects according to the progress of the project. As of May 31, 2020, the pre-invested amount of self-raised funds replaced by raised funds was 365,630,860.17 yuan, including 76,278,945.59 yuan for the No. 8 casting machine project of the steelmaking plant, 119,043,290.09 yuan for the No. 5 blast furnace capacity replacement project in the ironmaking plant, and special The steel electric furnace upgrade and reconstruction project is 59,948,807.90 yuan, the CCPP power generation project is 95,098,084.16 yuan, and the steel plant No. 4-6 converter environmental protection renovation project is 15,261,732.43 yuan. As of July 6, 2020, the above-mentioned issuance fee of RMB 550,000.00 paid by the company's own funds will be replaced with the raised funds.

During the period from March 1, 2019 to May 31, 2021, the company used self-raised funds to pay the raised funds to invest in the project construction amount of RMB 1,082,356,809.47. The No. 5 casting machine project is 55,364,729.08 yuan, the No. 5 blast furnace capacity replacement project in the iron plant is 628,049,033.12 yuan, the special steel electric furnace upgrading project is 253,298,156.22 yuan, the CCPP power generation project is 115,353,050.36 yuan, and the No. 4-6 converter environmental protection renovation project in the steel plant Item 30,111,840.69 yuan. The company has transferred the above amount from the fundraising account to the general deposit account in 2021.

4. Status of temporary replenishment of working capital with idle raised funds

During the reporting period, according to the construction progress of the company's raised funds investment projects and the use plan of the raised funds, part of the funds raised by the company's non-public offering was temporarily idle. In accordance with the provisions of the "Administrative Measures for the Raised Funds of Listed Companies in Shenzhen Stock Exchange" and other normative documents, in line with the principle of following the principle of maximizing the interests of shareholders, and on the premise of ensuring the capital needs of the raised funds investment projects and the normal progress of the raised funds investment projects, in order to improve the use efficiency of raised funds will further reduce the company's financial costs, reduce financial expenditures, and protect the interests of investors. The company plans to use idle raised funds to temporarily supplement working capital. The use period shall not exceed 12 months from the date of deliberation and approval by the board of directors. Liquidity will save the company financial expenses.

(1) Temporary replenishment of working capital with funds raised from non-public offering of stocks

1) In March 2018, the funds raised by the non-public offering of shares temporarily supplemented the working capital

In 2018, the company used 530,000,000.00 yuan of idle raised funds to temporarily supplement working capital, and the period of use shall not exceed 12 months from the date of approval by the board of directors (March 13, 2018). As of March 11, 2019, the company has returned

all the above-mentioned idle raised funds of RMB 530,000,000.00 used to temporarily supplement working capital to the company's special account for raised funds.

2) In March 2019, the funds raised from the non-public offering of shares temporarily supplemented working capital

In 2019, the company used idle raised funds of RMB 742,000,000.00 to temporarily supplement working capital, and the period of use shall not exceed 12 months from the date of approval by the board of directors (March 21, 2019). As of March 23, 2020, the company has returned all the above-mentioned idle raised funds of RMB 742,000,000.00 used to temporarily supplement working capital to the company's special account for raised funds.

3) In March 2020, the funds raised by the non-public offering of stocks temporarily supplement the working capital

The company used idle raised funds of RMB666,000,000.00 (RMB370,000,000.00 for the cold-rolled high-strength steel reconstruction project, and RMB296,000,000.00 for the hot-dip galvanizing production line project of the third cold rolling plant) to temporarily supplement the working capital. It was reviewed and approved at the ninth meeting and the eighth meeting of the eighth supervisory committee. The independent directors of the company issued a clear agreement, and the replenishment of working capital should not exceed 12 months.

The sponsor of the company's non-public offering agreed to the company's use of idle raised funds to temporarily supplement working capital and issued "Guotai Junan Securities Co., Ltd.'s Verification Opinions on the Company's Use of Idle Raised Funds to Temporarily Supplement Working Capital".

As of July 27, 2020, the company has returned all the above-mentioned idle raised funds of RMB 666,000,000.00 used to temporarily supplement working capital to the company's special account for raised funds.

4) In July 2020, the funds raised by the non-public offering of stocks temporarily supplement the working capital

The company used idle raised funds of 666,000,000.00 yuan (370,000,000.00 yuan for the cold-rolled high-strength steel renovation project, and 296,000,000.00 yuan for the hot-dip galvanizing production line project of the third cold rolling plant) to temporarily supplement the working capital. The fourth meeting and the 12th meeting of the 8th Supervisory Committee have reviewed and approved, and the independent directors of the company have issued a clear agreement, and the time for replenishing working capital should not exceed 12 months.

The sponsor of the company's non-public offering agreed to the company's use of idle raised funds to temporarily supplement working capital and issued "Guotai Junan Securities Co., Ltd.'s Verification Opinions on the Company's Use of Idle Raised Funds to Temporarily Supplement Working Capital".

As of July 27, 2021, the company has returned all the above-mentioned idle raised funds of RMB 666,000,000.00 used to temporarily supplement working capital to the company's special account for raised funds.

(5) In July 2021, the funds raised from the non-public offering of stocks will temporarily supplement working capital

The company used idle raised funds of 604,000,000.00 yuan (320,000,000.00 yuan for the cold-rolled high-strength steel reconstruction project, and 284,000,000.00 yuan for the hot-dip galvanizing production line project of the third cold rolling plant) to temporarily supplement the working capital. The 19th meeting and the 17th meeting of the 8th Supervisory Committee reviewed and approved, and the independent directors of the company have expressed their clear consent, and the replenishment of working capital shall not exceed 12 months.

The sponsor of the company's non-public offering agreed to the company's use of idle raised funds to temporarily supplement working capital and issued "Guotai Junan Securities Co., Ltd.'s Verification Opinions on the Company's Use of Idle Raised Funds to Temporarily Supplement Working Capital".

As of June 30, 2022, the company used the idle funds raised from non-public issuance of stocks to temporarily supplement the balance of working capital of RMB 604,000,000.00.

(2). Temporary replenishment of working capital with funds raised from public issuance of convertible corporate bonds

1) Public issuance of convertible corporate bonds in July 2020 to raise funds to temporarily supplement working capital

The company used idle raised funds of RMB4,180,000,000.00 (RMB1,010,000,000.00 yuan for the high-grade high magnetic induction non-oriented silicon steel project, RMB220,000,000.00 for the No. 8 casting machine project of the steelmaking plant, RMB800,000,000.00

for the production capacity replacement project of the No. 5 blast furnace in the ironmaking plant, and RMB1,300,000,000.00 for special steel electric furnace upgrade and reconstruction project, RMB700,000,000.00 for CAPP power generation project, RMB150,000,000.00 for steel plant No. 4-6 converter environmental protection renovation project) Temporarily supplementing working capital matters was approved on the 14th meeting of the 8th Board of Directors of the company held on July 28, 2020. It was reviewed and approved at the 12th meeting of the 8th Supervisory Committee, and the independent directors of the company have issued a clear agreement, and the replenishment of working capital shall not exceed 12 months.

The sponsor of the company's public offering of convertible corporate bonds agreed that the company will use idle raised funds to temporarily supplement working capital and issued the "Guotai Junan Securities Co., Ltd.'s Verification Opinions on the Company's Use of Idle Raised Funds to Temporarily Supplement Working Capital".

As of June 30, 2022, the company has returned all the above-mentioned idle raised funds of RMB 4,180,000,000.00 used to temporarily supplement working capital to the company's special account for raised funds.

2) The public offering of convertible corporate bonds in July 2021 to raise funds to temporarily supplement working capital

The company used idle raised funds of 3,030,000,000.00 yuan (1,010,000,000.00 yuan for the high-grade high magnetic induction non-oriented silicon steel project, 150,000,000.00 yuan for the No. 8 casting machine project of the steelmaking plant, 160,000,000.00 yuan for the production capacity replacement project of the No. 5 blast furnace in the ironmaking plant, and special steel electric furnace upgrade and reconstruction project. 1,000,000,000.00 yuan, CAPP power generation project 590,000,000.00 yuan, steel plant No. 4-6 converter environmental protection renovation project 120,000,000.00 yuan) Temporarily replenishment of working capital The nineteenth meeting of the eighth board of directors of the company held on July 28, 2021 It was reviewed and approved at the 17th meeting of the 8th Supervisory Committee, and the independent directors of the company have issued a clear agreement, and the time for replenishing working capital should not exceed 12 months.

The sponsor of the company's public offering of convertible corporate bonds agreed that the company will use idle raised funds to temporarily supplement working capital and issued the "Guotai Junan Securities Co., Ltd.'s Verification Opinions on the Company's Use of Idle Raised Funds to Temporarily Supplement Working Capital".

As of June 30, 2022, the company used the idle funds raised from the public issuance of convertible corporate bonds to temporarily supplement the balance of working capital of RMB 3,030,000,000.00.

5. Cash management with idle raised funds

The Company does not use idle raised funds for cash management.

6. Use of surplus raised funds

The Company does not use the surplus funds of raised fund investment projects for other raised fund investment projects or non-raised fund investment projects.

7. Use of over-raised funds

There exists no over-raised funds.

8. Purpose and whereabouts of unused raised funds

As of June 30, 2022, in addition to the above-mentioned "3.Status of preliminary investment and replacement of raised funds investment projects", "4.Status of temporary replenishment of working capital with idle raised funds", the company has raised funds. In addition to replacing and temporarily supplementing working capital with idle raised funds, the remaining raised funds are temporarily deposited in a special account for raised funds.

9. Other information on the use of raised funds

There exists no other situations about the use of raised funds of the company.

(2) Fund raising commitments

Applicable  Not applicable

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Commitment to investment projects and over-raised funds	Whether the item has been changed (including some changes)	Total committed investment of raised funds	Adjusted total investment (1)	Amount invested during the reporting period	Cumulative investment amount by the end of the period (2)	Investment progress by the end of the period (3) = (2)/ (1)	Item reaches scheduled availability date	Benefits realized during the reporting period	Whether the expected benefit is achieved	Has the project feasibility changed significantly
<b>Commitment to Investment Projects</b>										
Cold-rolled high-strength steel renovation project	No	226,580	226,580	776.8	193,468.87	85.39%	December 31, 2017	-990.29	No	No
Hot-dip galvanizing production line project of the third cold rolling plant	No	70,000	70,000	0	41,514.24	59.31%	December 31, 2018	4,408.31	Yes	No
Repay bank loan	No	100,000	100,000		100,000	100.00%			Not applicable	No
High grade high magnetic induction non-oriented silicon steel engineering project	No	101,620	101,620	0	141	0.14%			Not applicable	No
Steel Plant No. 8 Casting Machine Project	No	33,500	33,500	12.61	16,360.72	48.84%	October 31, 2020	5,672.17	Yes	No
No. 5 blast furnace capacity replacement project in ironworks	No	96,000	96,000	14.87	76,708.42	79.90%	November 30, 2020	4,902.68	Yes	No
Special Steel Electric Furnace Upgrade and Reconstruction	No	141,600	141,600	0	41,721.96	29.46%			Not applicable	No

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Project										
CCPP power generation project	No	83,300	83,300	288.53	21,728.84	26.09%			Not applicable	No
Environmental protection renovation project of converter No. 4-6 in steelmaking plant	No	19,900	19,900	0	4,723.48	23.74%	December 31, 2020		Not applicable	No
Repay bank loan	No	200,000	200,000	0	200,000				Not applicable	No
Subtotal of Committed Investment Projects	--	1,072,500	1,072,500	1,092.81	696,367.53	--	--	13,992.87	--	--
Over-raised funds are invested in										
None									Not applicable	No
Total	--	1,072,500	1,072,500	1,092.81	696,367.53	--	--	13,992.87	--	--
Situations and reasons for not reaching the planned progress or expected benefits (by specific projects)						The market environment has undergone major changes. The cold-rolled high-strength steel reconstruction project and the hot-dip galvanizing production line project of the third cold rolling plant have basically reached their production capacity.				
Status of description of material changes in project feasibility						None				
Status of amount, purpose and progress of use of over-raised funds						Not applicable				
Status of changes in Implementation Locations of Raised Funds Investment Projects						Not applicable				
A Status of adjustment of the Implementation Method of Raised Funds for Investment Projects						Not applicable				
Status of preliminary investment and replacement of raised funds for investment projects						Applicable For details, please refer to the special report III. (3)				
Status of temporary replenishment of working capital with idle raised funds						Applicable For details, please refer to the special report III. (3)				
Reasons and amount for the balance of raised funds in project implementation						Applicable There was no balance of raised funds for project implementation this year.				
Use and whereabouts of unused raised funds						For details, please refer to the special report III. (8)				
Problems or other situations in the use and disclosure of raised funds						There is no problem or otherwise				

(3) The situation for raised funds change project

Applicable  Not applicable

During the reporting period, the company did not have any changes in the fund raising project.

## **VII. Significant Assets and Equity Sold in Reporting Period**

### **1. Significant Assets Sold**

Applicable  Not applicable

There was no significant asset sold during the reporting period.

### **2. Substantial Equity Sold**

Applicable  Not applicable

## **VIII. Analysis on Main Subsidiaries and Share Participating Companies**

Applicable  Not applicable

Main subsidiaries and the joint-stock companies influencing over 10% net profit of the Company

Currency unit: Yuan

Company Name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net Profit
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	Subsidiary	Processing and sales of steel	1,920,000.00	3,643,435,624.45	2,269,145,176.79	5,229,533,000.35	119,929,546.66	91,532,242.77

Acquirement and disposal of subsidiaries during the reporting period

Applicable  Not applicable

Illustration of main joint-stock companies

None.

## **IX. Structure Entities controlled by the Company**

Applicable  Not applicable

## **X. Risks faced by the Company and Countermeasures**

### **1. Market competition risk**

Risks: Affected by the repeated changes in the epidemic, high inflation, the global economic operation is facing greater uncertainty. Coupled with the shrinking market consumer demand and supply shocks, the growth momentum of consumption and investment has weakened, the supply chain has been blocked, and the operating rates of downstream infrastructure and real estate have fallen across the board. The situation of steel market is becoming more and more severe. It is difficult to complete the high-level annual plan for such indicators as net

profit, economic added value, total labor productivity, and adjustment index.

Response measures: Based on the company itself and with a long-term perspective, the company will continue to consolidate the lean production system, focus on customers, adapt to and lead the downstream demand, focus on product structure adjustment, focus on breaking through the production and sales of high profitability and high value-added varieties of steel. We will increase the proportion of strategic products and the pricing power of regional markets and market segments to cope with the risk of industry homogenization. On the basis of work safety and normalized epidemic prevention and control, we will implement fine management, and take "zero waste" as the goal to fully promote the quality and cost reduction, innovation and efficiency creation of all employees. We will successfully complete all tasks of the three-year action of state-owned enterprise reform and strive to maximize profit.

### 2. International trade risk

The international environment has become increasingly complex. Instability and uncertainty have increased significantly. The momentum of world economic growth has weakened, anti-globalization and trade protectionism have risen. The global epidemic prevention and control situation are still very serious. All ports have implemented closed-loop management of the whole process of epidemic prevention and control. Under the strict epidemic prevention requirements, the cost of epidemic prevention at ports has risen sharply, and the operating cost has increased significantly. The company still needs to actively respond to ensure that the imported ore is stored in time to avoid affecting the normal production and operation, causing economic losses and adverse effects to the company.

Response measures: Precise positioning, refine the market and increase the order volume; continuously optimize the logistics system and management mode; at the same time, optimize the supply structure of raw materials, strengthen the utilization rate of resources, comprehensively consider various factors that affect the logistics cost, and make the logistics route optimization decision; strengthen the development of users, continuously improve the quality of physical products and ensure the delivery date of contracts as the "key hand" to win the market, build better cooperative relations with upstream and downstream enterprises, actively sign long-term transport contracts with liner companies, ensure long-term stable supply chain services, solidly promote the special action of "quality storm", further improve the level of quality adjustment index, and strive to achieve the annual sales target.

### 3. Price fluctuation risk of raw and fuel materials

The company consumes main raw and fuel materials such as iron ore and coal. Affected by the international market, the price of bulk raw and fuel materials will continue to remain at a high level and fluctuate greatly. In particular, the price of iron ore continues to rise during the reporting period, which has a great impact on the company's profitability.

Response measures: Deeply implement the concept of "all costs can be reduced, and everyone can reduce costs". In the purchase of bulk raw materials, do a good job in market analysis, research and judgment, choose the opportunity to purchase, and strive to reduce the purchase cost through the low-cost node purchase of bulk raw materials; adjust the inventory structure and improve the inventory turnover level; carry out cost reduction and efficiency improvement work in a down-to-earth manner, and actively improve the competitiveness of enterprises. For the weak links and bottlenecks affecting the level of indicators, set up key problem solving indicator projects, define solving objectives for key problems, measures, time nodes and responsible persons, solidly promote the indicators of key problem solving measures with the energy of "dry towel, wring water", set off the upsurge of improving quality, reducing cost and increasing efficiency, and effectively relieve the market pressure

### 4. Environmental risks

The state promotes carbon peaking and carbon neutralization. As one of the important fields in China to achieve

emission reduction and carbon reduction, the iron and steel industry faces more requirements of carbon emission constraint mechanism and low-carbon development, which makes the company face greater environmental pressure.

Response measures: Adhere to support Xi Jinping's thought on ecological civilization, focus on improving the quality of the ecological environment, conscientiously implement the decisions and arrangements of the Party Central Committee and the State Council, adhere to the concept of "ecological priority and green development", make efforts to promote pollution control, focus on source control, and strengthen the basic work in environment protection, continue to improve the environmental protection management system, and continuously improve the company's environmental protection performance level. At the same time, optimize the process structure route, further improve the recycling rate of various resources, and increase the proportion of scrap steel; pay attention to various national environmental protection policies, improve enterprise environmental protection standards to meet and appropriately exceed national standards; strengthen the company's self-discharge of various pollution sources supervision and inspection, strengthen the environmental protection awareness of all employees; accelerate the construction progress of the identified environmental protection projects to ensure that the national environmental protection requirements are met.

### 5. Epidemic prevention and control risk

Since the outbreak of Covid-19 at the end of 2019 and early 2020, the prevention and control of the epidemic has continued throughout the country. With a series of strong epidemic prevention and control measures taken by governments at all levels, the domestic epidemic prevention and control has been effectively controlled, and various economic activities have been gradually restored. However, the overseas epidemic is still continuing and facing great uncertainty. The company will earnestly implement the government's requirements for epidemic prevention and control, strengthen support for epidemic prevention and control, and reduce the impact of the epidemic on the company's normal production and business activities.

Response measures: In 2022, with the gradual and effective control of the epidemic, the national economy will recover rapidly. China's development is still in a period of strategic opportunities, and the fundamentals of long-term economic development have not changed. In order to cope with the new development changes of development opportunities and challenges, we must understand and resolve the medium - and long-term problems encountered in development from the perspective of protracted war, accelerate the formation of a new development pattern with the domestic circulation as the main body and the domestic and international circulation promoting each other, adhere to the strategic direction of structural adjustment, rely more on scientific and technological innovation, We will improve the cross cycle design and regulation of macro-control to achieve a long-term balance between stable growth and risk prevention. Establish strict and normalized epidemic prevention and control mechanisms, strengthen the publicity of health knowledge related to the epidemic among all employees, and highlight the supervision and inspection of internal epidemic prevention and control.

## Section IV. Corporate Governance

### I. Annual General Meeting and Extraordinary Shareholders' Meetings in the Reporting Period

#### 1. Annual General Meeting

Sessions	Type	Investor participation ratio	Meeting Date	Date of disclosure	Index of information disclosure
First Extraordinary Shareholders General Meeting of 2022	Extraordinary General Meeting	63.41%	Mar 3, 2022	Mar 4, 2022	Announcement on Resolutions of First Extraordinary Shareholders General Meeting of 2022
Annual Shareholders General Meeting of 2021	Annual General Meeting	63.59%	Apr 26,2022	Apr 26,2022	Announcement No.: 2021

#### 2. Request for Extraordinary General Meeting by Preferred Stockholders Whose Voting Rights Restore

Applicable  Not applicable

### II. Changes in Directors, Supervisors and Senior Management of the Company

Applicable  Not applicable

Name	Position	Office status	Date	Reason
Gao Desheng	Secretary of the Board of Directors	Dismissed	Mar 24, 2022	Job change
Wang Donghui	Chief Accountant	Dismissed	Apr 26, 2022	Job change
Jiang Xiaoyu	Chief Financial Officer, Secretary of the Board of Directors(Temporary duties)	Appointed	Apr 26, 2022	Appointment

### III. Profit Distribution or Capital Reserve Conversion

Applicable  Not applicable

There exists no plan for the company to distribute profit ,bonus stocks or convert capital reserve into share capital.

**VI. Implementation of company equity incentive plans, employee stock ownership plans or other employee incentives**

Applicable  Not applicable

During the reporting period, the company had no equity incentive plan, employee stock ownership plan or other employee incentive measures and their implementation.

## Section V. Environmental and Social Responsibility

### I. Major Environmental Issues

Whether the listed company and its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

√ Yes □ No

Company or subsidiary name	Names of major pollutants and characteristic pollutants	Emission method	Number of discharge outlets	Distribution of discharge outlets	Emission concentration	Implemented pollutant discharge standards	Total emissions	Total approved emissions	Excessive emissions
Bengang Steel Plates Co.,Ltd.	COD	Continuous	1	Energy General Plant Sewage Treatment Plant	14.81	50	46.64	Not approved by the government	None
Bengang Steel Plates Co.,Ltd.	Ammonia nitrogen	Continuous	1	Energy General Plant Sewage Treatment Plant	0.30	5	1	Not approved by the government	None
Bengang Steel Plates Co.,Ltd.	Particulate matter	Continuous and intermittent	184	Raw material dumper, transfer station, receiving tank, pre-batching; iron-making casting yard, furnace roof, fuel, solvent, granulation, ore coke tank, sintering head dust removal, desulfurization , machine tail dust removal; iron and steel water pretreatment ,	Raw material <20; sintering 8-26; iron making 8-9; steel making 3-20; special steel 2-15; coking 4-30; power generation 3-8; cold rolling 3-20; hot rolling 5-18.	Raw material 25; sintering 10-50; iron making 25; steel making 20-50; special steel 20; coking 30; power generation 5-30; cold rolling 20-30; hot rolling 20-30.	smok: 580; dust: 5875	Not approved by the government	None

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				north-south pouring station, tundish, primary dust removal, secondary dust removal, refining dust removal; special steel electric furnace, refining furnace; coking coal addition, coke pushing, dry quenching, chimney desulfurization and denitrification; power boiler dust removal, desulfurization and denitrification; cold rolling acid regeneration , pickling, straightening, welding, leveling, annealing, roasting; hot rolling furnace.					
Bengang Steel Plates Co.,Ltd.	Sulphur dioxide	Continuous and intermittent	64	Sintering head; coke oven chimney; power generation	Sintering head 48-174; coke oven 24-48; power generation	Sintering head 200; coke oven 30-100; power generation	1839	Not approved by the government	None

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				boiler desulfurization; cold rolling roasting and annealing; hot rolling heating furnace.	3-55; cold rolling 24-95; hot rolling 50-125.	100-200 cold rolling 150; hot rolling 150.			
Bengang Steel Plates Co.,Ltd.	Nitrogen oxides	Continuous and intermittent	57	Sintering head; coking chimney; power generation boiler; cold rolling roasting, annealing; hot rolling heating furnace.	Sintering head 110-150; coking chimney 99-148; power generation 10-103; cold rolling 50-150; hot rolling 80-120.	Sintering head 300; coking chimney 150; power generation 100-200; cold rolling 200; hot rolling 300.	4712	Not approved by the government	None

### Construction and operation of pollution prevention facilities

Bengang Bancai has a total of 184 sets of environmental pollution prevention and control facilities, and each process is equipped with dust removal, desulfurization and denitrification, and online facilities in accordance with pollutant discharge standards. Wet desulfurization of sintering machine head, dry desulfurization and denitrification of coke oven chimney, wet desulfurization and SCR denitration of power generation, etc. The 2300mm production line of the hot rolling plant is designed for use in the production of stainless steel, and the environmental protection facilities are normally put into use.

### Environmental impact assessment of construction projects and other environmental protection administrative licenses

Company has completed the registration and filing work of 8 projects including coke oven flue gas desulfurization and denitrification reconstruction project of the company's iron making plant, third dedusting for steel making plant, treatment of VOCs in the first and second purification zones of coking process. 2 projects including first cold rolling transformation project of plate company and railway bridge repair works have been submitted for approval. 6 projects including the desulfurization and denitrification project of No. 7 coke oven of plate iron making plant, dust removal at the machine side of No. 8 and No.9 coke oven and environmental protection transformation of No. 5 blast furnace has been carried out. Completed the renewal of pollutant discharge permit of one unit of the company.

### Emergency plan for environmental emergencies

The company and its 14 subordinate units strictly follow the "Emergency Response Law of the People's Republic of China", the "Notice on Printing and Distributing the "Guidelines for Risk Assessment of Environmental Emergencies for Enterprises (Trial)", and "Enterprise and Institutional Emergency Response Plans for Environmental Emergencies." Management Measures (for Trial Implementation)" and other existing laws and regulations to carry out environmental emergency management work. In the first half of the year 2022, the company entrusted a third-party unit to revise the emergency plan for environmental emergencies, carried out risk

assessment and emergency resource investigation again, and conducted assessments according to the management requirements of the Municipal Bureau. At the same time, each unit of the company formulated a drill plan according to the pre-plan and carried out the corresponding pre-plan drill work.

**Environmental Self-Monitoring Program**

The company's self-monitoring plan was carried out in accordance with the requirements of the discharge permit. Pollution source monitoring points: 173 flue gas monitoring points, 14 waste water monitoring points, 13 boundary noise points, 13 atmospheric dust reduction points, and 59 unorganized monitoring points. Monitoring is carried out on a quarterly, semi-annual and annual frequency. There are 13 atmospheric dust fall points distributed in the factory area, and 78 monitoring data have been obtained; the routine monitoring tasks of flue gas and atmospheric unorganized monitoring have been completed, and a total of 802 monitoring data have been obtained throughout the first half of year 2022; the noise monitoring points at the factory boundary 13 monitoring data, 208 monitoring data; 10 waste water monitoring points, 1744 monitoring data. There are a total of 2832 monitoring data, forming monthly reports, quarterly reports and separate monitoring reports for each factory and mine.

**Administrative penalties for environmental issues during the reporting period**

Company or subsidiary name	Reason for punishment	Violations	Penalty result	Influence on the production and operation of listed companies	The company's rectification measures
None	None	None	None	None	None

**Other environmental information that should be disclosed**

In the first half of the year 2022, according to the list of key pollutant discharging enterprises issued by the Municipal Environmental Protection Bureau, the environmental information disclosure of 12 units of the company will be completed. The contents of the announcement include basic information, pollution discharge information, construction and operation of pollution prevention and control facilities, environmental impact assessment of construction projects and other environmental protection administrative licenses, emergency plans for environmental emergencies, environmental self-monitoring plans, and other environmental information that should be disclosed.

**Measures taken to reduce carbon emissions during the reporting period and their effects**

Applicable  Not applicable

According to the company's plan of gradually eliminating thermal coal, the purchase of thermal coal was reduced. In the first half of the year, 106400 tons of thermal coal were consumed, 162,100 tons less than the plan, and 74,700 tons less than the same period.

Through the linkage with steel producing and active organization of production, the converter gas recovery was completed by 130.73m<sup>3</sup> t., and converter gas emission and carbon dioxide emission were both reduced.

Taking advantage of the joint maintenance opportunity of the company, a DN400 circulating pipe was added to CCPP pressurization station to solve the actual defects of the project and ensure the stable operation of CCPP.

Power consumption was reduced by strictly grasping peak production, optimizing medium pipe network and adjusting operation mode

The implementation of the above measures has reduced the carbon dioxide by 310,000 tons compared with the plan and 140,000 tons compared with the same period.

**Other environmental protection related information**

None.

## **II. Social Responsibility Situation**

The company attaches great importance to the social responsibility of the enterprise, and takes the public responsibility of the enterprise legal person and actively participates in public welfare activities. The company plans systematically, defines key support areas, actively supports public welfare undertakings, and realizes the harmonious development of enterprises and society.

1. Intensify the work of helping poor workers and staff. With response to the application of the employees getting through difficulty, the grass-roots trade union made a preliminary review, and the trade union of the company finally determined 54 relatively and deeply difficult employees, and distributed more than 230,000 yuan of relief funds, effectively alleviating the economic burden of the families of employees due to illness and school.

2. Actively select and dispatch cadres to participate in Rural Revitalization work. Three outstanding cadres were selected to participate in the rural revitalization work, and served as the first secretary in the dispatched villages .In the special period of normal epidemic prevention and control, the cadres stationed in the village did not forget their original intention, kept their mission firmly in mind, strengthened their confidence and fought tenaciously, and successfully completed the poverty alleviation and prevention of poverty return in the targeted poverty alleviation points in the first half of 2022. The company provides growth points for rural collective economy through employee welfare and purchasing agricultural and sideline products stationed in rural areas, effectively improving per-capita income

3. Set up a volunteer service team to dedicate voluntary labor. Regularly participated in the greening and beautification activities of the plant in spare time every month. During the epidemic prevention and control period, they participated in voluntary activities for many times, with a total of more than 200 participants, promoting the normalization of epidemic prevention and control. Actively participated in civilized travel volunteer activities, contributed to the creation of the city, established a good social image for the enterprise, and also reflected the excellent character of enterprise workers in the new era.

## Section VI. Important Events

### I. Performance of Committed Issues

**1. The fulfilled commitments during the reporting period and under-fulfillment commitments by the end of the period made by actual controller, acquirer, director, supervisor, senior management personnel and other related parties.**

Commitments	Commitment party	Type of commitment	Contents	Commitment time	Commitment period	Performance
Commitment made in the acquisition report or the equity change report	Ansteel Group Co., Ltd.	Other commitment	In order to maintain the independence of Bengang Steel, Ansteel Group undertakes the following: 1. Ansteel Group guarantees to keep separate from Bengang Steel in terms of assets, personnel, finance, organization and business, and strictly abides by the China Securities Regulatory Commission's regulations on the independence of listed companies It does not use its controlling position to interfere with the standard operation of Bengang Steel, interfere with Bengang Steel's business decisions, or damage the legitimate rights and interests of Bengang Steel and other shareholders. Ansteel Group and other subsidiaries controlled by it promise not to illegally occupy the funds of Bengang Plate and its controlled subsidiaries in any way. 2. The above commitments will continue to be effective during the	August 20,2021	Long term	Under normal fulfillment

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			period when Ansteel Group has control over Bengang Steel Sheets. If Ansteel Group fails to fulfill the above-mentioned commitments and causes losses to Bengang Steel Sheets, Ansteel Group will bear the corresponding liability for compensation.			
	Ansteel Group Co., Ltd.	Other commitment	In order to avoid horizontal competition matters, Ansteel Group undertakes the following: (1) In view of the overlapping business between Ansteel Group and Bengang Steel after the completion of the acquisition, according to the requirements of existing laws, regulations and relevant policies, Ansteel Group will issue a letter of commitment from this letter of commitment. Within 5 years from the date of issue, and strive to use a shorter time, in accordance with the requirements of the relevant securities regulatory authorities, under the premise of complying with the applicable laws and regulations and relevant regulatory rules at that time, in order to facilitate the development of Bengang Steel Sheets and safeguard the interests of shareholders, especially It is the principle of the interests of small and medium shareholders, and	August 20,2021	Long term	Under normal fulfillment

			<p>comprehensively uses various methods such as asset restructuring, business adjustment, and entrusted management to steadily promote the integration of relevant businesses to solve the problem of horizontal competition. The aforesaid solutions include but are not limited to: 1) Asset reorganization: purchase assets, asset replacement, asset transfer or other feasible reorganization methods in different ways permitted by relevant laws and regulations, such as cash consideration or issue share consideration, and gradually reorganize Anshan Iron and Steel Group and Benxi Iron and Steel Group. Sort out and reorganize the assets of the overlapping parts of the business of the sheet metal to eliminate the overlapping of some businesses; 2) Business adjustment: Sort out the business boundaries and try our best to achieve differentiated operations, such as through asset transactions, business division and other different methods. Business distinction, including but not limited to business composition, product grade, application field and customer groups, etc.; 3) Entrusted management: by signing an entrustment</p>			
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		<p>agreement, one party will make decisions related to the operation of some related assets with overlapping businesses 4) Other feasible solutions within the scope permitted by laws, regulations and relevant policies. The implementation of the above-mentioned solutions is premised on performing the necessary deliberation procedures for listed companies and the approval procedures of securities regulatory authorities and relevant competent authorities in accordance with relevant laws and regulations. (2) Anshan Iron and Steel Group has not yet formulated a specific implementation plan and time arrangement for solving the problem of partial business overlap between Anshan Iron and Steel Group and Bengang Steel. (3) In addition to the above circumstances, when Ansteel Group or other subsidiaries obtain business opportunities that may compete with the business of Bengang Steel, Ansteel Group will do its best to give Bengang Steel the priority to develop such opportunities and The right of first refusal to purchase the project makes the price of the relevant transaction fair and reasonable, and</p>			
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## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Report

			<p>will be based on the business practices followed in normal commercial transactions with independent third parties;</p> <p>(4) Ansteel Group guarantees that it will strictly abide by laws, regulations and According to the Articles of Association of Bengang Plate Co., Ltd. and its relevant management system, the company shall not use its position as an indirect controlling shareholder of Bengang Plate to seek illegitimate interests, thereby impairing the rights and interests of other shareholders of Bengang Plate; During the period of control over the steel sheet, the above commitments made by Ansteel Group are all valid. In the event of violation of the above commitments, resulting in damage to the rights and interests of Bengang Steel, Ansteel Group is willing to assume the corresponding liability for damages.</p>			
	Ansteel Group Co., Ltd.	Other commitment	<p>In order to standardize and reduce the related transactions between Ansteel Group and listed companies, Ansteel Group has made commitments: 1. Ansteel Group will ensure that Bengang Steel's business is independent, its assets are complete, and it</p>	August 20,2021	Long term	Under normal fulfillment

		<p>has independent and complete production, supply, sales and other auxiliary facilities. system.</p> <p>2. Ansteel Group and other enterprises controlled by Ansteel Group will not take advantage of the control over Bengang Steel Sheets to seek preferential transactions with Bengang Steel Sheets and its subordinate enterprises. 3. Ansteel Group and other enterprises controlled by Ansteel Group will avoid and reduce unnecessary transactions with Bengang Steel Sheets and its subordinate enterprises. If there is a truly necessary and unavoidable transaction, Ansteel Group and other enterprises controlled by Ansteel Group will sign an agreement with Bengang Steel Sheets and its subordinate enterprises in accordance with the principles of fairness, fairness, and compensation for equal value, perform legal procedures, and will comply with the law. According to the requirements of relevant laws, regulations and normative documents and the "Articles of Association of Bengang Plate Co., Ltd.", perform information disclosure obligations and perform relevant internal</p>			
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## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Report

			<p>decision-making and approval procedures in accordance with the law, and ensure that no price is unfair compared with market prices. conditions and conduct transactions with Bengang Steel and its subordinate enterprises, and do not use such transactions to engage in any behavior that damages the legitimate rights and interests of Bengang Steel and other shareholders of Bengang Steel. 4. In the event of violation of the above commitments, resulting in damage to the legitimate rights and interests of Bengang Steel, Ansteel Group will compensate for the losses caused to Bengang according to law.</p>			
Commitment made during initial public offering or refinancing	Company directors, senior management/Controlling shareholders	Other commitment	<p>According to the relevant regulations of the China Securities Regulatory Commission, all directors and senior management of the Company have made the following commitments to the Company's fulfillment of the diluted immediate return measures:</p> <p>1. I promise to perform my duties faithfully and diligently, and safeguard the legitimate rights and interests of the Company and all shareholders. 2. I promise not to deliver benefits to other units or individuals without compensation or under</p>	May 22, 2019	Long term	Under normal fulfillment

			<p>unfair conditions, nor to use other means to damage the Company's interests. 3. I promise to restrict the position-related consumption behavior of company directors and senior management personnel. 4. I promise not to use the Company's assets to do investment and consumption activities that are not related to the performance of my duties. 5. Within the scope of my responsibilities and authority, I promise to make every effort to promote the company's board of directors or the remuneration system established by the remuneration and appraisal committee to be linked to the implementation of the company's compensation measures, and vote in favor of the relevant proposals reviewed by the company's board of directors and general meeting (If I have voting rights). 6. If the company intends to implement equity incentives, I promise to, within my own responsibilities and jurisdiction, make every effort to promote the Company's proposed equity incentive exercise conditions to be linked to the Company's implementation of the</p>			
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## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Report

			<p>return measures, and to review the Company's board of directors and shareholders' general meetings and vote in favor of the relevant proposals reviewed by the company's board of directors and general meeting (If I have voting rights). 7. If the future issuance of this commitment and the implementation of the Company's public issuance of convertible corporate bonds are completed, if the China Securities Regulatory Commission makes other new regulatory provisions on the measures for filling returns and their commitments, and the above commitments cannot meet the requirements of the China Securities Regulatory Commission When other regulations are stipulated, a commitment will be issued in accordance with the latest regulations of the China Securities Regulatory Commission. The company's controlling shareholder, Benxi Iron and Steel (Group) Co., Ltd., promised not to interfere with the company's operation and management activities beyond its authority and not to infringe on the Company's interests.</p>			
	Benxi Steel & Iron (Group) Co., Ltd. and	Other Commitment	The sales companies of Bengang International Trade Co., Ltd. and	July 24,2019	Long term	Under normal

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	Bengang Group Co., Ltd.		<p>Bengang Steel plates in the same region guarantee independent personnel, independent business, independent finance, and independent assets, and are guaranteed not to be in the same registration place or in the same office; The filing of foreign economic and trade operators, taking into account the need to gradually improve the qualification certification of raw material suppliers, customs import and export qualification certification, etc. In the short term, the actual conditions and capabilities for independent import and export business are still lacking. In order to ensure the normal business development of Benxi Steel Plate, the Group agrees that within the period of not more than 5 years from the date of issuance of this commitment, the main import and export business of Benxi Steel Plate will still be represented by Bengang International Trade until Bengang Steel Plates can be independently developed Import and export business, and during this period, Bengang International Trade will provide the necessary support for the establishment and improvement of Bengang's import and export business.</p>			fulfillment
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## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Report

			<p>In addition, the sales company under Bengang International Trade is only responsible for selling the products of Beiyang Iron and Steel Group, and never sells third-party steel products. 3. The three sales companies under the Group, Shanghai Bengang Iron and Steel Sales Co., Ltd., Shanghai Bengang Iron and Steel Materials Co., Ltd., and Guangzhou Free Trade Zone Bengang Sales Co., Ltd., are currently no longer actually engaged in any business activities, as follows: (1) Shanghai Bengang Iron &amp; Steel Sales Co., Ltd. filed for bankruptcy in 2014, and the Shanghai Changning District People's Court issued an announcement to appoint Guohao Lawyer (Shanghai) Office as the bankruptcy administrator. After communication with the bankruptcy administrator, it is expected that the bankruptcy and liquidation of Shanghai Bengang Iron and Steel Sales Co., Ltd. will be completed by the end of 2020. Upon completion of the aforementioned bankruptcy liquidation procedures, the relevant procedures for cancellation of Shanghai Bengang Iron and Steel Sales Co., Ltd. will be handled</p>			
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		<p>immediately. (2) Shanghai Bengang Iron &amp; Steel Materials Co., Ltd. is a holding subsidiary of Shanghai Bengang Iron &amp; Steel Sales Co., Ltd., and its business license has been revoked. As the shareholder Shanghai Bengang Iron &amp; Steel Sales Co., Ltd. is in the process of bankruptcy and liquidation, Shanghai Bengang Iron &amp; Steel Materials Co., Ltd. was unable to convene a shareholders' meeting to cancel the company and establish a liquidation group according to law. Therefore, the cancellation has not yet been completed. After the aforementioned bankruptcy and liquidation procedures of Shanghai Bengang Iron &amp; Steel Sales Co., Ltd. are completed, the relevant procedures for cancellation of Shanghai Bengang Iron &amp; Steel Materials Co., Ltd. will be processed immediately. (3) Guangzhou Free Trade Zone Bengang Sales Co., Ltd. has a contract arrears dispute with Jiedong County Trading Corporation. According to the Civil Judgment ((1999) Ben Jing No. 116), Guangzhou Free Trade Zone Bengang Sales Co., Ltd. applied to the court to seal 62 properties under the name of Jiedong County</p>			
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## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Report

			<p>Trading Corporation.</p> <p>However, due to serious local protection, property rights and other factors, the content of the judgment has not been enforceable. Later, after applying again from Guangzhou Free Trade Zone Bengang Sales Co., Ltd., the Intermediate People's Court of Benxi City, Liaoning Province issued an execution ruling again, and 62 properties of Jiedong County Trading Corporation were re-sealed. As of February 4, 2022. Except for participating in the litigation activities for the purpose of realizing creditor's rights, Guangzhou Free Trade Zone Bengang Sales Co., Ltd has not carried out other business activities. After the litigation is completed, the relevant procedures for the cancellation of Guangzhou Free Trade Zone Bengang Sales Co., Ltd. will be handled immediately.</p>			
	<p>Bengang Group Co., Ltd. &amp; Benxi Steel &amp; Iron (Group) Co., Ltd.</p>	<p>Other Commitment</p>	<p>The Group's horizontal competition with Benxi Steel Plates and the measures and commitments to avoid inter-industry competition 1. During the period when the Group is the controlling shareholder of Bengang Steel Plates, in addition to the matters listed in Article 1 of this Commitment Letter, the</p>	<p>July 24,2019</p>	<p>Normal execution</p>	<p>Under normal fulfillment</p>

			<p>Group and other enterprises controlled by the Group other than Bengang Steel Plates no longer produce or develop any products that compete or may compete with the products produced by Bengang Steel Plates and its subsidiaries at home and abroad, and do not directly or indirectly operate any business that competes with Bengang Steel Plates and its subsidiaries. Businesses that may constitute competition, nor are they involved in investing in any other enterprise that competes with or may compete with products or businesses produced by Bengang Steel Plates and its subsidiaries. 2. If Bengang Steel Plates and its subsidiaries further expand their business scope, the Group and other enterprises controlled by the Group will not compete with the expanded business of Bengang Steel Plates and its subsidiaries; they may compete with Bengang Steel Plates and its subsidiaries. If the company's expanded business produces competition, it will withdraw from the competition with Bengang Steel Plates as follows: (1) Stop business that may or may compete with Bengang</p>			
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			<p>Steel Plates and its subsidiaries; (2) Will compete The business is incorporated into Bengang Steel Plates and its subsidiaries in a legal and compliant manner; (3) Competitive business is transferred to unrelated third parties. 3. If the Group has any business opportunities to engage in or participate in the competition with Bengang Steel Plates' operations, the Group shall immediately notify Bengang Steel Plates of the above commercial opportunities. Within a reasonable period specified in the notice, Bengang Steel Plates If an affirmative answer is made to take advantage of the business opportunity, the Group will endeavor to give the business opportunity to Bengang Steel Plates on terms not less than that provided to any independent third party. 4. If the above commitments are violated, the Group is willing to bear all the responsibilities arising therefrom, and fully compensate or compensate for all direct or indirect losses caused to Bengang Steel Plates. 5. This letter of commitment continues to be effective during the period of the Group as the controlling shareholder of</p>		
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## Bengang Steel Plates Co., Ltd. 2022 Semi-annual Report

			Bengang Steel Plates and cannot be changed or withdrawn			
	Benxi Steel & Iron (Group) Co., Ltd. and Bengang Group Co., Ltd.	Other Commitment	In order to regulate and reduce the Company 's transactions with controlling shareholders and other related parties, and to protect the interests of the Company and small and medium shareholders, Benxi Iron and Steel (Group) Co., Ltd. and Bengang Group Co., Ltd. have issued the following commitments: "Benxi Iron and Steel (Group) Co., Ltd. and Bengang Group Co., Ltd. (hereinafter collectively referred to as the "Group"), as a direct controlling shareholder and an indirect controlling shareholder of Bengang Steel Plates Co., Ltd. (hereinafter referred to as "Bengang Steel Plates"), in order to protect the interests of Bengang Steel Plates and other shareholders of Bengang Steel Plates, regulate The Group's related transaction with Bengang Steel Plates hereby promises: 1. The Group will fully respect the independent legal person status of Bengang Steel Plates, ensure the independent operation and independent decision-making of Bengang Steel Plates, ensure the independence of	July 24,2019	Long term	Under normal fulfillment

			<p>Bengang Steel Plates' business, asset integrity and personnel Independence and financial independence to avoid and reduce unnecessary related transactions; the Group will strictly control related transactions with Bengang Steel Plates and its subsidiaries. 2. The Group and other controlled companies promise not to use loans or occupy or misappropriate the funds of Bengang Steel Plates and its subsidiaries to repay debts, substitute funds or otherwise, nor We ask Bengang Steel Plates and its subsidiaries to provide illegal guarantees for the Group and other companies under its control. 3. The Group and other controlled companies and Bengang Steel Plates will minimize related transactions. It is indeed necessary and unavoidable to carry out in the related party transactions, strictly implement the decision-making authority, decision-making procedures, avoidance system and other contents stipulated in Bengang's "Articles of Association" and related party transaction decision-making system, give full play to the role of the board of supervisors</p>			
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			<p>and independent directors, and earnestly fulfill the obligation of information disclosure To ensure that transactions are conducted in accordance with the open, fair, and fair principles of market transactions and normal commercial terms, the Group and other companies under control will not require or accept Bengang Steel Sheets to give preferential treatment to third parties in any fair market transaction</p> <p>Conditions to protect other shareholders of Benxi Steel Plates and the interests of Benxi Steel Plates from damage. 4. The Group guarantees that the above commitments are continuously effective and irrevocable as long as Bengang Steel Plates is listed on the domestic stock exchange and the Group acts as its direct and indirect controlling shareholder. If any violation of the above commitments occurs, the Group therefore bear all the losses caused to Bengang Steel Plates.</p>			
Whether Commitment fulfilled on time or not	Yes					

## **II. Non-operating capital occupation of listed companies by controlling shareholders and other related parties**

Applicable  Not applicable

There was no non-operating occupation of funds by the controlling shareholder and related parties

## **III. Non-compliance with external guarantees**

Applicable  Not applicable

There was no non-compliance with external guarantees.

## **IV. Appointment and Dismiss of Certified Accountant's Firm**

Whether the semi-annual financial report has been audited by the accountant's firm

Yes  No

The semi-annual financial report of the company was not audited by the accountant's firm.

## **V. Notes by the Board of Directors, the Supervisory Committee and the Independent Directors (if any) on the "non-standard audit report" of the accounting firm for the current reporting period**

Applicable  Not applicable

## **VI. Note by the Board of Directors on the latest "Non-Standard Audit Report"**

Applicable  Not applicable

## **VII. Bankrupt and Reforming Events**

Applicable  Not applicable

There was no bankrupt and reforming event during the reporting period.

## **VIII. Significant Lawsuits and Arbitrations**

Applicable  Not applicable

There was no significant lawsuit or arbitrations during the reporting period.

## **IX. Punishment and Rectification**

Applicable  Not applicable

There was no punishment or rectification during the reporting period.

## X. Credit Status of the Company and its Controlling Shareholders and Actual Controllers

Applicable  Not applicable

## XI. Major Related Party Transactions

### 1. Related party transactions relevant to daily operations

Applicable  Not applicable

Related parties	Relationship	Type of related party transactions	Content of related party transactions	Pricing principle of related party transactions	Price of related party transactions	Amount of related party transactions (in 10 thousand)	Proportion of similar transactions	The approved trading limit of transactions (in 10 thousand)	Whether exceeded the approved limit (Y/N)	Means of payment of related party transactions	Available market price of similar transactions	Date of disclosure	Index of disclosure
Benxi Beiyong Iron and Steel (Group) Co., Ltd.	Both belong to Bengang Group	Purchasing goods / receiving labor services	Purchasing main raw materials	on agreement	Related agreement price	624,099.55	18.70 %	1,928,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Benxi Iron and Steel (Group) Mining Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Purchasing main raw materials	on agreement	Related agreement price	351,097.45	10.52 %	895,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Benxi Iron and Steel (Group)	same parent company	Purchasing goods / receiving	Purchasing main raw	on agreement	Related agreement	13,938.14	0.42 %	51,000.00	No	Execute according to the agreeme	Yes	2022-08-19	

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Metallurgical Slag Co., Ltd.		g labor services	materials		price					nt			
Benxi Iron and Steel (Group) Industrial Development Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Purchasing main raw materials	on agreement	Related agreement price	5,326.39	0.16%	30,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Angang Steel Co., Ltd.	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Purchasing main raw materials	on agreement	Related agreement price	7,550.44	0.23%	130,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Angang Group Mining Gongchangling Co., Ltd	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Purchasing main raw materials	on agreement	Related agreement price	23,840.55	0.71%	160,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Ansteel Group International Economic and Trade Co., Ltd.	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Purchasing main raw materials	on agreement	Related agreement price	832.83	0.02%	120,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Ansteel Scrap Resources (Anshan) Co., Ltd.	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Purchasing main raw materials	on agreement	Related agreement price	9,606.56	0.29%	70,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Pansteel Group Vanadium Titanium Resources Co., Ltd	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Purchasing main raw materials	on agreement	Related agreement price			2,000.00	No	Execute according to the agreement	Yes	2022-08-19	

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Benxi Beiyong Iron and Steel (Group) Co., Ltd.	Both belong to Bengang Group	Purchasing goods / receiving labor services	Purchasing auxiliary materials	on agreement	Related agreement price	282.33	0.01 %	2,000.00	No	Execute according to the agreement	Yes	2022-08-19
Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Purchasing auxiliary materials	on agreement	Related agreement price	6,621.53	0.20 %	25,000.00	No	Execute according to the agreement	Yes	2022-08-19
Bengang Electric Co., Ltd.	Associates of the parent company	Purchasing goods / receiving labor services	Purchasing auxiliary materials	on agreement	Related agreement price	6,541.99	0.20 %	20,000.00	No	Execute according to the agreement	Yes	2022-08-19
Benxi Iron and Steel (Group) Machinery Manufacturing Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Purchasing auxiliary materials	on agreement	Related agreement price	2,301.23	0.07 %	10,000.00	No	Execute according to the agreement	Yes	2022-08-19
Ansteel Mining Machinery Manufacturing Co., Ltd.	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Purchasing auxiliary materials	on agreement	Related agreement price			3,000.00	No	Execute according to the agreement	Yes	2022-08-19
Angang Steel Rope Co., Ltd.	Both belong to Ansteel Group	Purchasing goods / receiving labor	Purchasing auxiliary materials	on agreement	Related agreement price			1,000.00	No	Execute according to the agreement	Yes	2022-08-19

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Benxi Beiyong Iron and Steel (Group) Co., Ltd.	Both belong to Bengang Group	Purchasing goods / receiving labor services	Purchasing energy and power	on agreement	Related agreement price	35,463.28	1.06 %	60,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Benxi Iron and Steel (Group) Construction Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	12,290.18	0.37 %	52,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Benxi Beiyong Iron and Steel (Group) Co., Ltd.	Both belong to Bengang Group	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	5,047.90	0.15 %	10,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Benxi Iron and Steel (Group) Construction Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	2,495.11	0.07 %	20,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Benxi Iron and Steel (Group) Mining Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	261.35	0.01 %	5,000.00	No	Execute according to the agreement	Yes	2022-08-19	
Benxi Iron and Steel Group International Economic and Trade Co., Ltd.	Both belong to Bengang Group	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	13,360.56	0.40 %	50,000.00	No	Execute according to the agreement	Yes	2022-08-19	

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Benxi Iron and Steel (Group) Information Automation Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	2,471.67	0.07%	13,000.00	No	Execute according to the agreement	Yes	2022-08-19
Angang Steel processing and distribution (Changchun) Co., Ltd	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price			1,300.00	No	Execute according to the agreement	Yes	2022-08-19
Ansteel Group Engineering Technology Co., Ltd.	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price			201,500.00	No	Execute according to the agreement	Yes	2022-08-19
Ansteel Construction Group Co., Ltd.	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	2,119.27	0.06%	3,000.00	No	Execute according to the agreement	Yes	2022-08-19
Bengang Group Co., Ltd.	Parent company & controlling shareholder	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	194.73	0.01%	10,000.00	No	Execute according to the agreement	Yes	2022-08-19
Benxi Iron and steel (Group)	Same parent company	Purchasing goods / receiving	Receiving labor services	on agreement	Related agreement	15,297.05	0.46%	35,000.00	No	Execute according to the agreement	Yes	2022-08-19

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Co., Ltd		g labor services			price					nt		
Liaoning Hengtai Heavy Machinery Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	452.12	0.01 %	4,100.00	No	Execute according to the agreement	Yes	2022-08-19
Liaoning Metallurgical Vocational and Technical College	same parent company	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price			2,000.00	No	Execute according to the agreement	Yes	2022-08-19
Benxi Iron and Steel (Group) Machinery Manufacturing Co., Ltd.	same parent company	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	1,560.78	0.05 %	10,000.00	No	Execute according to the agreement	Yes	2022-08-19
Other subsidiaries of Angang Group	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Receiving labor services	on agreement	Related agreement price	1,607.28	0.05 %	3,570.00	No	Execute according to the agreement	Yes	2022-08-19
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	Both belong to Ansteel Group	Purchasing goods / receiving labor services	Purchasing steel products	on agreement	Related agreement price			16,000.00	No	Execute according to the agreement	Yes	2022-08-19
Benxi Beiyong Iron and Steel	Both belong to Bengang	Selling goods / providing labor	Selling goods	on agreement	Related agreement	44,836.20	1.28 %	420,000.00	No	Execute according to the agreement	Yes	2022-08-19

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(Group) Co., Ltd.	g Group	services			price					nt			
Angang Steel Co., Ltd.	Both belong to Ansteel Group	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	3,360.2 2	0.10 %	210,0 00.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Benxi Iron and Steel (Group) Mining Co., Ltd.	same parent compan y	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	43,742. 54	1.25 %	190,0 00.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Suzhou Bengang Industrial Co., Ltd.	Shareho lding compan y	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price		0.00 %	50,00 0.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Benxi Iron and Steel (Group) Metallurgi cal Slag Co., Ltd.	same parent compan y	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	9,056.6 5	0.26 %	50,00 0.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Ansteel Group Internatio nal Economic and Trade Co., Ltd.	Both belong to Ansteel Group	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price		0.00 %	30,00 0.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Pangang Group Co., Ltd	Both belong to Ansteel Group	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	813.17	0.02 %	20,00 0.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Changchu n FAW Angang Steel processin	Both belong to Ansteel Group	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	945.83	0.03 %	11,00 0.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	

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g and Distributi on Co., Ltd													
Benxi Iron and Steel (Group) Thermal Developm ent Co., Ltd.	same parent compan y	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	3,062.3 9	0.09 %	10,00 0.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Benxi Iron and Steel (Group) Machiner y Manufact uring Co., Ltd.	same parent compan y	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	2,140.7 7	0.06 %	10,00 0.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Ansteel Chemical Technolog y Co., Ltd.	Both belong to Ansteel Group	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	8,518.4 2	0.24 %	177,8 22.00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Benxi Iron and Steel (Group) Constructi on Co., Ltd.	same parent compan y	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	778.33	0.02 %	8,000. 00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	
Liaoning Hengtong Metallurgi cal Equipmen t Manufact uring Co., Ltd.	same parent compan y	Selling goods / providin g labor services	Selling goods	on agree ment	Relat ed agree ment price	1,867.9 9	0.05 %	5,000. 00	No	Execute accordin g to the agreeme nt	Yes	2022- 08-19	

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Benxi Iron and Steel (Group) Industrial Development Co., Ltd.	same parent company	Selling goods / providing labor services	Selling goods	on agreement	Related agreement price	131.27	0.00 %	5,000.00	No	Execute according to the agreement	Yes	2022-08-19
Dalian Boroller Steel Pipe Co., Ltd.	Same parent company	Selling goods / providing labor services	Selling goods	on agreement	Related agreement price	1,041.16	0.03 %	2,000.00	No	Execute according to the agreement	Yes	2022-08-19
Benxi Iron and steel (Group) Co., Ltd	Same parent company	Selling goods / providing labor services	Selling goods	on agreement	Related agreement price	464.57	0.01 %	1,000.00	No	Execute according to the agreement	Yes	2022-08-19
Delin Land Port Supply Chain Service Co., Ltd.	Both belong to Ansteel Group	Selling goods / providing labor services	Selling goods	on agreement	Related agreement price		0.00 %	253,000.00	No	Execute according to the agreement	Yes	2022-08-19
Other subsidiaries of Angang Group	Both belong to Ansteel Group	Selling goods / providing labor services	Selling goods	on agreement	Related agreement price	113,801.13	3.25 %	2,355.00	No	Execute according to the agreement	Yes	2022-08-19
Benxi Iron and Steel (Group) Mining Co., Ltd.	same parent company	Selling goods / providing labor services	Providing labor services	on agreement	Related agreement price	471.71	0.01 %	1,000.00	No	Execute according to the agreement	Yes	2022-08-19
Bengang Group Co., Ltd.	Parent company & controlling shareholder	Selling goods / providing labor services	Providing labor services	on agreement	Related agreement price		0.00 %	17,000.00	No	Execute according to the agreement	Yes	2022-08-19

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Total	--		1,379,692.62	--	5,416,647.00					
Details of any sales return of a large amount	Not applicable									
Give the actual situation during the reporting period where a forecast had been made for the total amounts of routine related-party transactions, by type to occur in the current period(if any)	Not applicable									
Reason for any significant difference between the transaction price and the Market price for reference (if applicable)	Not applicable									

### 2. Related transactions relevant to asset acquisition or sold

Applicable  Not applicable

There was no related transaction relevant to asset acquisition or sold during the reporting period.

### 3. Related transactions relevant to joint investments

Applicable  Not applicable

There was no related transaction relevant to joint investments during the reporting period.

### 4. Credits and liabilities with related parties

Applicable  Not applicable

Whether there are non-operating credits and liabilities with related parties.

Applicable  Not applicable

There exists no non-operating credits and liabilities with related parties.

### 5. Transactions with related financial companies

Applicable  Not applicable

Deposit business

Related party	Connection relation	Maximum daily deposit limit (10 thousand yuan)	deposit rate range	Opening balance (10 thousand yuan)	Amount for this period		Closing balance (ten thousand yuan)
					Total deposit amount for the current period (10 thousand yuan)	The total amount withdrawn in the current period (10 thousand yuan)	

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Ansteel Group Finance Co., Ltd.	Both belong to Ansteel Group	450,000	1.725%	442,965.63	8,039,453.31	8,087,389.08	395,029.86
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### Loan business

Related party	Connection relation	Loan Amount (10 thousand yuan)	Loan Interest Rate Range	Opening balance (10 thousand yuan)	Amount for this period		Closing balance (10 thousand yuan)
					Total loan amount for the current period (10 thousand yuan)	Total repayment amount for the current period (10 thousand yuan)	

### Credit or other financial business

Related party	Connection relation	Business type	Total (ten thousand yuan)	Actual amount (ten thousand yuan)
Ansteel Group Finance Co., Ltd.	Both belong to Ansteel Group	credit	250,000	31,742.27

## 6. Transactions between financial companies controlled by the company and related parties

Applicable  Not applicable

During the reporting period, the company had no other significant related transactions.

## 7. Other significant related transactions

Applicable  Not applicable

There exists no deposit, loan, credit or other financial business between the financial company controlled by the company and its related parties.

## XII. Major Contracts and Their Performance

### 1. Trusteeship, contracting and lease

(1) Trusteeship

Applicable  Not applicable

There was no trusteeship during the reporting period.

(2) Contracting

Applicable  Not applicable

There was no contracting during the reporting period.

(3) Lease

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√Applicable □ Not applicable

Description of lease

Company as the lessor:

Currency unit: Yuan

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

Company as the lessee

Currency unit: Yuan

Lessor	Lease capital category	Rental costs for simplified short-term leases and low value asset leases )		Variable lease payments not included in the measurement of lease liabilities		Payment of rental		Interest expense of lease liabilities		Increased right-of-use assets	
		Amount of current period	Amount of previous period	Amount of current period	Amount of previous period	Amount of current period	Amount of previous period	Amount of current period	Amount of previous period	Amount of current period	Amount of previous period
Benxi Steel & Iron (Group) Co., Ltd	Land use right 7,669,068.17 square meter. Land use right 42,920.00 square meter					27,625,616.70	27,625,616.70	19,500,054.00	19,800,104.64		
Benxi Steel & Iron (Group) Co.,	2300 Hot rolling product line, related real estate					8,049,080.53	8,049,080.53	3,870,344.33	3,991,324.48		

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

Ltd											
Benxi Beiying Steel & Iron (Group) Co., Ltd.	1780 Hot rolling product line, related real estate					6,198,949. 54	6,198,949. 54	2,980,721. 72	3,073,893. 84		
Bensteel Group Co., Ltd.	Land use right 728,282.3 0 square meter.					4,972,711. 54	4,972,711. 54	1,224,959. 39	1,333,461. 96		

Notes:

1. According to the "Land Use Right Leasing Contract" and subsequent supplementary agreements signed between the Company and Bengang Steel (Group) on April 7, 1997, December 30, 2005 and subsequent, the Company leases land from Benxi Steel (Group), with a monthly rent of 0.594 yuan per square meter. The leased land is 7,669,068.17 square meters and the annual rent is 54,665.10 thousand yuan.

2. On August 14, 2019, the Company signed the "House Lease Agreement" with Benxi Steel (Group) and Beiying Iron and Steel Company, and leased the houses and auxiliary facilities occupied by the 2300 hot rolling mill production line and the 1780 hot rolling mill production line. The lease term of the houses and ancillary facilities is until December 31, 2038.

3. On July 15, 2019, the Company signed "Land Lease Agreement" with Bengang Group and Bengang Steel (Group) respectively, leased and used a total of 8 pieces of land from Bengang Group and Bengang Group Company, with leased areas of 42,920.00 square meters and 728,282.30 square meters. The lease term is 20 years, the rental price is 1.138 yuan per square meter per month.

Projects that bring profits and losses to the company reaching more than 10% of the company's total profit during the reporting period

Applicable  Not applicable

During the reporting period of the company, there was no leasing project that brought the company's profit and loss to more than 10% of the company's total profit during the reporting period.

### 2. Guarantee

Applicable  Not applicable

There were no significant guarantees during the reporting period.

### 3. Entrusting Others for Managing Cash Asset

Applicable  Not applicable

### 4. Other Major Contracts

Applicable  Not applicable

There was no other major contract during the reporting period.

### XIII. Description of other major events

Applicable  Not applicable

There were no other major events during the reporting period.

### XIV. Major events of subsidiaries of the company

Applicable  Not applicable

Chongqing liaoben iron and Steel Trading Co., Ltd., a wholly-owned subsidiary of the company, completed the cancellation procedures on June 16, 2022. The registered capital of Chongqing liaoben iron and Steel Trading Co., Ltd. is 30 million yuan. This cancellation will not have a great impact on the company.

## Section VII. Status of Share Capital Changes and Shareholders

### I. Share Capital Changes

#### 1. Share Capital Changes

	Before the change		Increase/decrease(+, -)					After the Change	
	Quantity	Percentage	Issuing of new share	Bonus shares	Capitalization of common reserve fund	Others	Subtotal	Quantity	Percentage
I. Restricted Shares									
1. State shareholdings									
2. State-own									

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Legal-person Shareholding									
3. Other domestic shareholdings									
Including: Domestic legal person holding									
Domestic person holding									
3. Foreign shareholding									
Including: Foreign legal person									
Foreign nature person									
II. Non-restricted Shares	4,108,191,379	100.00%				17,727	17,727	4,108,209,106	100.00%
1. Common shares in RMB	3,708,191,379	90.26%				17,727	17,727	3,708,209,106	90.26%
2. Foreign shares in domestic market	400,000,000	9.74%						400,000,000	9.74%
3. Foreign shares in foreign market									
4. Other									
III. Total shares	4,108,191,379	100.00%				17,727	17,727	4,108,209,106	100.00%

Causation of share capital changes

Applicable  Not applicable

During the reporting period, 802 convertible corporate bonds issued by the company were converted into shares, and the total share capital of the company increased by 17,727 shares.

Status of approval of share capital changes

Applicable  Not applicable

Status of registration process of transferred shares

Applicable  Not applicable

Implementation progress of share repurchase

Applicable  Not applicable

Influences of share capital changes on financial indices such as basic earnings per share, diluted earnings per share, and net asset per share attributed to common shareholders in the most recent year and the most recent period

Applicable  Not applicable

Other information that the Company deems necessary to be disclosed or required by the authority

Applicable  Not applicable

## 2. Changes of Restricted Shares

Applicable  Not applicable

## II. Securities Issuance and Listing

□Applicable √Not applicable

## III. Status of number of shareholders and shareholding of the company

Total number of common shareholders at the end of the reporting period		70,980		The total number of Preferred shareholders voting rights restored at the end of the reporting period (if any) (refer to Notes 8)		0		
Shareholding of shareholders holding more than 5% or top 10 shareholders								
Name of the shareholder	Nature of shareholder	Holding Percentage (%)	Number of shares held at period-end	Changes in reporting period	Restricted shares held	Un-restricted shares held	Number of pledged or frozen shares	
							Status	Number
Benxi Steel & Iron (Group) Co., Ltd.	State-owned legal person	58.65%	2,409,628,094			2,409,628,094	Pledged	110,000,000
							Frozen	102,100,000
Bensteel Group Co., Ltd.	State-owned legal person	17.95%	737,371,532			737,371,532		
Zhang Wenyong	Domestic natural person	0.47%	19,149,967			19,149,967		
Zhou Wei	Domestic natural person	0.21%	8,789,800	1,156,869		8,789,800		
Guosen Securities Co., Ltd.	State-owned legal person	0.18%	7,500,000			7,500,000		
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LTD	Foreign legal person	0.17%	6,999,972			6,999,972		
Huatai Youyi No. 5 Hybrid Pension product - Bank of China Limited	Other	0.14%	5,780,000	5,780,000		5,780,000		
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	0.13%	5,147,214	-26,882,587		5,147,214		
Lu Zhang	Domestic natural person	0.11%	4,543,674	4,543,674		4,543,674		
Jiangsu No.7	Other	0.10%	4,287,800	4,287,800		4,287,800		

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occupational pension plan - Minsheng Ban							
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if any) (Refer to Notes 3)	None						
Explanation of relationship or 'action in concert' among the top 10 shareholders.	Benxi Iron and Steel (Group) Co., Ltd. has an associated relationship with Benxi Iron and Steel Group Co., Ltd., and is a person acting in concert as stipulated in the "Administrative Measures for the Acquisition of Listed Companies". The company is not aware of whether there is an associated relationship between other shareholders or whether they are persons acting in concert as stipulated in the "Administrative Measures for the Acquisition of Listed Companies".						
Explanation of the above-mentioned shareholders involving entrusted/entrusted voting rights and abstention from voting rights	The above shareholders do not involve entrustment, entrusted voting rights or abstention from voting rights.						
Shareholding of top 10 unrestricted shareholders							
Name of the shareholder	Un-restricted shares held at the end of the reporting period	Category of shares					
		Category of shares	Quantity				
Benxi Steel & Iron (Group) Co., Ltd.	2,409,628,094	Common shares in RMB	2,409,628,094				
Bengang steel Group Co., Ltd.	737,371,532	Common shares in RMB	737,371,532				
Hong Kong Securities Clearing Company Ltd.	32,029,801	Common shares in RMB	32,029,801				
Zhang Wenyu	19,149,967	Common shares in RMB	19,149,967				
Zhou Wei	8,789,800	Common shares in RMB	8,789,800				
Guosen Securities Co., Ltd.	7,500,000	Common shares in RMB	7,500,000				
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LTD	6,999,972	Domestic listed foreign shares	6,999,972				
Huatai Youyi No. 5 Hybrid Pension product - Bank of China Limited	5,780,000	Common shares in RMB	5,780,000				
Hong Kong Securities Clearing Company Ltd.	5,147,214	Common shares in RMB	5,147,214				
Lu Zhang	4,543,674	Domestic listed foreign shares	4,543,674				
Jiangsu No.7 occupational pension plan - Minsheng Ban	4,287,800	Common shares in RMB	4,287,800				
Notes to relationship or 'action in concert' among the top 10 non-restricted shareholders, and among the top 10 non-restricted shareholders and top 10 shareholders	Benxi Steel & Iron (Group) Co., Ltd. has an associated relationship with Bengang steel Group Co., Ltd., and is a person acting in concert as stipulated in the "Administrative Measures for the Acquisition of Listed Companies". The company is not aware of whether there is an associated relationship among the remaining shareholders or whether they are parties acting in concert as prescribed in the Measures for the Administration of Acquisitions of Listed Companies.						

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Shareholders among the top 10 participating in securities margin trading (if any) (Refer to Note 4)	Zhang Wenyu Holds 19,149,967 shares of the Company's stock through security account. Zhou Wei holds 8,789,800 shares of the company's stock through security account
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Whether top 10 common shareholders and top 10 un-restricted common shareholders have a buy-back agreement dealing in reporting period

Yes  No

Top 10 common shareholders and top 10 un-restricted common shareholders had no buy-back agreement dealing in reporting period.

### IV. Changes in shareholding of directors, supervisors and senior management

Applicable  Not applicable

There was no change in the shareholding of the directors, supervisors and senior management of the company during the reporting period. Please refer to the 2021 annual report for details.

### V. Status of Changes of Controlling Shareholders, Actual Controller, Restructuring Party and Other Commitment Subjects

Changes of controlling shareholders

Applicable  Not applicable

There was no change in controlling shareholders of company.

Changes of actual controller

Applicable  Not applicable

There was no change in actual controller of company.

### Section VIII. Status of Preferred Shares

Applicable  Not applicable

There was no preferred stock issued by the company during the reporting period.



## Section IX. Status of Convertible Corporate Bonds

Applicable  Not applicable

### I. Corporate Bonds

Applicable  Not applicable

There were no corporate bonds in the company during the reporting period.

### II. Company Bonds

Applicable  Not applicable

There were no company bonds in the company during the reporting period.

### III. Non-financial Corporate Debt Financing Instruments

Applicable  Not applicable

There were no non-financial corporate debt financing instruments in the company during the reporting period.

### IV. Convertible corporate bonds

Applicable  Not applicable

#### 1. Previous Adjustment of Conversion Price

- (1) The initial conversion price of "Bengang Convertible Bonds" is RMB 5.03 per share.
- (2) Due to the company's implementation of the 2020 equity distribution plan, the conversion price of "Bengang Convertible Bonds" will be adjusted to 5.02 yuan per share on July 19, 2021.
- (3) Due to the company's implementation of the 2021 mid-term equity distribution plan, the conversion price of "Bengang Convertible Bonds" will be adjusted to 4.55 yuan per share on October 13, 2021.
- (4) Due to the company's implementation of the 2021 annual equity distribution plan, the conversion price of "Bengang Convertible Bonds" will be adjusted to 3.95 yuan per share on June 16, 2022.

#### 2. Status of cumulative share transfer

Applicable  Not applicable

Convertible bond abbreviation	Conversion starts and end date	Total amount issued (bonds)	Total amount issued	Cumulative share conversion amount (RMB)	Cumulative number of shares converted (shares)	Proportion of the number of converted shares to the total issued shares before conversion	Amount not yet converted (RMB)	Proportion of unconverted amount to total issued amount

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Bengang								
Convertible Bonds	2021-01-04	68,000,000	6,800,000,000.00	1,168,935,600.00	232,837,574	6.70%	5,631,064,400.00	82.81%

### 3. Top ten holders of convertible bonds

Unit: shares

No.	Convertible bond holders	Nature of convertible bond holders	Number of convertible bonds held at the end of the reporting period (bonds)	Amount of convertible bonds held at the end of the reporting period (yuan)	Percentage of convertible bonds held at the end of the reporting period
1	Industrial and Commercial Bank of China Limited - Guangfa convertible bond sponsored securities investment fund	Other	1,704,895	170,489,500.00	3.03%
2	Industrial Bank Co., Ltd. - Tianhong Yongli Bond Securities Investment Fund	Other	1,636,103	163,610,300.00	2.91%
3	China Construction Bank Corporation -Zhejiang Fengli enhanced bond securities investment fund	Other	1,600,000	160,000,000.00	2.84%
4	China Construction Bank Corporation - China Merchants Stable Profit Increase Bond Securities Investment Fund	Other	1,395,231	139,523,100.00	2.48%
5	China CITIC Group Corporation Limited Enterprise Annuity Plan - China CITIC Bank Corporation Limited	Other	1,395,005	139,500,500.00	2.48%
6	Bank of China-E-fund stable income bond securities investment fund	Other	1,380,958	138,095,800.00	2.45%
7	China AMC Yannian Yishou No. 9 Fixed Income Pension Product—China Merchants Bank Co., Ltd.	Other	1,362,468	136,246,800.00	2.42%
8	China National Petroleum	Other	938,212	93,821,200.00	1.67%

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	Corporation enterprise annuity plan-Industrial and Commercial Bank of China Limited				
9	Dacheng Fund-Postal savings bank-Postal savings No. 1 collective asset management plan	Other	751,826	75,182,600.00	1.34%
10	Industrial and Commercial Bank of China limited enterprise annuity plan - China Construction Bank Corporation	Other	741,428	74,142,800.00	1.32%

#### 4. Significant changes in the guarantor's profitability, asset condition and credit standing

Applicable  Not applicable

#### 5. At the end of the reporting period, the company's liabilities, changes in credit and cash arrangements and debt repayment in future years

At the end of the reporting period, the company's liabilities are detailed in Section II, Chapter IV "Main Accounting Data and Financial Index".

The company's credit rating of convertible bonds has not changed during the reporting period.

#### V. The loss in the consolidated statement during the reporting period exceeded 10% of the net assets at the end of the previous year

Applicable  Not applicable

#### VI. The main accounting data and financial indicators of the company in the past two years at the end of the reporting period

Item	At the end of current period	At the end of last year	Change
Current ratio	1.0297	1.1399	-9.67%
Liabilities to Assets Ratio	54.88%	58.17%	-3.29%
Quick ratio	0.49	0.6612	-25.89%
	Current period	Previous period	Change
Net profit after deducting non-recurring gains and losses (RMB)	52,221.94	219,914.26	-76.25%

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

EBITDA total liabilities ratio	19.53%	11.48%	8.05%
Interest coverage ratio	3.29	6.26	-47.44%
Cash interest coverage ratio	1.24	-1.88	-165.96%
EBITDA interest coverage ratio	6.61	8.32	-20.55%
Loan repayment rate	100.00%	100.00%	0.00%
Interest repayment rate	100.00%	100.00%	0.00%

**Section X. Financial Report**

**I. Audit report**

Whether the semi-annual report is audited

Yes  No

The semi-annual report is not audited.

**II. Financial Statements**

Statement in Notes are carried in RMB Yuan

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

Assets	Notes 5	30 Jun, 2022	1 Jan, 2022
Current assets			
Cash at bank and on hand	(1)	4,805,370,697.71	8,831,095,737.85
Settlement provisions			
Capital lent			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	(2)	141,318,446.72	1,540,482,182.07
Accounts receivable	(3)	307,887,350.08	256,850,782.71
Accounts receivable financing	(4)	254,184,970.37	1,530,735,647.38
Prepayments	(5)	1,950,905,089.18	994,370,345.64
Premium receivable			
Reinsurance accounts receivable			
Receivable deposit for reinsurance contract			
Other receivables	(6)	186,993,663.02	165,937,280.41
Redemptory financial assets for sale			
Inventories	(7)	8,740,534,055.47	10,190,166,138.98
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	(8)	240,668,471.95	754,948,193.56
<b>Total current assets</b>		<b>16,627,862,744.50</b>	<b>24,264,586,308.60</b>
Non-current assets			
Loan and advances issued			
Debt Investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	(9)	3,067,239.29	2,981,784.07
Other equity instrument investments	(10)	1,042,024,829.00	1,042,024,829.00
Other non-current financial assets			
Investment property			
Fixed assets	(11)	24,397,907,946.02	25,480,674,048.94
Construction in progress	(12)	3,012,446,289.29	2,434,182,101.13
Productive biological assets			
Oil and gas assets			

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

Assets	Notes 5	30 Jun, 2022	1 Jan, 2022
Right-of-use assets	(13)	1,410,177,981.09	1,440,365,248.31
Intangible assets	(14)	294,231,463.55	297,921,548.81
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	(15)	148,337,498.41	153,756,548.31
Other non-current assets	(16)	81,048,057.73	30,630,858.13
<b>Total non-current assets</b>		30,389,241,304.38	30,882,536,966.70
<b>Total assets</b>		47,017,104,048.88	55,147,123,275.30

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

Legal Representative: Huo Gang      Chief Financial Officer: Jiang Xiaoyu      Chief Accountant: Sun Yanbin

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

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

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

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

Legal Representative: Huo Gang      Chief Financial Officer: Jiang Xiaoyu      Chief Accountant: Sun Yanbin

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

**BENGANG STEEL PLATES CO., LTD.**  
**COMPANY'S STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2022**

*(Expressed in Renminbi unless otherwise indicated)*

(English Translation for Reference Only)

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

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

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

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

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

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

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

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

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

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

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

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

Items	Notes 5	Current period	Previous period
8. Earnings per share			
1) Basic earnings per share	XVII.2	0.14	0.57
2) Diluted earnings per share	XVII.2	0.14	0.57

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

Legal Representative: Huo Gang      Chief Financial Officer: Jiang Xiaoyu      Chief Accountant: Sun Yanbin

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

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

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

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

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

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

Items	Notes 5	Current period	Previous period
<b>1. Cash flow from operating activities</b>			
Cash received from sale of goods or rendering of services		30,399,917,736.81	27,681,479,863.67
Net increase of customers' deposit and interbank deposit			
Net increase of loan from central bank			
Net increase of loans from other financial institutions			
Cash received for premium of original insurance contract			
Net cash received for reinsurance business			
Net increase of deposit and investment of the insured			
Cash from receiving interest, handling charge and commission			
Net increase of loans from borrowing funds			
Net increase of fund for repurchase business			
Net cash received from traded securities			
Tax rebate received		411,362,662.88	40,128,927.12
Other cash received relating to operating activities	(50)	168,719,124.22	239,319,537.30
Subtotal of cash inflows from operating activities		30,979,999,523.91	27,960,928,328.09
Cash paid for goods and services		28,939,015,822.97	24,177,763,290.52
Net increase of customer's loan and advances			
Net increase of deposit in central bank and interbank deposit			
Cash for payment of compensation for original insurance contract			
Net increase in capital lent			
Cash for payment of interest, handling charge and commission			
Cash for payment of policy bonus			
Cash paid to and on behalf of employees		1,281,589,573.82	972,651,151.35
Cash paid for all types of taxes		282,883,307.60	1,082,217,676.19
Other cash paid relating to operating activities	(50)	249,058,977.31	203,379,990.00
Subtotal of cash outflows from operating activities		30,752,547,681.70	26,436,012,108.06
<b>Net cash flows from operating activities</b>		227,451,842.21	1,524,916,220.03
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments			3,000,000,000.00
Cash received from return on investments			1,553,175.04
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		60,800.00	
Net cash received from disposal of subsidiary and other operating units			
Other cash paid relating to investing activities			
Subtotal of cash inflows from investing activities		60,800.00	3,001,553,175.04
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		755,407,575.62	1,148,767,202.27
Cash paid for investments			4,600,000,000.00
Net increase of mortgage loan			
Net cash received from subsidiary and other operating unit			
Other cash paid relating to investing activities			
Subtotal of cash outflows from investing activities		755,407,575.62	5,748,767,202.27
<b>Net cash flows from investing activities</b>		-755,346,775.62	-2,747,214,027.23
<b>3. Cash flows from financing activities</b>			
Proceeds from investment			
Including: Proceeds from investment of non-controlling shareholders of subsidiary			
Proceeds from borrowings		602,067,123.44	1,512,381,000.00
Other proceeds relating to financing activities	(50)	2,548,792,921.60	
Subtotal of cash inflows from financing activities		3,150,860,045.04	1,512,381,000.00
Cash repayments of borrowings		1,393,191,834.05	4,477,892,475.61
Cash payments for distribution of dividends, profit or interest expenses		2,708,922,405.78	567,804,337.49
Including: Cash paid to non-controlling shareholders as dividend and profit by subsidiaries			
Other cash payments relating to financing activities	(50)	71,693,646.43	
Subtotal of cash outflows from financing activities		4,173,807,886.26	5,045,696,813.10
<b>Net cash flows from financing activities</b>		-1,022,947,841.22	-3,533,315,813.10
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		2,217,009.66	-16,349,859.91
<b>5. Net increase in cash and cash equivalents</b>		-1,548,625,764.97	-4,771,963,480.21
Add: Cash and cash equivalents at the beginning of the period		6,299,099,063.48	9,229,417,595.12
<b>6. Cash and cash equivalents at the ending of the period</b>		4,750,473,298.51	4,457,454,114.91

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

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

### BENGANG STEEL PLATES CO., LTD.

#### COMPANY'S STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

(Expressed in Renminbi unless otherwise indicated)

(English Translation for Reference Only)

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

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

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

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

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

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

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

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

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

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

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

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

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

Legal Representative: Huo Gang

Chief Financial Officer: Jiang Xiaoyu

Chief Accountant: Sun Yanbin

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

#### **1. Company profile**

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

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

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

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

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

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

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

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

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

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

The Company's legal representative: Huo Gang.

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

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

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

## **2. Consolidation scope**

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

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

## **IV. 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.

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

Notes for specific accounting policies and accounting estimates:

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

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

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

### **2. Accounting year**

The Accounting year is from 1 January to 31 December.

### **3. Operating period**

The operating period is twelve months.

### **4. Functional currency**

The Company’s functional currency is RMB.

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

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

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

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

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

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

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

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

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

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

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

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

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

The owners' interests, profit or loss, and comprehensive income of the subsidiary attributable to the non-controlling shareholders shall be presented separately in the shareholders' equity of the consolidated balance sheet and under the item of net profit of the consolidated statement of comprehensive income and under the item of total comprehensive income. Where losses assumed by the minority exceed the minority's interests in the 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 Opening balance in the consolidated statement of financial position when preparing consolidated statement of financial position. The revenue, expenses and

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

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

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

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

## 2) Disposing subsidiaries or businesses

### ① General treatment

If the Company disposes a subsidiary during the reporting period, the revenue, expenses and profits of the subsidiary from the 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.

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

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

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

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

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

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

(2) Translation of foreign currency financial statements

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

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

## **10. Financial instruments**

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

(1) Classification of financial instruments

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

A financial asset shall be measured at amortized cost if both of the following conditions are met. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

## (2) Recognition and measurement of financial instruments

### 1) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

4) Financial assets at fair value through profit or loss

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

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

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

5) Financial liabilities at fair value through profit or loss

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

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

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

6) Financial liabilities measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Impairment provision of the financial assets

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

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

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

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

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

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

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

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

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

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

## **11. Inventory**

### **(1) Inventory classification**

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

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

### **(2) Valuation method for inventory dispatched**

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

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

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

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

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

(4) Inventory system

The Company uses perpetual inventory system.

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

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

## **12. Contract asset**

(1) Recognition methods and criteria of contract assets

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

(2) Expected credit loss of contract assets

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

## **13. Contract costs**

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

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

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

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

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

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

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

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

#### **14. Assets held for sale**

##### (1) Criteria of joint control and significant influence

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

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

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

###### 1) Long-term equity investment from business acquisition

For a business combination under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities and issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. When an investor becomes capable of exercising control over an investee under common control due to additional investment or other reasons, the initial investment cost shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of the previously-held equity investment, together with the additional investment cost for new shares at combination date, shall be adjusted to the capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

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

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

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

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

(3) Subsequent measurement and profit or loss recognition

1) Cost method

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

2) Equity method

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

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

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

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

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

recognizing its share of profits after the share of profits makes up for the share of unrecognized losses.

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

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

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

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

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

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

## **15. Investment property**

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

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

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

## **16. Fixed assets**

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

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

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

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

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

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

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

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

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

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

### **(3) Disposal of fixed assets**

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

### **17. Construction in progress**

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

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

### **18. Borrowing costs**

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

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

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

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

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

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

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

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

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

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs

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

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

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

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

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

**19. Intangible Assets**

(1) Measurement of Intangible Assets

1) Initial measurement is based on cost upon acquisition

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

2) Subsequent Measurement

The Company shall analyze and judge the beneficial period of intangible assets upon acquisition.

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

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

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

(3) Determination of intangible assets with uncertain useful lives

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

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

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

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

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

## **20. Impairment of long-term assets**

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

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

When the Company makes an impairment test of assets, it shall, as of the purchasing day, apportion the carrying value of the business reputation formed by merger of enterprises to the relevant asset groups by a reasonable method. Where it is difficult to do so, it shall be apportioned to the relevant combinations of asset groups. When apportioning the carrying value of the business reputation to the relevant asset groups or combinations of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combinations of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the carrying value of each asset group or combination of asset groups to the total carrying value of the relevant asset groups or combinations of asset groups.

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

these asset groups or combinations of asset groups (including the carrying value of the business reputation apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the business reputation.

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

## **21. 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.

## **22. 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.

## **23. Employee benefits**

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

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

Payments made by an enterprise of social security contributions for employees, payments of housing funds, and union running costs employee education costs provided in accordance with relevant requirements shall, in the accounting period in which employees provide services, be calculated according to prescribed bases and percentages in determining the amount of employee benefits.

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

### **(2) Accounting treatment of post-employment benefits**

#### **1) Defined contribution plan**

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

profit or loss or cost of an asset for the current period.

2) Defined benefit plan

None.

(3) Accounting treatment of termination benefits

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

#### **24. Estimated liabilities**

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

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

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

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

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

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

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

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

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

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

## **25. Revenue**

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

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

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

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

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

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

The company shall recognize revenue over time by measuring the progress towards complete

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

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

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

(2) The specific criteria of revenue recognition and measurement

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

The company obtains the present right of collection of receivables, the legal ownership of the goods is transferred to the customer, the physical assets of the goods are transferred to the customer, the company transfers the main risks and rewards of the ownership of the goods to the customer, and the customer has accepted the goods.

## **26. Government Subsidies**

(1) Types

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

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

related to assets.

The standard of the Company recognizing the government subsidies related to assets is: an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.

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

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

### (2) Recognition

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

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

### (3) Accounting treatment

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

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

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

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

2) If the government directly allocates the discounted funds to the company, the company will offset the relevant borrowing costs with the corresponding discounts.

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

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

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

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

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

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

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

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

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

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

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if: (a) the entity

has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:(i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## **28. Leases**

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

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

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

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

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

(1) The company as lessee

1) Right-of-use assets

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

- a) Initial measurement amount of lease liabilities;
- b) For the lease payment paid on or before the beginning of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted;
- c) Initial direct costs incurred;
- d) The estimated costs incurred for dismantling and removing the leased assets, restoring the

site where the leased assets are located or restoring the leased assets to the state agreed in the lease terms.

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

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

## 2) Lease liabilities

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

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

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

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

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

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

- a) When there is a change in the evaluation results of the purchase option, lease renewal option or termination option, or the actual exercise of the aforementioned options is inconsistent with the original evaluation result, the Company shall calculate the lease

payment amount after the change and the revised discounted value. Remeasure the lease liability at the present value of the rate calculation;

b) When the actual fixed payment changes, the estimated payable amount of the residual value guarantee changes, or the index or ratio used to determine the lease payment changes, the company calculates the present value based on the changed lease payment and the original discount rate Remeasure the lease liability. However, where changes in lease payments result from changes in floating interest rates, a revised discount rate is used to calculate the present value.

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

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

### 4) Lease change

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

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

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

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

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

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

to offset the cost of relevant assets, or expenses, and adjust the lease liabilities accordingly; if the rent payment is delayed, the company offsets the lease liabilities recognized in the previous period when the actual payment is made.

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

(2) The company as lessor

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

1) Accounting treatment of operating leases

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

2) Accounting treatment of financial lease

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

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

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

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

- a) The change expands the scope of the lease by increasing the right to use one or more of

the leased assets;

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

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

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

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

## **29. Discontinuing operation**

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

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

The profit and loss from continuing operations and the profit and loss from discontinued operations are separately listed in the income statement. Operational gains and losses such as impairment losses and reversal amount and disposal gains and losses from discontinued operations are reported as discontinued operation gains and losses. For the discontinued operations reported in the current period, the Company adjusts the information previously disclosed as continuing operations profits and losses in the current financial statements as the discontinued operations profits and losses for the comparable accounting period.

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

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

The main uncertainties in the estimated amount are as follows:

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

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

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

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

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

As mentioned in note (19) Long-term Asset Impairment under “3 Significant accounting policies and accounting estimates”, the company performs an impairment assessment on assets other than inventory and financial assets on the balance sheet date to determine whether the recoverable amount of the asset has fallen to a lower level than its book value. If the situation shows that the

book value of the long-term assets may not be fully recovered, the relevant assets will be deemed to be impaired and the impairment loss will be recognized accordingly.

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

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

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

(5) Deferred tax assets

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

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

None.

**VI. Taxes**

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

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Tax	Taxation Method	Tax Rate
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Value-added Tax (VAT)	The balance of output VAT calculated based on product sales and taxable services revenue in accordance with the tax laws after subtracting the deductible input VAT of the period	6%, 9%, 13%
City maintenance and construction tax	Based on VAT actually paid	7%, 5%
Enterprise income tax	Based on taxable profit	25%

### 2. Tax Preference

None.

## VII. Notes to the consolidated financial statements

### 1. Cash at bank and on hand

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

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

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

### 2. Notes receivable

(1) Notes receivable presented by category

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

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### 3. Accounts receivable

(1) Accounts receivable presented by aging analysis

Items	20211231	20201231
Within 1 year (inclusive)	279,779,976.34	256,620,123.38
1-2 years (inclusive)	33,111,831.89	6,224,788.02
2-3 years (inclusive)	6,224,788.02	57,059,913.27
Over 3 years	482,667,477.68	427,997,121.96
Sub-total	801,784,073.93	747,901,946.63
Less: Provision for bad debts	493,896,723.85	491,051,163.92
Total	307,887,350.08	256,850,782.71

(2) Accounts receivable presented by bad debt accrued method

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

(Continued)

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

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

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Material Co., Ltd	operation		
Total	352,985,418.30	352,985,418.30	--

Accounts receivables tested for impairment individually:

Provision for bad debts by portfolio: Aging analysis:

Portfolio accrual item: aging portfolio

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

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

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

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

None.

(5) Top five debtors at the end of period

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

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

None.

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

None.

#### 4. Accounts receivable financing

(1) Details of accounts receivable financing

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

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

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

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

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

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

### 5. Prepayments

(1) Prepayments presented by aging

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

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

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

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

### 6. Other receivables

Items	30 June 2022	31 December 2021
Interest receivables		2,523,993.39

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Other receivables	186,993,663.02	163,413,287.02
Total	186,993,663.02	165,937,280.41

### (1) Interest receivable

#### 1) Interest receivable presented by category

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

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

### (2) Other receivables

#### 1) Other receivables disclosed by aging

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

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

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

#### 3) Other receivables presented by nature

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

#### 4) Top five debtors at the end of period

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

## 7. Inventories

#### (1) Inventories presented by category

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

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

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

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

None.

**8. Other current assets**

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

**9. Long-term equity investment**

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

**10. Other equity instrument investments**

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

**11. Fixed assets**

Fixed assets and Disposal of fixed assets

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

(1) Details of fixed assets

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

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

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

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

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

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

### (4) Disposal of fixed assets

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

## 12. Construction in progress

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

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

### (2) Details of construction in progress

Items	30 June 2022			31 December 2021		
	Gross value	Total impairment	Net book value	Gross value	Total impairment	Net book value
Cold-rolled high-strength steel renovation project	62,622,790.07		62,622,790.07			
CCPP power generation project	699,139,174.08		699,139,174.08	662,907,316.06		662,907,316.06
Special steel rolling mill renovation project	287,611,216.37		287,611,216.37	225,662,005.25		225,662,005.25
360 square meter sintering machine	88,405,148.94		88,405,148.94	88,340,997.99		88,340,997.99
360 square meter sintering machine waste heat utilization	56,547,049.50		56,547,049.50			
Special Steel Electric Furnace Capacity Replacement Project	1,099,117,705.56		1,099,117,705.56	975,649,876.97		975,649,876.97
220kV Substation Project of General Energy Plant	23,719,815.06		23,719,815.06			
The overall improvement of Benxi Steel's manufacturing	36,601,399.00		36,601,399.00	36,748,743.10		36,748,743.10
Energy General Plant No. 1 Converter Gas Tank System Transformation Project	94,040,370.69		94,040,370.69	66,477,477.13		66,477,477.13
Caixi Special Steel Feeding Station of Steel Plate Scrap Plant	42,748,864.71		42,748,864.71	38,375,436.67		38,375,436.67
Environmental protection transformation of plate raw material plant	24,777,584.51		24,777,584.51			
Benxi Steel Baojin Processing and Distribution Project	22,396,129.14		22,396,129.14	22,088,294.34		22,088,294.34
Revamping of desulfurization system in coking process of general iron making plant	22,017,275.39		22,017,275.39			
Other	442,356,806.92		442,356,806.92	315,511,741.57		315,511,741.57

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

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

Project	Budget (10 thousand yuan)	31 December 2021	Increase	Transfer to FA	Other decrease	30 June 2022	Input of Budget (%)	Progress (%)	Accumulated amount of capitalized interest	Including: capitalized interest of current period	Capitalization rate	Source of fund
Cold-rolled high-strength steel renovation project	701,535.00		62,622,790.07			62,622,790.07	85.89	100.00	857,867,059.71			Other
CCPP power generation project	106,000.00	662,907.316.06	36,231,858.02			699,139,174.08	65.95	70.51	18,311,583.31	3,814,021.25	3.93	Self-raised
Special steel rolling mill renovation project	82,386.00	225,662.005.25	61,949,211.12			287,611,216.37	47.51	47.51	8,447,721.10	1,677,488.19	3.93	Other
360 square meter sintering machine	137,723.00	88,340.997.99	64,150.95			88,405,148.94	92.00	100.00	68,627,433.26			Other
Special Steel Electric Furnace Capacity Replacement Project	192,343.00	975,649.876.97	123,467,828.59			1,099,117,705.56	57.14	59.00				Self-raised & Other
220kV Substation Project of General Energy Plant	31,500.00		23,719,815.06			23,719,815.06	7.53	7.53				Other
The overall improvement of Benxi Steel's manufacturing	5,600.00	36,748.743.10	-147,344.10			36,601,399.00	65.36	80.00				Other
Energy General Plant No. 1 Converter Gas Tank System Transformation Project	16,086.00	66,477.477.13	27,562,893.56			94,040,370.69	58.46	75.00				Other
Revamping of desulfurization	3,925.00		22,017,275.39			22,017,275.39	56.09	56.09				Other

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

### (3) Construction materials

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

### 13. Right-of-use assets

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

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

### 14. Intangible assets

#### (1) Details of intangible assets

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

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

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

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

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

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

(1) Deferred tax asset which have not been offset

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

(2) Unrecognized deferred tax assets

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

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

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

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

### 16. Other non-current assets

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

### 17. Short-term loans

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

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

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

### 18. Notes payable

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

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

### 19. Accounts payable

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

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

(2) Significant accounts payable over one year

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

### 20. Contract liabilities

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

### 21. Employee benefits payable

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

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

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

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

#### (3) Defined contribution plans

Items	31 December 2021	Increase	Decrease	30 June 2022
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Basic pension fund	134,648,387.08	134,648,387.08
Unemployment insurance	4,070,834.41	4,070,834.41
Total	138,719,221.49	138,719,221.49

### 22. Taxes payable

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

### 23. Other payables

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

Other payables

(1) Other payables presented by nature

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

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

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

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

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Total	1,368,468,080.81	310,780,518.14
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### 25. Other current liabilities

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

### 26. Long-term loans

Long-term loans presented by category

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

### 27. Bonds payable

(1) Details of bonds payable

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2) Notes to other financial instruments classified as financial liabilities

None.

**28. Lease liabilities**

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

**29. Deferred income**

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

Projects of government subsidies:

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

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

### 30. Share capital

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

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

### 31. Other equity instruments

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

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

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

### 32. Capital reserves

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

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

### 33. Special Reserves

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

### 34. Surplus Reserves

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

### 35. Undistributed Profits

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

Notes:

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

### 36. Operating income and operating cost

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

#### Details for operating income:

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

### 37. Tax and surcharges

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

### 38. Selling and distribution expenses

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

**39. General and administrative expenses**

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

**40. Research and development expenses**

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

**41. Financial expenses**

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

**42. Other income**

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

**43. Income on investment**

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

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

### 44. Credit impairment losses

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

Note: Loss is shown as negative figures

### 45. Assets impairment loss

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

Note: Loss is shown as negative figures

### 46. Asset disposal income

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

Note: Loss is shown as negative figures

### 47. Non-operating income

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

### 48. Non-operating expense

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

**49. Income tax expenses**

(1) Income tax expenses

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

(2) Accounting profit and income tax expense adjustment process

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

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

(1) Cash received related to other operating activities

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

(2) Cash paid related to other operating activities

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

(3) Cash received related to other financing activities

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

(4) Cash paid related to other financing activities

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

**51. Supplementary details of statement of cash flows**

(1) Supplementary details for statement of cash flows

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

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

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

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

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

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

## 53. Foreign currency monetary items

### (1) Foreign currency monetary items

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

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

(2) The Company has no overseas operating entities.

#### 54. Government subsidies

(1) Government subsidies related to assets

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

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

### (2) Government subsidies related to income

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

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

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

(3) Return of government subsidies during the reporting period

None

### 55. Lease

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

## VIII. Changes in the scope of consolidation

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

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

## IX. Equity in other entities

### 1. Equity in subsidiaries

#### (1) Constitution of enterprise group

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

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

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

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

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

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

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

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Name of the	30 June 2022
Cold-rolled Sheet	
Co., Ltd.	

(Continue)

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

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

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

## 2. Other

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

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

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

### **X. Risks associated with financial instruments**

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

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

#### **1. Credit risk**

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

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

## 2. Liquidity risk

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

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

(In 10 thousand Yuan)

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

  

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

## 3. Market risk

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

### (1) Interest rate risk

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

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

(2) Currency risk

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

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

(In 10 thousand Yuan)

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

  

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

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

## **XI. Disclosure of fair value**

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

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

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

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

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

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

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

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

The Company has no first level fair value measurement project.

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

The Company has no second level fair value measurement items.

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

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

value is confirmed with reference to the par value.

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

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

None.

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

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

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

No changes during the period.

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

None.

**9. Other**

None.

**XII. Related party transactions**

**1. Details of parent company**

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

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

**2. Details of the subsidiaries**

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

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

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

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

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

### 4. Details of other related parties

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

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

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

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

### 5. Related Party Transactions

(1) Related party transactions of purchasing goods and services

Company as the purchaser

Currency unit: Yuan

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

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

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

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

### Company as the seller

Currency unit: Yuan

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

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

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

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

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(2) Lease information of related parties

Company as the lessor

Currency unit: Yuan

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

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Company as the lessee

Currency unit: Yuan

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

Ltd. 728,282.30 square meter.

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Notes:

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

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

Company as a guarantor:

None

Company as the warrantee

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

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

#### (4) Other Related Party Transactions

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

In December 2021, after negotiation with Ansteel Group Finance Co., Ltd. (hereinafter referred to as Ansteel Finance Co., Ltd.), the Financial Services Agreement (2022-2024) was signed to agree on the agreement between the company and its subsidiaries and Ansteel in 2022, 2023, and 2024. Relevant financial business terms and relevant transaction amount caps between financial companies. The agreement stipulates that the maximum daily deposit balance of the company and its holding subsidiaries in Ansteel

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

Finance Company in the next twelve months is 4.5 billion yuan, and the maximum credit limit of loans, bills and other forms is 5 billion yuan, and Ansteel Finance Company provides entrusted loans to the company. The maximum limit is 2 billion yuan.

### 2) Funds collected by the company to the group

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

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

### 3) Funds collected by the company to the group

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

Dalian Benruihong Automotive Materials Technology Co., Ltd., a subsidiary of the company, borrowed RMB 75,000,000.00 from Benxi Iron and Steel (Group) Co., Ltd. As of June 30, 2022, the company's unpaid interest was RMB8,835,000.00 (as of December 31, 2021, the company's unpaid interest was RMB7,081,562.50).

## 6. Receivables and payables of the related parties

### (1) Receivables of the Company

Currency unit: Yuan

Items	Name	30 June 2022		31 December 2021	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Notes receivable	Benxi Beiyong Iron and Steel (Group) Co., Ltd.			1,146,019,625.74	
Notes receivable	Benxi Iron and Steel (Group) Mining Co.,			6,906,467.75	

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Items	Name	30 June 2022		31 December 2021	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
	Ltd.				
Accounts receivable	Suzhou Bengang Industrial Co., Ltd.			6,580,000.00	
financing					
Accounts receivable	Benxi Beiyong Iron and Steel (Group) Co., Ltd.			2,300,000.00	
financing					
Accounts receivable	Benxi Iron and steel (Group) Co., Ltd			2,300,000.00	
financing					
Accounts receivable	Benxi Iron and Steel Group International Economic and Trade Co., Ltd.			30,777,943.03	307,779.43
Accounts receivable	Benxi Iron and Steel (Group) Thermal Development Co., Ltd.			7,007,076.55	70,070.77
Accounts receivable	Angang Green Resources Technology Co., Ltd	5,865,959.31	58,659.59		
Accounts receivable	Benxi Beiyong Iron and Steel (Group) Co., Ltd.	60,369,509.72	603,695.10		
Accounts receivable	Benxi Iron and steel (Group) Mine Construction Engineering Co., Ltd	5,322,812.35	53,228.12		
Accounts receivable	Benxi Iron and steel (Group) mining Liaoyang jiajiabao	31,314,019.74	313,140.20		

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

Items	Name	30 June 2022		31 December 2021	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
	iron ore Co., Ltd				
	Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd.	390,333.56	3,903.34		
Accounts receivable					
	Benxi Iron and Steel Group International Economic and Trade Co., Ltd.			562,083,080.63	
Prepayments					
	Benxi Iron and Steel (Group) Machinery Manufacturing Co., Ltd.	74,983,578.22		46,764,418.62	
Prepayments					
	Benxi New Business Development Co., Ltd.	2,262,005.64		2,525,240.41	
Prepayments					
	Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd.			365,010.53	
Prepayments					
	Angang Steel Co., Ltd.	1,465,776.37			
Prepayments					
	Ansteel Construction Group Co., Ltd.	4,722,050.00			
Prepayments					
	North Hengda Logistics Co., Ltd	30,844.04			
Prepayments					
	Benxi Beiyong Iron and Steel (Group) Co., Ltd.	1,306,446,662.94			
Prepayments					
	Benxi Iron and steel	30,115,564.35			

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

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

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

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

### (2) Payables of the Company

Currency unit: Yuan

Items	Name	30 June 2022	31 December 2021
Notes payable	Benxi Iron and Steel Group International		2,591,000,000.00
	Economic and Trade Co., Ltd.		

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Items	Name	30 June 2022	31 December 2021
Notes payable	Benxi Iron and Steel (Group) Industrial Development Co., Ltd.	5,981,899.63	27,323,238.23
Notes payable	Liaoning Metallurgical Vocational and Technical College		2,891,901.05
Notes payable	Benxi Iron and Steel (Group) Construction Co., Ltd.		2,441,547.34
Notes payable	Liaoning Metallurgical Technician College		1,087,201.26
Notes payable	Ansteel Industrial Group Metallurgical Machinery Co., Ltd.		616,291.83
Notes payable	Liaoning Hengtai Heavy Machinery Co., Ltd.		532,627.10
Notes payable	Bengang Electric Co., Ltd.		371,305.57
Notes payable	Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd.		63,696.00
Notes payable	Benxi Iron and Steel (Group) Mining Co., Ltd.	129,288,496.97	30,916.80
Notes payable	Benxi Iron and Steel (Group) Machinery Manufacturing Co., Ltd.	12,168,774.12	15,544.28
Notes payable	Benxi Beiyong iron and steel (Group) Co., Ltd	203,366,694.80	
Notes payable	Benxi Iron and steel (Group) equipment Engineering Co., Ltd	68,040.00	
Notes payable	Benxi Iron and steel (Group) Electromechanical Installation Engineering Co., Ltd	761,447.53	
Notes payable	Benxi Iron and steel (Group) construction advanced decoration Co., Ltd	110,410.00	
Notes payable	Benxi Iron and steel (Group) Industrial Development electromechanical installation Co., Ltd	1,129,395.64	
Notes payable	Ansteel Industrial Group Metallurgical	701,991.03	

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Items	Name	30 June 2022	31 December 2021
	Machinery Co., Ltd.		
Notes payable	Liaoning Hengyi Financial Leasing Co., Ltd.	87,515,323.96	
Notes payable	Benxi Iron and Steel (Group) Metallurgical Slag Co., Ltd.	27,644,602.07	
Accounts payable	Benxi Iron and Steel (Group) Mining Co., Ltd.	227,142,227.42	227,930,805.86
Accounts payable	Liaoning Hengyi Financial Leasing Co., Ltd.	40,106,086.75	243,646,365.75
Accounts payable	Benxi Iron and Steel (Group) Construction Co., Ltd.		177,332,809.50
Accounts payable	Benxi Iron and Steel (Group) Construction Co., Ltd.	5,484,676.22	127,382,098.50
Accounts payable	Benxi Beiyong Iron and Steel (Group) Co., Ltd.		158,531,101.75
Accounts payable	Benxi Iron and Steel (Group) Metallurgical Slag Co., Ltd.	37,863,244.79	158,531,101.75
Accounts payable	Benxi Iron and Steel (Group) Industrial Development Co., Ltd.	11,871,384.19	65,505,709.65
Accounts payable	Benxi Iron and Steel (Group) Information Automation Co., Ltd.	21,476,707.45	64,470,595.80
Accounts payable	Bengang Electric Co., Ltd.		18,627,189.71
Accounts payable	Liaoning Hengtai Heavy Machinery Co., Ltd.	747,497.91	17,366,942.72
Accounts payable	Bengang Group Co., Ltd.	53,142.53	16,260,041.69
Accounts payable	Benxi Iron and Steel Group International Economic and Trade Co., Ltd.		11,684,948.95
Accounts payable	Liaoning Metallurgical Technician College		11,290,066.24
Accounts payable	Benxi Iron and Steel (Group) Machinery Manufacturing Co., Ltd.	2,749,458.39	6,869,554.14
Accounts payable	Benxi Steel Stainless Steel Cold Rolling		6,108,342.90

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Items	Name	30 June 2022	31 December 2021
	Dandong Co., Ltd.		
Accounts payable	Ansteel Scrap Resources (Anshan) Co., Ltd.	22,080,250.93	4,257,477.87
Accounts payable	Liaoning Metallurgical Vocational and Technical College		3,509,300.42
Accounts payable	Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd.	7,430,501.05	2,527,096.00
Accounts payable	Benxi Iron and Steel (Group) Thermal Development Co., Ltd.		2,430,350.86
Accounts payable	Ansteel Heavy Machinery Co., Ltd.	581,385.00	1,572,500.00
Accounts payable	Angang Electric Co., Ltd.	32,700.00	1,231,700.00
Accounts payable	Ansteel Industrial Group Metallurgical Machinery Co., Ltd.	581,385.00	1,125,059.03
Accounts payable	Angang Steel Rope Co., Ltd.	894,924.67	913,473.62
Accounts payable	Benxi Iron and Steel (Group) Real Estate Development Co., Ltd.		615,214.61
Accounts payable	Ansteel Mining Machinery Manufacturing Co., Ltd.	304,530.41	304,530.41
Accounts payable	Benxi High-tech Drilling Tools Manufacturing Co., Ltd.		221,233.55
Accounts payable	Benxi New Business Development Co., Ltd.	286,600.62	67,596.20
Accounts payable	Benxi Iron and Steel (Group) Engineering Construction Supervision Co., Ltd.	419,142.00	39,142.00
Accounts payable	Benxi Iron and Steel (Group) Chint Building Materials Co., Ltd.		2,362.00
Accounts payable	Angang Group (Anshan) railway transportation equipment manufacturing Co., Ltd	32,000.02	
Accounts payable	Ansteel Group Engineering Technology Development Co., Ltd.	45,000.00	

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Items	Name	30 June 2022	31 December 2021
Accounts payable	Ansteel Group International Economic and Trade Co., Ltd.	4,519,076.99	
Accounts payable	North Hengda Logistics Co., Ltd	9,178,783.42	
Accounts payable	Benxi Aike hydraulic seal Co., Ltd	6,108,773.76	
Accounts payable	Benxi Beitai Casting Pipe Co., Ltd	257,454.77	
Accounts payable	Benxi Dongfeng Lake iron and steel resources utilization Co., Ltd	23,458,449.16	
Accounts payable	Benxi Iron and steel (Group) No.2 Construction Engineering Co., Ltd	8,542,384.18	
Accounts payable	Benxi Iron and steel (Group) Engineering Quality Inspection Co., Ltd	75,000.00	
Accounts payable	Benxi Iron and steel (Group) Guomao Tengda Co., Ltd	6,090,961.68	
Accounts payable	Benxi Iron and steel (Group) Electromechanical Installation Engineering Co., Ltd	145,364.13	
Accounts payable	Benxi Iron and steel (Group) construction advanced decoration Co., Ltd	4,802,498.48	
Accounts payable	Benxi Iron and steel (Group) Mine Construction Engineering Co., Ltd	164,325.29	
Accounts payable	Benxi Iron and steel (Group) mining Honghe Industrial Development Co., Ltd	21,496.60	
Accounts payable	Benxi Iron and steel (Group) mining Liaoyang jiajiabao iron ore Co., Ltd	1,637,670.23	
Accounts payable	Benxi Iron and steel (Group) road and Bridge Construction Engineering Co., Ltd	2,610,941.87	
Accounts payable	Benxi Iron and steel (Group) Industrial Development electromechanical installation Co., Ltd	1,010,472.18	
Accounts payable	Benxi Iron and steel (Group) Co., Ltd	115,299.07	
Accounts payable	Benxi Xihu metallurgical burden Co., Ltd	29,131,307.14	

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

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Items	Name	30 June 2022	31 December 2021
Contract liabilities/Other current liabilities	Ansteel Steel Processing and Distribution (Dalian) Co., Ltd.	3,381,695.06	
Contract liabilities/Other current liabilities	Angang Steel Distribution (Hefei) Co., Ltd	5,567.11	
Contract liabilities/Other current liabilities	Angang Steel Co., Ltd.	12,076.46	
Contract liabilities/Other current liabilities	North Hengda Logistics Co., Ltd	54,781,949.15	
Contract liabilities/Other current liabilities	Benxi Dongfeng Lake iron and steel resources utilization Co., Ltd	5,046,997.07	
Contract liabilities/Other current liabilities	Benxi Iron and steel (Group) Mine Construction Engineering Co., Ltd	720.00	
Contract liabilities/Other current liabilities	Benxi Iron and steel (Group) Industrial Development Co., Ltd. recycling branch	60.84	
Contract liabilities/Other current liabilities	Liaoning slag powder Co., Ltd	328,394.92	
Contract liabilities/Other current liabilities	Liaoning Metallurgical Vocational and Technical College	0.01	
Contract liabilities/Other current liabilities	Changchun FAW Angang Steel processing and Distribution Co., Ltd	8,971.58	
Other payables	Benxi Iron and steel (Group) Co., Ltd	228,643,749.38	249,739,175.64
Other payables	Benxi Iron and Steel Group International Economic and Trade Co., Ltd.	475,752.29	28,083,978.93
Other payables	Benxi Iron and Steel (Group) Construction Co., Ltd.	4,804,778.00	24,834,667.16
Other payables	Benxi Iron and Steel (Group) Industrial Development Co., Ltd.	2,296,945.30	18,283,705.72
Other payables	Benxi Iron and Steel (Group) Steel Processing and Distribution Co., Ltd.		16,869,219.13
Other payables	Guangzhou Free Trade Zone Benxi Steel Sales Co., Ltd.		2,674,436.85
Other payables	Benxi Iron and Steel (Group) Thermal	159,312.00	2,187,450.17

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

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

Items	Name	30 June 2022	31 December 2021
Other payables	Benxi Iron and steel (Group) Guomao Tengda Co., Ltd	24,432,265.52	
Other payables	Benxi Iron and steel (Group) Electromechanical Installation Engineering Co., Ltd	1,805,011.50	
Other payables	Benxi Iron and steel (Group) construction advanced decoration Co., Ltd	1,035,743.27	
Other payables	Benxi Iron and steel (Group) Mine Construction Engineering Co., Ltd	2,000.00	
Other payables	Benxi Iron and steel (Group) mining and Mineral Resources Development Co., Ltd	20,000.00	
Other payables	Benxi Iron and Steel (Group) Mining Co., Ltd.	2,324.00	
Other payables	Benxi Iron and steel (Group) road and Bridge Construction Engineering Co., Ltd	30,000.00	
Other payables	Benxi Iron and steel (Group) Industrial Development electromechanical installation Co., Ltd	1,465,841.15	
Other payables	Benxi Iron and Steel (Group) Information Automation Co., Ltd.	4,052,084.86	
Other payables	Benxi Xihu metallurgical burden Co., Ltd	100,000.00	
Other payables	Dalian Boroller Steel Pipe Co., Ltd.	20,000.00	
Other payables	Liaoning Hengtai Heavy Machinery Co., Ltd.	376,674.00	
Other payables	Liaoning Hengtong Metallurgical Equipment Manufacturing Co., Ltd.	68,976.00	
Other payables	Liaoning Tianyu Fire Engineering Co., Ltd	57,232.00	
Other payables	Liaoning Metallurgical Vocational and Technical College	396,278.00	
Other payables	Liaoning Yitong Machinery Manufacturing Co., Ltd	4,409.00	

### **XIII. Commitments and Contingencies**

#### **1. Commitments**

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

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

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

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

#### **2. Contingencies**

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

### **XIV. Subsequent events**

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

Not applicable.

## **XV. Other significant events**

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

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

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

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

### **1. Accounts receivable**

(1) Accounts receivable disclosed by aging

Items	30 June 2022	31 December 2021
Within 1 year (inclusive)	398,363,651.65	352,756,383.14
1-2 years (inclusive)	32,839,122.15	1,380,655.78
2-3 years (inclusive)	1,380,655.78	1,942,837.68
Over 3 years	180,879,679.02	180,383,550.49
Sub-total	613,463,108.60	536,463,427.09
Less: Provision for bad debts	185,896,313.56	182,831,863.67
Total	427,566,795.04	353,631,563.42

(2) Accounts receivable disclosed by category

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

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

Accounts receivable tested for impairment by portfolio:

Portfolio tested by aging

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

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

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

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

(5) Top five debtors at the year-end

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

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

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

## 2. Accounts receivable financing

(1) Details of accounts receivable financing

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

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

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

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

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

Items	Derecognized amount	Not derecognized amount
Bank acceptance bill	17,940,518,873.62	
Commercial acceptance bill		
Total	17,940,518,873.62	

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

### 3. Other receivables

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

(1) Interest receivables

1) Interest receivable disclosed by category

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

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

3) There is no provisions for interest receivable

(2) Other receivables disclosed by aging

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

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

### 1) Other receivables disclosed by nature

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

### 2) Provision for bad debt provision

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

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

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

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

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

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

**4. Long-term equity investment**

Items	Ending balance			Opening balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Subsidiaries	2,835,186,190.50		2,835,186,190.50	2,015,186,190.50		2,015,186,190.50
Total	2,835,186,190.50		2,835,186,190.50	2,015,186,190.50		2,015,186,190.50

Details of investment in subsidiaries

Name of entity	Opening balance	Increase	Decrease	Ending balance	Impairment of current period	Ending balance of impairment
Guangzhou Bengang Steel & Iron Trading Co., Ltd.	30,000,000.00	170,000,000.00		200,000,000.00		
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	30,000,000.00	170,000,000.00		200,000,000.00		
Bengang Steel Plates Liaoyang Pellet Co., Ltd.	529,899,801.38			529,899,801.38		
Dalian Benruitong Automobile Material Technology Co., Ltd.	65,000,000.00			65,000,000.00		
Bengang POSCO Cold-rolled Sheet Co., Ltd.	1,019,781,571.10			1,019,781,571.10		
Changchun Bengang Steel & Iron	28,144,875.36			28,144,875.36		

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

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

### 5. Operating Income and Operating Cost

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

#### Details for operating income:

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

## 6. Income on investment

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

## XVII. Supplementary information

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

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

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

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

The above data are calculated by the following calculation formula:

(1) Weighted average return on net assets

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

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

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

(2) Basic earning per share

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

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

(3) Diluted earning per share

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

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