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

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

(Stock Code: 1053)

ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSET IMPAIRMENT FOR 2020

This announcement is made by the board of directors (the “**Board**”) of Chongqing Iron & Steel Company Limited (the “**Company**”) pursuant to Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

At the 35th meeting of the eighth session of the Board and the 24th meeting of the eighth session of the supervisory committee of the Company held on 19 March 2021, the Proposal on Provision for Asset Impairment for 2020 was approved by voting, details of which are as follows:

I. SUMMARY OF THE PROVISION FOR ASSET IMPAIRMENT

In order to better reflect its assets and financial conditions in a true, accurate and fair manner, the Company prudentially conducted a comprehensive review of its assets as at the end of 2020 in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies. The net realizable value and recoverable amounts in respect of various assets were fully assessed and analyzed, and impairment provision was made for assets that might be subject to impairment losses. The Company, after conducting impairment tests, made a provision of RMB385,090,000 for asset impairment for the current period, which exceeds 10% of the audited net profit of the Company for the last accounting year.

The Company’s inventory is measured at the lower of cost and net realizable value as at the balance sheet date, and a provision for inventory write-down shall be made while the net realizable value of the inventory is lower than its cost. Fixed assets are measured at the lower of carrying amount and recoverable amount as at the balance sheet date. An asset’s recoverable amount should be

calculated as the higher of its fair value less disposal costs and the present value of its estimated future cash flows. If the asset's recoverable amount is less than its carrying amount, a provision for impairment of the fixed asset is made.

A breakdown of the provision by category is set out as follows:

Unit: RMB0'000

Provision for asset impairment	Amount for the current period	Percentage in the audited net profit of 2019 (%)	Amount for the previous period
Credit loss	–	–	346
Inventory write-down loss	1,334	1.44	0
Impairment loss on fixed assets	37,175	40.14	0
Total	38,509	41.58	346

II. PARTICULARS OF THE PROVISION FOR ASSET IMPAIRMENT

(I) Provision for inventory write-down

Test results show that a provision of RMB284,470,000 should be made for inventory write-down as at the end of 2020. As RMB272,600,000 had been provided, and RMB1,470,000 was written off for the current period, an additional provision of RMB13,340,000 for inventory write-down was made for the current period.

Unit: RMB0'000

Item	Balance of impairment provision for the previous period	Inventory write-down provision made for the current period that affects the current profit or loss		Amount written off for the current period	Closing balance of impairment provision
		Provision	Reversal		
Raw materials	13,662	–	–	–	13,662
Low-value consumables and repair parts	13,598	1,334	–	147	14,785
Sub-total	27,260	1,334	–	147	28,447

(II) Provision for impairment of fixed assets

In order to promote the construction of an iron and steel base with 10 million tonnes, in 2020, the Company upgraded and renovated the production equipment and supporting facilities involved in all production processes, and removed those equipment and supporting facilities which needed to be scrapped for replacement. Based on the transaction records of previous fixed asset scrapping and the prices for scrap steel recycling, and with the principle of 10% of the net value of the equipment to be scrapped as its estimated recoverable amount and zero income for the buildings and structures to be scrapped, the Company made an provision of RMB371,750,000 for impairment loss on such fixed assets.

Unit: RMB0'000

Category	Original amount	Accumulated depreciation	Net value	Provision for impairment for the current period	Provision for impairment for the previous period
Machinery and equipment	40,770	15,617	25,153	22,638	–
Buildings and structures	16,928	2,391	14,537	14,537	–
Sub-total	<u>57,698</u>	<u>18,008</u>	<u>39,690</u>	<u>37,175</u>	<u>–</u>

III. IMPACT OF THE PROVISION FOR ASSET IMPAIRMENT ON THE COMPANY

The provision for impairment of various assets amounts to RMB385,090,000, resulting in a decrease of RMB385,090,000 in the net profit attributable to the shareholders of the Company for 2020.

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

IV. OPINIONS OF THE BOARD, INDEPENDENT DIRECTORS AND THE SUPERVISORY COMMITTEE ON PROVISION FOR ASSET IMPAIRMENT BY THE COMPANY

1. Opinions of the Board

Upon full assessment and analysis, the Company prudentially made a provision of RMB385,090,000 for asset impairment for 2020 in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies.

2. Opinions of independent directors

The provision for asset impairment made by the Company complies with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies, as well as the accounting principle of prudence; the provision was made on the basis of sufficient supporting information, and would enable a better reflection of the Company's assets and financial conditions in a true, accurate and fair manner; and the decision making procedures for the provision are in compliance with the requirements of the relevant laws and regulations and the Articles of Association of the Company, without causing any prejudice to the legitimate interests of the Company and its minority shareholders.

The independent directors of the Company have approved the Proposal on Provision for Asset Impairment for 2020.

3. Opinions of the supervisory committee

The provision for asset impairment for 2020 made by the Company complies with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies, as well as the actual situations of the Company, and would enable a better reflection of the Company's assets and financial conditions in a fair and objective manner; and the decision making procedures of the Board in respect of the provision are in compliance with the requirements of the relevant laws and regulations and the Articles of Association of the Company.

By order of the Board
Chongqing Iron & Steel Company Limited
Liu Jianrong
Chairman

Chongqing, the PRC, 20 March 2021

As at the date of this announcement, the Directors of the Company are: Mr. Liu Jianrong (Executive Director), Mr. Zhang Wenxue (Executive Director), Mr. Tu Deling (Executive Director), Mr. Zou An (Executive Director), Mr. Song De An (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Xin Qingquan (Independent Non-executive Director), Mr. Xu Yixiang (Independent Non-executive Director) and Mr. Wong Chunwa (Independent Non-executive Director).