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

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

(Stock Code: 1053)

ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSET IMPAIRMENT AND ASSET DISPOSAL FOR 2023

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

At the 33rd meeting of the ninth session of the board of directors and the 19th meeting of the ninth session of the supervisory committee of the Company held on 28 March 2024, the Proposal on Provision for Asset Impairment and Asset Disposal for 2023 was considered and approved by voting, details of which are as follows:

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

In order to better present its assets and financial conditions in a true, accurate and fair manner, the Company prudentially conducted a comprehensive review of its assets as at the end of 2023 in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies. The net realizable value and recoverable amounts in respect of various assets were fully assessed and analyzed, and impairment provision was made for assets that might be subject to impairment losses and such assets were scrapped and disposed of. The Company’s current credit impairment loss and asset impairment loss is RMB303,330,000 in total, and the asset disposal gain is RMB6,240,000 which will reduce the net profit attributable to the shareholders of the listed company for the year 2023 by RMB297,090,000, exceeding 10% of the absolute value of the audited net profit of the Company for the last accounting year.

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

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

Unit: RMB0'000

Project	Amount for the current period	Percentage in the absolute value of the audited net profit of 2022 (%)	Amount for the previous period
Credit impairment loss	–	–	-948
Inventory write-down loss	18,823	18.46	14,207
Impairment loss on fixed assets	11,510	11.29	10,863
Subtotal of impairment loss on assets	30,333	29.75	24,122
Less: asset disposal gain	624	0.61	189
Total	29,709	29.14	23,933

II. PARTICULARS OF THE PROVISION FOR ASSET IMPAIRMENT

(I) Bad debt provision

After testing, the Company should make a balance of bad debt provision of RMB2,480,000 at the end of 2023 and a balance of bad debt provision of RMB3,830,000 before 2023, and the write-off for the current period is RMB1,350,000.

Unit: RMB0'000

Bad debt provision item	Balance at the beginning of the period	Provision for the current period	Reversal for the current period	Write-off for the current period	Balance at the end of the period
Accounts receivable	111	-	-	-	111
Other receivables	272	-	-	(135)	137
Subtotal	383	-	-	(135)	248

(II) Provision for inventory write-down

After testing, the Company should make a balance of inventory write-down provision of RMB310,650,000 at the end of 2023 and a balance of inventory write-down provision of RMB299,620,000 before 2023, and has made a provision of RMB188,230,000. The reversal for the current period is RMB143,410,000, and the write-off for the current period is RMB33,780,000.

Unit: RMB0'000

Item	Opening balance of impairment provision	Provision for the current period	Reversal for the current period	Write-off for the current period	Closing balance of impairment provision
Raw materials	21,884	15,388	(8,223)	(3,378)	25,671
Goods in process	4,657	2,261	(4,657)	-	2,261
Goods in stock	1,245	1,174	(1,245)	-	1,174
Low-value consumables and repair parts	2,176	-	(217)	-	1,959
Subtotal	29,962	18,823	(14,342)	(3,378)	31,065

1. Due to the continuous low steel prices and the firm prices of bulk raw fuels, after testing, the net realizable value of inventories such as ore, coal, goods in progress and finished goods held by the Company at the end of the year was lower than its cost, resulting in an impairment of RMB188,230,000.
2. In 2023, the goods in progress and goods in stock that were impaired in 2022 were subsequently processed and sold, and the corresponding inventory impairment provision of RMB141,250,000 was reversed; the Company used the repair spare parts that were impaired in previous years, and the corresponding inventory impairment provision reversed was RMB2,170,000. To sum up, a provision of RMB143,420,000 was reversed for inventory impairment provision for the current period.
3. A de facto loss was incurred in respect of the subsidence ores for which impairment was provided in previous years, and the corresponding inventory impairment provision written off was RMB33,780,000.

(III) Provision for impairment of fixed assets

In 2023, the Company sorted out the details of fixed assets to be dismantled in 2024 and made a provision of RMB115,100,000 for impairment of such fixed assets based on the implementation plan of fixed asset investment projects and the actual situation of project construction.

Unit: RMB0'000

Category	Original amount	Accumulated depreciation	Net value	Provision for impairment for the current period
Equipment	14,725	6,356	8,369	8,369
Buildings and structures	4,434	1,293	3,141	3,141
Total	<u>19,159</u>	<u>7,649</u>	<u>11,510</u>	<u>11,510</u>

III. DISPOSAL OF ASSETS IMPAIRED IN PREVIOUS YEARS

Proceeds from disposal of fixed assets for which provision for impairment have been accrued in previous years amounted to RMB6,240,000.

Unit: RMB0'000

Item	Net value	Provision for impairment	Estimated recoverable amount	Actual disposal gain	Affect the decrease in current profit and loss
Equipment	23,957	23,957	–	624	-624
Of which: disposed of	11,145	11,145	–	624	-624
to be disposed of	12,812	12,812	–	–	–
Buildings and structures	4,118	4,118	–	–	–
Of which: disposed of	701	701	–	–	–
to be disposed of	3,417	3,417	–	–	–
Total	<u>28,075</u>	<u>28,075</u>	<u>–</u>	<u>624</u>	<u>-624</u>

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

The losses of credit impairment and asset impairment of the Company for the current period are amounted to RMB303,330,000 in total and the gain of asset disposal is amounted to RMB6,240,000, resulting in a decrease of RMB297,090,000 in the net profit attributable to the shareholders of the listed company for the year 2023.

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

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

(I) Opinions of independent directors

1. The total of credit impairment loss and asset impairment losses of the Company for the current period was RMB303,330,000, and the gain of asset disposal was RMB6,240,000, resulting in a decrease of RMB297,090,000 in the net profit attributable to the shareholders of the listed company for the year 2023. The provision for asset impairment and asset disposal has complied with the accounting principle of prudence, and 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. The provision for asset impairment and asset disposal has complied with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies, and the decision making procedures for the provision are in compliance with the requirements of the relevant laws and regulations and the regulations of the Company, without causing any prejudice to the legitimate interests of the Company and its small and medium-sized shareholders.
2. Approving the Proposal on Provision for Asset Impairment and Asset Disposal for 2023 of the Company.

(II) Opinions of the supervisory committee

The provision for asset impairment and asset disposal for 2023 made by the Company has complied with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies, as well as the accounting principle of prudence; the provision was made on the basis of sufficient supporting information, and would enable a better reflection of the Company's assets and financial conditions in a true, accurate and fair manner; and the decision making procedures for the provision are in compliance with the requirements of the relevant laws and regulations and the Articles of Association of the Company.

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

Chongqing, China, 29 March 2024

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