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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 2024**

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 12<sup>th</sup> meeting of the tenth session of the board of directors and the 8<sup>th</sup> meeting of the tenth session of the supervisory committee of the Company held on 28 March 2025, the Proposal on Provision for Asset Impairment for 2024 was considered and approved by voting, details of which are as follows:

#### **I. SUMMARY OF THE PROVISION FOR ASSET IMPAIRMENT**

In order to better present its assets and financial conditions in a true, accurate and fair manner, the Company, pursuant to the principle of prudence, conducted a comprehensive review of its assets as at the end of 2024 in accordance with the relevant requirements of the Accounting Standards for Business Enterprises and its accounting policies. The expected credit losses, 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 are RMB1,237,430,000 in total, and the gain from the disposal of impaired assets provided for in previous years is RMB2,560,000 which will reduce the net profit attributable to the shareholders of the listed company for the year 2024 by RMB1,234,870,000, 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 for receivables based on the amount of expected credit losses during the entire duration of the receivables. Prepayment is measured at the lower of carrying amount and recoverable amount as at the balance sheet date, and a provision for bad debts is made when the recoverable amount is lower than the carrying amount. 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 cost is higher than the net realizable value. Long-term assets such as fixed assets, construction in progress, use right assets and intangible 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 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*

<b>Project</b>	<b>Amount for the current period</b>	<b>Percentage in the absolute value of the audited net profit of 2023 (%)</b>	<b>Amount for the previous period</b>
Credit impairment loss	353	0.24	–
Asset impairment loss – inventory write-down loss	5,064	3.39	18,823
Asset impairment loss – impairment loss on long-term assets	118,326	79.17	11,510
Subtotal of impairment loss on assets	123,743	82.80	30,333
Less: gain from the disposal of impairment assets provided for in previous years	256	0.17	624
<b>Total</b>	<b>123,487</b>	<b>82.63</b>	<b>29,709</b>

## II. PARTICULARS OF THE PROVISION FOR ASSET IMPAIRMENT

### (I) Bad debt provision

After assessment, the Company should make a balance of bad debt provision of RMB5,670,000 at the end of 2024 and a balance of bad debt provision of RMB2,480,000 before 2024, and has made a provision of RMB3,650,000 for the current period. The reversal for the current period is RMB120,000, and the write-off for the current period is RMB340,000.

*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	162	(12)	(34)	227
Prepayment	–	203	–	–	203
Other receivables	137	–	–	–	137
Subtotal	248	365	(12)	(34)	567

## (II) Provision for inventory write-down

After assessment, the Company should make a balance of inventory write-down provision of RMB167,600,000 at the end of 2024 and a balance of inventory write-down provision of RMB310,650,000 before 2024, and has made a provision of RMB50,640,000 for the current period. The reversal for the current period is RMB193,690,000.

*Unit: RMB0'000*

Item	Opening balance of impairment provision	Provision for the current period	Reversal for the current period	Closing balance of impairment provision
Raw materials	25,671	599	(15,388)	10,882
Goods in process	2,261	466	(2,261)	466
Goods in stock	1,174	393	(1,174)	393
Low-value consumables and repair parts	1,959	3,606	(546)	5,019
Subtotal	<u>31,065</u>	<u>5,064</u>	<u>(19,369)</u>	<u>16,760</u>

1. Due to the continuous low steel prices and the firm prices of bulk raw fuels, after assessment, the net realizable value of inventories such as ore, coal, goods in process and goods in stock held by the Company at the end of the year was lower than its cost, resulting in an impairment of RMB14,580,000. At the same time, the useless spare parts were sorted out at the end of the year, and an impairment of RMB36,060,000 was made.
2. In 2024, the goods in process and goods in stock that were impaired in 2023 were subsequently processed and sold, and the corresponding inventory impairment provision of RMB188,230,000 was reversed; the Company used the repair spare parts that were impaired in previous years, and the corresponding inventory impairment provision reversed was RMB5,460,000. To sum up, the inventory impairment provision of RMB193,690,000 was reversed for the current period.

### (III) Provision for impairment of long-term assets

After evaluation, the Company should make a provision for impairment of long-term assets of RMB1,183,260,000 in 2024, including the impairment of scrapped fixed assets of RMB176,780,000 and the impairment of other long-term assets of RMB1,006,480,000.

#### 1. *Impairment of scrapped fixed assets*

In 2024, the Company sorted out the details of fixed assets to be dismantled in 2025 and made a provision of RMB176,780,000 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
Buildings and structures	6,592	1,908	4,684	4,684
Mechanical equipment	22,894	10,780	12,114	12,114
Transport equipment	1,653	778	875	875
Management equipment	22	17	5	5
Total	31,161	13,483	17,678	17,678

#### 2. *Impairment of other long-term assets*

In 2024, the steel industry continued to decline, leading to further expansion of the Company's operating losses. During the structural adjustment process, certain production lines were idled, and the market for certain products is not expected to improve significantly in the short term. The Company identified impairment indicators and, in accordance with accounting standards, conducted impairment tests on long-term assets. China Assets Appraisal Co., Ltd. was appointed to assess the recoverable amount of the Company's long-term assets to provide a valuation reference. Based on the valuation results, the impairment amount for the Company's long-term assets in 2024 (excluding impairment of scrapped fixed assets) is RMB1,006,480,000.

### III. DISPOSAL OF ASSETS IMPAIRED IN PREVIOUS YEARS

Disposal of net fixed assets for which provision for impairment have been accrued for the current and previous years amounted to RMB157,030,000. The estimated recoverable amount is RMB0 and the actual gain on disposal is RMB2,560,000.

*Unit: RMB0'000*

Item	Net value	Provision for impairment	Estimated recoverable amount	Actual disposal gain
Equipment	34,168	34,168	–	256
Of which: disposed of	11,724	11,724	–	256
to be disposed of	22,444	22,444	–	–
Buildings and structures	11,242	11,242	–	–
Of which: disposed of	3,979	3,979	–	–
to be disposed of	7,263	7,263	–	–
Total	<u>45,410</u>	<u>45,410</u>	<u>–</u>	<u>256</u>

### IV. IMPACT OF THE PROVISION FOR IMPAIRMENT AND DISPOSAL OF ASSETS IMPAIRED IN PREVIOUS YEAR IN THE CURRENT PERIOD ON THE COMPANY

The losses of credit impairment and asset impairment of the Company for the current period amounted to RMB1,237,430,000 in total and the gain from the disposal of impaired assets provided for in previous years amounted to RMB2,560,000, resulting in a decrease of RMB1,234,870,000 in the net profit attributable to the shareholders of the listed company for the year 2024.

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

## **V. OPINIONS OF THE SUPERVISORY COMMITTEE ON PROVISION FOR ASSET IMPAIRMENT**

The supervisory committee is of the view that: The provision for asset impairment for 2024 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 of the board of directors of the Company 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**  
**Kuang Yunlong**  
*Secretary to the Board*

Chongqing, China, 28 March 2025

*As at the date of this announcement, the directors of the Company are: Mr. Wang Huxiang (Executive Director), Mr. Meng Wenwang (Executive Director), Mr. Kuang Yunlong (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), Ms. Tang Ping (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).*