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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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

I IMPORTANT

- 1.1 This Interim Report summary is extracted from the full text of the Interim Report. To fully understand the operating results, financial position and future development plans of the Company, investors are advised to read carefully the full text of the Interim Report which has also been published on the websites designated by the CSRC including the website of the Shanghai Stock Exchange for details.
- 1.2 The Board, supervisory committee and directors, supervisors and senior executives of the Company guarantee that the contents of the Interim Report are real, accurate and complete, without false representations, misleading statements or material omissions, and assume several and joint liability in respect thereof.
- 1.3 All directors of the Company attended the Board meeting.
- 1.4 The Interim Report is unaudited.
- 1.5 The profit distribution proposal or proposal to transfer capital reserve to share capital for the reporting period as considered by the Board

Nil

II BASIC INFORMATION ON THE COMPANY

2.1 Company Information

Stock Profile

Class	Place of listing	Abbreviated name	Stock code	Stock abbreviation before adjustment
A shares	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	N/A
H shares	The Stock Exchange of Hong Kong Limited	Chongqing Iron	01053	N/A

Contact information	Secretary to the Board	Securities affairs representative
Name	Meng Xiangyun	Peng Guoju
Tel	86-23-6887 3311	86-23-6898 3482
Correspondence address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
E-mail	IR@email.cqgt.cn	IR@email.cqgt.cn

2.2 Major Financial Data of the Company

Unit: RMB'000

	At the end of the Reporting Period	At the end of last year	Change from the end of last year to the end of the Reporting Period (%)
Total assets	26,486,557	26,933,351	-1.66
Net assets attributable to shareholders of the Company	19,093,683	18,531,665	3.03
	Reporting Period (January to June)	Same period last year	Year-on- year change (%)
Net cash flow from operating activities	88,417	-1,301,188	N/A
Revenue	11,483,560	11,092,899	3.52
Net profit attributable to shareholders of the Company	615,728	761,960	-19.19
Net profit attributable to shareholders of the Company after extraordinary gains and losses	589,097	736,096	-19.97
Weighted average return on net assets (%)	3.27	4.45	Decrease by 1.18 percentage points
Basic earnings per share (<i>RMB per share</i>)	0.07	0.09	-22.22
Diluted earnings per share (<i>RMB per share</i>)	0.07	0.09	-22.22

2.3 Shareholdings of top ten shareholders

Unit: share

Total number of shareholders as of the end of the reporting period (<i>account</i>)	142,205
Total number of preferred shareholders with restored voting rights as of the end of the reporting period (<i>account</i>)	0

Shareholdings of top 10 shareholders

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held	Number of shares held	
				with trading limitations	Number of shares pledged or frozen
Chongqing Changshou Iron & Steel Company Limited	Domestic non-state-owned legal person	23.51	2,096,981,600	0	Pledged 2,096,981,600
HKSCC NOMINEES LIMITED	Foreign legal person	5.95	531,040,021	0	Unknown
Chongqing Qianxin Energy Environmental Protection Company Limited	Unknown	4.79	427,195,760	0	Pledged 427,190,070
Chongqing Rural Commercial Bank Co., Ltd.	Unknown	3.24	289,268,939	0	Nil 0
Chongqing Guochuang Investment and Management Co., Ltd.	Unknown	3.12	278,288,059	0	Nil 0
Sinosteel Equipment & Engineering Co., Ltd.	Unknown	2.83	252,411,692	0	Nil 0
Bank of Chongqing Co., Ltd.	Unknown	2.53	226,042,920	0	Nil 0
Industrial Bank Co., Ltd. Chongqing Branch	Unknown	2.46	219,633,096	0	Nil 0
Agricultural Bank of China Limited Chongqing Branch	Unknown	2.43	216,403,628	0	Nil 0
China Shipbuilding Industry Complete Logistics Co., Ltd.	Unknown	2.37	211,461,370	0	Nil 0

Description on the related relationship or acts in concert among the above shareholders

Chongqing Changshou Iron & Steel Company Limited is the controlling shareholder of the Company and has no related relationship with the other 9 shareholders and they are not parties acting in concert as stipulated in Administrative Measures for Management of Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies. The Company is also not aware of whether there is any related relationship among the other 9 shareholders or whether they are parties acting in concert.

Description on the preferred shareholders with restored voting rights and shareholding N/A

2.4 Particulars of the total number of preferred shareholders and top ten preferred shareholders as of the end of the reporting period

Applicable Not Applicable

2.5 Changes in controlling shareholder or beneficial controller

Applicable Not Applicable

2.6 Undue and unpaid or overdue corporate bonds

Applicable Not Applicable

III MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Management Discussion and Analysis

2019 is a crucial year for the Company to embark on a new journey towards sustainable and high-quality development as well as a year for consolidating foundations, improving management and advancing development. The Company actively implemented the strategies highlighting “cost and manufacturing technology leadership” and continuously carried out the operation principle of “achieving full production and sales, low cost and high efficiency”. In response to the declining sales price of steel, the soaring prices of iron ores and other adverse circumstances, it implemented the problems-oriented and reform-driven approaches to solidify the foundation, improve the system, enhance the capability and drive business development. It vigorously promoted cost reduction and continuously conducted targeted benchmarking to bridge the gaps and effectively leveraged the coordinated support of China Baowu Steel Group. With the joint efforts of all employees, in the first half of the year, the Company maintained stable and smooth production operations, with production and sales hitting record high, resource consumption decreasing significantly, new breakthroughs made in building low-cost manufacturing capacity, and competitiveness further enhanced.

(1) *Production and sales hit historical records*

In the first half of the year, the Company produced 2,984,200 tonnes of iron, 3,250,600 tonnes of steel and 3,097,200 tonnes of steel products, representing an increase of 199,700 tonnes, 150,500 tonnes and 130,300 tonnes as compared with the same period of the previous year, respectively. It sold 3,132,200 tonnes of steel products, representing an increase of 188,700 tonnes as compared with the same period of the previous year and hitting a historical record.

(2) *Dominant position in regional markets gradually enhanced*

In the first half of the year, the Company fully exploited its advantages in geographical location and product offerings, actively explored marketing channels, improved the marketing system featured with direct supply, sales and distribution, innovated cooperation model with project users and further expanded end market. The proportion of products sold through direct supply, sales and distribution increased significantly as compared with the corresponding period of last year. Direct supply of steel to Jin'an Jinsha River Bridge, Wushan Guihua Bridge, Shuitu Jialing River Bridge and other key infrastructure projects has been materialized in the first half of the year.

(3) *Noticeable improvement in manufacturing capacity*

In the first half of the year, the Company insisted on production scheduling and management which focused on the blast furnace and continuously optimized the structure of coal blending and furnace materials. It energetically implemented the policy on high-quality raw materials and fuels, strengthened technological operation and lean management under the current conditions, actively explored and gradually solidified basic operational rules on blast furnace with high productivity, low consumption and high quality, so as to strengthen blast furnace smelting, improve utilization coefficient and reduce fuel ratio. As a result, its main economic and technical indicators of blast furnace process reached the best levels in the first half of the year, with production capacity increased and technical and economic indicators optimized.

In the first half of the year, the Company preliminarily established a professional and consistent centralized management system on equipment. Through focusing on fundamental management and risk control, the failures of equipment decreased significantly as compared with the corresponding period of last year. The monthly average downtime of equipment for main operation lines reached the best in the first half of the year and the guarantee capability was strengthened substantially.

(4) *On-going cost reduction efforts*

In the first half of the year, by means of “reducing system costs and reducing technology costs”, the Company continued to promote cost reduction, deepened cost control and improved cost analysis with a focus on procurement costs, resource consumption, expenses and operational efficiency. It actively carried out targeted benchmarking in economic and technical indicators, consumption level and cost data of each process to bridge the gaps with an aim to reach the best in history and catch up industry benchmarks horizontally. Through indicator breakdown, implementation of responsibilities, tracking and analysis, appraisal and incentives, it strengthened whole-process cost management and control, and thus achieved a cost reduction of RMB144/tonne for steel products, with a total cost reduction of RMB449 million, completing 64.5% of the annual target. In the first half of the year, nearly 80% of the main economic and technical indicators at the corporate level reached the best for three consecutive months since 2018, and the molten iron cost of the Company maintained the leading level in the southwestern region, with new breakthroughs made in building low-cost manufacturing capacity.

(5) *Results achieved with the coordinated support of China Baowu Steel Group*

In the first half of the year, the Company continued to shore up its own weaknesses and enhance its capacity leveraging on the analysis and guidance on the production, technology, management and business of the Company conducted by the supporting team of China Baowu Steel Group. 50 programs coordinated and supported by China Baowu Steel Group were under orderly progress and preliminary results have been achieved in the coordination and support.

(6) *Fully advancing system capacity building*

In the first half of the year, with the promotion of chief operator system and standardized operation, the Company fully enhanced on-site management. Focusing on the budget targets in annual plans, the Company devised 48 improvement programs on production, technology, equipment and management. By means of programizing work tasks, it continuously enhanced the professional management capability of functional and business departments and the professional quality of employees.

The Company will continue with the above strategies and principles in the latter half of 2019 and it is expected that there will be no material change to the business development.

3.2 Principal business analysis

(1) Analysis of changes in certain items from financial statements

Unit: RMB'000

Subject	For the Reporting Period	For the corresponding period last year	Change (%)
Revenue	11,483,560	11,092,899	3.52
Cost of sales	10,342,032	9,769,641	5.86
Distribution and selling expenses	45,161	41,986	7.56
General and administrative expenses	330,030	306,033	7.84
Finance expenses	75,985	147,250	-48.40
Net cash flow from operating activities	88,417	-1,301,188	N/A
Net cash flow from investing activities	-214,233	664,294	-132.25
Net cash flow from financing activities	370,217	217,947	69.87
R&D spending	241,580	221,857	8.89

Reasons for changes in revenue: The increase in revenue was mainly due to the improvement of production and sales.

Reasons for changes in cost of sales: The increase in cost of sales was mainly due to the expansion of production and sales.

Reasons for changes in distribution and selling expenses: The increase in distribution and selling expenses was mainly due to the expansion of production and sales, as well as the increase in freight charges.

Reasons for changes in general and administrative expenses: The increase in general and administrative expenses was mainly due to the increase in employee benefits.

Reasons for changes in finance expenses: The decrease in finance expenses was mainly due to the virtuous cycle in production and operation with fewer funds utilized.

Reasons for changes in net cash flow from operating activities: The increase in net cash flow from operating activities was mainly due to the payment of the remaining amount on judicial reorganisation as agreed in the first half of 2018.

Reasons for changes in net cash flow from investing activities: The decrease in net cash flow from investing activities was mainly due to the purchase of wealth management products during the year.

Reasons for changes in net cash flow from financing activities: The increase in net cash flow from financing activities was mainly due to the increase of borrowings from Changshou Iron & Steel.

(2) Others

① *Detailed description of the major changes in the Company's profit structure or profit sources*

Applicable Not Applicable

In the first half of 2019, the Group realized a total profit of RMB617 million, representing a year-on-year decrease of 19.09%, which was mainly due to the following reasons: the overall selling price of steel products amounted to RMB3,510/tonne, representing a year-on-year decrease of 1.76% and resulting in a decrease of RMB198 million in profit; the rising prices of raw materials, such as ore, coal, alloy, scrap steel, etc., resulted in a decrease of RMB367 million in profit; the sales volume of steel products reached 3,132,200 tonnes, representing a year-on-year increase of 6.41%, and achieving an increase of RMB82 million in profit; the Company continued to promote the cost reduction plan and vigorously conducted benchmarking to bridge the gaps, resulting in significant improvement of the main economic and technical indicators and remarked decrease in consumption of various resources and effective control of various fees, and thus achieving a year-on-year decrease of RMB337 million in process costs.

In the first half of 2019, the Group's revenue from principal operations amounted to RMB11,441 million, representing a year-on-year increase of 3.39%. In particular, the income from sales of steel products amounted to RMB10,990 million, representing an increase of RMB477 million as compared with the same period of previous year. Firstly, the sales volume of steel products was 3,132,200 tonnes, representing a year-on-year increase of 6.41%, resulting in an increase of RMB733 million in sales income; secondly, the average sales price of steel products was RMB3,510/tonne, representing a year-on-year decrease of 1.76%, leading to a decrease of RMB256 million in sales income.

Composition of revenue from principal operations:

Type	First half of 2019		First half of 2018		Year-on-year growth (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Medium plate	3,542,337	30.96	2,654,990	23.99	33.42
Hot rolling	5,158,288	45.08	6,004,637	54.26	-14.09
Bars	1,142,570	9.99	918,454	8.30	24.40
Profiles	1,151,350	10.06	939,650	8.49	22.53
Sub-total of steel products	10,994,545	96.09	10,517,731	95.04	4.53
Other	446,743	3.91	548,036	4.96	-18.48
Total	<u>11,441,288</u>	<u>100.00</u>	<u>11,065,767</u>	<u>100.00</u>	<u>3.39</u>

Sales prices of steel products:

Item	Sales price in the first half of 2019 (RMB/tonne)	Sales price in the first half of 2018 (RMB/tonne)	Year-on-year Growth (%)	Income increase (RMB'000)
Medium plate	3,622	3,776	-4.08	-150,675
Hot rolling	3,389	3,515	-3.58	-191,505
Bars	3,659	3,498	4.60	50,615
Profiles	3,599	3,488	3.18	35,556
Total	<u>3,510</u>	<u>3,573</u>	<u>-1.76</u>	<u>-256,009</u>

Sales volumes of steel products:

Item	Sales volume for the first half of 2019 (Ten thousand tonnes)	Sales volume for the first half of 2018 (Ten thousand tonnes)	Year-on-year Growth (%)	Income increase (RMB'000)
Medium plate	97.79	70.30	39.10	1,038,022
Hot rolling	152.22	170.85	-10.90	-654,844
Bars	31.22	26.26	18.89	173,501
Profiles	31.99	26.94	18.75	176,144
Total	<u>313.22</u>	<u>294.35</u>	<u>6.41</u>	<u>732,823</u>

The Group incurred expenses in the amount of RMB451 million for the reporting period, representing a year-on-year decrease of RMB44 million, mainly attributable to the decrease in finance expenses.

Item	Amount for the Reporting Period (RMB'000)	Amount for the corresponding period last year (RMB'000)	Year-on-year change (%)
Distribution and selling expenses	45,161	41,986	7.56
General and administrative expenses	330,030	306,033	7.84
Finance expenses	75,985	147,250	-48.40
Total	<u>451,176</u>	<u>495,269</u>	<u>-8.90</u>

② *Others*

Applicable Not Applicable

Principal operations by sectors, products and regions

Unit: RMB'000

Main operations by sectors						
By sectors	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/	Year-on-year increase/	Year-on-year increase/
				decrease in revenue (%)	decrease in cost of sales (%)	decrease in gross margin (%)
Iron and steel	11,441,288	10,307,160	9.91	3.39	5.55	-1.84
Main operations by products						
By products	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/	Year-on-year increase/	Year-on-year increase/
				decrease in revenue (%)	decrease in cost of sales (%)	decrease in gross margin (%)
Steel products	10,994,545	9,865,158	10.27	4.53	6.74	-1.86
Other	446,743	442,002	1.06	-18.48	-15.51	-3.48
Main operations by regions						
By regions	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/	Year-on-year increase/	Year-on-year increase/
				decrease in revenue (%)	decrease in cost of sales (%)	decrease in gross margin (%)
Southwest	9,330,516	8,422,009	9.74	-7.71	-5.57	-2.05
Other regions	2,110,772	1,885,151	10.69	120.90	122.70	-0.73
Total	11,441,288	10,307,160	9.91	3.39	5.55	-1.84

3.3 Changes of accounting policies, estimations and methods and their reasons and impact as compared to the last accounting period

Applicable Not Applicable

(1) *New lease standard*

In 2018, the Ministry of Finance issued the revised “Accounting Standard for Business Enterprises No. 21-Leasing” (the “**New Lease Standard**”) which adopts the single model similar to that used for the current accounting treatment for finance lease and requires the lessee to recognize right-of-use asset and lease liability for all leases other than short-term and low-value assets leases and recognize depreciation and interest expenses, respectively. Since 1 January 2019, the Group has conducted accounting treatment in accordance with the newly revised lease standard and elected not to reevaluate whether the contracts that have existed before the date of first implementation are or contain leases. According to the transitional requirements, the information for the comparable period will not be adjusted and retained earnings will be retrospectively adjusted based on the difference between the New Lease Standard and the current lease standard on the first day of implementation. The implementation of the New Lease Standard had no effect on the retained earnings of the Group as at 1 January 2019.

The Group adopted simplified treatment for the operating leases completed within 12 months before the date of first implementation and did not recognize the right-of-use asset and lease liability.

For the minimum lease payments not made for the significant operating leases as disclosed in the 2018 financial statements, the adjustment of the difference between the present value discounted at the incremental borrowing rate as at 1 January 2019 with the Group as the lessee and the lease liability included in the balance sheet as at 1 January 2019 is as follows:

	<i>Unit: RMB'000</i>
Minimum lease payments for significant operating leases as at 31 December 2018	379,500
Less: minimum lease payments subject to simplified treatment	379,500
Including: short-term lease	379,500
Minimum lease payments under the New Lease Standard as at 1 January 2019	–
Weighted average at incremental borrowing rate as at 1 January 2019	4.86%
Lease liability as at 1 January 2019	–

The implementation of the New Lease Standard has no material effect on the consolidated and company balance sheets as at 1 January 2019 and the consolidated and company financial statements for January to June 2019.

(2) Changes in presentation of financial statement

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No. 6) (《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號)), in the balance sheet, the “notes and trade receivables” shall be split into “notes receivable” and “trade receivables”, the “notes and trade payables” shall be split into “notes payable” and “trade payables” and the new item “receivables financing” is added to present the notes receivable and trade receivables at fair value through other comprehensive income as at the balance sheet date, etc.; in the income statement, in addition to the expensed expenditures incurred during the research and development process, the “research and development expenses” shall also include the amortization of intangible assets developed by the Group as previously presented in the “general and administrative expenses”. The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had no impact on the consolidation and the interests of the shareholders of the Company.

The main effects of the retroactive adjustments resulting from the abovementioned changes in accounting policies on the financial statements are as follows:

The Group

Unit: RMB'000

January – June 2019	Carrying amount according to the original standards 31 December 2018	The impact of changes in presentation of financial statements Reclassification	Carrying amount according to the new standards 1 January 2019
Notes and trade receivables	30,340	(30,340)	–
Trade receivables	–	30,340	30,340
Other current assets	575,931	(575,652)	279
Receivables financing	–	575,652	575,652
Notes and trade payables	2,946,316	(2,946,316)	–
Notes payable	–	1,199,147	1,199,147
Trade payables	–	1,747,169	1,747,169

January – June 2018	Before changes in accounting policies 1 January 2018	Changes in accounting policies	After changes in accounting policies 1 January 2018
Notes and trade receivables	44,038	(44,038)	–
Trade receivables	–	44,038	44,038
Other current assets	1,251,751	(123,096)	1,128,655
Receivables financing	–	123,096	123,096
Notes and trade payables	2,155,294	(2,155,294)	–
Notes payable	–	80,700	80,700
Trade payables	–	2,074,594	2,074,594

The Company

Unit: RMB'000

January – June 2019	Carrying amount according to the original standards 31 December 2018	The impact of changes in presentation of financial statements Reclassification	Carrying amount according to the new standards 1 January 2019
Notes and trade receivables	29,851	(29,851)	–
Trade receivables	–	29,851	29,851
Other current assets	575,931	(575,652)	279
Receivables financing	–	575,652	575,652
Notes and trade payables	2,945,889	(2,945,889)	–
Notes payable	–	1,199,147	1,199,147
Trade payables	–	1,746,742	1,746,742

January – June 2018	Before changes in accounting policies 1 January 2018	Changes in accounting policies	After changes in accounting policies 1 January 2018
Notes and trade receivables	46,853	(46,853)	–
Trade receivables	–	46,853	46,853
Other current assets	601,606	(123,096)	478,510
Receivables financing	–	123,096	123,096
Notes and trade payables	2,204,070	(2,204,070)	–
Notes payable	–	80,700	80,700
Trade payables	–	2,123,370	2,123,370

3.4 Correction of significant accounting errors requiring restatement, correction amount, and their reasons and impact during the reporting period.

Applicable Not Applicable

IV. OTHER SIGNIFICANT EVENTS

1 Compliance with the Corporate Governance Code

To the best knowledge of the Board, the Company had complied with the requirements of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange during the reporting period, and no deviation from the Code has been identified.

2 Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for trading of the Company’s securities by directors. All directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2019.

3 Interim dividend

Given the fact that the accumulated undistributed profit of the Company remained negative as of the end of the reporting period, the Company does not recommend distribution of any interim dividend for the six months ended 30 June 2019.

4 Purchase, Sale or Redemption of Listed Securities of the Company

From 12 June 2019 to 27 June 2019, the Company accumulatively repurchased a total of 31,500,000 A shares through centralized bidding trading, representing approximately 0.3532% of its total share capital. The highest, lowest and average price transacted for such shares were RMB2.13 per share, RMB1.88 per share and RMB1.975 per share, respectively. The total amount paid for such shares was RMB62,223,734 (excluding transaction fees).

5 Major acquisition and disposal of subsidiaries and affiliates

No major acquisition and disposal of subsidiaries and affiliates occurred during the reporting period.

6 Audit Committee

The Audit Committee is comprised of three independent non-executive directors and one non-executive director, namely, Xin Qing Quan, Xu Yi Xiang, Wong Chun Wa and Zhang Shuo Gong with Mr. Xin Qing Quan acting as the chairman of the Audit Committee.

The unaudited interim financial report of the Company for the six months ended 30 June 2019 had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

7 Interests or Short Positions

As at 30 June 2019, the interests and short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the Securities and Futures Ordinance (“SFO”)) of the directors, supervisors and senior management members in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporations	Capacity	Nature of interests	Total number of interested shares held (share)	Percentage in the share capital of A shares of the Company (%)	Percentage in the total share capital of the Company (%)	Class of shares
Wang Li	The Company	Director	Beneficial interests	113,800 (long position)	0.00136	0.00128	A share

V. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2019 PREPARED IN ACCORDANCE WITH THE PRC GAAP

Consolidated Statement of Financial Position

As at 30 June 2019

Unit: RMB'000

Items	30 June 2019	31 December 2018
Current assets:		
Cash and bank balances	2,396,973	2,764,631
Financial assets held for trading	184,400	30,000
Trade receivables	15,043	30,340
Receivables financing	1,076,313	575,652
Prepayments	259,982	908,646
Other receivables	7,797	10,506
Inventories	3,385,993	3,192,201
Other current assets	30,467	279
	<hr/>	<hr/>
Total current assets	7,356,968	7,512,255
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Non-current assets:		
Long-term equity investments	28,258	–
Other equity investments	5,000	5,000
Property, plant and equipment	16,593,061	16,914,109
Construction in progress	28,341	16,593
Intangible assets	2,423,221	2,454,327
Deferred tax assets	31,067	31,067
Other non-current assets	20,641	–
	<hr/>	<hr/>
Total non-current assets	19,129,589	19,421,096
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Total assets	26,486,557	26,933,351
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Items	30 June 2019	31 December 2018
Current liabilities:		
Notes payable	197,409	1,199,147
Trade payables	1,920,115	1,747,169
Contract liabilities	1,042,789	1,004,280
Employee benefits payable	191,266	333,407
Taxes payable	53,794	35,733
Other payables	393,179	354,665
Non-current liabilities due within one year	430,000	410,000
Other current liabilities	135,547	160,675
	<u>4,364,099</u>	<u>5,245,076</u>
Total current liabilities		
Non-current liabilities:		
Long-term borrowings	150,000	300,000
Long-term employee benefits payable	229,007	240,615
Deferred income	39,268	40,495
Other non-current liabilities	2,610,500	2,575,500
	<u>3,028,775</u>	<u>3,156,610</u>
Total non-current liabilities		
Total liabilities		
	<u>7,392,874</u>	<u>8,401,686</u>
Owners' equity:		
Share capital	8,918,602	8,918,602
Capital reserves	19,282,147	19,282,147
Less: Treasury shares	62,314	–
Special reserves	22,248	13,644
Surplus reserves	606,991	606,991
Accumulated losses	(9,673,991)	(10,289,719)
	<u>19,093,683</u>	<u>18,531,665</u>
Total owners' equity		
Total liabilities and owners' equity		
	<u>26,486,557</u>	<u>26,933,351</u>

Statement of Financial Position of the Parent Company

As at 30 June 2019

Unit: RMB'000

Items	30 June 2019	31 December 2018
Current assets:		
Cash and bank balances	2,394,388	2,762,442
Financial assets held for trading	184,400	30,000
Trade receivables	15,739	29,851
Receivables financing	1,076,313	575,652
Prepayments	259,615	908,523
Other receivables	7,792	10,500
Inventories	3,377,583	3,192,201
Other current assets	29,240	279
Total current assets	7,345,070	7,509,448
Non-current assets:		
Long-term equity investments	28,258	–
Other equity investments	5,000	5,000
Property, plant and equipment	16,592,871	16,914,084
Construction in progress	28,341	16,593
Intangible assets	2,423,221	2,454,327
Deferred tax assets	31,067	31,067
Other non-current assets	20,641	–
Total non-current assets	19,129,399	19,421,071
Total assets	26,474,469	26,930,519

Items	30 June 2019	31 December 2018
Current liabilities:		
Notes payable	197,409	1,199,147
Trade payables	1,920,115	1,746,742
Contract liabilities	1,033,166	1,004,220
Employee benefits payable	191,266	333,407
Taxes payable	53,642	34,741
Other payables	393,002	354,665
Non-current liabilities due within one year	430,000	410,000
Other current liabilities	134,297	160,675
	<u>4,352,897</u>	<u>5,243,597</u>
Total current liabilities		
Non-current liabilities:		
Long-term borrowings	150,000	300,000
Long-term employee benefits payable	229,007	240,615
Deferred income	39,268	40,495
Other non-current liabilities	2,610,500	2,575,500
	<u>3,028,775</u>	<u>3,156,610</u>
Total non-current liabilities		
Total liabilities		
	<u>7,381,672</u>	<u>8,400,207</u>
Owners' equity:		
Share capital	8,918,602	8,918,602
Capital reserves	19,313,090	19,313,090
Less: Treasury shares	62,314	–
Special reserves	22,248	13,644
Surplus reserves	577,012	577,012
Accumulated losses	(9,675,841)	(10,292,036)
	<u>19,092,797</u>	<u>18,530,312</u>
Total owners' equity		
Total liabilities and owners' equity		
	<u>26,474,469</u>	<u>26,930,519</u>

Consolidated Income Statement
For the six months ended 30 June 2019

Unit: RMB'000

Items	Six months ended 30 June 2019	Six months ended 30 June 2018
I. Revenue	11,483,560	11,092,899
Less: Cost of sales	10,342,032	9,769,641
Taxes and surcharges	92,194	52,437
Distribution and selling expenses	45,161	41,986
General and administrative expenses	330,030	306,033
Finance expenses	75,985	147,250
Including: Interest expenses	106,499	190,466
Interest income	33,469	46,428
Add: Other income	1,227	1,502
Investment income/(loss)	5,351	(1,826)
Including: investment income/ (loss) from an associate	–	(2,628)
Gains/(losses) on disposal of assets	–	8,482
II. Operating profit/(loss)	604,736	783,710
Add: Non-operating income	13,252	325
Less: Non-operating expenses	665	21,063
III. Total profit/(loss)	617,323	762,972
Less: Income tax expenses	1,595	885

Items	Six months ended 30 June 2019	Six months ended 30 June 2018
IV. Net Profit/(loss)	615,728	762,087
Breakdown by continuity of operations		
Net profit/(loss) from continuing operations	615,728	762,087
Breakdown by attributable interests		
Net profit/(loss) attributable to owners of the parent	615,728	761,960
Non-controlling interests	–	127
V. Other comprehensive income after tax	–	–
VI. Total comprehensive income	615,728	762,087
Total comprehensive income attributable to owners of the parent	615,728	761,960
Total comprehensive income attributable to non-controlling interests	–	127
VII. Earnings per share:		
Basic earnings per share (<i>RMB/share</i>)	0.07	0.09
Diluted earnings per share (<i>RMB/share</i>)	0.07	0.09

Income Statement of the Parent Company
For the six months ended 30 June 2019

Unit: RMB'000

Items	Six months ended 30 June 2019	Six months ended 30 June 2018
I. Revenue	11,486,217	11,093,696
Less: Cost of sales	10,350,441	9,770,971
Taxes and surcharges	91,997	52,430
Distribution and selling expenses	44,950	41,815
General and administrative expenses	330,030	302,802
Finance expenses	75,989	152,589
Including: Interest expenses	106,499	190,466
Interest income	33,463	38,073
Add: Other income	1,227	1,502
Investment income/(loss)	9,571	52
Including: investment income/ (loss) from an associate	–	(2,628)
Gains/(losses) on disposal of assets	–	8,482
II. Operating profit/(loss)	603,608	783,125
Add: Non-operating income	13,252	241
Less: Non-operating expenses	665	21,032
III. Total profit/(loss)	616,195	762,334
Less: Income tax expenses	–	–

Items	Six months ended 30 June 2019	Six months ended 30 June 2018
IV. Net Profit/(loss)	616,195	762,334
Breakdown by continuity of operations		
Net profit/(loss) from continuing operations	<u>616,195</u>	<u>762,334</u>
V. Other comprehensive income after tax	<u>–</u>	<u>–</u>
VI. Total comprehensive income	<u><u>616,195</u></u>	<u><u>762,334</u></u>

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

Unit: RMB'000

Items	Six months ended 30 June 2019								
	Total equity attributable to owners of the parent							Non-controlling interests	Total owners' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses		
I. Closing balances of the preceding year and opening balances of the current period	8,918,602	19,282,147	-	-	13,644	606,991	(10,289,719)	-	18,531,665
II. Changes in the current period	-	-	62,314	-	8,604	-	615,728	-	562,018
(I) Total comprehensive income	-	-	-	-	-	-	615,728	-	615,728
(II) Owners' contribution and decrease in share capital	-	-	62,314	-	-	-	-	-	(62,314)
1. Others	-	-	62,314	-	-	-	-	-	(62,314)
(III) Special reserves	-	-	-	-	8,604	-	-	-	8,604
1. Amount established during the period	-	-	-	-	12,840	-	-	-	12,840
2. Amount utilized during the period	-	-	-	-	4,236	-	-	-	4,236
III. Closing balance for the period	<u>8,918,602</u>	<u>19,282,147</u>	<u>62,314</u>	<u>-</u>	<u>22,248</u>	<u>606,991</u>	<u>(9,673,991)</u>	<u>-</u>	<u>19,093,683</u>

Items	Six months ended 30 June 2018								
	Total equity attributable to owners of the parent							Non-controlling interests	Total owners' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses		
I. Closing balances of the preceding year and opening balances of the current period	8,918,602	19,282,147	-	-	-	606,991	(12,077,625)	73,849	16,803,964
II. Changes in the current period	-	-	-	-	7,813	-	761,960	(73,849)	695,924
(I) Total comprehensive income	-	-	-	-	-	-	761,960	127	762,087
(II) Owners' contribution and decrease in share capital	-	-	-	-	-	-	-	(73,513)	(73,513)
1. Others	-	-	-	-	-	-	-	(73,513)	(73,513)
(III) Profit Appropriation	-	-	-	-	-	-	-	(463)	(463)
1. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	(463)	(463)
(IV) Special reserves	-	-	-	-	7,813	-	-	-	7,813
1. Amount established during the period	-	-	-	-	10,260	-	-	-	10,260
2. Amount utilized during the period	-	-	-	-	2,447	-	-	-	2,447
III. Closing balance for the period	<u>8,918,602</u>	<u>19,282,147</u>	<u>-</u>	<u>-</u>	<u>7,813</u>	<u>606,991</u>	<u>(11,315,665)</u>	<u>-</u>	<u>17,499,888</u>

Statement of changes in Equity of the Parent Company
For the six months ended 30 June 2019

Unit: RMB'000

Items	Six months ended 30 June 2019							
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Total owners' equity
I. Closing balances of the preceding year and opening balances of the current period	8,918,602	19,313,090	-	-	13,644	577,012	(10,292,036)	18,530,312
II. Changes in the current period	-	-	62,314	-	8,604	-	616,195	562,485
(I) Total comprehensive income	-	-	-	-	-	-	616,195	616,195
(II) Owners' contribution and decrease in share capital	-	-	62,314	-	-	-	-	(62,314)
1. Others	-	-	62,314	-	-	-	-	(62,314)
(III) Special reserves	-	-	-	-	8,604	-	-	8,604
1. Amount established during the period	-	-	-	-	12,840	-	-	12,840
2. Amount utilized during the period	-	-	-	-	4,236	-	-	4,236
III. Closing balance for the period	8,918,602	19,313,090	62,314	-	22,248	577,012	(9,675,841)	19,092,797

Items	Six months ended 30 June 2018							
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Total owners' equity
I. Closing balances of the preceding year and opening balances of the current period	8,918,602	19,313,090	-	-	-	577,012	(12,071,866)	16,736,838
II. Changes in the current period	-	-	-	-	7,813	-	762,334	770,147
(I) Total comprehensive income	-	-	-	-	-	-	762,334	762,334
(II) Special reserves	-	-	-	-	7,813	-	-	7,813
1. Amount established during the period	-	-	-	-	10,260	-	-	10,260
2. Amount utilized during the period	-	-	-	-	2,447	-	-	2,447
III. Closing balance for the period	8,918,602	19,313,090	-	-	7,813	577,012	(11,309,532)	17,506,985

Consolidated Statement of Cash Flows
For the six months ended 30 June 2019

Unit: RMB'000

Items	Six months ended 30 June 2019	Six months ended 30 June 2018
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	10,334,249	10,366,330
Other cash received relating to operating activities	61,079	109,689
	<hr/>	<hr/>
Sub-total of cash inflows from operating activities	10,395,328	10,476,019
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash paid for purchase of goods and services	9,030,724	10,168,612
Cash paid to and on behalf of employees	743,222	1,030,356
Cash paid for all types of taxes	365,205	58,176
Other cash paid relating to operating activities	167,760	520,063
	<hr/>	<hr/>
Sub-total of cash outflows from operating activities	10,306,911	11,777,207
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net cash flows from operating activities	88,417	(1,301,188)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

Items	Six months ended 30 June 2019	Six months ended 30 June 2018
II. Cash flows from investing activities:		
Cash received from disposal of investments	404,400	651,376
Cash received from return on investments	5,351	7,021
Net cash received from disposal of property plant and equipment, intangible assets and other long-term assets	<u>–</u>	<u>8,561</u>
Sub-total of cash inflows from investing activities	<u>409,751</u>	<u>666,958</u>
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	36,926	2,664
Cash paid for investments	<u>587,058</u>	<u>–</u>
Sub-total of cash outflows from investing activities	<u>623,984</u>	<u>2,664</u>
Net cash flows from investing activities	<u>(214,233)</u>	<u>664,294</u>
III. Cash flows from financing activities:		
Cash received from borrowings	105,000	–
Other cash received relating to financing activities	<u>795,088</u>	<u>1,181,576</u>
Sub-total of cash inflows from financing activities	<u>900,088</u>	<u>1,181,576</u>
Cash repayments of borrowings	200,000	10,000
Cash paid for distribution of dividends or profits, and for interest expenses	79,446	189,060
Other cash paid relating to financing activities	<u>250,425</u>	<u>764,569</u>
Sub-total of cash outflows from financing activities	<u>529,871</u>	<u>963,629</u>
Net cash flows from financing activities	<u>370,217</u>	<u>217,947</u>

Items	Six months ended 30 June 2019	Six months ended 30 June 2018
IV. Effect of changes in exchange rate on cash and cash equivalents	----- -	----- -
V. Net increase in cash and cash equivalents	244,401	(418,947)
Add: Cash and cash equivalents at the beginning of the period	<u>1,969,543</u>	<u>868,962</u>
VI. Cash and cash equivalents at the end of the period	<u><u>2,213,944</u></u>	<u><u>450,015</u></u>

Statement of Cash Flows of the Parent Company

For the six months ended 30 June 2019

Unit: RMB'000

Items	Six months ended 30 June 2019	Six months ended 30 June 2018
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	10,328,057	10,362,602
Other cash received relating to operating activities	61,079	108,270
	<u>10,389,136</u>	<u>10,470,872</u>
Sub-total of cash inflows from operating activities	10,389,136	10,470,872
Cash paid for purchase of goods and services	9,030,724	10,168,612
Cash paid to and on behalf of employees	743,222	1,030,327
Cash paid for all types of taxes	363,825	57,285
Other cash paid relating to operating activities	167,564	513,718
	<u>10,305,335</u>	<u>11,769,942</u>
Sub-total of cash outflows from operating activities	10,305,335	11,769,942
Net cash flows from operating activities	83,801	(1,299,070)
II. Cash flows from investing activities:		
Cash received from disposal of investments	404,400	1,376
Cash received from return on investments	9,571	–
Net cash received from disposal of property plant and equipment, intangible assets and other long-term assets	–	8,561
	<u>413,971</u>	<u>9,937</u>
Sub-total of cash inflows from investing activities	413,971	9,937
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	36,926	2,664
Cash paid for investments	587,058	–
	<u>623,984</u>	<u>2,664</u>
Sub-total of cash outflows from investing activities	623,984	2,664
Net cash flows from investing activities	(210,013)	7,273

Items	Six months ended 30 June 2019	Six months ended 30 June 2018
III. Cash flows from financing activities:		
Cash received from borrowings	105,000	–
Other cash received relating to financing activities	<u>795,088</u>	<u>1,181,576</u>
Sub-total of cash inflows from financing activities	<u>900,088</u>	<u>1,181,576</u>
Cash repayments of borrowings	200,000	10,000
Cash paid for distribution of dividends or profits, and for interest expenses	79,446	188,597
Other cash paid relating to financing activities	<u>250,425</u>	<u>27,556</u>
Sub-total of cash outflows from financing activities	<u>529,871</u>	<u>226,153</u>
Net cash flows from financing activities	<u>370,217</u>	<u>955,423</u>
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	<u>–</u>	<u>–</u>
V. Net increase in cash and cash equivalents	244,005	(336,374)
Add: Cash and cash equivalents at the beginning of the period	<u>1,967,354</u>	<u>779,827</u>
VI. Cash and cash equivalents at the end of the period	<u><u>2,211,359</u></u>	<u><u>443,453</u></u>

By order of the Board
Chongqing Iron & Steel Company Limited
Meng Xiangyun
Secretary to the Board

Chongqing, the PRC, 12 August 2019

As at the date of this announcement, the Directors of the Company are: Mr. Zhou Zhu ping (Non-executive Director), Mr. Song De An (Non-executive Director), Mr. Zhang Shuogong (Non-executive Director), Mr. Li Yongxiang (Executive Director), Mr. Tu Deling (Executive Director), Mr. Wang Li (Executive Director), Mr. Xu Yixiang (Independent Non-executive Director), Mr. Xin Qingquan (Independent Non-executive Director) and Mr. Wong Chunwa (Independent Non-executive Director).