



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 OF ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2019

A. IMPORTANT NOTICE

- 1.1 This summary of annual report is abstracted from the full text of the annual report. In order to completely understand the operating results, financial conditions and future development planning of Chongqing Iron & Steel Company Limited (the “**Company**”), investors are advised to carefully read the full text of the annual report on the media designated by the China Securities Regulatory Commission (CSRC), such as the website of the Shanghai Stock Exchange.
- 1.2 The board of directors (the “**Board**”), the supervisory committee and directors, supervisors and senior management of the Company warrant that there are no false representations, misleading statements contained in or material omissions from the annual report and individually and collectively accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.
- 1.3 All directors of the Company attended the Board meeting.
- 1.4 Ernst & Young Hua Ming LLP issued a standard unqualified audit report for the Company.
- 1.5 The profit distribution proposal or proposal to transfer capital reserve to share capital for the reporting period as considered by the Board

According to the auditing by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company for 2019 amounted to RMB926 million, and the unappropriated profit as at the end of 2019 amounted to RMB-9.364 billion. As the Company recorded a negative unappropriated profit as at the end of 2019, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2019 pursuant to Article 250 of the Articles of Association.

- 1.6 The annual results of the Company for the year ended 31 December 2019 have been reviewed by the audit committee of the Company.

B. BASIC INFORMATION ON THE COMPANY

1 Company Information

Stock Profile

Stock type	Place of listing	Abbreviated name	Stock code	Stock abbreviation before adjustment
A share	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	N/A
H share	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
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2 Main Business Profile during the Reporting Period

2.1 Explanation on the Company's Main Business and Business Model

The Company is mainly engaged in the production, processing and sale of steel plates, steel sections, wire rods, bar materials, billets and thin plates; production and sale of coal chemical products & grain slag, etc. The Company has a production capacity of 8.40 million tonnes of steel per year, with the following production lines: 4,100mm wide and thick plate, 2,700mm medium plate, 1,780mm hot rolled sheet, high speed wire rods, bar materials and steel sections.

The Company's products are applied in various industries, such as machinery, architecture, engineering, automobile, motorbike, shipbuilding, offshore oil, gas cylinder, boiler and oil and gas pipelines. The Company's steel products used in hull structure, boilers and pressure vessels were rewarded the title of "Chinese brand products" and four other products were rewarded the title of "Chongqing's brand products". The Company successively obtained the following titles of honor: national Labor Day certificate, national implementation of performance excellence model advanced enterprises, Chongqing famous trademark, Chongqing quality benefit enterprise and Chongqing contract-abiding and trustworthy enterprises.

With the vision of "becoming the most competitive iron & steel company in southwest regions, the leader among mainland steel plants characterized by eco-friendly development and active transformation and upgrade as well as the model for common development of employees and the enterprise", and by implementing strategies highlighting "cost and manufacturing technology leadership", carrying out the operation principle of "achieving full production and sales, low cost and high efficiency" and adhering to the market positioning of "taking root in Chongqing, pursuing further development in Sichuan and Chongqing, and branching out across southwest regions", the Company vigorously promoted direct supply, sales and distribution, strengthened strategic partnerships with major customers, and continued to enhance service capacity to improve customer satisfaction.

2.2 Explanation on the Industry

In 2019, the iron and steel industry continued to advance the supply-side structural reform, consolidated the results of the capacity cutting, accelerated structural adjustment, transformation and upgrading, and achieved stable operation in general. Due to factors such as accelerated growth of steel production, slight decrease in steel price and higher price of raw materials (such as iron ore), the economic benefits of steel companies fell sharply. In the period from January to December 2019, the production of pig iron, crude steel and steel products in China reached 809.37 million tonnes, 996.34 million tonnes and 1,204.77 million tonnes, up 5.3%, 8.3% and 9.8% as compared with the corresponding period of last year, respectively. China's steel composite price average index (中國鋼材綜合價格平均指數) was 107.98 points, down 5.9% as compared with the corresponding period of last year. In 2019, members of the China Iron and Steel Association realized sales revenue of RMB4.27 trillion, up 10.1% as compared with the corresponding period of last year; and profits of RMB188.994 billion, down 30.9% as compared with the corresponding period of last year.

3 Major Financial Data and Financial Indicators of the Company

3.1 Major financial data and financial indicators for the last three years

Unit: RMB'000

	2019	2018	Increase/ decrease from last year (%)	2017
Total assets	26,975,726	26,933,351	0.16	25,012,459
Operating income	23,477,597	22,638,957	3.70	13,236,840
Net profit attributable to shareholders of listed company	925,723	1,787,906	-48.22	320,086
Net profit attributable to shareholders of listed company, netting non-recurring gains and losses	726,508	1,677,588	-56.69	-1,870,066
Net assets attributable to shareholders of listed company	19,396,003	18,531,665	4.66	16,730,115
Net cash flow from operating activities	-405,326	1,338,195	-130.29	505,815
Basic earnings per share (RMB/share)	0.10	0.20	-50.00	0.04
Diluted earnings per share (RMB/share)	0.10	0.20	-50.00	0.04
Weighted average return on net assets (%)	4.88	10.14	Decrease by 5.26 percentage points	-1,290.51

3.2 Major financial data by quarter during the reporting period

Unit: RMB'000

	1st Quarter (January- March)	2nd Quarter (April- June)	3rd Quarter (July- September)	4th Quarter (October- December)
Operating income	5,307,920	6,175,640	5,800,779	6,193,258
Net profit attributable to shareholders of listed company	150,437	465,291	104,173	205,822
Net profit attributable to shareholders of listed company, netting non- recurring gains and losses	128,191	460,906	100,097	37,314
Net cash flow from operating activities	-138,559	226,976	-994,837	501,094

Explanation on the differences between quarterly data and disclosed regular reporting data

Applicable Not applicable

4 Share Capital and Shareholders

4.1 Table of holdings of the number of ordinary shareholders and preferred shareholders with restored voting rights and the top 10 shareholders

Unit: share

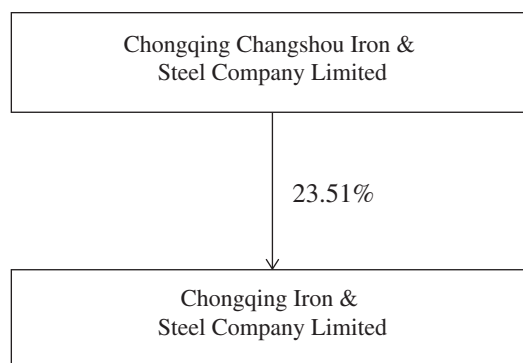
As of the end of the reporting period, the total number of ordinary shareholders (<i>accounts</i>)	136,901
At the end of the month before the annual report disclosure, the total number of ordinary shareholders (<i>accounts</i>)	134,269
As of the end of the reporting period, the total number of preferred shareholders with restored voting rights (<i>accounts</i>)	0
At the end of the month before the annual report disclosure, the total number of preferred shareholders with restored voting rights (<i>accounts</i>)	0

The top 10 shareholders

Name of shareholder (Full name)	Changes during the reporting period	Period-end number of stock	Ratio (%)	Number of restricted stock held	Pledged or frozen Stock Status	Quantity	Nature of shareholders
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Pledged	2,096,981,600	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	195,881	531,217,421	5.96	0	Unknown	-	Foreign legal person
Chongqing Qianxin Energy Environmental Protection Company Limited	0	427,195,760	4.79	0	Pledged	427,190,070	Unknown
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.24	0	Nil	0	Unknown
Chongqing Guochuang Investment and Management Co., Ltd.	0	278,288,059	3.12	0	Nil	0	Unknown
Sinosteel Equipment & Engineering Co., Ltd.	0	252,411,692	2.83	0	Nil	0	Unknown
Bank of Chongqing Co., Ltd.	0	226,042,920	2.53	0	Nil	0	Unknown
Industrial Bank Co., Ltd., Chongqing Branch	0	219,633,096	2.46	0	Nil	0	Unknown
Agricultural Bank of China Limited, Chongqing Branch	0	216,403,628	2.43	0	Nil	0	Unknown
China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司)	0	211,461,370	2.37	0	Nil	0	Unknown
The above shareholders' connected relationship or acting in concert	There is no connection between Chongqing Changshou Iron & Steel Company Limited, the controlling shareholder of the Company, and the other 9 shareholders, nor are they persons acting in concert regulated in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Companies' Shareholders. The Company is also not aware of any connected relationship among the other 9 shareholders or whether they are acting in concert.						
Preferred shareholders with restored voting rights and their shareholding	Not applicable.						

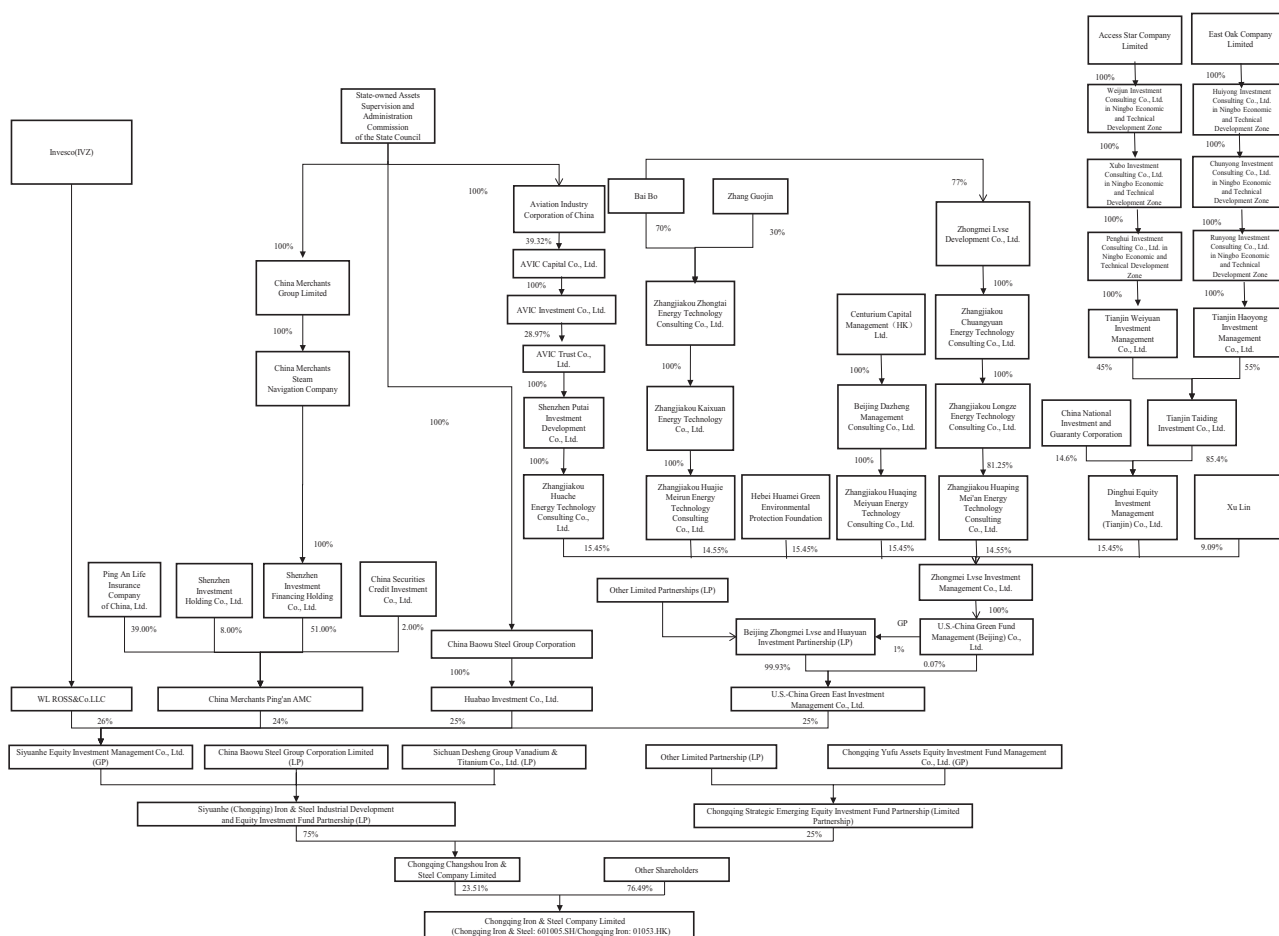
4.2 Chart of equity and the controlling relationship between the Company and the controlling shareholder

Applicable Not applicable



4.3 Chart of equity and the controlling relationship between the Company and the actual controllers

Applicable Not applicable



4.4 The total number of preferred shareholders of the Company and the top 10 shareholders at the end of the reporting period

Applicable Not applicable

5 Information on Corporate Bond

Applicable Not applicable

C. MANAGEMENT DISCUSSION AND ANALYSIS

1 Major Operations During the Reporting Period

During the reporting period, the Company produced 6.1103 million tonnes of iron, 6.7236 million tonnes of steel and 6.4274 million tonnes of steel products, representing year-on-year growth of 7.62%, 5.36%, and 5.18% respectively, which exceeded the annual goals and reached the highest level in history. The sales volume of steel products was 6.5074 million tonnes, representing a year-on-year growth of 7.62%. The operating income was RMB23.478 billion, representing a year-on-year increase of 3.70%, while the net profit was RMB926 million, representing a year-on-year decrease of 48.23%.

1.1 Main business analysis

(1) Analysis of changes in certain items from Income Statement and Cash Flow Statement

Unit: RMB'000

Item	Current period	Corresponding period of last year	Change (%)
Operating income	23,477,597	22,638,957	3.70
Operating cost	21,718,957	19,681,846	10.35
Selling expenses	121,521	88,057	38.00
Administrative expenses	597,612	795,392	-24.87
R&D expenses	–	–	–
Financial expenses	170,887	183,073	-6.66
Net cash flow from operating activities	-405,326	1,338,195	-130.29
Net cash flow from investing activities	-718,828	630,605	-213.99
Net cash flow from financing activities	749,934	-868,219	Not applicable

- 1) The increase of operating income was mainly due to the improvement of production and sales.

- 2) The increase of operating cost was mainly due to the improvement of production and sales.
- 3) The increase of selling expenses was mainly due to the improvement of production and sales, as well as the increase of freight charge.
- 4) The decrease of administrative expenses was mainly due to decrease in provision of incentive funds and termination benefits in the period.
- 5) The decrease of net cash flow from operating activities was mainly due to increase in inventory of raw fuel and redemption of notes issued in previous period.
- 6) The decrease of net cash flow from investing activities was mainly due to new fixed investment projects and wealth management products.
- 7) The increase of net cash flow from financing activities was mainly due to repayment of guaranteed debt during the judicial reorganisation in the corresponding period of last year.

(2) *Revenue and cost analysis*

Applicable Not applicable

Detailed notes to the major changes in the Company's profits structure or profits sources:

In 2019, the Group realized a total profit of RMB891 million, representing a year-on-year decrease of 49.37%, which was mainly due to the following reasons: the increase in prices of raw materials, such as ore, coal, alloy, scrap steel, etc., resulted in a decrease of RMB 1.120 billion in profit; the selling price of steel products amounted to RMB3,457/tonne, representing a year-on-year decrease of 4.26% and resulting in a decrease of RMB1.090 billion in profit; the sales volume of steel products reached 6,507,400 tonnes, representing a year-on-year increase of 7.62%, and achieving an increase of RMB303 million in profit; the Company implemented the operating principle of achieving full production and sales, improved basic management, realized stable

and smooth production and vigorously promoted the cost reduction plan. As a result, critical technical and economic indicators such as the hot strength of coke, tumbler index of sinter, fuel ratio, capacity factor of blast furnace, steel consumption in steelmaking, yield of rolled steel, etc., were all improved significantly and cost consumption levels were reduced substantially, thus resulting in an increase of RMB752 million in profit from cost reduction in the aspect of process; the year-on-year decrease in the total amount of expenses for the period gave rise to an increase of RMB177 million in profit; the year-on-year increase in other income gave rise to an increase of RMB142 million in profit.

In 2019, the Group's revenue from main business amounted to RMB23.370 billion, representing a year-on-year increase of 3.50%. In particular, the income from sales of rolled steel billet amounted to RMB22.494 billion, representing an increase of RMB659 million as compared with the corresponding period of last year. Firstly, the sales volume of rolled steel billet was 6,507,400 tonnes, representing a year-on-year increase of 7.62%, resulting in an increase in the sales income of RMB1.749 billion; secondly, the average sales price of rolled steel billet was RMB3,457/tonne, representing a year-on-year decrease of 4.26%, leading to a decrease in the sales income of RMB1.090 billion.

Composition of income from main businesses:

Type	2019		2018		Year-on-year increase in amount (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plate	6,894,166	29.50	6,076,840	26.91	13.45
Hot rolling	10,792,992	46.18	11,714,937	51.88	-7.87
Bars	2,480,253	10.61	2,135,019	9.46	16.17
Profiles	2,326,636	9.96	1,908,058	8.45	21.94
Billet	-	-	-	-	-
Subtotal	<u>22,494,047</u>	<u>96.25</u>	<u>21,834,854</u>	<u>96.71</u>	<u>3.02</u>
Other	875,587	3.75	743,921	3.29	17.70
Total	<u>23,369,634</u>	<u>100.00</u>	<u>22,578,775</u>	<u>100.00</u>	<u>3.50</u>

Sales prices of rolled steel billet:

Item	2019 Sales price RMB/tonne	2018 Sales price RMB/tonne	Year- on-year growth (%)	Income increase (RMB'000)
Plate	3,587	3,802	-5.65	-412,241
Hot rolling	3,338	3,505	-4.76	-538,147
Bars	3,554	3,663	-2.98	-76,011
Profiles	3,554	3,652	-2.68	-63,851
Billet	-	-	-	-
Subtotal	<u>3,457</u>	<u>3,611</u>	<u>-4.26</u>	<u>-1,090,250</u>

Sales volumes of rolled steel billet:

Item	Sales volume for 2019 (Ten thousand tonnes)	Sales volume for 2018 (Ten thousand tonnes)	Year- on-year growth (%)	Income increase (RMB'000)
Plate	192.19	159.85	20.23	1,229,567
Hot rolling	323.31	334.26	-3.28	-383,798
Bars	69.78	58.28	19.73	421,245
Profiles	65.46	52.25	25.28	482,429
Billet	-	-	-	-
Subtotal	<u>650.74</u>	<u>604.64</u>	<u>7.62</u>	<u>1,749,443</u>

1) Main business by sectors, products and regions

Unit: RMB'000

Main business by sectors

By sectors	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Iron and steel	23,369,634	21,648,069	7.37	3.50	10.16	Decrease by 5.59 percentage points

Main business by products

By products	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Rolled steel billet	22,494,047	20,791,682	7.57	3.02	9.56	Decrease by 5.52 percentage points
Other	875,587	856,387	2.19	17.70	27.01	Decrease by 7.17 percentage points

Main business by regions

By regions	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Southwest	19,098,458	17,677,078	7.44	-3.30	2.83	Decrease by 5.52 percentage points
Other regions	4,271,176	3,970,991	7.03	51.00	61.37	Decrease by 5.97 percentage points
Total	23,369,634	21,648,069	7.37	3.50	10.16	Decrease by 5.59 percentage points

Explanations on main business by sectors, products and regions

Not applicable

2) Table of production and sales volume analysis

Applicable Not applicable

Main products	Unit	Production volume	Sales volume	Inventory	Year-on-year increase/decrease in production volume (%)	Year-on-year increase/decrease in sales volume (%)	Year-on-year increase/decrease in inventory (%)
Plate	Ten thousand tonnes	190.93	192.19	4.77	17.65	20.23	3.47
Hot rolling	Ten thousand tonnes	318.55	323.31	2.76	-5.02	-3.28	-43.33
Bars	Ten thousand tonnes	69.14	69.78	1.85	14.77	19.73	-26.59
Profiles	Ten thousand tonnes	64.12	65.46	0.07	20.57	25.28	-95.07

Explanations on production and sales volume

Not applicable

3) Cost analysis table

Unit: RMB'000

By sectors

By sectors	Cost component	Amount for the period	Percentage	Amount for the corresponding period of last year	Percentage	Year- on-year change (%)
			of the amount for the period in total costs (%)		of the amount for the corresponding period of last year in total costs (%)	
Iron and steel	Raw material	16,364,965	75.59	14,282,976	72.68	14.58
Iron and steel	Energy	1,120,692	5.18	1,170,245	5.96	-4.23
Iron and steel	Labor and other costs	4,162,412	19.23	4,198,491	21.36	-0.86

By products

By products	Cost component	Amount for the period	Percentage	Amount for the corresponding period of last year	Percentage	Year- on-year change (%)
			of the amount for the period in total costs (%)		of the amount for the corresponding period of last year in total costs (%)	
Rolled steel billet	Raw material and energy costs	20,791,682	96.04	18,977,424	96.57	9.56
Other	Raw material and energy costs	856,387	3.96	674,288	3.43	27.01

Explanations on other information of cost analysis

Not applicable

4) Major buyers and major suppliers

Applicable Not applicable

The sales attributable to the five largest buyers amounted to RMB7,022,417,000, representing 29.91% of the total sales for the year, of which the sales attributable to related parties amounted to nil, representing 0.00 % of the total sales for the year.

The purchase amount attributable to the five largest suppliers amounted to RMB6,405,210,000, representing 29.22% of the total purchase amount for the year, of which the purchase amount attributable to related parties amounted to nil, representing 0.00% of the total purchase amount for the year.

Other explanations

Not applicable

(3) Expenses

Applicable Not applicable

Unit: RMB'000

Item	Amount for the period	Amount for the previous period	Year- on-year change (%)
Selling expenses	121,521	88,057	38.00
Administrative expenses	597,612	795,392	-24.87
Financial expenses	170,887	183,073	-6.66

(4) *R&D investment*

1) Table of R&D investment

Applicable Not applicable

Unit: RMB'000

Expensed R&D investment for the period	516,014
Capitalized R&D investment for the period	0
Total R&D investment	516,014
Percentage of the total R&D investment in operating income (%)	2.20
Number of R&D personnel of the Company	920
Percentage of R&D personnel in total number of employees of the Company (%)	14.36
Percentage of capitalized R&D investment in total R&D investment (%)	0

2) Explanations

Applicable Not applicable

(5) *Cash flow*

Applicable Not applicable

Unit: RMB'000

Item	2019	2018	Main reasons for changes
Net cash flow from operating activities	-405,326	1,338,195	Increase in inventory of raw fuel and redemption of notes issued in previous period
Net cash flow from investing activities	-718,828	630,605	New fixed investment projects and wealth management products
Net cash flow from financing activities	749,934	-868,219	Repayment of guaranteed debt during the judicial reorganisation in the corresponding period of last year
Net increase in cash and cash equivalents	-374,220	1,100,581 /	

1.2 Explanation on material change in profit due to non-principal business

Applicable Not applicable

1.3 Analysis of assets and liabilities

Applicable Not applicable

(1) Assets and liabilities

Unit: RMB'000

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Cash and bank balances	1,783,747	6.61	2,764,631	10.26	-35.48	Adjustment to payment methods
Financial assets held for trading	400,000	1.48	30,000	0.11	1,233.33	Improving the efficiency of capital operation
Trade receivables	5,610	0.02	30,340	0.11	-81.51	Differences in settlement time at the end of the reporting period
Receivables financing	861,373	3.19	575,652	2.14	49.63	Adjustment to payment methods
Prepayments	751,498	2.79	908,646	3.37	-17.29	
Other receivables	78,132	0.29	10,506	0.04	643.69	Recognition of outstanding government subsidies receivable
Inventories	3,931,513	14.57	3,192,201	11.85	23.16	Increase in inventory and ore prices due to maintenance of the Three Gorges Dam
Other current assets	43,410	0.16	279	0.00	15,459.14	Increase in taxes to be verified

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year- on-year change (%)	Explanation
Long-term equity investments	28,258	0.10	-	-	Not applicable	New equity investments
Other equity investments	5,000	0.02	5,000	0.02	0.00	
Property, plant and equipment	16,442,264	60.95	16,914,109	62.80	-2.79	
Construction in process	171,858	0.64	16,593	0.06	935.73	Increase in technical transformation projects
Intangible assets	2,392,114	8.87	2,454,327	9.11	-2.53	
Deferred tax assets	68,436	0.25	31,067	0.12	120.29	
Other non-current assets	12,513	0.05	-	-	Not applicable	
Short-term borrowings	384,528	1.43	-	-	Not applicable	New borrowings
Notes payable	91,127	0.34	1,199,147	4.45	-92.40	Redemption of notes issued in previous period
Trade payables	1,726,883	6.40	1,747,169	6.49	-1.16	
Contract liabilities	1,145,615	4.25	1,004,280	3.73	14.07	
Employee benefits payable	257,143	0.95	333,407	1.24	-22.87	
Taxes payable	70,867	0.26	35,733	0.13	98.32	VAT payable in December
Other payables	421,768	1.56	348,348	1.29	21.08	
Non-current liabilities due within one year	841,576	3.12	416,317	1.55	102.15	Reclassification of borrowings due within one year
Other current liabilities	150,208	0.56	160,675	0.60	-6.51	
Long-term borrowings	-	-	300,000	1.11	Not applicable	
Long-term employee benefits payable	201,737	0.75	240,615	0.89	-16.16	
Deferred income	38,271	0.14	40,495	0.15	-5.49	
Other non-current liabilities	2,250,000	8.34	2,575,500	9.56	-12.64	

Other explanation

Not applicable

(2) Major restricted assets at the end of the reporting period

Applicable Not applicable

Unit: RMB'000

Item	Carrying amount at the end of the period	Carrying amount at the beginning of the period	Reason for restrictions
Cash and bank balances	188,424	795,088	Note 1
Notes receivables	190,000	20,000	Note 2
Property, plant and equipment – houses and buildings	1,928,087	1,975,369	Note 3
Intangible assets	<u>2,392,114</u>	<u>2,454,327</u>	Note 4
Total	<u><u>4,698,625</u></u>	<u><u>5,244,784</u></u>	

Note 1: As at 31 December 2019, the Group's ownership of cash and bank deposits with carrying amount of RMB188,424,000 (31 December 2018: RMB795,088,000) was restricted for issuing bank acceptances and letters of credit.

Note 2: As at 31 December 2019, the Group obtained short-term borrowings by discounting bank acceptances with carrying amount of RMB190,000,000 (31 December 2018: the Group's bank acceptances with carrying amount of RMB20,000,000 were pledged for issuing bank acceptances).

Note 3: As at 31 December 2019, the Group's houses and buildings with carrying amount of RMB1,928,087,000 (31 December 2018: RMB1,975,369,000) were pledged for obtaining bank borrowing and working capital loan facilities.

Note 4: As at 31 December 2019, the Group's land use right with carrying amount of RMB2,392,114,000 (31 December 2018: RMB2,454,327,000) was pledged for obtaining bank borrowing and working capital loan facilities, and the amortised amount of the land use right was RMB62,213,000 (2018: RMB67,407,000) during the current year.

2 Management Discussion and Analysis on Future Development of the Company

2.1 Industry competition pattern and development trend

Applicable Not applicable

In 2019, the iron and steel industry continued to advance the supply-side structural reform, consolidated the results of the capacity cutting, accelerated structural adjustment, transformation and upgrading, and achieved stable operation in general. Due to factors such as accelerated growth of steel production, slight decrease in steel price and higher price of raw materials (such as iron ore), the economic benefits of steel companies fell sharply.

In 2020, the last year of the 13th Five-Year Plan, the development of the iron and steel industry faces a complex and changeable situation. The entire industry will follow the requirements of the Central Economic Work Conference, continue to focus on supply-side structural reform, consolidate the results of the capacity cutting in the iron and steel industry, elevate green and intelligent standards in the iron and steel industry, and improve quality and efficiency, so as to promote high quality development of the iron and steel industry.

In the future, intelligent manufacturing, integration and innovation will be the key works of the iron and steel industry for a period of time. Green and low-carbon, integration and innovation, network and intelligence, and sharing and win-win are becoming new features of the development of intelligent manufacturing. Due to intensifying competition in domestic and foreign markets, rapid development of information technology, and the advent of information society, the iron and steel industry needs to accelerate the establishment of a highly integrated and coordinated comprehensive operation system for managing enterprise under the information environment, the green and low-carbon steel manufacturing system supported by information technology, the industry chain integration system based on network, and the digital lifetime management system for steel products, to make the development prospects of the iron and steel industry brighter.

2.2 Corporate development strategy

Applicable Not applicable

The Company will strive to become the most competitive steel enterprise in Southwest China, the leading green-friendly, transforming and upgrading inland steel factory, becoming the model for the mutual development of the staff and enterprises, and shaping itself to “Be Strong”, “Be Beautiful” and “Be Attractive”.

The Company will implement its cost leadership strategy and leading manufacturing technology strategy. In a market with competition from the homogenization of the iron and steel industry, the cost leadership will become the most important competitive strategy for an enterprise. Since the leading manufacturing technologies can decide the competition pattern, the space of cost reduction in the future lies in whether the relevant technologies are in place. On the premise that the users’ usage standards can be met, the leadership in the manufacturing technologies can help lower manufacturing costs.

2.3 Operating plans

Applicable Not applicable

In 2020, the Company consolidated its foundation and transformed its development model. The Company will continue to take “shaping Chongqing Iron to be strong, beautiful and attractive” as its vision and goals, actively implement the annual production and operation policy of “expanding scale, adjusting structure, and reducing costs” and basic work of “finding differences from excellent enterprises comprehensively, paying close attention to reducing costs and increasing efficiency, promoting the implementation of plans and improving system capabilities”, and adhere to the philosophy of “all costs can be lowered” to establish a sense of crisis for all employees and make plan for hard times, while focusing on “scale + cost” and “efficiency + benefit”, so as to promote the production and operation, project construction, reforms and development of the Company comprehensively, and improve the Company’s competitiveness continuously.

The Company plans to produce 6.12 million tonnes of pig iron, 6.80 million tonnes of steel and 6.38 million tonnes of steel products, and realize sales volume of 6.38 million tonnes of steel products and sales revenue of RMB22.0 billion (tax exclusive) in the year of 2020.

2.4 Potential risks

Applicable Not applicable

- (1) The iron and steel industry is a strong cyclical industry. Domestic and international situation, macro-economic and industrial policies may have certain effect on the operation of the Company.
- (2) The steel price is subject to significant fluctuations, which may have certain effect on the profitability of the Company.
- (3) The Company is suffering increasing cost pressures as a result of the continuous rise in domestic steel production capacity, fluctuations of iron ore price at high level, and rising freight of bulk raw materials.
- (4) Serious backlog of steel stocks in the market and difficulties encountered by the Company in delivering products as a result of the epidemic have short-term adverse effect on the Company's production and operation.

3 Reasons for the Suspension of Listing

Applicable Not applicable

4 The Circumstances and Reasons for the Termination of the Listing

Applicable Not applicable

5 The Company's Analysis and Explanation about the Reasons for and Impact of Changes in Accounting Policy and Accounting Estimates

Applicable Not applicable

Changes in accounting policy

5.1 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 the current accounting treatment for finance leases and requires the lessee to recognize the 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 selected not to reevaluate whether the contracts that have existed before the date of initial implementation are or contain leases. According to the transitional requirements, the information for the comparable period will not be adjusted and retained earnings at the beginning of 2019 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 impact 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:

Unit: RMB'000

Minimum lease payments for significant operating leases as at 31 December 2018	379,500
Less: lease payments subject to simplified treatment	379,500
Including: short-term lease	379,500
Weighted average incremental borrowing rate	4.86%
Present value of lease payments for operating leases as at 1 January 2019	–
Lease liability as at 1 January 2019	–

The implementation of the New Lease Standard had no significant impact on the consolidated and company balance sheet as at 1 January 2019 and consolidated and company financial statement for 2019.

5.2 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)) and the Notice on Revising and Issuing Format of Consolidated Financial Statements (Cai Kuai [2019] No.16) (《關於修訂印發合併財務報表格式(2019版)的通知》(財會[2019]16號)), in the balance sheet, the amounts previously presented in “notes and trade receivables” shall be split into “notes receivable” and “trade receivables”, the amounts previously presented in “notes and trade payables” shall be split into “notes payable” and “trade payables”, notes at fair value through other comprehensive income previously included in “other current assets” shall be presented in “receivables financing” separately, “interest receivable” included in “other receivables” shall only reflect the interest receivable of relevant financial instruments which is due but not received on balance sheet date (interest of financial instruments based on effective interest method should be included in the carrying amount of the corresponding financial instrument), and the “interest payable” included in “other payables” shall only reflect the interest payable of relevant financial instruments which is due but not paid on balance sheet date (interest of financial instruments based on effective interest method should be included in the carrying amount of the corresponding financial instrument). The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in the accounting policies have had no impact on the net profit and equity in the consolidated and company financial statements.

The main impact of retrospective adjustments on financial statements caused by the above changes in accounting policies are as follows:

The Group

Unit: RMB'000

2019	Before changes in accounting policies	Changes in accounting policies Effects of other changes in the presentation	After changes in accounting policies
	Closing balances of 2018	of financial statements	Opening balances of 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
Other payables	354,665	(6,317)	348,348
Non-current liabilities due within one year	410,000	6,317	416,317

Unit: RMB'000

2018	Before changes in accounting policies	Changes in accounting policies Effects of other changes in the presentation	After changes in accounting policies
	Opening balances for the year	of financial statements	Opening balances for the year
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
Other payables	1,491,912	(7,174)	1,484,738
Non-current liabilities due within one year	400,000	7,174	407,174

The Company

Unit: RMB'000

2019	Before changes in accounting policies	Changes in accounting policies	After changes in accounting policies
	Closing balances of 2018	Effects of other changes in the presentation of financial statements	Opening balances of 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
Other payables	354,665	(6,317)	348,348
Non-current liabilities due within one year	410,000	6,317	416,317

Unit: RMB'000

2018	Before changes in accounting policies	Changes in accounting policies	After changes in accounting policies
	Opening balances for the year	Effects of other changes in the presentation of financial statements	Opening balances for the year
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
Interest payable	1,486,183	(7,174)	1,479,009
Non-current liabilities due within one year	400,000	7,174	407,174

6 Company's analysis on the cause and impact of correction of material errors of accounting

Applicable Not applicable

7 The Company shall make specific explanations regarding the changes in the scope of consolidation of financial statements compared to last year's financial report.

Applicable Not applicable

D. RELEVANT DISCLOSURE MADE ACCORDING TO THE RULES GOVERNING THE LISTING OF SECURITIES ON THE HONG KONG STOCK EXCHANGE

1 Compliance of Corporate Governance Code

To the best of knowledge of the Board, the Company had complied with the requirements of the "Corporate Governance Code" as set out in Appendix 14 the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") during the reporting period, and was not aware of any deviation from the Code.

2 Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of 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 year ended 31 December 2019.

3 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).

4 Major Acquisition and Disposal of Subsidiaries and Affiliates

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

5 Audit Committee

The Audit Committee of the Company 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 2019 Annual Report of the Company had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

6 Interests or Short Positions

As at 31 December 2019, the interests or short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the SFO) of the directors, supervisors or senior management members of the Company 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 Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange, 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

7 Pre-emptive Rights

According to the Articles of Association of the Company and the laws of the People's Republic of China, there are no pre-emptive rights which would require the Company to issue new shares to its existing shareholders on a pro-rata basis.

8 Public Float of H Shares

As of the date hereof, to the best knowledge of the Board, the Company has maintained sufficient public float as required by the Listing Rules of the Stock Exchange.

9 Circulating Market Capitalisation

Based on the available information to the Company, as at 31 December 2019, the circulating market capitalisation of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$1.03)) was approximately HK\$554 million and the circulating market capitalisation of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB1.85)) was approximately RMB15.504 billion.

10 Final Dividend

The Company's profit distribution policies are set out in detail in the Articles of Association, which provides the principles, forms and conditions of distribution, the justification procedures for distribution scheme and decision-making mechanism, as well as policy adjustments. When determining profit distribution (including dividend payment) and distribution proportion, the Company will follow several major principles including the continuity and stability of profit distribution policies, paying full attention to the reasonable investment return for investors, and considering the long-term interests of the Company, sustainable development and the interests of all shareholders as a whole, and the Board will prepare the proposal for profit distribution according to the operating situations and development of the Company, then submit it to the general meetings for approval. Please refer to the profit distribution policies set out in the Articles of Association for more details.

The Company does not have any predetermined dividend distribution proportion or dividend distribution ratio, and the distribution and the amount of dividend will be determined by the Board's discretion as aforesaid.

According to the auditing by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company for 2019 amounted to RMB926 million, and the unappropriated profit as at the end of 2019 amounted to RMB-9.364 billion. As the Company recorded a negative unappropriated profit as at the end of 2019, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2019 pursuant to Article 250 of the Articles of Association.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

RMB'000

Assets	31 December 2019	31 December 2018
Current assets		
Cash and bank balances	1,783,747	2,764,631
Financial assets held for trading	400,000	30,000
Trade receivables	5,610	30,340
Receivables financing	861,373	575,652
Prepayments	751,498	908,646
Other receivables	78,132	10,506
Inventories	3,931,513	3,192,201
Other current assets	43,410	279
Total current assets	<u>7,855,283</u>	<u>7,512,255</u>
Non-current assets		
Long-term equity investments	28,258	–
Other equity investments	5,000	5,000
Property, plant and equipment	16,442,264	16,914,109
Construction in progress	171,858	16,593
Intangible assets	2,392,114	2,454,327
Deferred tax assets	68,436	31,067
Other non-current assets	12,513	–
Total non-current assets	<u>19,120,443</u>	<u>19,421,096</u>
Total assets	<u><u>26,975,726</u></u>	<u><u>26,933,351</u></u>

Liabilities and Shareholders' equity	31 December 2019	31 December 2018
Current liabilities		
Short-term borrowings	384,528	–
Notes payable	91,127	1,199,147
Trade payables	1,726,883	1,747,169
Contract liabilities	1,145,615	1,004,280
Employee benefits payable	257,143	333,407
Taxes payable	70,867	35,733
Other payables	421,768	348,348
Non-current liabilities due within one year	841,576	416,317
Other current liabilities	150,208	160,675
	<hr/>	<hr/>
Total current liabilities	5,089,715	5,245,076
	<hr/>	<hr/>
Non-current liabilities		
Long-term borrowings	–	300,000
Long-term employee benefits payable	201,737	240,615
Deferred income	38,271	40,495
Other non-current liabilities	2,250,000	2,575,500
	<hr/>	<hr/>
Total non-current liabilities	2,490,008	3,156,610
	<hr/>	<hr/>
Total liabilities	7,579,723	8,401,686
	<hr/>	<hr/>
Shareholders' equity		
Share capital	8,918,602	8,918,602
Capital reserves	19,282,147	19,282,147
Less: Treasury shares	62,314	–
Special reserves	14,573	13,644
Surplus reserves	606,991	606,991
Unappropriated profit	(9,363,996)	(10,289,719)
	<hr/>	<hr/>
Total shareholders' equity	19,396,003	18,531,665
	<hr/>	<hr/>
Total liabilities and shareholders' equity	26,975,726	26,933,351
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

RMB'000

	2019	2018
Revenue	23,477,597	22,638,957
Less: Cost of sales	21,718,957	19,681,846
Taxes and surcharges	168,336	127,675
Distribution and selling expenses	121,521	88,057
General and administrative expenses	597,612	795,392
Finance expenses	170,887	183,073
Including: Interest expenses	216,278	278,680
Interest income	52,977	99,927
Add: Other income	144,872	2,729
Investment income	15,894	5,455
Including: Investment losses from associates and joint ventures	–	(1,566)
Impairment losses on credit	(531)	(8,752)
Impairment losses on assets	–	(30,728)
Gains on disposal of assets	–	14,822
Operating profit	860,519	1,746,440
Add: Non-operating income	39,638	19,827
Less: Non-operating expenses	9,648	7,534
Total profit	890,509	1,758,733
Less: Income tax expenses/(credit)	(35,214)	(29,300)
Net Profit	<u>925,723</u>	<u>1,788,033</u>
Breakdown by continuity of operations		
Net profit from continuing operations	<u>925,723</u>	<u>1,788,033</u>

	2019	2018
Breakdown by attributable interests		
Net profit attributable to shareholders of the parent	925,723	1,787,906
Non-controlling interests	—	127
	<u> </u>	<u> </u>
Other comprehensive income after tax	—	—
	<u> </u>	<u> </u>
Total comprehensive income	925,723	1,788,033
	<u> </u>	<u> </u>
Including:		
Total comprehensive income attributable to shareholders of the parent	925,723	1,787,906
Total comprehensive income attributable to non-controlling interests	—	127
	<u> </u>	<u> </u>
Earnings per share		
Basic earnings per share (<i>RMB/share</i>)	0.10	0.20
	<u> </u>	<u> </u>
Diluted earnings per share (<i>RMB/share</i>)	0.10	0.20
	<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

RMB '000

2019

	Total equity attributable to shareholders of the parent							Subtotal	Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit			
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,282,147	-	-	13,644	606,991	(10,289,719)	18,531,665	-	18,531,665
II. Changes in the current year	-	-	62,314	-	929	-	925,723	864,338	-	864,338
(I) Total comprehensive income	-	-	-	-	-	-	925,723	925,723	-	925,723
(II) Shareholders' contribution and decrease in share capital	-	-	62,314	-	-	-	-	(62,314)	-	(62,314)
1. Others	-	-	62,314	-	-	-	-	(62,314)	-	(62,314)
(III) Special reserve	-	-	-	-	929	-	-	929	-	929
1. Amount established during the year	-	-	-	-	25,680	-	-	25,680	-	25,680
2. Amount utilized during the year	-	-	-	-	24,751	-	-	24,751	-	24,751
III. Closing balance for the year	<u>8,918,602</u>	<u>19,282,147</u>	<u>62,314</u>	<u>-</u>	<u>14,573</u>	<u>606,991</u>	<u>(9,363,996)</u>	<u>19,396,003</u>	<u>-</u>	<u>19,396,003</u>

2018

	Total equity attributable to shareholders of the parent							Subtotal	Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit			
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,282,147	-	-	-	606,991	(12,077,625)	16,730,115	73,849	16,803,964
II. Changes in the current year	-	-	-	-	13,644	-	1,787,906	1,801,550	(73,849)	1,727,701
(I) Total comprehensive income	-	-	-	-	-	-	1,787,906	1,787,906	127	1,788,033
(II) Shareholders' contribution and decrease in share capital	-	-	-	-	-	-	-	-	(73,513)	(73,513)
1. Others	-	-	-	-	-	-	-	-	(73,513)	(73,513)
(III) Profit Appropriation	-	-	-	-	-	-	-	-	(463)	(463)
1. Distribution to shareholders	-	-	-	-	-	-	-	-	(463)	(463)
(IV) Special reserve	-	-	-	-	13,644	-	-	13,644	-	13,644
1. Amount established during the year	-	-	-	-	20,520	-	-	20,520	-	20,520
2. Amount utilized during the year	-	-	-	-	6,876	-	-	6,876	-	6,876
III. Closing balance for the year	<u>8,918,602</u>	<u>19,282,147</u>	<u>-</u>	<u>-</u>	<u>13,644</u>	<u>606,991</u>	<u>(10,289,719)</u>	<u>18,531,665</u>	<u>-</u>	<u>18,531,665</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

RMB'000

	2019	2018
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	22,376,737	13,270,746
Other cash received relating to operating activities	<u>149,412</u>	<u>175,337</u>
Sub-total of cash inflows from operating activities	<u>22,526,149</u>	<u>13,446,083</u>
Cash paid for purchase of goods and services	20,843,771	9,306,899
Cash paid to and on behalf of employees	1,205,096	1,536,319
Cash paid for all types of taxes	553,961	263,339
Other cash paid relating to operating activities	<u>328,647</u>	<u>1,001,331</u>
Sub-total of cash outflows from operating activities	<u>22,931,475</u>	<u>12,107,888</u>
Net cash flows from operating activities	<u>(405,326)</u>	<u>1,338,195</u>
II. Cash flows from investing activities:		
Cash received from disposal of investments	1,008,800	1,241,636
Cash received from return on investments	15,894	7,021
Net cash received from disposal of property plant and equipment, intangible assets and other long-term assets	–	16,229
Other cash received relating to investing activities	<u>980</u>	<u>–</u>
Sub-total of cash inflows from investing activities	<u>1,025,674</u>	<u>1,264,886</u>
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	337,444	14,281
Cash paid for acquisition of investments	<u>1,407,058</u>	<u>620,000</u>
Sub-total of cash outflows from investing activities	<u>1,744,502</u>	<u>634,281</u>
Net cash flows from investing activities	<u>(718,828)</u>	<u>630,605</u>

	2019	2018
III. Cash flows from financing activities:		
Cash received from borrowings	591,545	185,500
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>1,386,633</u>	<u>1,367,076</u>
Cash repayments of borrowings	410,000	400,000
Cash paid for distribution of dividends or profits, and for interest expenses	157,441	247,845
Other cash paid relating to financing activities	<u>69,258</u>	<u>1,587,450</u>
Sub-total of cash outflows from financing activities	<u>636,699</u>	<u>2,235,295</u>
Net cash flows from financing activities	<u>749,934</u>	<u>(868,219)</u>
IV. Effect of changes in exchange rate on cash and cash equivalents		
	<u>–</u>	<u>–</u>
V. Net increase/(decrease) in cash and cash equivalents		
	(374,220)	1,100,581
Add: Cash and cash equivalents at the beginning of the year	<u>1,969,543</u>	<u>868,962</u>
VI. Cash and cash equivalents at the end of the year		
	<u><u>1,595,323</u></u>	<u><u>1,969,543</u></u>

STATEMENT OF BALANCE SHEET

As at 31 December 2019

RMB'000

Assets	31 December 2019	31 December 2018
Current assets		
Cash and bank balances	1,779,736	2,762,442
Financial assets held for trading	400,000	30,000
Trade receivables	5,610	29,851
Receivables financing	861,373	575,652
Prepayments	707,289	908,523
Other receivables	78,027	10,500
Inventories	3,931,513	3,192,201
Other current assets	43,410	279
Total current assets	<u>7,806,958</u>	<u>7,509,448</u>
Non-current assets		
Long-term equity investments	28,258	–
Other equity investments	5,000	5,000
Property, plant and equipment	16,442,087	16,914,084
Construction in progress	171,858	16,593
Intangible assets	2,392,114	2,454,327
Deferred tax assets	68,192	31,067
Other non-current assets	12,513	–
Total non-current assets	<u>19,120,022</u>	<u>19,421,071</u>
Total assets	<u>26,926,980</u>	<u>26,930,519</u>

Liabilities and owner's equity	31 December 2019	31 December 2018
Current liabilities		
Short-term borrowings	384,528	–
Notes payable	91,127	1,199,147
Trade payables	1,726,883	1,746,742
Contract liabilities	1,105,972	1,004,220
Employee benefits payable	257,143	333,407
Taxes payable	70,398	34,741
Other payables	421,590	348,348
Non-current liabilities due within one year	841,576	416,317
Other current liabilities	144,958	160,675
	<hr/>	<hr/>
Total current liabilities	5,044,175	5,243,597
	<hr/>	<hr/>
Non-current liabilities		
Long-term borrowings	–	300,000
Long-term employee benefits payable	201,737	240,615
Deferred income	38,271	40,495
Other non-current liabilities	2,250,000	2,575,500
	<hr/>	<hr/>
Total non-current liabilities	2,490,008	3,156,610
	<hr/>	<hr/>
Total liabilities	7,534,183	8,400,207
	<hr/>	<hr/>
Shareholders' equity		
Share capital	8,918,602	8,918,602
Capital reserves	19,313,090	19,313,090
Less: Treasury shares	62,314	–
Special reserves	14,573	13,644
Surplus reserves	577,012	577,012
Unappropriated profit	(9,368,166)	(10,292,036)
	<hr/>	<hr/>
Total shareholders' equity	19,392,797	18,530,312
	<hr/>	<hr/>
Total liabilities and shareholders' equity	26,926,980	26,930,519
	<hr/> <hr/>	<hr/> <hr/>

INCOME STATEMENT

For the year ended 31 December 2019

RMB'000

	2019	2018
Revenue	23,467,962	22,633,236
Less: Cost of sales	21,718,485	19,681,842
Taxes and surcharges	168,087	127,627
Distribution and selling expenses	121,111	87,883
General and administrative expenses	597,612	800,514
Finance expenses	170,898	181,402
Including: Interest expenses	216,278	278,680
Interest income	52,966	98,593
Add: Other income	144,872	2,729
Investment income	20,114	1,826
Including: Investment losses from associates and joint ventures	–	(1,566)
Impairment losses on credit	–	(8,752)
Impairment losses on assets	–	(30,728)
Gains on disposal of assets	–	14,822
Operating profit	856,755	1,733,865
Add: Non-operating income	39,638	19,744
Less: Non-operating expenses	9,648	4,846
Total profit	886,745	1,748,763
Less: Income tax expenses/(credit)	(37,125)	(31,067)
Net Profit	923,870	1,779,830
Including: Net profit from continuing operations	923,870	1,779,830
Other comprehensive income after tax	–	–
Total comprehensive income	923,870	1,779,830

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Unit: RMB'000

2019

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,313,090	-	-	13,644	577,012	(10,292,036)	18,530,312
II. Changes in the current year	-	-	62,314	-	929	-	923,870	862,485
(I) Total comprehensive income	-	-	-	-	-	-	923,870	923,870
(II) Shareholders' contribution and decrease in share capital	-	-	62,314	-	-	-	-	(62,314)
1. Others	-	-	62,314	-	-	-	-	(62,314)
(III) Special reserves	-	-	-	-	929	-	-	929
1. Amount established during the year	-	-	-	-	25,680	-	-	25,680
2. Amount utilized during the year	-	-	-	-	24,751	-	-	24,751
III. Closing balance for the year	<u>8,918,602</u>	<u>19,313,090</u>	<u>62,314</u>	<u>-</u>	<u>14,573</u>	<u>577,012</u>	<u>(9,368,166)</u>	<u>19,392,797</u>

2018

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,313,090	-	-	-	577,012	(12,071,866)	16,736,838
II. Changes in the current year	-	-	-	-	13,644	-	1,779,830	1,793,474
(I) Total comprehensive income	-	-	-	-	-	-	1,779,830	1,779,830
(II) Special reserves	-	-	-	-	13,644	-	-	13,644
1. Amount established during the year	-	-	-	-	20,520	-	-	20,520
2. Amount utilized during the year	-	-	-	-	6,876	-	-	6,876
III. Closing balance for the year	<u>8,918,602</u>	<u>19,313,090</u>	<u>-</u>	<u>-</u>	<u>13,644</u>	<u>577,012</u>	<u>(10,292,036)</u>	<u>18,530,312</u>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	22,365,668	13,269,131
Other cash received relating to operating activities	<u>149,135</u>	<u>173,919</u>
Sub-total of cash inflows from operating activities	<u>22,514,803</u>	<u>13,443,050</u>
Cash paid for purchase of goods and services	20,843,237	9,306,899
Cash paid to and on behalf of employees	1,205,096	1,536,290
Cash paid for all types of taxes	549,662	262,516
Other cash paid relating to operating activities	<u>328,176</u>	<u>994,972</u>
Sub-total of cash outflows from operating activities	<u>22,926,171</u>	<u>12,100,677</u>
Net cash flows from operating activities	<u>(411,368)</u>	<u>1,342,373</u>
II. Cash flows from investing activities:		
Cash received from disposal of investments	1,008,800	591,636
Cash received from return on investments	20,114	–
Net cash received from disposal of property plant and equipment, intangible assets and other long-term assets	–	16,229
Net cash received from disposal of subsidiaries and other business units	–	2,289
Other cash received relating to investing activities	<u>980</u>	<u>–</u>
Sub-total of cash inflows from investing activities	<u>1,029,894</u>	<u>610,154</u>
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	337,444	14,256
Cash paid for investments	<u>1,407,058</u>	<u>620,000</u>
Sub-total of cash outflows from investing activities	<u>1,744,502</u>	<u>634,256</u>
Net cash flows from investing activities	<u>(714,608)</u>	<u>(24,102)</u>

	2019	2018
III. Cash flows from financing activities:		
Cash received from borrowings	591,545	185,500
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>1,386,633</u>	<u>1,367,076</u>
Cash repayments of borrowings	410,000	400,000
Cash paid for distribution of dividends or profits, and for interest expenses	157,441	247,382
Other cash paid relating to financing activities	<u>69,258</u>	<u>850,438</u>
Sub-total of cash outflows from financing activities	<u>636,699</u>	<u>1,497,820</u>
Net cash flows from financing activities	<u>749,934</u>	<u>(130,744)</u>
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	<u>—</u>	<u>—</u>
V. Net increase/(decrease) in cash and cash equivalents	(376,042)	1,187,527
Add: Cash and cash equivalents at the beginning of the year	<u>1,967,354</u>	<u>779,827</u>
VI. Cash and cash equivalents at the end of the year	<u>1,591,312</u>	<u>1,967,354</u>

The annual report of the Company for the year ended 31 December 2019 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.cqgt.cn) respectively on or before 30 March 2020.

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

Chongqing, the PRC, 30 March 2020

As at the date of this announcement, the Directors of the Company are: Mr. Zhou Zhuping (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).