



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

(H Share Stock Code: 1053) (A Share Stock Code: 601005)

2019 ANNUAL REPORT



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IMPORTANT NOTICE

- I. 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 this annual report and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.
- II. All directors of the Company attended the Board meeting.
- III. Ernst & Young Hua Ming LLP issued a standard unqualified audit report for the Company.
- IV. Mr. Zhou Zhu Ping, head of the Company, and Mr. Lv Feng, the Chief Financial Officer and the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the annual report.
- V. 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 carried forward, the directors suggested not to make profit distribution or transfer capital reserve to share capital pursuant to the Article 250 of the Articles of Association for 2019.

- VI. Risk warning in respect of forward-looking statements

Applicable Not applicable

The forward-looking statements set out in this annual report such as future plans involve uncertainties and do not constitute the Company's substantial commitment to investors. Investors are advised to be aware of investment risks.

- VII. Is there any non-operational fund occupancy by the controlling shareholder or its related party?

No

- VIII. Is there any provision of external guarantee by the Company in violation of the stipulated decision making procedure?

No

- IX. Major Risk Warning

During the Reporting Period, there was no major risk warning.

- X. Others

Applicable Not applicable

Section I Definitions

I. DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this report:

Definitions of common terms

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Siyuanhe Investment	Siyuanhe Equity Investment Management Co., Ltd.
Siyuanhe Fund	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund Center (Limited Partnership)
Siyuanhe Industrial Development Fund	Siyuanhe (Chongqing) Iron & Steel Industrial Development and Equity Investment Fund Partnership (LP)
Changshou Iron & Steel, controlling shareholder	Chongqing Changshou Iron & Steel Company Limited
Company, Group, Chongqing Iron & Steel	Chongqing Iron & Steel Company Limited
General Meeting	the general meeting of Chongqing Iron & Steel Company Limited
Board	the board of directors of Chongqing Iron & Steel Company Limited
Supervisory Committee	the supervisory committee of Chongqing Iron & Steel Company Limited
Companies Law	the Companies Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Reporting Period	From 1 January 2019 to 31 December 2019
RMB, RMB'000, RMB0'000, RMB00'000'000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan, RMB hundred million yuan

Section II Company Profile and Major Financial Indicators

I. COMPANY INFORMATION

Chinese name	重慶鋼鐵股份有限公司
Abbreviation of Chinese name	重慶鋼鐵
English name	Chongqing Iron & Steel Company Limited
Abbreviation of English name	CISC
Legal representative	Zhou Zhu Ping

II. CONTACT INFORMATION

	Secretary to the Board	Securities representative
Name	Meng Xiangyun	Peng Guo Ju
Correspondence address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Telephone	86-23-6887 3311	86-23-6898 3482
Fax	86-23-6887 3189	86-23-6887 3189
E-mail	IR@email.cqgt.cn	IR@email.cqgt.cn

III. BASIC INFORMATION

Registered address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Postal code of registered address	401258
Office address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Postal code of office address	401258
Website	http://www.cqgt.cn
E-mail	IR@email.cqgt.cn

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for publishing annual reports	http://www.sse.com.cn https://sc.hkex.com.hk (HKEx)
Place for inspection of annual reports	Secretariat of the Board of the Company

V. BASIC INFORMATION ABOUT THE SHARES OF THE COMPANY

Basic Information about the Shares of the Company

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

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	Ernst&Young Hua Ming LLP
	Office address	16/F, Ernst & Young Tower, Oriental Plaza, 1 East Chang'an Avenue, Beijing, the PRC
	Name of accountants signing-off the report	Ai Wei (艾維), Wang Dan (王丹)

Section II Company Profile and Major Financial Indicators (Continued)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS

(I) Key Accounting Data

Unit: RMB '000 Currency: RMB

Key accounting data	2019	2018	Increase/ decrease from last year (%)	2017
Operating income	23,477,597	22,638,957	3.70	13,236,840
Net profit attributable to shareholders of the Company	925,723	1,787,906	-48.22	320,086
Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss	726,508	1,677,588	-56.69	-1,870,066
Net cash flow generated from operating activities	-405,326	1,338,195	-130.29	505,815

	At the end of 2019	At the end of 2018	Increase/ decrease from last year (%)	At the end of 2017
Net assets attributable to shareholders of the Company	19,396,003	18,531,665	4.66	16,730,115
Total assets	26,975,726	26,933,351	0.16	25,012,459

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS (CONTINUED)

(II) Key Financial Indicators

Key financial indicators	2019	2018	Increase/ decrease from last year (%)	2017
Basic earnings per share (RMB per share)	0.10	0.20	-50.00	0.04
Diluted earnings per share (RMB per share)	0.10	0.20	-50.00	0.04
Basic earnings per share after deducting non-recurring profit and loss (RMB per share)	0.08	0.19	-57.89	-0.21
Weighted average return on net assets (%)	4.88	10.14	Decrease by 5.26 percentage points	-1,290.51
weighted average return on net assets after deducting nonrecurring profit and loss (%)	3.83	9.52	Decrease by 5.69 percentage points	7,539.68

Explanation on the key accounting data and financial indicators for the last three years at the end of the Reporting Period

Applicable Not applicable

Section II Company Profile and Major Financial Indicators (Continued)

VIII. DIFFERENCE IN ACCOUNTING DATA UNDER THE PRC ACCOUNTING STANDARDS AND OVERSEAS ACCOUNTING STANDARDS

- (I) Difference between the net profit and net assets attributable to shareholders of listed companies as disclosed in the financial statements under International Accounting Standards and those under PRC Accounting Standards

Applicable Not applicable

- (II) Difference between net profit and net assets attributable to shareholders of listed companies as disclosed in the financial statements under overseas accounting standards and those under PRC Accounting Standards

Applicable Not applicable

- (III) Explanation on the differences between the PRC accounting standards and overseas accounting standards:

Applicable Not applicable

IX. MAJOR FINANCIAL DATA OF EACH QUARTER OF 2019

Unit: RMB '000 Currency: RMB

	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 the listed company	150,437	465,291	104,173	205,822
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	128,191	460,906	100,097	37,314
Net cash flow generated 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

Section II Company Profile and Major Financial Indicators (Continued)

X. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB '000 Currency: RMB

Non-recurring profit and loss items	Amount for 2019	Note (if applicable)	Amount for 2018	Amount for 2017
Gains or losses on disposal of non-current assets	-1,060		14,822	-5,009,485
Government grants included in the profit or loss for the period (except for those closely related to the ordinary businesses of the Company, in compliance with the requirements under the State's policies, and continuously entitled to quantitative or qualitative government grants according to certain standards)	144,872		2,729	94,248
Capital occupancy fee from non-financial enterprises recognized through profit or loss	8,459		74,888	
Entity restructuring expenses, i.e. expenses for staff settlement, integration costs, etc				-126,937
Gains or losses on changes in fair value of financial assets and liabilities held for trading; and investment income from disposal of financial assets and liabilities held for trading and available-for-sale financial assets, excluding those arising from effective hedging related to operating activities	/			9,112
Gains or losses on changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, and derivative financial liabilities and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other equity investments, excluding those arising from effective hedging business related to operating activities	15,894		7,021	/
Other non-operating income and expenses apart from the above-mentioned	31,050		12,293	7,223,920
Effects of minority interest			-331	-706
Effect of income tax			-1,104	
Total	199,215		110,318	2,190,152

Section II Company Profile and Major Financial Indicators (Continued)

XI. ITEMS MEASURED AT FAIR VALUE

Applicable Not applicable

Unit: RMB '000 Currency: RMB

Item	Opening balance	Closing balance	Changes in the reporting period	Effects on profit for the reporting period
Financial assets held for trading	30,000	400,000	370,000	15,894
Other equity investments	5,000	5,000	0	0
Receivables financing	575,652	861,373	285,721	0
Total	610,652	1,266,373	655,721	15,894

XII. OTHERS

Applicable Not applicable

XIII. FINANCIAL HIGHLIGHTS

Unit: RMB '000 Currency: RMB

	2015	2016	2017	2018	2019
Income and profit					
Income	8,350,022	4,414,902	13,236,840	22,638,957	23,477,597
Profit before tax	(5,969,213)	(4,685,667)	319,810	1,758,733	890,509
Taxation	17,973	17	2	(29,300)	(35,214)
Profit for the year	(5,987,186)	(4,685,684)	319,808	1,788,033	925,723
Attributable to					
Shareholders of the Company	(5,987,248)	(4,685,956)	320,086	1,787,906	925,723
Non-controlling interests	62	272	(278)	127	–
Earnings per share attributable to shareholders of the Company – Basic (RMB)	(1.35)	(0.53)	0.04	0.20	0.10
Assets and liabilities					
Non-current assets	34,896,884	33,991,308	20,255,286	19,421,096	19,120,443
Current assets	4,331,195	2,447,146	4,757,173	7,512,255	7,855,283
Current liabilities	23,206,904	26,130,733	4,810,947	5,245,076	5,089,715
Non-current liabilities	12,013,028	10,415,155	3,397,548	3,156,610	2,490,008
Net assets	4,008,147	(107,434)	16,803,964	18,531,665	19,396,003
Equity attributable to					
shareholders of the Company	3,988,873	(200,494)	16,730,115	18,531,665	19,396,003
Non-controlling interests	19,274	93,060	73,849	–	–

Section III Company Business Summary

I. MAIN BUSINESS, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION ON INDUSTRY SITUATION DURING THE REPORTING PERIOD

(I) 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; as well as production and sale of coal chemical products and 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 as well as 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.

(II) 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

Section III Company Business Summary (Continued)

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.

II. EXPLANATION ON SUBSTANTIAL CHANGES OF MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

After the judicial reorganization in 2017, the Company continued to advance various reform and development work, reorganized its business operation and entered into a new development stage, further consolidated the foundation of “Be Strong” (實力重鋼), and accelerated the construction of “Be Beautiful” and “Be Attractive”. The Company's core competitiveness is mainly reflected as follow:

- (I) Relative Geographical advantages. The Company is the only iron and steel conglomerate meeting national policies on the industry in Chongqing market and southwestern regions with net inflows of steel. While local supply cannot meet its own demand. With its proximity to the Yangtze River, the Company enjoys favourable logistic conditions of the port for self-owned raw material and finished products transportation with its products mainly sold in Chongqing and southwestern regions. It boasts obvious comparable advantages in regional markets and enjoys bright development prospects.
- (II) Flexible system and mechanism advantage. As a company with mixed ownership, the Company gave full play to the advantages of the system and mechanism, introduced professional managers and established a streamlined and efficient operation system and a market-oriented incentive mechanism for the Company, which resulted in a high level of consistency in respect of interests among staff, management and shareholders, truly allowed the staff to share profits and risks and responsibilities with the Company, and injected vitality and momentum to the sustainable development of the Company.
- (III) Advantage of the abundant production line. With rich production lines, the Company is able to provide a diversified portfolio of products. The product structure includes the varieties of plate, hot coil and long products, which meets the development demands in northwestern regional markets and the products are highly recognized in regional markets.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

2019 is the key year for the Company to move from reorganization to sustainable and high-quality development. It is a year of consolidating the foundation, a year of management improvement, and a year of development. Based on the foundation of “Be Strong”, the Company started the journey of “Be Beautiful” and “Be Attractive” as its overall keynote. Facing the unfavorable situation of falling steel prices and rapid rise of iron ore prices, the Company actively implements strategy of “Cost First”, “Manufacturing technology First”, implements the “full production, full sales, low cost, high efficiency” “production and operation policy”, implements of problem-oriented, backward force mechanism and transformation-driven, so as to lay a solid foundation, improve the system, and to improve capabilities. We deepen the potential and actively promote the Company’s production and operation. With the joint efforts of all employees, the Company’s production is stable and smooth, production and sales have reached the best level in history with significant reduction of consumption levels. New breakthroughs of low-cost manufacturing capabilities have been made in, planning and development projects have been advanced in an orderly manner, and the Company’s competitiveness has continued to increase. These are reflected as follows:

(I) Focusing on planning, strengthening management and obviously enhancing the ability of the procurement system

We reasonably adjust the structure of resource layout, increase source searching, and expand procurement channels. And we also accelerate the development of new resources, introduce high-quality, direct-supplied suppliers, deepen cooperation relationships, improve the ratio of direct procurement and long-term cooperation, and continuously improve the ability of resource protection. Besides, we deepen the cooperation relationship with the four major mines and obtain 4.95 million tons of agreed mines for long-term, representing a year-on-year increase of 3.95 million tons. Among them: we cooperate with China Baowu to acquire 1.2 million tons of agreed mines for long-term by means of “contracting and sub-signing”. The proportion attributable to the top five ore suppliers reached 83.4%, representing a year-on-year increase of 19 percentage points. We introduce 11 domestic high-quality coal direct suppliers, with the direct mining ratio of 85%, representing a year-on-year increase of 22 percentage points, which further stabilize procurement channels and optimize the supplier system.

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Focusing on planning, strengthening management and obviously enhancing the ability of the procurement system (Continued)

In accordance with the principle of “lowest comprehensive cost usage”, we will implement “high-quality and preferential price, linked quantity-price” to make public bidding procurement, and establish a price inverse mechanism. With the goal of optimizing the cost of hot metal, the Company continues to improve the cost-effectiveness calculation model of coal and ore. During the reporting period, the proportion of main coking coal decreased from 55.5% to 40.3%, and one third coking coal increased from 21% to 32.2%. Through strategic procurement and inventory measures of adding sales efficiency, structures of coal and ore have optimized, and costs have continued to decrease as a result. The procurement of spare parts and materials has vigorously promoted diversified procurement methods such as direct mining, open bidding on the European Metallurgical Platform, domestic substitution, and functional contracting; short-scale billets and waste secondary materials all by-products such as water slag and other slags are available for public bidding on the internet through the European Metallurgical Platform. This leads and directs the price of transportation within the river, strictly controls downstream port operations and the operation of ships to reduce losses.

In accordance with the management model of “admission evaluation-performance evaluation-level review-structure optimization”, we will focus on strengthening the entire process management of suppliers, actively cultivate strategic suppliers, eliminate 16 raw material suppliers throughout the year, and introduce 32 large domestic high-quality suppliers; The newly opened Zhoushan Wugang-Zhangjiagang, Kemen, Fujian, Jiangyin Jiangsu, and Changzhou ports have enhanced supply chain to support capabilities and continue to reduce logistics costs.

(II) Comprehensively improving marketing capabilities with the orientation of market

Taking market-oriented, user-centered, and product profitability analysis as the basis, we conduct reasonable control of product flow, product types, channels, and customer demand for resource allocation. The dynamic and reasonable adjustment of product group price differences and specifications logistics policies are more in line with market conditions and product values, and pricing and speaking rights are enhanced.

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) Comprehensively improving marketing capabilities with the orientation of market (Continued)

We continue to promote the work of direct supply and direct sales, and strengthen the leading role of the regional market. We establish and deepen cooperation with China Construction Steel Structure, Hangzhou-Xiao Steel Structure, China Railway Baoqiao, Chongqing Construction Engineering and other units to achieve more than 30 projects such as Chengdu Tianfu International Airport, Jin'an Jinshajiang Bridge, Jinghong Lancangjiang Bridge, Wuhan Military Games and directly supply steel for key projects and infrastructure projects. We target key industries and engineering projects, and grab orders for steels such as high-rise building steel, bridge steel, structural steel, wear-resistant steel, patterned coils, HRB500E, and low-alloy steel. We increase technical research efforts, sales of varieties of steel increased significantly, combine with regional market demand and product prices, thus, the implementation of strategic direct sales, steel direct sales volume increased significantly. We reasonably control the internal and external warehouse, building materials inventory structure, aiming at market conditions to achieve timely product delivery, plant area. The amount of straight steel has increased significantly.

(III) Achieving the target of “full sale” through precise positioning and efficient collaboration

We break through the bottleneck and give full play to the production capacity of the iron pre-process. We adhere to the blast furnace as the center, follow the principle of “procedure compliance, process mutual guarantee”, refine production plans, strengthen production organization and raw fuel quality control, optimize coal blending and ore plans, vigorously implement the refined material policy, enhance capacity and optimize major economies technical indicators. We optimize the basic operation system of the blast furnace, strengthening the technical operation and fine management of the blast furnace, strengthening the blast furnace smelting, and the blast furnace utilization coefficient and fuel ratio are at the best level in history. Comprehensive technical measures such as optimizing the tuyere layout, and strengthening governance ensures the safe and stable operation of the blast furnace in the middle and late stages of the furnace service.

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(III) Achieving the target of “full sale” through precise positioning and efficient collaboration (Continued)

We make lean production and good connection of iron and steel rolling interface. The steelmaking process is based on the principle of ordering product profitability, responding quickly to market changes, establishing a steel iron resource balance mechanism, implementing wide hot metal consumption control based on benefit calculations, and optimizing resource efficiency and scheduling; further optimizing contract scheduling, production switching. The waiting time for billets is significantly reduced. We comprehensively consider hot metal distribution and 2 # blast furnace resumption, rationally formulate and implement a hot metal ladle operation plan, dynamically adjust the number of turnover ladles, reduce the temperature drop of hot metal, and effectively connect the iron-steel interface; optimize integrated plan management of steel rolling interface, establish a daily maintenance mechanism for integrated casting and rolling. We pay close attention to production process optimization and production process control of steel rolling procedures. Major economic and technical indicators such as operating rate, yield, and waste reduction rate have been significantly improved, of which: the yield of wire rod reached the best level in history.

We highly value our customers and we strived to improve the contract fulfilment rate. We reconstructed the contract management system, optimized the management process, strengthened contract execution, and the contract fulfilment rate reached the best level in history. The 1,780mm production line contract fulfilment rate was 100% for three consecutive months, achieving a historic breakthrough.

(IV) Strengthening system construction and continuously increasing equipment support capabilities

We paid close attention to basic management and improved status guarantee. We vigorously promoted equipment standardization operations and standardized management, improved equipment abnormality information classification and emergency response mechanisms, and established a professional state-of-the-art management and control system. At the same time, we adhered to the rolling inspection of hidden dangers at the scene, and implemented “four basic management”, “equipment cleanup”, and “systemic risk management and control”. The monthly average equipment downtime of the main operation line throughout the year reached the best level in history, of which: the blast furnace has been continuous for 7 months, and the accumulated equipment for 10 months caused zero wind breaks.

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Strengthening system construction and continuously increasing equipment support capabilities (Continued)

We strived to be index-oriented and improved maintenance efficiency. Through accurate benchmarking, optimization of the repair model, extension of the repair period, we strengthened the repair project organization. Through the production of tooling, we enhanced drills, reduction of the time of the main control project, and strict control of the repair schedule. We also established a “state + cycle” project repair mode, and reasonable allocated resources, made “nine preparations” before construction, carried out opportunity maintenance, improved operation rate, orderly organized key projects such as annual maintenance and joint maintenance, and controlled safety, quality and construction period, and provided a strong guarantee for stable equipment status.

(V) Exploiting potentials and significant cost reduction

Facing the dual pressures of rising raw fuel costs and falling steel prices, the Company insisted on looking inward and tapping potentials. It further promoted comprehensive budget management, accurately benchmarked and identified differences, promoted industry-finance integration, and focused on reducing procurement costs, consumption and expenditure and efficiency, actively promoted cost reduction work, deepened expense control, implemented daily cost statistics and quarterly analysis, strengthened accurate benchmarking of technical and economic indicators, consumption levels and cost data, and further strengthened the profit bases.

(VI) Problem-oriented and enhancing, safety and environmental protection system capabilities

We vigorously carried out training on job regulations, special safety training, organize and implemented examination defense activities, and enhanced employees' safety awareness, establishing safe performance checklists and evaluation standards for job managers and above managers, strengthening accountability and assessment, and improving professional rules of functions and specific line safety management mechanism of business departments, implementing “one position with two responsibilities”, and forming a situation of “all-in-one co-management”. We also improved the safety risk grading management and control system, comprehensively implemented hazard source identification and risk assessment, and identified 9,904 hazardous sources of posts, and formulated all countermeasures.

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(VI) Problem-oriented and enhancing, safety and environmental protection system capabilities increasing (Continued)

We strengthened source governance and continuously improved environmental quality. We sequentially advanced the work of coke oven treatment, sintering head dust removal ash system, 2 #, 3 # sintering flue gas desulfurization upgrading and transformation, coking desulfurization waste liquid disposal test, to achieve stable sintering flue gas discharge standards, coking desulfurization waste liquid harmless disposal. We strengthened water pollution management, industrial solid waste compliance disposal and fugitive emissions management. The Company's environmental protection facilities were generally controlled, no major environmental pollution incidents occurred, total pollutant emissions reached standards, and the environmental quality of the plant area continued to improve.

(VII) Continuous enhancement of on-site management capabilities step by step

We fully introduced job length system. Learning from China's Baowu management experience, we introduced factory management work area management methods in major production units, and quickly promoted measures such as standardized operations, "5S" management, operation inspections, line-up shifts, fingertip confirmation, and board management, and on-site management had improved significantly. Through measures such as tutoring apprentices, special training for qualifications, training exchanges, on-the-job training, and task practice, etc., the ability of the chief operating officer was effectively improved, and 35 operating chiefs were organized to attend on-the-spot training in Baowu, China for a year and a half. Focusing on basic management to find the difference, it effectively promoted the continuous improvement of grass-roots management and the rapid growth of the long team of operations.

The system promoted standardized operations. With the goal of production safety, stability, smooth and continuous efficiency, we planned and formulated the promotion plan and improved the standardization operation system, focusing on the standardization of safety management, quality management, and equipment management. We also invited Chinese Baowu experts to carry out standardization management special training, establishment of standardized operation workflows and work requirements. Fingering confirmation, line-up shifts, board management and other standardized operation promotion carriers have been fully implemented, and the basic management capabilities have been improved.

I. Management Discussion and Analysis (Continued)

(VIII) Efficiently promoting coordinative support work of China Baowu

Through the establishment of a collaborative support responsibility system, clear project goals, checking progress on schedule, and dynamically optimizing projects, among the 87 sub-projects of 18 categories established in the collaborative support work during the reporting period, management projects were generally advanced as planned, and the completion rate of indicator projects reached 89%, and effectiveness gradually appeared.

(IX) Guided by planning, step into high-quality development track

Aiming at the realization of the “Three Heavy Steels” vision, it has systematically planned, comprehensively combed, and compared and demonstrated multiple plans. It has formulated three core plans for production lines, green manufacturing, and smart manufacturing, as well as enhancement of manufacturing capabilities, cost reduction, and marketing and services and procurement. It organized and determined process technology plans, construction modes, bidding methods, time nodes, set up project groups, cleared division of labor, implemented responsibilities, and promoted project construction in an orderly manner. On 16 October 2019 2 # blast furnace production resumed on schedule and reached production and efficiency quickly. The three large blast furnace production and operation modes were successfully achieved, and the first stage of the development plan was completed. The development projects such as the rebuilding of the profile steel to double high rods and the transformation of the 7 # continuous caster are being launched as scheduled and implemented.

(X) Focusing on vitality and efficiency, building a capable, dynamic, and efficient workforce

We promoted the reform of the post and salary system, established a management mechanism for paying salary, paying for performance, and changing jobs to achieve a stable switching of the salary system, and gave full play to the advantages of the mixed ownership system and mechanism, and meanwhile rebuilt the performance management system, indicators, evaluation, improvement of the system, which achieved performance results related to bonuses, employee stock held related to incentives.

We cared about employees and gave them assistance, handled and issued condolences for 522 employees, and applied for assistance expenses for 78 sick employees; we carried out condolences for labor models, difficult employees, and party members to effectively help employees solve practical difficulties. At the same time, we carried out Golden Autumn Student Aid activities, grants for children of 30 employees. We replaced 11 sets of solar water heating systems and 1,349 large-screen flat-screen TVs in shift rooms, implemented various projects such as moped charging piles, standardized maintenance points, and cultural and sports facilities upgrading, and actively promoted construction projects such as waiting rooms and control rooms in key areas. The living and working environment for employees have been significantly improved.

Section IV Management Discussion and Analysis (Continued)

II. 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%.

(I) Main business analysis

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

Unit: RMB'000 Currency: RMB

Item	Current period	Corresponding period 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.

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

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

- (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 RMB1.120 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.

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

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	22,494,047	96.25	21,834,854	96.71	3.02
Other	875,587	3.75	743,921	3.29	17.70
Total	23,369,634	100.00	22,578,775	100.00	3.50

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

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	3,457	3,611	-4.26	-1,090,250

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	650.74	604.64	7.62	1,749,443

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(1) Main business by sectors, products and regions

Unit: RMB'000 Currency: RMB

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

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(1) Main business by sectors, products and regions (Continued)

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

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(2) Table of production and sales volume analysis

Applicable Not applicable

Main products	Unit	Production volume	Sales volume	Inventory	Year-on-year	Year-on-year	Year-on-year
					increase/ decrease in production volume (%)	increase/ decrease in sales volume (%)	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

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(3) Cost analysis table

Unit: RMB'000

By sectors

By sectors	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
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 of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
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

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Revenue and cost analysis (Continued)

(3) Cost analysis table (CONTINUED)

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

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

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

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

4. R&D investment (Continued)

(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	/

(II) Explanation on material change in profit due to non-principal business

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) 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
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

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

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
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

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

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
Receivables Financing	190,000	20,000	Note 2
Property, plant and equipment – houses and buildings	1,928,087	1,975,369	Note 3
Intangible assets	2,392,114	2,454,327	Note 4
Total	4,698,625	5,244,784	

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.

3. Other explanations

Applicable Not applicable

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(IV) Analysis on industry operating information

Applicable Not applicable

In 2019, the steel industry as a whole maintained a relatively stable operating trend. The output of steel increased on a year-on-year basis, the price of steel products fluctuated downward, the industry's efficiency declined significantly, and both steel imports and exports declined.

1. Crude steel output increased on a year-on-year basis. According to the National Bureau of Statistics, 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
2. Steel exports continue to decline. According to data from the General Administration of Customs, from January to December 2019, the country's cumulative steel exports totaled 64.293 million tons, representing a year-on-year decrease of 7.3% and the cumulative steel imports totaled 12.304 million tons, representing a year-on-year decrease of 6.5%.
3. Steel prices fluctuated within a narrow range. According to the monitoring of China Iron and Steel Industry Association, at the end of January 2019, China's steel price index was 106.27 points, which rose to 112.67 points at the end of April, and fell to 106.10 points at the end of December. From January to December, the average price index of China's steel products was 107.98 points, representing a year-on-year decrease of 5.9%.
4. Corporate benefits fell on a year-on-year basis. From January to December 2019, members of the China Iron and Steel Industry Association achieved sales revenues of RMB4.27 trillion, representing a year-on-year increase of 10.1%, and realized profits of RMB188.994 billion, representing a year-on-year decrease of 30.9%, while the cumulative sales profit rate was 4.43%, representing a year-on-year decrease of 2.63 percentage points.
5. Steel inventories increased on a year-on-year basis. The social inventories of five steels (rebar, wire, hot rolled coil, cold rolled coil, and plate) in major cities nationwide rose to 16.45 million tons at the end of March 2019, representing a year-on-year increase of 6.6%; it fell to 10.05 million tons at the end of December, representing a year-on-year increase of 22.0%.

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(IV) Analysis on industry operating information (Continued)

6. Imported ore prices have risen sharply. According to data from the General Administration of Customs, import volumes of national iron ore from January to December 2019 were 1.07 billion tons, representing a year-on-year increase of 0.5%. The price of imported ore rose to US \$115.96/ton at the end of July 2019, and decreased to US \$90.52/ton at the end of December, representing a significant year-on-year increase of 31.1%.

Steel and Iron Industry Operational Information Analysis

1. Manufacturing and Sales of Steel Material Based on Processing Techniques

Applicable Not applicable

2. Manufacturing and Sales of Steel Material Based on Forms of Finished Products

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Types based on forms of finished products	Production volume (tonne)		Sales volume (tonne)		Operating income		Operating cost		Gross profit margin (%)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Plates and strips	5,094,766	4,976,502	5,154,975	4,941,130	17,687,158	17,791,777	16,317,068	15,308,798	7.75
Others	1,332,614	1,134,244	1,352,454	1,105,307	4,806,889	4,043,077	4,474,614	3,668,626	6.91	9.26

3. Steel Material Sales Based on Sales Channels

Applicable Not applicable

4. Manufacturing and Sales of Special Steel Products

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on industry operating information (Continued)

Steel and Iron Industry Operational Information Analysis (Continued)

5. Supply of Iron Ore

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Supply source of iron ore	Supply volume (tonne)		Expenditure	
	2019	2018	2019	2018
Domestic source	509,740.48	110,237.04	365,882	60,516
Overseas import	9,094,592.80	10,271,542.79	7,119,227	6,412,843

6. Others

Applicable Not applicable

(V) Investment Analysis

1. General analysis of external equity investment

Applicable Not applicable

In 2019, the Company completed equity investment projects of RMB28,258,000, representing an increase of RMB28,258,000 over the same period last year. For details, please refer to Section V.16 (IV) and (V) of this report.

(1) Significant Equity Investment

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(V) Investment Analysis (Continued)

1. General analysis of external equity investment (Continued)

(2) Significant Non-Equity Investment

Applicable Not applicable

(3) Financial Assets Measured at Fair Value

Applicable Not applicable

Unit: RMB'000

Item	31 December 2018	31 December 2019	Changes in the reporting period	Effects on the profit for the reporting period
Financial assets held for trading	30,000	400,000	370,000	15,894
Other equity investments	5,000	5,000	0	0
Receivables financing	575,652	861,373	285,721	0
Total	610,652	1,266,373	655,721	15,894

(VI) Major Assets and Equity Disposal

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(VII) Analysis of principal controlled and investee companies

Applicable Not applicable

Name of subsidiary	Principal place of business	Place of registration	Business nature	Shareholdings (%)		Acquisition method
				Direct	Indirect	
Chonggang Building Materials Sales Co., Ltd	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Trading	100	–	Establishment by capital contribution
Chongqing Jian Wei Intelligent Technology Co.,Ltd*(重慶鑒微智慧科技有限公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Software and information service	50	–	Establishment by capital contribution
Chongqing Xin Gang Chang Long Logistics Company Limited	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation and warehouse	28	–	Acquisition of equity

(VIII) Structured entities under the control of the Company

Applicable Not applicable

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) 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.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(I) Industry Competition Pattern and Development Trend (Continued)

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.

(II) 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”.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(II) Corporate development strategy (Continued)

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.

(III) Operating plans

Applicable Not applicable

In 2020, the Company will consolidate 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.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(IV) 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.

(V) Other

Applicable Not applicable

IV. FAILURE OF DISCLOSURE OF THE COMPANY AS PER RULES DUE TO INAPPLICABILITY OR SPECIAL REASONS

Applicable Not applicable

Section V Significant Events

I. SCHEME FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Formulation, implementation and adjustment of cash dividend distribution policies

Applicable Not applicable

The Articles of Association laid out detailed requirements on the basic principles, forms and conditions for profit distribution, the consideration and deliberation procedures, as well as decision-making mechanism in respect of the profit distribution plan and adjustment to profit distribution policies.

As audited by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company in 2019 was RMB926 million. As of the end of 2019, the Company's undistributed profit was RMB-9,364 million. Given that the Company's undistributed profit was negative as at the end of 2019, the Board proposed that the Company should not make any distribution of profits, or transfer capital reserve into share capital for the year of 2019 according to Article 250 of the Articles of Association.

(II) Profit distribution scheme or proposal and scheme or proposal for transfer of capital reserve to the share capital for the latest 3 years (including the Reporting Period)

Unit: RMB'000 Currency: RMB

Year	Number of bonus shares for every 10 shares (Share)	Dividends for every 10 shares (RMB) (tax inclusive)	Number of shares transferred for every 10 shares (Share)	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated Statements for the year with dividend distribution	As a percentage of net profit attributable to shareholders of the Company in the consolidated statements
					Amount of cash dividends (tax inclusive)	(%)
2019	0	0	0	0	925,723	0
2018	0	0	0	0	1,787,906	0
2017	0	0	0	0	320,086	0

I. SCHEME FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL (CONTINUED)

(III) Repurchase of shares in cash form included in cash dividend

Applicable Not applicable

(IV) If the Company records profits and the parent company records a positive undistributed profit during the Reporting Period but there is no resolution for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in detail

Applicable Not applicable

Section V Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period

Applicable Not applicable

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment made in acquisition report or equity change report	Restriction on sale of shares	Changshou Iron & Steel	In 36 months after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, the shares of Chongqing Iron & Steel held by Changshou Iron & Steel will not be transferred. In five years after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, the control over Chongqing Iron & Steel will not be transferred, except when Changshou Iron & Steel transfers the controlling interests in Chongqing Iron & Steel to China Baowu Steel Group Corporation Limited or its holding subsidiaries.	From 29 December 2017 to 28 December 2020	Yes	Yes
	Restriction on sale of shares	Siyuanhe Industrial Development Fund	In five years after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, the controlling interests held by Siyuanhe Industrial Development Fund in Changshou Iron & Steel will not be lost by way of transferring or capital increase or by other means, except (1) when Siyuanhe Industrial Development Fund transfers such controlling interests to China Baowu Steel Group Corporation Limited or its holding subsidiaries; (2) when Siyuanhe Industrial Development Fund transfers equity interests in Changshou Iron & Steel to other entities controlled by Siyuanhe Investment on the premise that Siyuanhe Investment's controlling interests in Changshou Iron & Steel are maintained. On the premise that Siyuanhe Investment's controlling interests in Changshou Iron & Steel are maintained, when Siyuanhe Industrial Development Fund transfers equity interests in Changshou Iron & Steel to other entities controlled by Siyuanhe Investment, Siyuanhe Industrial Development Fund undertakes that the transferees will make undertakings with the same contents as the letter of undertaking.	From 29 December 2017 to 28 December 2022	Yes	Yes

Section V Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Restriction on sale of shares		Siyuanhe Fund	In five years after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, the controlling interests held by Siyuanhe Fund in Changshou Iron & Steel will not be lost by way of transferring or capital increase or by other means, except (1) when Siyuanhe Fund transfers such controlling interests to China Baowu Steel Group Corporation Limited or its holding subsidiaries; (2) when Siyuanhe Fund transfers equity interests in Changshou Iron & Steel to other entities controlled by Siyuanhe Investment on the premise that Siyuanhe Investment's controlling interests in Changshou Iron & Steel are maintained. On the premise that Siyuanhe Investment's controlling interests in Changshou Iron & Steel are maintained, when Siyuanhe Fund transfers equity interests in Changshou Iron & Steel to other entities controlled by Siyuanhe Investment, Siyuanhe Fund undertakes that the transferees will make undertakings with the same contents as this letter of undertaking. (Note)	From 29 December 2017 to 28 December 2022	Yes	Yes
Restriction on sale of shares		Siyuanhe Investment	In five years after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, Siyuanhe Investment will procure Siyuanhe Fund not to lose the controlling interests in Changshou Iron & Steel by way of transferring or capital increase or by other means, except (1) when Siyuanhe Fund transfers such controlling interests to China Baowu Steel Group Corporation Limited or its holding subsidiaries; (2) when Siyuanhe Fund transfers equity interests in Changshou Iron & Steel to other entities controlled by Siyuanhe Investment on the premise that Siyuanhe Investment's controlling interests in Changshou Iron & Steel are maintained. On the premise that Siyuanhe Investment's controlling interests in Changshou Iron & Steel are maintained, when Siyuanhe Fund transfers equity interests in Changshou Iron & Steel to other entities controlled by Siyuanhe Investment, Siyuanhe Investment undertakes that the transferees will make undertakings with the same contents as the undertakings made by Siyuanhe Fund on maintaining the controlling interest therein, and it also will procure the transferees to fulfill such commitments.	From 29 December 2017 to 28 December 2022	Yes	Yes

Section V Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
To solve the horizontal competition		Changshou Iron & Steel	(1)As of 1 December 2017, Changshou Iron & Steel has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron & Steel. (2)During the period when Changshou Iron & Steel is the controlling shareholder of Chongqing Iron & Steel, if Changshou Iron & Steel obtains a business opportunity of engaging in the same business as Chongqing Iron & Steel, Changshou Iron & Steel shall concede the business opportunity to Chongqing Iron & Steel and can invest only after Chongqing Iron & Steel has given up such business opportunity. ("engaged/engaging in" refers to any situations in which the business is conducted directly or indirectly through a controlling entity, excluding minority equity investments that do not generate a controlling position.)	1 December 2017	No	Yes
To solve the horizontal competition		Siyuanhe Industrial Development Fund	(1)As of 21 December 2018, Siyuanhe Industrial Development Fund has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron & Steel. (2)During the period when Siyuanhe Industrial Development Fund is the controlling shareholder of Chongqing Iron & Steel, if Siyuanhe Industrial Development Fund obtains a business opportunity of engaging in the same business as Chongqing Iron & Steel, Siyuanhe Industrial Development Fund shall concede the business opportunity to Chongqing Iron & Steel and can invest only after Chongqing Iron & Steel has given up such business opportunity. ("engaged/engaging in" refers to any situations in which the business is conducted directly or indirectly through a controlling entity, excluding minority equity investments that do not generate a controlling position.)	21 December 2018	No	Yes

Section V Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
To solve the related party transactions		Changshou Iron & Steel	(1) After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, Changshou Iron & Steel will, in strict accordance with the requirements of laws and regulations such as the Company Law and the relevant provisions of the Articles of Association of Chongqing Iron & Steel, exercise the rights of shareholders, or urge the directors nominated by Changshou Iron & Steel to exercise the rights of directors according to law and to fulfill the obligation to abstain from voting when the general meeting and the Board vote on the related party transactions involving Changshou Iron & Steel. (2) After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, for the possible related party transactions arising from various reasonable reasons, Changshou Iron & Steel will, according to applicable laws and regulations and on the principles of justice and equity, sign agreements according to law, perform relevant procedures, and perform its obligation of information disclosure in a timely manner, so as to ensure that such transactions will not harm the legitimate rights and interests of Chongqing Iron & Steel and other shareholders.	1 December 2017	No	Yes
Others		Changshou Iron & Steel	During the period when Changshou Iron & Steel holds the shares of Chongqing Iron & Steel, Changshou Iron & Steel will, in strict compliance with the rules of CSRC, Stock Exchanges, as well as those of the management system of Chongqing Iron & Steel such as the Articles of Association, exercise the shareholders' rights and fulfill the shareholders' obligations in the same manner as other shareholders. Changshou Iron & Steel will not seek improper interests by using the position of shareholders but respect the independence of Chongqing Iron & Steel in terms of its personnel, assets, business, finance, and organization.	1 December 2017	No	Yes

Note: In December 2018, the indirect controlling shareholder of the Company was changed from "Siyuanhe Fund" to "Siyuanhe Industrial Development Fund" (For details, please refer to the relevant announcements including the Indicative Announcement on Changes in Indirect Controlling Shareholder published by the Company on 22 December 2018). According to Rule 10.1.6(II) of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Siyuanhe Fund was a related party of the Company in the past twelve months.

II. FULFILLMENT OF COMMITMENTS (CONTINUED)

(II) Explanation of whether the Company fulfilled its profits forecast in relation to assets or projects, if there is any profits forecast in relation to the Company's assets or projects, and if the reporting period is within the profits forecast period and the reasons therefor

Fulfilled Not Fulfilled Not Applicable

(III) Performance of result commitment and its impact on goodwill impairment test

Applicable Not applicable

III. FUND OCCUPANCY AND PROGRESS OF THE COLLECTION DURING THE REPORTING PERIOD

Applicable Not applicable

IV. EXPLANATION FROM THE COMPANY FOR THE “NON-STANDARD AUDIT OPINION REPORT” ISSUED BY THE ACCOUNTING FIRM

Applicable Not applicable

V. THE COMPANY'S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS

- (I) 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 policies

1. The new lease standard

In 2018, the MOF issued revised *Accounting Standard for Business Enterprises No. 21 – Leases* (the "New Leases Standard"). The New Leases Standard introduces a single model similar to the current accounting treatment of finance leases, requiring the lessee to recognize right-of-use assets and lease liabilities for all the leases, except for short-term leases and leases of low-value assets, and recognize depreciation and interest expense, respectively. The Group has accounted for leases under the revised leases standard since 1 January 2019. As a practical expedient, the Group did not reassess whether a contract is, or contains, a lease at the date of initial application. According to the transitional requirements, the Group did not restate comparative information. Instead, the Group recognized the cumulative effect of the initial application of the New Leases Standard as an adjustment to the opening balance of retained earnings of 2019 at the date of initial application. The implementation of the New Lease Standard had no impact on the retained earnings of the Group as at 1 January 2019.

For operating leases for which the lease term ends within 12 months before initial application, the Group applied a simplified approach and did not recognize the right-of-use assets and lease liabilities.

V. THE COMPANY'S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS (CONTINUED)

- (I) Company's analysis and explanation about the reasons for and impact of changes in accounting policy and accounting estimates (Continued)

Changes in accounting policies (Continued)

1. The new lease standard (Continued)

The Group reconciled the outstanding minimum lease payments for significant operating leases disclosed in 2018 financial statements with lease liabilities included in the balance sheet as at 1 January 2019 based on the present value of the minimum lease payments discounted using the incremental borrowing rate of the Group as the lessee as at 1 January 2019 as follows:

Unit: RMB'000

Minimal lease payments for significant operating leases as at 31 December 2018	379,500
Less: Lease payments subject to simplified approach	379,500
Including: Short-term lease	379,500
Weighted average at incremental borrowing rate	4.86%
Discounted operating lease commitments at 1 January 2019	-
Lease liabilities as at 1 January 2019	-

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

V. THE COMPANY'S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS (CONTINUED)

- (I) Company's analysis and explanation about the reasons for and impact of changes in accounting policy and accounting estimates (Continued)

Changes in accounting policies (Continued)

2. Changes in presentation of financial statements

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Financial Statements for General Business Enterprises (Cai Kuai [2019] No.6) and the Notice on Revising and Issuing Format of Consolidated Financial Statements (2019 edition) (Cai Kuai [2019] No.16), 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", the notes receivables at fair value through other comprehensive income previously presented in "other current assets" are separately presented in "receivables financing, the "interests receivable" in "other receivables" is changed to reflect only the outstanding interests on financial instruments that expired and can be collected at the balance sheet date (the interests on the financial instrument accrued using the effective interest method are included in the outstanding amount of the corresponding financial instrument); the "interests payable" in "other payables" is changed to reflect only the outstanding interests on financial instruments that expired and should be paid at the balance sheet date (the interests on the financial instrument accrued using the effective interest method are included in the outstanding amount of the corresponding financial instrument). The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in the accounting police have had no impact on the net profit and equity in the consolidated and company financial statements.

V. THE COMPANY'S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS (CONTINUED)

- (I) Company's analysis and explanation about the reasons for and impact of changes in accounting policy and accounting estimates (Continued)

Changes in accounting policies (Continued)

2. Changes in presentation of financial statements (Continued)

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

The Group

Unit: RMB'000

	Before changes	Changes in	After changes
	Closing balance for 2018	accounting policies Other changes in presentation of financial statements	Opening balance for 2019
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

Section V Significant Events (Continued)

V. THE COMPANY'S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS (CONTINUED)

- (I) Company's analysis and explanation about the reasons for and impact of changes in accounting policy and accounting estimates (Continued)

Changes in accounting policies (Continued)

2. Changes in presentation of financial statements (Continued)

The Group (Continued)

Unit: RMB'000

2018	Before changes	Changes in accounting policies	After changes
	Opening balance	Other changes in presentation of financial statements	Opening balance
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

V. THE COMPANY'S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS (CONTINUED)

- (I) Company's analysis and explanation about the reasons for and impact of changes in accounting policy and accounting estimates (Continued)

Changes in accounting policies (Continued)

2. Presentation of financial statement (Continued)

The Company

Unit: RMB'000

	Before changes	Changes in	After changes
	Closing balance for 2018	accounting policies Other changes in presentation of financial statements	Opening balance for 2019
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

Section V Significant Events (Continued)

V. THE COMPANY'S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS (CONTINUED)

- (I) Company's analysis and explanation about the reasons for and impact of changes in accounting policy and accounting estimates (Continued)

Changes in accounting policies (Continued)

2. Presentation of financial statement (Continued)

The Company (Continued)

Unit: RMB'000

2018	Before changes	Changes in accounting policies Other changes in presentation	After changes
	Opening balance	of financial statements	Opening balance
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
Other payables	1,486,183	(7,174)	1,479,009
Non-current liabilities due within one year	400,000	7,174	407,174

- (II) Company's analysis on the cause and impact of correction of material errors of accounting

Applicable Not applicable

- (III) Communication with the previous accounting firm

Applicable Not applicable

- (IV) Other explanations

Applicable Not applicable

Section V Significant Events (Continued)

VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Unit: RMB'000 Currency: RMB

	Current
Name of the domestic accounting firm	Ernst & Young Hua Ming LLP
Remuneration of the domestic accounting firm	2,250
Term of service of the domestic accounting firm	2

	Name	Remuneration
Accounting firm for audit of internal control	Ernst & Young Hua Ming LLP	700

Explanations for appointment and removal of accounting firms

Applicable Not applicable

Upon the consideration and approval at the 8th meeting of the eighth session of the Board, 6th meeting of the eighth session of the Supervisory Committee and the 2018 annual general meeting, Ernst & Young Hua Ming LLP was re-appointed as the Company's auditor for financial and internal control in 2019 for a term till the convening of the 2019 annual general meeting. The annual remuneration is RMB2.25 million for financial auditing services and RMB0.7 million for internal control, totaling RMB2.95 million (tax exclusive).

Explanations for change of the accounting firm during the auditing period

Applicable Not applicable

VII. RISK OF SUSPENSION OF LISTING

(I) Reason for suspension of listing

Applicable Not applicable

(II) Measures taken by the Company to cancel the suspension of listing

Applicable Not applicable

VIII. STATUSES AND CAUSES OF TERMINATION OF LISTING

Applicable Not applicable

IX. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable Not applicable

X. MATERIAL LITIGATION AND ARBITRATION

Material litigations and arbitrations occur during the year No material litigations and arbitrations occur during the year

XI. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND ACQUIRERS AND RECTIFICATION MEASURES

Applicable Not applicable

XII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS DURING THE REPORTING PERIOD

Applicable Not applicable

XIII. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

- (I) Relevant incentive events disclosed in provisional announcements but without subsequent development or changes during implementation

Applicable Not applicable

- (II) Incentive events not disclosed in provisional announcements or with subsequent development

Equity incentive

Applicable Not applicable

Other explanations

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

In order to establish and improve the mechanism of sharing the benefits and risks of employees and owners of the Company, and to improve the cohesion of employees and the competitiveness of the Company, to retain core employees, and to integrate the interests of the management, the core and mainstay personnel and the shareholders, aiming to facilitate the long-term and stable development of the Company and improvement of the shareholder value. The Company has prepared the Employee Share Ownership Plan from 2018 to 2020 (Draft) and its summary in accordance with relevant laws, regulations as well as the Articles of Association.

The Company convened the 15th meeting of the seventh session of the Board and the 18th meeting of the seventh session of the supervisory committee on 20 March 2018 and the 2017 annual general meeting on 15 May 2018, at which the Proposal for the Employee Share Ownership Plan from 2018 to 2020 (Draft) of Chongqing Iron & Steel Company Limited and its Summary (《關於〈重慶鋼鐵股份有限公司2018年至2020年員工持股計劃(草案)〉及其摘要的議案》), the Proposal for the proposed authorisation to the board of directors by the general meeting to handle relevant matters regarding employee share ownership plan(《關於提請股東大會授權董事會辦理公司員工持股計劃相關事宜的議案》) and other proposals were considered and approved.

According to the authorization by the 2017 annual general meeting of the Company, the Resolution in relation to Employee Share Ownership Plan Phase I of the Company was considered and approved at the fifth meeting of the eighth session of the Board held on 18 December 2018.

XIII. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

(II) Incentive events not disclosed in provisional announcements or with subsequent development (Continued)

As at 14 May 2019, according to the Single Asset Management Plan of Huatai Asset Management for Employee Share Ownership Plan No. 1 of Chongqing Iron & Steel (華泰資管重慶鋼鐵員工持股計劃1號單一資產管理計劃), an aggregate of 24,791,400 A shares of the Company, representing approximately 0.28% of the total share capital of the Company, have been purchased by way of centralized bidding in the secondary market at an average transaction price of approximately RMB1.97 per share for the first phase of employee share ownership plan, and the transaction amount was approximately RMB48.7831 million. So far, the Company has completed the share purchase for the first phase of employee share ownership plan, and the shares purchased for the share ownership plan shall be subject to a lock-up period commencing from 15 May 2019 to 14 May 2020 according to regulations.

The Company convened 2018 annual general meeting, 2019 first class meeting of A shareholders and the 2019 first class meeting of H shareholders on 21 May 2019, at which the Proposal for the grant of general mandate to the board of directors to repurchase A Shares of the Company(《授予董事會回購本公司A股股份的一般性授權》), the Proposal for the grant of general mandate to the board of directors to repurchase H Shares of the Company (《授予董事會回購本公司H股股份的一般性授權》)and other proposals were considered and approved. As authorized at the 2018 annual general meeting, the 2019 first class meeting of A shareholders and the 2019 first class meeting of H shareholders, the Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading was considered and approved at the 10th meeting of the eighth session of the Board of the Company convened on 21 May 2019.

As at 27 June 2019, the Company repurchased a total of 31,500,000 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 costs). The shares repurchased are deposited in the Company's securities account designated for share repurchase and will be used for the employee share ownership plans of the Company.

As authorized at the 2017 annual general meeting of the Company, the written resolutions of the 14th meeting of the eighth session of the Board and the 10th meeting of the eighth session of the supervisory committee have been signed and issued in writing on 25 September 2019, by which the Proposal in relation to the Implementation of the Second Phase of Employee Share Ownership Plan of the Company(《關於公司實施第二期員工持股計劃的議案》) was considered and approved.

XIII. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

(II) Incentive events not disclosed in provisional announcements or with subsequent development (Continued)

As at 28 November 2019, according to the Single Asset Management Plan of Huatai Asset Management for Employee Share Ownership Plan No. 2 of Chongqing Iron & Steel (華泰資管重慶鋼鐵員工持股計劃2號單一資產管理計劃), an aggregate of 25,135,600 A shares of the Company, representing approximately 0.28% of the total share capital of the Company, have been purchased by way of centralized bidding in the secondary market at an average transaction price of RMB1.798 per share for the second phase of employee share ownership plan, and the transaction amount was RMB45,194,969. So far, the Company has completed the share purchase for the second phase of employee share ownership plan, and the shares purchased for the share ownership plan shall be subject to a lock-up period commencing from 29 November 2019 to 28 November 2020 according to regulations.

As authorized at the 2017 annual general meeting of the Company, the Company convened the 16th meeting of the eighth session of the Board and the 12th meeting of the eighth session of the supervisory committee have been signed and issued in writing on 27 December 2019, by which the Proposal in relation to the Third Phase of the Employee Share Ownership Plan of the Company(《關於公司第三期員工持股計劃的議案》) was considered and approved. According to the operations in 2019, the bonus fund provision for Employee Share Ownership Plan is made at 9.5% of the total profit (before the withdrawal of the bonus fund) under the audited consolidated statements for 2019.

Other incentive measures

Applicable Not applicable

XIV. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions related to day-to-day operation

1. *Matters disclosed in provisional announcements but without developments or changes in subsequent implementation*

Applicable Not applicable

2. *Matters disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

At the 5th meeting of the eighth session of the Board of the Company, the Resolution in relation to Leasing of Assets from Related Companies in 2019 was considered and approved, pursuant to which, the Board approved the lease of machinery and equipment by the Company from Changshou Iron & Steel for the year 2019, and the Announcement on Related Party Transaction of Leasing of Assets from Related Companies in 2019 (Announcement No.: 2018-048) was disclosed on 20 December 2018. During the Reporting Period, the actual amount of the related party transaction was within the annual caps, the details of which are as follows:

Type of related party transaction	Pricing principle	Transaction Amount (Unit: RMB'000)
Renting	Market price	188,596

The Company's independent non-executive directors reviewed the continuing connected transactions of the Company in the Reporting Period, and confirmed that the transactions were:

- 1) entered into in the ordinary course of business of the Company;
- 2) carried out in accordance with normal commercial terms; and
- 3) carried out pursuant to the agreements of relevant transactions, the terms of which are fair and reasonable, and in the interests of shareholders of the Company as a whole.

Ernst & Young Hua Ming LLP, the Company's auditor, was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 (Revised)-Assurance Engagements Other than Audits or Reviews of Historical Financial Information, with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young Hua Ming LLP has issued an unqualified conclusions in respect of the continuing connected transactions disclosed by the Company in accordance with 14A.56 of the HKEx Listing Rules. A copy of the auditors' letter was submitted to the HKEx by the Company.

Section V Significant Events (Continued)

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions related to day-to-day operation (Continued)

3. *Matters not disclosed in provisional announcements*

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	Transaction amount of related party	As a percentage of the amount of similar Transactions (%)	Settlement method of related party transaction	Market	Price	Reason for the difference between transaction price and market reference price
Chongqing Xingang Changlong Logistics Co., Ltd.	Associate	Procurement of products	Acceptance of services	With reference to market price		37,243	6.49				
Chongqing Xingang Changlong Logistics Co., Ltd.	Associate	Sale of products	Sale of energy, rendering of services	With reference to market price		868	0.81				
			Total	/	/	38,111	/	/	/	/	
Particulars of substantial sales return					Nil						
Explanation on related party transactions					They enabled the Company to obtain stable and reliable service supply at a reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output.						

Section V Significant Events (Continued)

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Connected transactions related to acquisition and disposal of assets and equity interests

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

Applicable Not applicable

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

4. *Disclosure of the performance of the results relating to the results agreement during the reporting period*

Applicable Not applicable

(III) Material connected transactions related to joint external investment

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

Applicable Not applicable

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

(IV) Amounts due to or from related parties

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

Applicable Not applicable

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(IV) Amounts due to or from related parties (Continued)

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

According to the Announcement of the Administrator of Chongqing Iron & Steel Company Limited in Relation to the Progress of Implementation of the Reorganisation Plan (Announcement No.: 2017–111) disclosed on 25 November 2017, Changshou Iron & Steel shall lend RMB2.4 billion to the Company for implementing the reorganisation plan.

At the 16th meeting of the seventh session of the Board of the Company, the Resolution in Relation to the Provision of the Facilities by Chongqing Changshou Iron & Steel Company Limited to the Company was considered and approved and the Announcement of the 16th Meeting of the Seventh Session of the Board of Directors (Announcement No.: 2018–026) was disclosed on 26 April 2018. Chongqing Changshou Iron & Steel Company Limited intended to offer the credit facilities to the Company in an amount of no more than RMB500,000,000 for a term of 3 years, and the interest rate was calculated at benchmark lending rate for loans of the same term as published by the People's Bank of China. The Company is not required to provide any guarantee for such facilities.

Unit: RMB'000

Related party	Amount borrowed	Interest in the current period
Chongqing Changshou Iron & Steel Company Limited	2,785,500	113,015

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

(V) Others

Applicable Not applicable

Section V Significant Events (Continued)

XV. MATERIAL CONTRACTS AND THE IMPLEMENTATION

(I) Trust, contracted businesses and leasing affairs

1. Trust

Applicable Not applicable

2. Contracted businesses

Applicable Not applicable

3. Leasing affairs

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Whether a connected transaction	Connected relationship
Chongqing Iron & Steel Company (Group) Limited	Chongqing Iron & Steel Company Limited	Equipment		2019.01.01	2019.12.31	145,074	Contract	Affecting the production costs	No	
Chongqing Changshou Iron & Steel Company Limited	Chongqing Iron & Steel Company Limited	Equipment		2019.01.01	2019.12.31	188,596	Contract	Affecting the production costs	Yes	Controlling shareholder
Chongqing Iron & Steel Company Limited	Chongqing Xin Gang Chang Long Logistics Company Limited	Buildings	576	2019.01.01	2019.12.31	36	Contract	Affecting the profit	Yes	Associate

Explanations on leasing affairs

Not applicable

(II) Guarantee

Applicable Not applicable

Section V Significant Events (Continued)

XV. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

(III) Entrusted cash assets management

1. Entrusted wealth management

(1) General information on entrusted wealth management

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Type	Source of funds	Amount	Outstanding balance	Overdue amount
Fund trust	Own fund	400,000	400,000	0

Others

Applicable Not applicable

(2) Specific information on individual entrusted wealth management

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Trustee	Type of entrusted wealth management products	Amount of entrusted management wealth	Date of commencement of entrusted management	Expiry date of entrusted management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected Return (if any)	Real income or loss	Real recovery	Through a legal procedure or not	Whether the future entrusted wealth management plan exist	Impairment provision amount (if any)
Hwabao Trust Co., Ltd.	Trust	200,000	23 December 2019	25 March 2020	Own fund	Trust products	repay principle amount with interest	6.2%	3,159			Yes	Yes	0
Hwabao Trust Co., Ltd.	Trust	200,000	23 December 2019	25 June 2020	Own fund	Trust products	repay principle amount with interest	6.2%	6,285			Yes	Yes	0

Others

Applicable Not applicable

XV. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(3) Impairment provision for entrusted wealth management

Applicable Not applicable

2. Entrusted loan

(1) General information on entrusted loan

Applicable Not applicable

Others

Applicable Not applicable

(2) Specific information on individual entrusted loan

Applicable Not applicable

Others

Applicable Not applicable

(3) Impairment provision for entrusted loan

Applicable Not applicable

3. Others

Applicable Not applicable

(IV) Other significant contracts

Applicable Not applicable

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable Not applicable

(I) **Relevant disclosure made according to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange**

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”, Appendix 14 of 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 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.本

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 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 annual report of the Company for 2019 had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

- (I) Relevant disclosure made according to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (Continued)

6. *Interests or Short Positions*

As at 31 December 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 <i>(share)</i>	Percentage in the share capital of A shares of the Company <i>(%)</i>	Percentage in the total share capital of the Company <i>(%)</i>	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 PRC, 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 at the date hereof, to the best knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules of the Stock Exchange.

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

- (I) Relevant disclosure made according to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (Continued)

9. *Circulating Market Capitalisation*

Based on the publicly available information, 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; the circulating market capitalization of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB1.85)) was approximately RMB15,504 million.

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, 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 RMB0.926 billion, 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 directors suggested not to make profit distribution or transfer capital reserve to share capital in 2019 pursuant to the Article 250 of the Articles of Association.

- (II) **Employee Share Ownership Plan**

Please refer to "Section V.XIII. (II)" of this report for details.

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Repurchase of A shares of the Company

As authorized at the 2018 annual general meeting, the 2019 first class meeting of A shareholders and the 2019 first class meeting of H shareholders, the Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading was considered and approved at the 10th meeting of the eighth session of the Board of the Company convened on 21 May 2019, and the Company disclosed the Report on the Repurchase of A Shares of the Company through Centralized Bidding Trading (Announcement No.: 2019-022) on 31 May 2019.

On 12 June 2019, the Company repurchased 2,500,000 A shares through centralized bidding trading under the first repurchase, representing 0.028% of the total share capital of the Company. The highest price and the lowest price transacted for such shares were RMB1.90 per share and RMB1.88 per share, respectively. The total amount paid for such shares was RMB4,728,509.00 (excluding transaction costs). The Company disclosed the Announcement on the First Repurchase of A Shares of the Company through Centralized Bidding Trading (Announcement No.: 2019-024) on 13 June 2019.

As at 27 June 2019, the Company 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 costs). As such, the total amount of funds for repurchase of the Company has reached the cap, and the repurchase plan was fully implemented. The Company disclosed the Announcement on the Result of Repurchase of A Shares and Changes in Shareholding Structure (Announcement No.: 2019-025) on 28 June 2019.

(IV) Participation in bidding for acquisition of equity interest

On 5 March 2019, the Resolution in Relation to Participation in Online Bidding for Acquisition of Equity Interest was approved at the 7th meeting of the eighth session of the Board of the Company by voting. It approved the Company to participate in the online bidding for 28% equity interest in Chongqing Xingang Changlong Logistics Co., Ltd. ("Xingang Changlong") with self-owned funds based on its needs for business development at the listing-for-sale price of RMB28,482,000. The Company made full payment for the acquisition of equity interest in the amount of RMB28,482,000 (excluding trading service charges) on 22 March 2019 and obtained the voucher on transaction of assets from Chongqing United Assets and Equity Exchange on 29 March 2019. Xingang Changlong completed the procedures for industrial and commercial registration of changes and filing on 14 May 2019. In accordance with the articles of association of Xingang Changlong, the Company is entitled to the voting rights corresponding to its equity interest in Xingang Changlong.

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

(V) Joint establishment of a joint venture company

On 9 August 2019, the Proposal in Relation to Proposed Joint Establishment of a Joint Venture Company by Chongqing Iron & Steel and Siyuanhe Intelligent Manufacturing Fund was considered and approved at the 12th meeting of the eighth session of the Board of the Company. It approved the Company to establish a joint venture company with Siyuanhe Intelligent Manufacturing Fund (which was to be established and was tentatively named, the final name would be subject to the approval of registration) or any related enterprise(s) designated by it to initiate cooperation in relation to intelligent manufacturing.

Eventually, Chongqing Jianwei Intelligent Technology Co., Ltd. (重慶鑒微智能科技有限公司) was jointly established by Jianwei Digital Technology (Chongqing) Co., Ltd. (鑒微數字科技(重慶)有限公司), which was invested and established by Siyuanhe (Wuhan) Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership) (四源合(武漢)智慧製造股權投資基金合伙企業(有限合夥)), and the Company. The Company contributes RMB2.5 million, accounting for 50% of the registered capital of the investment subject. Please refer to Progress Announcement on Joint Establishment of a Joint Venture Company (Announcement No.: 2019-041) disclosed by the Company on 17 December 2019 for details.

(VI) Write-off of receivables

On 27 December 2019, the resolution in relation to the write-off of receivables of the Company was considered and approved at the 16th meeting of the eighth session of the Board of the Company, in order to further strengthen the management of the Company's assets and give a fair reflection of the Company's financial status, the Company, pursuant to the provisions of the Accounting Standards for Business Enterprises and relevant administrative measures of the Company, sorted out non-recoverable trade receivables charged to the book for a long period due to long-term uncollectible accounts, deregistration or revocation of the debtor, inability to find relevant information and contact the debtor and other reasons, and wrote off the same. Provision for bad debts has been made in full for the written-off receivables of RMB185.42 million. Please refer to Announcement on Write-off of Receivables of the Company (Announcement No.: 2019-044) disclosed by the Company on 28 December 2019 for details.

(VII) Proposed change of control

On 27 December 2019, the Company was informed by Siyuanhe Investment that Siyuanhe Investment and China Baowu Steel Group Corporation Limited ("Baowu Group") signed a Letter of Intent, pursuant to which Baowu Group intends to become the de facto controller of the Company. Please refer to Indicative Announcement on Execution of the Letter of Intent by the De Facto Controller of the Company and Proposed Change of Control (Announcement No.: 2019-047) disclosed by the Company on 28 December 2019 for details.

Section V Significant Events (Continued)

XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty Alleviation by the Listed Company

Applicable Not applicable

(II) Social Responsibility

Applicable Not applicable

In 2019, the company continued to strengthen the concept of fulfilling social responsibilities in production operations and management, and the Company has made great efforts in corporate governance, employees' rights protection, environmental protection, safety in production and maintenance of public relations and gained recognition from employees, the community and the society.

In 2020, the company shall continuously improve the construction and implementation of corporate social responsibility management system, further integrate the corporate social responsibility concept in the process of production and management, repay shareholders and investors, and protect the legitimate rights and interests of employees. The Company shall also treat suppliers and customers with integrity, improve product quality, strengthen production safety, participate in social welfare activities, strengthen environmental protection, continuously improve the image of listed companies, and practice the spirit of social responsibility.

For details, please refer to the Environmental and Social Responsibility Report for 2019 disclosed by the Company on 30 March 2020.

(III) Environmental Information

1. *Explanation on the performance of environmental protection of companies and its key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department*

Applicable Not applicable

XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Environmental Information (Continued)

1. *Explanation on the performance of environmental protection of companies and its key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)*

(1) Pollutant discharging

Applicable Not applicable

Pollutants generated by the Company mainly include waste gas (including sulfur dioxide, oxynitride and particulate matter) and waste water (including PH, COD and ammonia nitrogen). Information about pollutant discharging is disclosed on the website of the ecology and environment bureau on a regular basis. In 2019, the self-monitoring data of Company on environmental protection met the required standards of the ecology and environment bureau. For details of relevant pollutant discharging, please refer to the Environmental and Social Responsibility Report for 2019 disclosed by the Company on 30 March 2020.

(2) Construction and operation of pollution control facilities

Applicable Not applicable

In 2019, the Company upgraded and transformed the 2# and 3# pollution facilities for sintered flue gas desulfurization. All of the existing pollution control facilities were operated in parallel with our pollution control facilities and were under sound operating condition.

(3) Environmental impact assessment of construction projects and other environmental protection administrative licensing

Applicable Not applicable

XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Environmental Information (Continued)

1. *Explanation on the performance of environmental protection of companies and its key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)*

(4) Environmental emergency plan

Applicable Not applicable

In order to implement the requirements of the laws and regulations on strengthening the environmental protection of enterprises promulgated by the central and local government, the Company has established a sound environmental risk prevention system, formulated the Environmental Emergency Plan of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司突發環境事件應急預案》) and carried out environmental protection filing. In December 2019, the Company implemented emergency drill to verify the applicability and operability of the emergency plan.

(5) Self-monitoring program on environmental protection

Applicable Not applicable

According to the requirements of the Measures for Self-monitoring and Information Disclosure by the Enterprises Subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》) and the General Rules for Technical Guidance on Self-monitoring of Pollutant Discharging Organizations (《排污單位自行監測技術指南總則(發佈稿)》), the Self-monitoring Program of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司自行監測方案》) was formulated and filed with the ecology and environment bureau in order to regulate the self-monitoring and information disclosure of the Company and ensure the conscious fulfillment of its legal obligations and social responsibilities. The Company has carried out its self-monitoring work in accordance with such program in 2019.

(6) Other environmental information required to be disclosed

Applicable Not applicable

XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Environmental Information (Continued)

2. *Explanation on environmental protection of companies beyond the classification of key pollutant discharging entity*

Applicable Not applicable

3. *Explanation of reasons for non-disclosure of environmental information by companies beyond the classification of key pollutant discharging entity*

Applicable Not applicable

4. *Explanation on development or changes in environmental information disclosed during the Reporting Period*

Applicable Not applicable

(IV) Other Explanations

Applicable Not applicable

XVIII. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

Applicable Not applicable

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

(I) Ordinary shares

1. *Statements of movement of ordinary shares*

There was no change in the total number of ordinary shares and the share capital structure of the Company during the reporting period.

2. *Explanation on movement of ordinary shares*

Applicable Not applicable

3. *Impact on financial indicators such as earnings per share and net assets per share from change in ordinary shares within the latest year and latest period (if applicable)*

Applicable Not applicable

4. *Other information considered necessary by the Company or required by regulators to be disclosed*

Applicable Not applicable

(II) Information on Changes in Lock-up Shares

Applicable Not applicable

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the Reporting Period

Applicable Not applicable

Details for the issue of securities during the Reporting Period (details of bonds with different interest rates within the duration to be specified separately):

Applicable Not applicable

(II) Change in the total number of ordinary shares, shareholding structure and the structure of assets and liabilities of the Company

Applicable Not applicable

(III) Shareholdings held by employees

Applicable Not applicable

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period	136,901
Total number of ordinary shareholders on the close of the end of month before the disclosure of the Annual Report	134,269
Total number of holders of preference shares with restored voting rights as at the end of the Reporting Period	0
Total number of holders of preference shares with restored voting rights on the close of the end of month before the disclosure of annual report	0

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

- (II) Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period

Unit: share

Shareholdings of the top ten shareholders

Name of shareholder (Full name)	Increase/ Decrease in the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Status of shares	Number of shares held subject to trading moratorium Number	Type of shareholder
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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

- (II) Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period (Continued)

Shareholdings of Top Ten Shareholders without Trading Limitations

Name of shareholder	Shareholdings of tradable shares without trading limitations	Type and number of shares	
		Type	Number
Chongqing Changshou Iron & Steel Company Limited	2,096,981,600	RMB denominated ordinary shares	2,096,981,600
HKSCC NOMINEES LIMITED	531,217,421	Overseas listed foreign shares	531,217,421
Chongqing Qianxin Energy Environmental Protection Company Limited	427,195,760	RMB denominated ordinary shares	427,195,760
Chongqing Rural Commercial Bank Co., Ltd.	289,268,939	RMB denominated ordinary shares	289,268,939
Chongqing Guochuang Investment and Management Co., Ltd.	278,288,059	RMB denominated ordinary shares	278,288,059
Sinosteel Equipment & Engineering Co., Ltd.	252,411,692	RMB denominated ordinary shares	252,411,692
Bank of Chongqing Co., Ltd.	226,042,920	RMB denominated ordinary shares	226,042,920
Industrial Bank Co., Ltd. Chongqing Branch	219,633,096	RMB denominated ordinary shares	219,633,096
Agricultural Bank of China Limited Chongqing Branch	216,403,628	RMB denominated ordinary shares	216,403,628
China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工业成套物流有限公司)	211,461,370	RMB denominated ordinary shares	211,461,370

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

- (II) Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period (Continued)

The above shareholders' connected relationship or concerted action

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 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 N/A

Shareholdings and Trading Limitations of Top Ten Shareholders with Trading Limitations

Applicable Not applicable

- (III) Strategic investors or ordinary legal persons who became top ten shareholders due to placing of new shares

Applicable Not applicable

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling Shareholder

1 *Legal person*

Applicable Not applicable

Name Chongqing Changshou Iron & Steel Company Limited

Principal or legal representative Zhou Zhuping

Date of incorporation 12 October 2017

Principal operations Engaged in technology development, technology transfer, technical services and technical management consultation in the fields of steel, metallurgical mineral, coal, chemical engineering, electric power and transportation; sale of steel raw materials; terminal operation; warehousing service (excluding storage of hazardous articles); leasing of proprietary property and equipment; import and export of goods and technology; and corporate management and consulting services. (The business activities subject to approval according to law in the above scope can be carried out only after being approved by relevant departments)

Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period Nil

Other explanation Nil

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(I) Controlling Shareholder (Continued)

2 *Natural persons*

Applicable Not applicable

3 *No special explanation regarding the controlling shareholder*

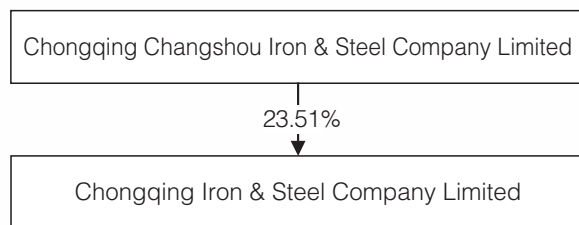
Applicable Not applicable

4 *Index and date of changes in controlling shareholder during the Reporting Period*

Applicable Not applicable

5 *The ownership and control relationship between the Company and its controlling shareholder*

Applicable Not applicable



IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De facto controller

1 *Legal person*

Applicable Not applicable

Name Siyuanhe Equity Investment Management Co., Ltd.
(GP)

Principal or legal representative Zhou Zhuping

Date of incorporation 14 July 2017

Principal operations Sponsoring and establishing equity investment enterprises; managing the investment business of equity investment enterprises as trustee and providing related services; and engaging in equity investment consultation. (The business activities subject to approval according to law in the above scope can be carried out only after being approved by relevant departments)

Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period Nil

Other explanation Nil

2 *Natural persons*

Applicable Not applicable

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De facto controller (Continued)

3 No special explanation regarding the controlling shareholder

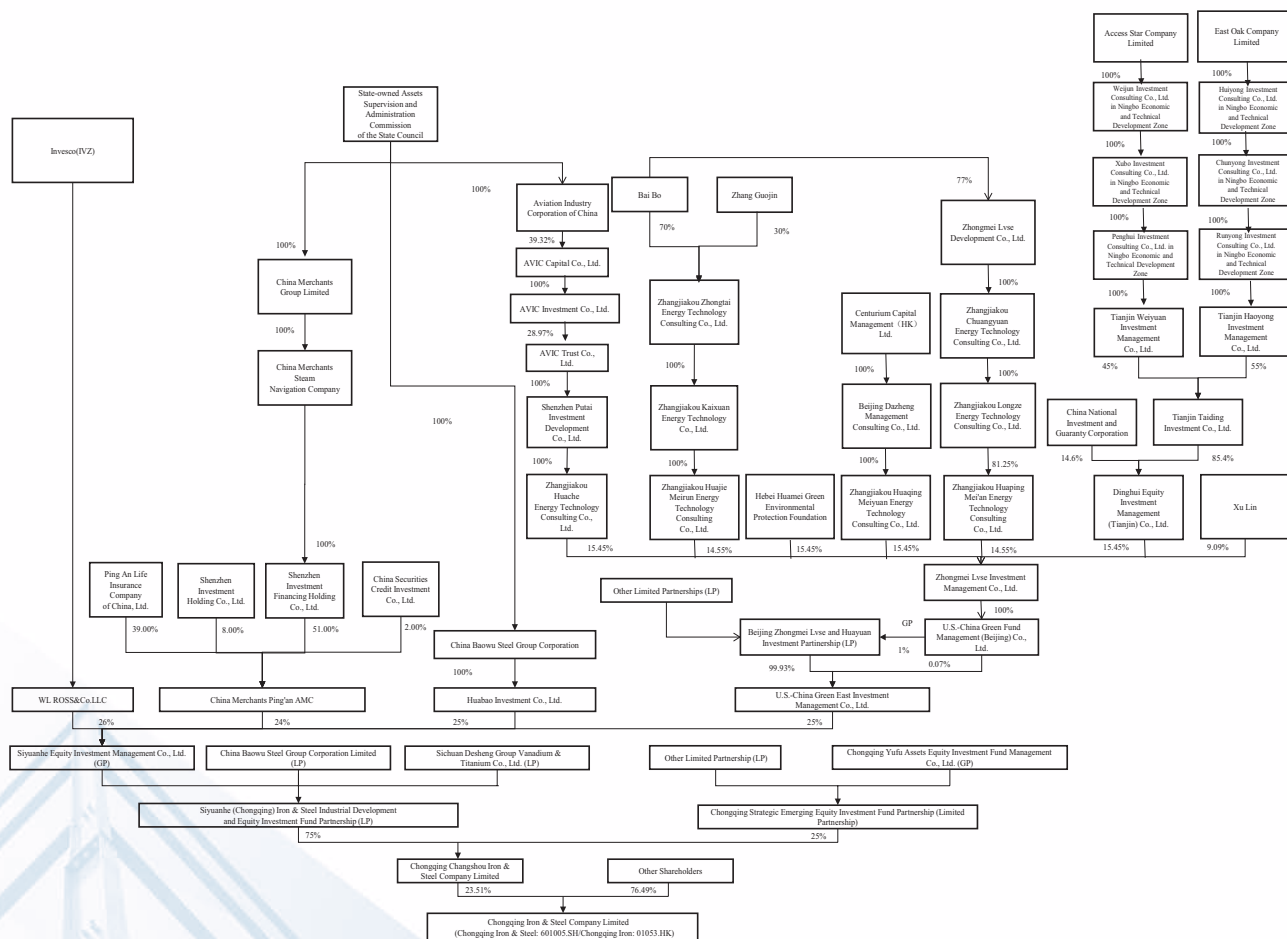
Applicable Not applicable

4 Index and date of changes in de facto controller during the Reporting Period

Applicable Not applicable

5 The ownership and control relationship between the Company and its de facto controller

Applicable Not applicable



6 Control of the Company by de facto controllers by way of trust or other means of asset management

Applicable Not applicable

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(III) Other explanation regarding the controlling shareholder and the de facto controller

Applicable Not applicable

On 27 December 2019, the Company was informed by Siyuanhe Investment that Siyuanhe Investment and China Baowu Steel Group Corporation Limited (“Baowu Group”) signed a Letter of Intent, pursuant to which Baowu Group intends to become the de facto controller of the Company. Please refer to Indicative Announcement on Execution of the Letter of Intent by the De Facto Controller of the Company and Proposed Change of Control (Announcement No.: 2019-047) disclosed by the Company on 28 December 2019 for details.

V. OTHER CORPORATE SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR ABOVE

Applicable Not applicable

VI. EXPLANATION ON REDUCED SHAREHOLDING

Applicable Not applicable

Section VII Related Information of Preferred Shares

Applicable

Not applicable

Section VIII Directors, Supervisors, Senior Management and Staff

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION

(I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration

Applicable Not applicable

Unit: Share

Name	Title (Note)	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding at the beginning of the year	Shareholding at the end of the year	Increase/Decrease in shareholding during the year	Reason for changes in shareholding	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether received remuneration from the related parties of the Company
Zhou Zhu Ping	Chairman	M	56	29 January 2018	14 May 2021	0	0	0 /		0.00	Yes
Song De An	Vice Chairman	M	54	21 May 2019	14 May 2021	0	0	0 /		0.00	No
Li Yong Xian	Director	M	59	29 January 2018	14 May 2021	0	0	0 /		555.02	No
Tu De Ling	Director	M	56	23 December 2015	14 May 2021	0	0	0 /		176.52	No
Wang Li	Director	M	63	21 May 2019	14 May 2021	0	113,800	113,800	Mr. Wang Li bought through the secondary market before serving as a director of the Company	80.00	No
Zhang Shuo Gong	Director(note 1)	M	62	29 January 2018	14 May 2021	0	0	0 /		22.50	No
Xin Qing Quan	Director (Independent)	M	44	4 December 2014	14 May 2021	0	0	0 /		18.00	No
Xu Yi Xiang	Director (Independent)	M	45	4 December 2014	14 May 2021	0	0	0 /		18.00	No
Wong Chun Wa	Director (Independent)	M	45	4 June 2015	14 May 2021	0	0	0 /		18.00	No
Zhang Wenxue	Chairman of the Supervisory Committee	M	56	21 May 2019	14 May 2021	0	0	0 /		0.00	No
Xiao Yu Xin	Supervisor Representing staff	M	57	13 May 2019	14 May 2021	0	0	0 /		423.02	No
Lu Jun Yong	Supervisor	M	46	29 January 2018	14 May 2021	0	0	0 /		0.00	Yes
Yin Dong	Supervisor	M	44	29 January 2018	14 May 2021	0	0	0 /		0.00	Yes
Zhou Ya Ping	Supervisor Representing staff	M	56	15 May 2018	14 May 2021	0	0	0 /		36.75	No

Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Title (Note)	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding		Increase/Decrease in shareholding during the year	Reason for changes in shareholding	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether received remuneration from the related parties of the Company
						at the beginning of the year	at the end of the year				
Liu Jianrong	General Manager	M	45	15 January 2020	14 May 2021	0	0	0 /		0.00	No
Zou An	Deputy General Manager	M	45	15 January 2020	14 May 2021	0	0	0 /		0.00	No
Lv Feng	Deputy General Manager, chief financial officer(note 2)	M	40	30 November 2017	14 May 2021	0	0	0 /		421.72	No
Meng Xiang Yun	Deputy General Manager, Secretary to the Board(note3)	F	45	16 August 2018	14 May 2021	0	0	0 /		423.02	No
Wang Bu Lin	Deputy General Manager	M	56	29 October 2018	14 May 2021	0	0	0 /		423.02	No
Zhang Li Quan	Deputy General Manager	M	57	19 December 2018	14 May 2021	0	0	0 /		173.79	No
Zeng Jing	Deputy General Manager	M	56	19 December 2018	14 May 2021	0	0	0 /		174.84	No
Xie Chao	Deputy General Manager	M	38	1 January 2020	14 May 2021	0	0	0 /		0.00	No
Zheng Jie	Resigned Director	M	45	29 January 2018	28 March 2019	0	0	0 /		0.00	Yes
Xia Tong	Resigned Supervisor Representing staff	M	54	15 May 2018	13 May 2019	0	0	0 /		28.89	No
Total	/	/	/	/	/	0	113,800	113,800 /		2,993.09	/

Notes: Remunerations for the Company's newly appointed and resigned directors, supervisors and senior management are remunerations actually received by them during their tenures of such positions in the Company in the Reporting Period. For details of the stock ownership plan for directors, supervisors and senior management, please refer to "Section V. XIII (II)" of this report.

Note 1: On 21 May 2019, the Company convened the 10th meeting of the eighth session of the Board, at which Mr. Zhang Shuogong was re-designated from an executive director to a non-executive director.

Note 2: Starting date of the tenure of Mr. Lv Feng as the chief financial officer is 27 February 2018.

Note 3: Starting date of the tenure of Ms. Meng Xiang Yun as the Secretary to the Board is 19 December 2018.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Zhou Zhu Ping	born in March 1963, is a senior accountant. He currently serves as the chairman of Chongqing Iron & Steel Company Limited, the chairman of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司), a director and CEO of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司). Mr. Zhou previously served as the secretary to the board of directors of Baoshan Iron & Steel Co., Ltd., general manager of Baosteel Group Enterprise Development Corporation, president of Baosteel Development Co. Ltd., the chairman of Baosteel Finance Co., Ltd, deputy general manager of Ouyeel Co., Ltd., deputy general manager of Baosteel Group Corporation and chairman of Baosteel Metal Co., Ltd., secretary of the Party Committee of the financial system of China Baowu Steel Group Corporation, the chairman of Fortune Investment Co., Ltd. and the chairman of the 8th session of the supervisory committee of China Pacific Insurance (Group) Co., Ltd, secretary of the Party Committee of Chongqing Iron & Steel Company Limited, general manager of Chongqing Changshou Iron & Steel Company Limited. Mr. Zhou has extensive experience in corporate governance, corporate management, capital operation, corporate finance and accounting, funds management, cost management and capital budget management. Mr. Zhou graduated from Zhejiang College of Metallurgical Economics in 1982.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Song De An	born in February 1965, is a senior economist. He obtained an EMBA degree from PBC School of Finance, Tsinghua University. He currently serves as the vice chairman of Chongqing Iron & Steel Company Limited, the chairman of the board of directors of Sichuan Desheng Group and the vice chairman of Chongqing Changshou Iron & Steel Company Limited,. The Sichuan Desheng Group, which was founded in 1997 by Mr. Song, has been developed into a Top 500 Global Enterprises in China enjoying synergic development of three core businesses including financial capital, cultural tourism as well as vanadium, titanium, iron and steel. Mr. Song had served as a deputy to the People’s Congress of Sichuan, a standing member of the 10th session of the executive committee of Sichuan Federation of Industry and Commerce, a standing member of the 6th and 7th session of Leshan Municipal Committee of the CPPCC, a standing member of the 6th session of Leshan Federation of Industry and Commerce, the vice chairman of the Chamber of Commerce and the vice-chairman of Leshan Charity Federation. He had been granted the titles of “Outstanding Entrepreneur of Yunnan Province”, “Outstanding Private Entrepreneurs of Leshan City”, “Outstanding Private Entrepreneurs of Sichuan Province”, “Builder of the 2nd Session of Sichuan Outstanding Builders of Socialism with Chinese Characteristics” and many other awards.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Li Yong Xiang	born in October 1960, is a senior engineer. Mr. Li currently serves as a director of Chongqing Iron & Steel Company Limited. Mr. Li successively served as the deputy plant director, plant director and secretary of Party Committee of the smelting plant of Meishan Metallurgical Company; a director and the deputy general manager of Shanghai Meishan (Group) Company; a director, the deputy general manager and the general manager of Meishan Company of Baosteel Group; and a director, the general manager and the chairman of Meishan Iron & Steel Company of Baosteel. Mr. Li served as the deputy general manager of Baosteel and the chairman of Meishan Iron & Steel Company from 2008 to 2016. He served as a director and the chief executive officer of B.M. Holding (Group) Co., Ltd. from October 2016 to November 2017. Since November 2017, he has served as the general manager, vice chairman and deputy secretary to the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Li has rich experience in production, operation and organization of iron and steel enterprises. Mr. Li graduated from Northeastern University in 1982. From August 1996 to February 1997, he studied at the Department of Business Administration at West Virginia State University, the United States, as a visiting scholar; in 2001, he was awarded the degree of EMBA by China Europe International Business School; in 2003, he obtained the master's degree in metallurgical engineering from Northeastern University.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Tu De Ling	born in January 1963, is a director of Chongqing Iron & Steel Company Limited. Mr. Tu joined Chongqing Iron & Steel Group in 1988 and successively served as the deputy head of the financial division of Chongqing Iron & Steel Company (Group) Limited, head of the Financial Division and chief accountant of Chongqing Iron & Steel Company Limited, chairman of Chongqing Iron & Steel Electronic Company (重鋼電子公司), the commander of the environmental relocation headquarters and a director of the finance department of Chongqing Iron & Steel Group, the chairman of Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司), and the financial controller and the vice chairman of Chongqing Iron & Steel Company Limited. Mr. Tu graduated from the Department of Accounting of the South-western University of Finance and Economics in 1984 with a bachelor's degree in economics.
Wang Li	born in June 1956, is a professoriate senior engineer. He currently serves as a director of Chongqing Iron & Steel Company Limited. Mr. Wang served as a director, the general manager and the chairman of Shanghai Baosight Software Co. Ltd., an assistant to the general manager of Baoshan Iron & Steel Company Limited, and an assistant to the general manager and a secretary of the board of directors in Baosteel Group Corporation (寶鋼集團有限公司). He graduated from Northeast Institute of Technology in 1982 majoring in industrial automation.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Zhang Shuo Gong	born in August 1957, is a senior engineer with professor-level and a director of Chongqing Iron & Steel Company Limited. Mr. Zhang successively served as the department head of the engineering and technology department of Baoshan Iron & Steel Company Limited, the deputy general manager of Baosteel Engineering & Technology Group Co., Ltd., an executive director and the general manager of Shanghai Baosight Software Co. Ltd. and a director of Shanghai Baosight Software Co. Ltd. Mr. Zhang has rich experience in production, management and operation of iron and steel enterprises. Mr. Zhang graduated from Tongji University with a bachelor's degree in industrial electrical automation technology in 1982.
Xin Qing Quan	born in August 1975, is an independent director of Chongqing Iron & Steel Company Limited. He is a professor of accounting, a doctoral tutor in the School of Economics and Business Administration of Chongqing University and the head in the Corporate Finance and Accounting Governance Innovation Institute of Chongqing University, the Changjiang (Yangtze River) Scholar award 2016 by the Ministry of Education, selected for Accounting Master Training Project by the Ministry of Finance in 2019, a special researcher of Chinese Government Auditing Research Center (中國政府審計研究中心) and a member of the 5th CPPCC of Chongqing. Mr. Xin graduated from Zhongshan University with a doctoral degree in accounting. He is mainly engaged in the research of financial accounting and corporate management.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Xu Yi Xiang	<p>born in February 1974, is an independent director of Chongqing Iron & Steel Company Limited. He is a professor in the School of Economics of Southwest University of Political Science and Law and a doctoral tutor. He is the deputy director (Non-executive) of the Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law, and concurrently served as a part-time lawyer in Dentons (Chongqing) (北京大成(重慶)律師事務所) as well as an arbitrator of Hainan Arbitration Commission. Mr. Xu graduated from The Eberhard Karls Universität Tübingen of Germany, and obtained a PhD in Law. He is engaged in the research and practical works of the economic and environmental protection laws and policies for a long time, and has hosted various national and other level research projects. His academic papers have been published in several domestic and foreign renowned academic journals. Mr. Xu has extensive experience in corporation, environmental laws and practical operations.</p>
Wong Chun Wa	<p>born in June 1974, is an independent director of Chongqing Iron & Steel Company Limited, director of ACT Business Consultants Limited, director of RIW C.P.A. Limited, and an independent non-executive director of China Zhongwang Holdings Limited. Mr. Wong worked at KPMG and Ernst & Young, and was an independent non-executive director and supervisor of Maanshan Iron & Steel Co. Ltd. Mr Wong was awarded a bachelor's degree in accounting by the Hong Kong Polytechnic University in 1996 and is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.</p>

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Zhang Wenxue	born in May 1963, is a senior engineer. He currently serves as the secretary of the Party committee and the chairperson of the supervisory committee of Chongqing Iron & Steel Company Limited, general manager of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司). Mr. Zhang was the director of the hot pressing works and the concurrent system reformation project manager of the hot pressing production line of Baogang Branch under Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), the assistant to the general director of Zhanjiang iron and steel engineering headquarters and the concurrent head of the hot pressing project team, the deputy general manager of Zhanjiang Iron and Steel Company, as well as the director of hot pressing works, the assistant to the general manager and the concurrent chief of the business promotion department of Baoshan Iron & Steel Co., Ltd. Mr. Zhang has years of practical experience in construction project management and enterprise factory management. Mr. Zhang graduated from Central South Institute of Mining and Metallurgy (中南礦冶學院) majoring in pressure processing in 1984, and obtained a master degree in industrial relations from West Virginia University of the USA.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Xiao Yu Xin	<p>born in October 1962, currently serves as a supervisor, the deputy secretary of the Party committee, as well as the secretary of the disciplinary committee and Chairman of the labour union of Chongqing Iron & Steel Company Limited. Mr. Xiao once served as the head of the operation improvement department and marketing director of Shanghai Baosight Software Co. Ltd., informatization manager and person in charge of administrative expenses check-up and improvement project group of Baosteel Group, manager at director level of the strategic management department of Baosteel Corporation and the general manager in charge of post-investment management of Siyuanhe Equity Investment Management Co., Ltd., the chairperson of the supervisory committee of Chongqing Iron & Steel Company Limited and a supervisor of Chongqing Changshou Iron & Steel Company Limited and other positions. Mr. Xiao graduated from the Thermophysical Engineering Department of Zhejiang University with a bachelor degree in cryogenic engineering and subsequently pursued a master's degree in management engineering at the University of Science and Technology Beijing. From 1987 to 1996, he taught at the University of Science and Technology Beijing and subsequently served as a teaching assistant, lecturer, deputy director and associate professor of the Department of Management. From 1996 to 2000, he was dispatched to Keele University in the United Kingdom with the sponsorship from the government for cooperative research and a doctoral degree; and later successfully obtained a doctoral degree (during this period, he remained as an associate professor at the Department of Management of the University of Science and Technology Beijing). From 2000 to 2003, he served as a senior lecturer at the Business School of the University of Sunderland in the United Kingdom. From 2003 to 2007, he served as a senior lecturer of management at the Business School of University of Aberdeen (during this period, he was elected as a professor of School of Humanity Science and Law, University of Science and Technology Beijing in September 2006).</p>

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Lu Jun Yong	born in November 1973, is a supervisor of Chongqing Iron & Steel Company Limited. He currently serves as a deputy general manager of Chongqing Changshou Iron & Steel Company Limited, a deputy general manager and chief risk officer of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司), and an executive director and a member of the investment decision making committee of Siyuanhe (Shanghai) Steel Industry Equity Investment Fund (四源合(上海)鋼鐵產業股權投資基金). Mr. Lu previously served as the vice president, a member of the executive committee and of the investment review committee, and the person in charge of legal affairs of Golden Concord Group Holdings Limited (協鑫(集團)控股有限公司), the second largest new energy company in the world; the vice president and the person in charge of legal affairs of Hywin Financial Holding Group Co., Ltd. (上海海銀金融控股集團有限公司), one of the top three wealth management companies in the PRC; head of the department of legal affairs of Baoshan Iron & Steel Company Limited; and deputy head (in charge of work) of the legal affair department and the head of the litigation management office and contract management office of Baosteel Group Corporation (寶鋼集團有限公司), a director of Chongqing Changshou Iron & Steel Company Limited. Mr. Lu Jun Yong obtained a bachelor's degree in law (specialising in international economic law) from East China University of Political Science and Law in 1996 and a master's degree in law (specialising in international economic law) from Shanghai University of International Business and Economics in 2005. He has passed National Bar Examination (全國律師資格考試) in 1996 and the national practice qualification examination for enterprise legal advisers (全國企業法律顧問執業資格考試) in 1998.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Yin Dong	<p>born in November 1975, is a supervisor of Chongqing Iron & Steel Company Limited. He currently serves as a deputy general manager of Chongqing Changshou Iron & Steel Company Limited and the chief financial officer of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司). Mr. Yin once served as the chief financial officer in Shanghai Yuesheng Economic Development Co., Ltd. (上海月盛經濟發展有限公司) and took full responsibility for the finance-related work of the company; and successively served as a manager at senior director level of the finance department, chief financial officer of segments, and head of audit and supervision department of Baosteel Metal Company Limited (寶鋼金屬有限公司) ("Baosteel Metal"). In addition, he successively hold concurrent posts as a supervisor of Baosteel Metal, a deputy general manager of Jiangsu Baosteel Precision Steel Wire Co., Ltd. (江蘇寶鋼精密鋼絲有限公司), and a supervisor of Baosteel Packaging Company Limited (寶鋼包裝) (an A-shares listed company), Wanbaojing Auto Parts (Guangzhou) Company Limited (廣州萬寶井汽車部件有限公司), Wanbaojing Auto Parts (Wuhan) Company Limited (武漢萬寶井汽車部件有限公司), Nanjing Baori Steel Wire Co., Ltd. (南京寶日鋼絲有限公司) and Shanghai Baocheng Steel Structure Co., Ltd. (上海寶成鋼結構公司). He once served as the chief financial officer of Niagara Machinery Products Co., Ltd. (尼亞加拉機械製品有限公司) (an overseas joint-venture subsidiary of Baosteel in Canada) and was fully responsible for the financial affairs of the company. He once served as a director of Chongqing Changshou Iron & Steel Company Limited. Mr. Yin Dong obtained a bachelor's degree in management engineering from East China University of Science and Technology and an EMPAcc degree from Shanghai National Accounting Institute/ The Chinese University of Hong Kong.</p>

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Zhou Ya Ping	born in May 1963, is an policy advisor. He is currently a staff representative supervisor, the director and Party secretary of the Heavy Plate Plant of Chongqing Iron & Steel Company Limited. Mr. Zhou served as the shift supervisor of the control room of the Company's Medium Plate Plant, the deputy head and chief steel rolling operator at the hot rolling workshop of the Medium Plate Plant, the secretary of the party branch and assistant chief operator of the hot rolling operation area for the heavy plate production line of the Heavy Plate Plant, the chief operator and the secretary of the party branch of the hot rolling operation area for the medium plate production line of the Heavy Plate Plant, the secretary of the disciplinary committee, and chairman of the labour union of the Heavy Plate Plant. Mr. Zhou was awarded the honor of National Labor Model in 2005 and was elected as a representative of the 17th CPC National Congress in May 2007. He was awarded the honor of "Heroes and Models with Outstanding Contribution" during the celebration of the 60th anniversary of the liberation of Chongqing in September 2019 and was elected as a representative of the 18th CPC National Congress in May 2012.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Liu Jianrong	<p>born in September 1974, is a member of the Communist Party of China (“CPC”) and a senior engineer. He currently serves as the general manager and deputy secretary to the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Liu successively served as an assistant to the head of the manufacturing management department of Baosteel Baogang Company (寶鋼股份寶鋼分公司), deputy head of the manufacturing management department of Baosteel Special Steel Company (寶鋼股份特殊鋼分公司), deputy head and head of the manufacturing management department of Special Steel Business Unit of Baosteel (寶鋼股份特鋼事業部), head of the manufacturing management department and secretary to the Party Committee of the manufacturing quality control department in Baosteel Special Material and Baosteel Special Steel, assistant to the general manager of Baosteel Special Steel, assistant to the general manager (on secondment) of Shaoguan Iron & Steel (韶關鋼鐵), deputy general manager of Baosteel Special Steel and chairman of Baosteel Special Steel Changcai Co., Ltd.(寶鋼特鋼長材有限公司), member of the Party Committee, director and deputy general manager/senior vice president (in charge) of Shaoguan Iron & Steel, as well as chairman of Guangdong Shaogang Songshan Co., Ltd., a director, the president and deputy secretary to the Party Committee of Shaoguan Iron & Steel and concurrently serves as the vice chairman, the deputy secretary to the Party Committee of Guangdong Shaogang Songshan Co., Ltd. Mr. Liu has extensive experience in production, manufacturing, operation and management as well as corporate governance in the iron and steel engagements. Mr. Liu graduated from Shanghai University of Technology (上海工業大學) majoring in metal pressure processing in 1996 and obtained a master’s degree in industrial engineering from Shanghai Jiao Tong University.</p>

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Zou An	<p>born in November 1974, is a CPC member and a senior accountant. He currently serves as the deputy general manager and a member of the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Zou successively served as the director of accounting and taxation of the Finance Department, director of budget management, senior manager of performance evaluation of Baosteel Group, the director of the development, operation and finance department, assistant to president (acting), vice president and director of the operation and finance department of Baosteel Group, and the deputy general manager of Baowu Group Environmental Resources Technology Co., Ltd. (寶武集團環境資源科技有限公司). Mr. Zou graduated from the East China University of Metallurgy (華東冶金學院) in 1996, majoring in accounting, and then obtained a master's degree in finance from Fudan University.</p>
Lv Feng	<p>born in December 1979, is an accountant. He is currently a deputy general manager, chief financial officer and a member of the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Lv had been the assistant budget analysis manager of the Finance Department of Baoshan Iron and Steel Co., Ltd., the comprehensive analysis manager dispatched to the Manufacturing Department, the comprehensive analysis manager of the Budget Team, the finance chief dispatched to the Smelting Plant; Mr. Lv was dispatched to Guangdong Baosteel Property Co., Ltd (廣東寶鋼置業有限公司) where he acted as the head of the Finance Department, deputy general manager and deputy general manager (in charge of work) from 2012 to 2017; he has been the deputy general manager (in charge of work) of the Assets Operation Center of Shanghai Baoland Property Co., Ltd (上海寶地置業有限公司) and the deputy general manager (in charge of work) of Guangdong Baosteel Property Co., Ltd since February 2017. Mr. Lv graduated from the Accounting Department of the School of Management of University of Jinan in 2002. He also obtained a master's degree in accounting from Shanghai University of Finance and Economics through on-the-job education and EMBA degree in real estate from Sun Yat-sen University.</p>

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Meng Xiang Yun	<p>born in November 1974, is a PRC certified public accountant, a PRC asset appraiser, a PRC certified tax agent (non-practising member), member of the Association of Chartered Certified Accountants (ACCA) and the tenth session of the National Leading Accounting Talent (Enterprise Class) Project of the Ministry of Finance of the PRC (in progress) and a senior accountant. Ms. Meng currently serves as a deputy general manager and the secretary to the Board of Chongqing Iron & Steel Company Limited and formerly served as a senior audit manager of Zhonghua Certified Public Accountants of BDO International, the chief financial officer of Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司) and the financial supervisor of Durkopp Adler, its German subsidiary. Ms. Meng has been serving as the chief accountant of Baosteel Group Co., Ltd. (寶鋼集團有限公司) and acting as a director of Baosteel Development Co., Ltd. (寶鋼發展有限公司), a director of Shanghai Environment and Energy Exchange Company Limited (上海環境能源交易所股份有限公司) and an independent director of CTS International Logistics Corporation Limited (港中旅華貿國際物流股份有限公司) during the period. She has been acting as the chief financial officer of Shanghai Runliangtai Internet of Things Technology Partnership (L.P.) (上海潤良泰物聯網科技合夥企業(有限合夥)) and the chairman of the supervisory committee of Shenzhen Sunsea Communication Technology Co., Ltd. (深圳日海通訊技術股份有限公司). Ms. Meng is familiar with the design of corporate financial management system architecture, is proficient in various financial management and operation modes of large enterprise groups, and has a deep understanding of corporate internal control construction, financial information system design, financial team construction, investment management and financial policies and control. Ms. Meng obtained a bachelor's degree in accounting from Beijing Wuzi University (北京物資學院) in 1996 and a master's degree in management from Shanghai Academy of Social Sciences in 1999.</p>

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Wang Bu Lin	born in August 1963, is a senior engineer and currently serves as a deputy general manager and a member of the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Wang served as officer assistant, deputy officer and Party branch secretary of overhaul shop of smelting plant, head of mechanics division of smelting plant, officer of equipment division, assistant plant director of smelting plant of Shanghai Meishan Iron and Steel Co., Ltd. ("Meishan Iron and Steel Company"), and head and deputy head of equipment division of Meishan Iron and Steel Company. As Mr. Wang has been committed to the equipment management of steel enterprises and lean operation, he has a deep understanding of and extensive experience in modern equipment management. Mr. Wang graduated from Beijing Steel and Iron Institute in 1987 with a bachelor's degree, majoring in Metallurgy Machinery, and obtained a master's degree of Business Administration from Nanjing University in 2001.
Zhang Li Quan	born in August 1962, is a senior engineer and currently serves as the deputy general manager of Chongqing Iron & Steel Company Limited. Mr. Zhang joined the Company in 1987 and served from time to time as the deputy head of the Iron Works, head of the Sintering Plant, the director of the Production and Direction Center, as well as the deputy general manager, a director and the assistant to the general manager of the Company. Mr. Zhang has a solid professional foundation and working experience in a number of positions. In addition, he has extensive experience in on-site production and management in large iron and steel enterprises. Mr. Zhang obtained a bachelor's degree in nonferrous metallurgy from Kunming Institute of Technology in 1987 and a master's degree in business administration from Chongqing University in 2004.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Zeng Jing	born in October 1963, is a senior engineer and currently serves as the deputy general manager of Chongqing Iron & Steel Company Limited. Mr. Zeng joined the Company in 1985 and served from time to time as the head of the management division of, as well as the director assistant, the deputy director and director of the steel research institute under the Company, the associate chief of Chongqing Iron & Steel Technical Centre, and the deputy general manager and the assistant to the general manager of the Company. As Mr. Zeng has been committed to the technological, quality and marketing work in iron and steel enterprises, he has accumulated extensive experience in the research and development of products and process technology, technological quality control, and technology marketing. Mr. Zeng obtained a bachelor's degree in metallurgy and material engineering in 1985 and a master's degree in material engineering in 2006, respectively, from Chongqing University.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Xie Chao	born in September 1981, is a CPC member and an engineer. He currently serves as a deputy general manager and a member of the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Xie successively served as the secretary to the Party Branch and director of the steel mill, director of the rolling mill and head of the marketing department in Sichuan Desheng Group Vanadium & Titanium Co., Ltd., general manager of Sichuan Jinde Investment Co., Ltd. (四川金德投資有限責任公司), general manager of Chongqing Deqin Investment Co., Ltd. (重慶德欽投資有限公司), head of the marketing department and the purchase and supply department in Sichuan Desheng Group Vanadium & Titanium Co., Ltd (四川德勝集團鈮鈦有限公司). and executive deputy general manager and head of the marketing department in Sichuan Desheng Supply Chain Management Co., Ltd. (四川德勝供應鏈管理有限公司), an executive director and general manager of Sichuan Jiaye Investment and Development Co., Ltd. (四川佳業投資發展有限公司) and deputy general manager and secretary to Party's branch of the purchase, supply and marketing department of Sichuan Desheng Group Vanadium & Titanium Co., Ltd. Mr. Xie graduated from Chongqing University of Science & Technology majoring in metallurgy in 2000, completed his study in Leshan Normal University majoring in international economics and trade in 2016, and is now a postgraduate student major in Finance in Hong Kong Finance & Economics College.

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Zheng Jie	<p>born in October 1974, is a registered holder of CFA. He currently serves as a deputy general manager of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司) and a principal of WL Ross & Co. LLC responsible for sourcing, structuring, evaluating and managing investments across a range of industries. He served as a director of Chongqing Iron & Steel Company Limited until March 2019 and served as a supervisor of Siyuanhe Equity Investment Management Co., Ltd. until August 2019. Mr. Zheng joined WL Ross in 2009. Since then he has predominantly focused on investments in chemicals and industrials, energy, financial services, metals and mining, and transportation. He currently serves as the senior advisor of the Management Committee for Huaneng Invesco WLR Clean Energy Fund and Solar Industry Investment Fund. Mr. Zheng has more than 15 years of principal investing experience. Prior to joining WL Ross & Co., Mr. Zheng was an associate at Fore Research & Management, a hedge fund focusing on credit and distressed investments. From 1998 to 2001, he worked at the Asset Management Division of Everbright Securities in China, investing in domestic equity market. Mr. Zheng earned his B.S. in Thermal Power Machinery and Installation and master's degree in Technical Economics of the Management Department from Shanghai Jiao Tong University, and his M.B.A. in Analytical Finance and Accounting from The University of Chicago.</p>

I. INFORMATION ON CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

- (I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period and their remuneration (Continued)

Name	Major Working Experience
Xia Tong	born in January 1965, is a senior engineer. He served as a staff representative supervisor, Chairman of the labour union and deputy Secretary of the disciplinary committee of Chongqing Iron & Steel Company Limited until May 2019. Mr. Xia once served as secretary to the Board and head of the Managerial Office (Office of the Board of Directors) of Chongqing Iron & Steel (Group) Co., Ltd., party secretary of the Environmental Relocation Headquarters of Chongqing Iron & Steel, the chairman of the supervisory committee, Party secretary, secretary of the disciplinary committee, and chairman of the labour union of the Company. Mr. Xia graduated from Chongqing University in 1987 and holds a master degree in engineering.

Other explanations

Applicable Not applicable

- (II) Share option granted to Director and senior management during the Reporting Period

Applicable Not applicable

II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD

(I) Positions held at shareholders

Applicable Not applicable

Name	Name of shareholders	Position held at the shareholders	Starting date of the tenure	Ending date of the tenure
Zhou Zhu Ping	Chongqing Changshou Iron & Steel Company Limited	Chairman	October 2017	/
Zhou Zhu Ping	Chongqing Changshou Iron & Steel Company Limited	General Manager	October 2017	November 2019
Song De An	Chongqing Changshou Iron & Steel Company Limited	Vice Chairman	November 2019	/
Zhang Wenxue	Chongqing Changshou Iron & Steel Company Limited	General Manager	November 2019	/
Xiao Yu Xin	Chongqing Changshou Iron & Steel Company Limited	Supervisor	October 2017	November 2019
Lu Jun Yong	Chongqing Changshou Iron & Steel Company Limited	Director	October 2017	November 2019
Lu Jun Yong	Chongqing Changshou Iron & Steel Company Limited	Deputy General Manager	October 2017	/
Yin Dong	Chongqing Changshou Iron & Steel Company Limited	Director	October 2017	November 2019
Yin Dong	Chongqing Changshou Iron & Steel Company Limited	Deputy General Manager	October 2017	/
Explanation of positions held at shareholders	Nil			

II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD (CONTINUED)

(II) Positions held at other entities

Applicable Not applicable

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Zhou Zhu Ping	Siyuanhe Equity Investment Management Co., Ltd.	Director and CEO	July 2017	/
Zhou Zhu Ping	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund Center (Limited Partnership)	Appointed representative of executive affairs partner	September 2017	/
Zhou Zhu Ping	Siyuanhe (Chongqing) Steel Industry Development Equity Investment Fund Partnership (Limited Partnership)	Appointed representative of executive affairs partner	October 2018	/
Zhou Zhu Ping	Jianwei Digital Technology (Chongqing) Co., Ltd. (鑾微數字科技(重慶)有限公司)	Director	December 2019	/
Song De An	Sichuan Desheng Group	Chairman of the Board	August 1997	/
Xin Qing Quan	the School of Economics and Business Administration of Chongqing University	Professor of accounting and doctoral tutor	September 2013	/
Xin Qing Quan	Chinese Government Auditing Research Center (中國政府審計研究中心)	Special researcher	January 2014	/
Xin Qing Quan	Corporate Finance and Accounting Governance Innovation Institute of Chongqing University	Head	January 2017	/
Xu Yi Xiang	the School of Economics Law of Southwest University of Political Science and Law	Professor and doctorate tutor	February 2010	/

II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD (CONTINUED)

(II) Positions held at other entities (Continued)

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Xu Yi Xiang	the Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law	Deputy director (Non-executive)	June 2013	/
Xu Yi Xiang	Dentons (Chongqing) (北京大成(重慶)律師事務所)	Lawyer(Part-time)	January 2017	/
Wong Chun Wa	China Zhongwang Holdings Limited	Independent non-executive Director	August 2008	/
Wong Chun Wa	ACT Business Consultants Ltd.	Director	December 2006	/
Wong Chun Wa	RIW C.P.A. Limited	Director	March 2008	/
Lu Jun Yong	Siyuanhe Equity Investment Management Co., Ltd.	Deputy General Manager and Chief risk officer	July 2017	/
Lu Jun Yong	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund Center (Limited Partnership)	Director, a member of the investment decision making committee	September 2017	/
Yin Dong	Siyuanhe Equity Investment Management Co., Ltd.	General manager (in charge of finance)	July 2017	/
Wang Bu Lin	Chongqing Jianwei Smart Technology Co., Ltd.(重慶鑒微智慧科技有限公司)	Director and General Manager	December 2019	/
Zheng Jie	Siyuanhe Equity Investment Management Co., Ltd.	Supervisor	December 2018	August 2019
Zheng Jie	Siyuanhe Equity Investment Management Co., Ltd.	Deputy General Manager	August 2019	/
Zheng Jie	WL Ross & Co. LLC	Principal	April 2009	/
Explanation of positions held in other entities	Nil			

III. REMUNERATIONS OF DIRECTORS, SUPERVISOR AND SENIOR MANAGEMENT

Applicable Not applicable

Procedure for determining remunerations of Directors, Supervisors and Senior Management

The Remuneration and Evaluation Committee expresses their opinions on the remuneration plan for Directors, Supervisors and Senior Management then submit it to the general meeting, the Board and the Supervisory Committee for consideration and approval.

Basis for determining remunerations of Directors, Supervisors and Senior Management

1. According to the requirements of the Company Law and the Code of Corporate Governance for Listed Companies and other laws and regulations, the Company convened the 2017 annual general meeting on 15 May 2018, at which the plan for the remunerations of the directors and supervisors of the eighth session of board of directors and Supervisory Committee was considered and approved, which reads as follows: (1) Executive Directors and Supervisors do not receive Directors' and Supervisors' remuneration from the Company or its subsidiaries, but receive emolument based on their specific management functions in the Company. The emolument consists of annual basic salary, performance-related incentive, company-performance related incentive and equity incentive, which is determined by the Board of the Company based on the remuneration standards for Directors and Supervisors of the Company as approved at the general meeting with reference to their functions, responsibilities and the results of the Company. The annual remuneration for independent non-executive Directors is RMB180,000 (before tax). (2) Non-executive directors and external supervisors do not receive remuneration from the Company. In order to facilitate better performance of duties by the Directors, Supervisors and Senior Management, the Company decided to arrange liability insurance for its Directors, Supervisors and Senior Management.

III. REMUNERATIONS OF DIRECTORS, SUPERVISOR AND SENIOR MANAGEMENT (CONTINUED)

2. In 2019, according to the Incentive Framework Plan for Senior Management of Chongqing Iron & Steel Company Limited approved by the Board, the Company emphasized the consistency between the company's operating performance and personal interests, and reflected the spirit of co-creation and sharing. The Company and senior management team entered into the 2019 performance targets undertaking, the Company put into practice the management principle of taking performance results as the number one valuation standard. The performances will be valued based on the fulfillment level of the undertakings for each month, quarter and year, and remunerations will be paid based on the valuation.

Remunerations payable to Directors,
Supervisors and Senior Management

For directors and supervisors who receive remuneration from corporate shareholders or other connected entities during this year, their annual remuneration shall be determined by the corporate shareholders or other connected entities. Total remunerations (before tax) actually received by and payable to Directors, Supervisors and senior management from the Company during this year amounted to RMB29,930,900.

Total remunerations actually received
by all Directors, Supervisors and
Senior Management at the end of the
Reporting Period

RMB29,930,900

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not applicable

Name	Position	Change	Reason for change
Song De An	Vice Chairman	Election	elected in May 2019
Wang Li	Director	Election	elected in May 2019
Zhang Wenxue	Chairman of the Supervisory Committee	Election	elected in May 2019
Xiao Yuxin	Staff Representative Supervisor	Election	elected in May 2019
Liu Jianrong	General Manager	Appointment	Newly appointed in December 2019, with tenure effect from January 2020
Zou An	Deputy General Manager	Appointment	Newly appointed in December 2019, with tenure effect from January 2020
Xie Chao	Deputy General Manager	Appointment	Newly appointed in December 2019, with tenure effect from January 2020
Li Yongxiang	Vice Chairman/ General Manager	Resigned	Resigned in May/December 2019 for work reasons
Tu Deling	Vice Chairman	Resigned	Resignation in May 2019 due to work adjustments
Zheng Jie	Director	Resigned	Resigned in March 2019 for work reasons
Xiao Yuxin	Chairman of the Supervisory Committee	Resigned	Resignation in May 2019 due to work adjustments
Xia Tong	Staff Representative Supervisor	Resigned	Resignation in May 2019 due to work adjustments

V. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

Applicable Not applicable

VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the Parent Company	6,405
Number of in-service employees of major subsidiaries	–
Total number of in-service employees	6,405
Number of retired employees for whom the Parent Company and major subsidiaries need to bear certain expenses	244

Structure of profession

Type of profession	Number of people
Production staff	5,320
Sales staff	63
Technical staff	372
Finance staff	58
Administrative staff	592
Total	6,405

Education background

Education level	Number of people
Doctor's degree	4
Master's degree	110
Undergraduate	1,013
Associate diploma	2,000
Polytechnic school level and below	3,278
Total	6,405

Note: the above number of in-service employees is the number of in-service persons of the Company as at the 31 December 2019.

VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES (CONTINUED)

(II) Remuneration policy

Applicable Not applicable

Employees' remuneration refers to payments the Company makes to employees in cash for their work. Currently, employees' remuneration mainly comprises base salary, subsidies and allowances (including middle-and night-shift allowances, lunch fees, high temperature allowance) and bonus.

The Company determines the system, method and level of remuneration payment within the budgeted total amount of salary based on the Company's economic benefits and status as well as appraisal results.

The Company implements a minimum salary system, and provides a remuneration of not lower than the minimum salary standard prescribed by Chongqing municipal government for employees who offer normal labor in legitimate working time (including the trial period, probationary period and inspection period).

(III) Training program

Applicable Not applicable

The Company has put in place a training management system and formulated an annual training plan, providing internal and external staff training according to development needs to enhance employees' skills, business capability and management level, which in turn will help the Company to improve production efficiency and optimize human resource structure. The Company's efforts for wide and in-depth staff education and training aim to create a learning enterprise and build up a talented team that meets the company's needs, optimizes its structure, and being innovative,, which will ensure employees' career development and the Company's sustainable development.

VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES (CONTINUED)

(III) Training program (Continued)

According to the Company's production and operation requirements for the quality of staff members and focus on the overall planning of the human resources department, in the year 2019, centralized training, mentoring system and technical seminar approaches were applied to the Company's employee training program in a bid to fully develop the employees' training and further enhance the technologies, skills and management innovation abilities of those attending different functions. We carried out technical expert seminars, job skill exchange and demonstration, and case study to provide guidance for employees to actively participate in tackling technical problems as well as technical innovation and innovation management so that the Company could create a large talent pool of high-level technicians and management personnel.

(IV) Outsourcing

Applicable Not applicable

VII. OTHERS

Applicable Not applicable

Section IX Corporate Governance

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE

Applicable Not applicable

(I) Corporate Governance

The Company established a comprehensive legal person governance system and operated an effective internal control system in strict compliance with the relevant requirements of the Companies Law, Securities Law and relevant requirements of CSRC and the required regulatory standards as required by the regulatory documents such as the Listing Rules of the Stock Exchange.

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

To the best of knowledge of the board of directors (the “Board”), the Company had complied with the requirements of the “Corporate Governance Code”, Appendix XIV of the Rules Governing the Listing of Shares of the Hong Kong Stock Exchange during the Reporting Period, and no deviation from the Code has been identified.

As the Company was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, it shall comply with the requirements of the Code of Corporate Governance for Listed Companies of the CSRC and the Corporate Governance Code of the Stock Exchange in respect of corporate governance practices besides applicable laws and regulations.

The Company firmly believes that the adherence to good corporate governance principles, the enhancement of the transparency and independence of operations and the establishment of an effective accountability system will help ensure the Company’s steady development and increase of shareholders’ value. The Company operates strictly in accordance with the requirements of laws and regulations, and has established a relatively complete corporate governance structure and an effective internal control system. During the Reporting Period, the Company’s actual governance status had no difference from the requirements of the Code of Corporate Governance for Listed Companies.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(I) Corporate Governance (Continued)

1. Shareholders and shareholders' general meeting: The Company convenes, gives notices of and holds general meetings in strict compliance with the relevant requirements of the Company Law, the Articles of Association and the Rules of Procedure for General Meetings. The Company retains lawyers to witness the meetings and issue legal opinion, listens to shareholders' opinions and suggestions to ensure that shareholders, minority shareholders in particular, have equal status and that shareholders have and exercise lawful rights conferred by laws, regulations and the Articles of Association.
2. Controlling shareholder and the listed company: The Company is completely separate from the controlling shareholder in terms of business, staff, organization and finance. The Company is a self-sustaining entity operating independently. The Company's controlling shareholder exercises shareholder's rights in strict compliance with the relevant requirements of the Company Law and the Articles of Association without overriding the general meetings to directly or indirectly intervene in the Company's production and operation and important decision-making. At the end of the Reporting Period, none of the Company's capital and assets was appropriated by its substantial shareholders.
3. Directors and the Board: In accordance with the relevant laws and regulations and the Articles of Association, the Company has formulated the Rules of Procedure of the Board of Directors, the Working Regulations of the Strategy Committee, the Working Regulations of the Audit Committee of the Board, the Working Regulations of the Remuneration and Evaluation Committee of the Board, and the Working Regulations of the Nomination Committee of the Board. The Board earnestly fulfilled the duties conferred by the Company Law, the Guidelines for Corporate Governance of Listed Companies, the Articles of Association of the Company and other laws and regulations, convened and held general meetings and earnestly implements all resolutions of the meetings, and implemented corresponding review and approval procedures for major matters within its authorisations. Under the strategic leading role of the Board, we actively improved the corporate governance system of the Company, safeguarded the interests of the Company and its shareholders as a whole. Special committees of the Board separately convened meetings in light of their respective responsibilities, putting forward advice and recommendations regarding the Company's development strategy, material capital operation, financial statements, review of qualification and composition of directors and senior management, remuneration plan of senior management and its implementation, which effectively promoted the Board's standardized operation and scientific decision-making.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(I) Corporate Governance (Continued)

During the Reporting Period, the Board of the Company consists of 9 members, including 3 independent directors, 2 of whom are professional accountants. The Board has 4 special committees, namely the Strategy Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee. The composition of the Board and special committees is in compliance with the Company Law and other laws and regulations.

4. Supervisors and the Supervisory Committee: Presently, the Supervisory Committee comprises 5 members including 2 supervisors representing staff. The composition of the Supervisory Committee is in compliance with the relevant requirements of the Company Law and other laws and regulations. Closely based on the actual situation of the Company's production and operation, in order to protect interests of shareholders, the Company and employees, the Supervisory Committee carried out multi-level on-site supervision and investigation in accordance with the requirements of laws and regulations and under the principles of objectivity, fairness, and diligence, and supervised and reviewed major decision-making procedures, financial operation management, corporate management activities, and performance of directors and senior management of the Company.
5. Information disclosure and transparency: The Company strictly implements the Rules for Information Disclosure Management, specifies the person responsible for information disclosure, treat all shareholders fairly to ensure that they have an equal right to know. In 2019, the Company's information disclosure continued to be standardized, and it has no undisclosed information that is required to be disclosed.
6. Establishment of internal control system: In 2019, in order to consolidate the foundation of "Strengthening Chongqing Iron & Steel"(實力重鋼), the Company was committed to further enhancing its internal control work which has been implemented since 2018 under the guidance of the Basic Standards of Corporate Internal Control(企業內部控制基本規範). Through strengthening the construction of internal control system, optimizing business management processes, and comprehensively deepening internal audits, the Company's risk control ability has been further improved, its internal management has been further standardized, and the company's system capabilities have been significantly enhanced.

Section IX Corporate Governance (Continued)

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(I) Corporate Governance (Continued)

According to the Basic Standards of Corporate Internal Control” and its ancillary guidelines and other internal control supervision requirements, together with the Company’s internal control system and evaluation methods, the Board evaluated the effectiveness of internal control of the Company as at 31 December 2019 (being the date of the internal control evaluation report) based on the daily supervision and special supervision of internal control. At the same time, the Company also engaged Ernst & Young Hua Ming LLP to conduct an independent audit of the effectiveness of the company’s internal control. Based on the identification of major deficiencies in the internal control for financial reporting of the Company, there were no major deficiencies in the internal control for financial reporting on the date of the internal control evaluation report. The Company has maintained effective internal control of financial report in all material aspects in accordance with the requirements of the corporate internal control standard system and relevant regulations. Based on the identification of major deficiencies in the internal control of the company’s non-financial report, there were no major deficiencies in the internal control for non-financial reporting on the date of the internal control evaluation report.

7. Insider registration management: In accordance with relevant requirements, the Company has formulated the Information Insider Management System. During the Reporting Period, the Company did well in the management of confidentiality, registration, filing of insider information and insiders in strict accordance with the above requirements, effectively guarding the principle of fairness in information disclosure, and there had no inside information leakage or insider transactions.

(II) Corporate Governance Practices

This section was prepared in accordance with the requirements under the Corporate Governance Code and Corporate Governance Report of the Stock Exchange.

The Company has always been committed to improving corporate governance and deems corporate governance as part of value creation with the aim to demonstrate the fulfillment of commitments made by the Board and senior management, maintain transparency and accountability to shareholders and create maximum value for shareholders.

As at 31 December 2019, the Company complied with the corporate governance principles and all the code provisions (if applicable, including most recommended best practices) (Corporate Governance Code) set out in Appendix 14 to the Listing Rules.

Section IX Corporate Governance (Continued)

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

1. Securities transactions by Directors and Supervisors

1.1 Directors' and Supervisors' Interests in the Shares of the Company or Associated Corporation

As at 31 December 2019, the interests and 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 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 (the "Listing Rules of the Stock Exchange") and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporation	Capacity	Nature of interest	Total number of shares held (share)	Percentage of number of A Shares of the Company (%)	Percentage of total share capital of the Company (%)	Class of share
Wang Li	The Company	Director	Beneficial interest	113,800 (Long position)	0.00136	0.00128	A Share

Save as disclosed above, as at 31 December 2019 none of the directors, supervisors or their respective associates had any interests in the shares of the Company or its associated corporations.

During the year of 2019, none of the directors or supervisors or their spouses or children under the age of 18 years of age has been granted by the Company the rights to subscribe for the Company's shares.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

1. *Securities transactions by Directors and Supervisors (Continued)*

1.1 Directors' and Supervisors' Interests in the Shares of the Company or Associated Corporation (Continued)

At no time during the year of 2019 was the Company, its fellow subsidiaries or its Parent Company a party to any contract of significance in relation to the Company's business in which a director or supervisor of the Company had material interests, either directly or indirectly.

At no time during the year of 2019 was the Company, its fellow subsidiaries or its Parent Company a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

1.2 Service Contracts of Directors and Supervisors

The directors and supervisors of the Company respectively entered into service contracts which ended at the 2020 annual general meeting of the Company. There were neither terms regarding compensation for termination of service prior to the expiry of the service contracts nor terms regarding compensation for no renewal of service upon the expiry of such service contracts.

1.3 Directors' and Supervisors' Interests in the Contracts

The Company did not enter into any contract of significance (except service contracts) in which a director or supervisor of the Company was enabled to have a material interest or is substantially interested, whether directly or indirectly, and there was no such contract subsisting at the end of the reporting period or at any time during the reporting period.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

1. *Securities transactions by Directors and Supervisors (Continued)*

1.4 Model Code for Securities Transactions by Directors and Supervisors

The Company takes the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to Listing Rules of the Stock Exchange and the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof as the code for securities transactions by its directors, supervisors, and senior management. After making specific enquiries to all directors and supervisors, the Company confirmed that all directors and supervisors had complied with the requirements of the above code and rules concerning the securities transactions by directors as at the date hereof.

1.5 Independence of Independent Non-executive Directors

The Company received annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that three independent non-executive Directors are independent.

2. *The Board*

2.1 Composition of the Board

For details, please refer to “Section VIII.I.(I)” of this report.

2.2 Number of Board meetings during the financial year

For details, please refer to “Section IX.III” of this report.

2.3 Directors’ attendance of the Board meetings and general meetings

For details, please refer to “Section IX.III” of this report.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

2. *The Board (Continued)*

2.4 Division of responsibilities between the Board and the management

The Board is collectively responsible for the Company's management and operation under the leadership of its chairman. The Board formulates the Company's overall strategy, sets the Company's business direction and financial performance target, ensure the establishment and implementation of the Company's good corporate governance structure and procedure. The Board reports the Company's performance and business to the Company's shareholders. The Board is the Company's final decision-making organ other than matters which are required by the Company's Articles of Association, the Listing Rules and other applicable laws and regulations to be subject to approval by shareholders.

The management takes charge of the Company's business operation and implements policies formulated by the Board. The management is accountable to the Board and is required to make decisions for matters prescribed by the executive committee or seek prior approval of the executive committee before making commitments on behalf of the Company. The executive committee monitors the management's performance according to the Company's corporate goals, missions and business plan which are determined and approved by the Board from time to time.

2.5 The Company strictly complied with relevant provisions under Rule 3.10(1) and (2) and Rule 3.10(A) of the Listing Rules of Hong Kong Stock Exchange during the Reporting Period.

2.6 The Company strictly complied with the provision under Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange during the Reporting Period.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

2. *The Board (Continued)*

2.7 There is no disclosable connected relationship between members of the Board of the Company.

2.8 Particulars of directors and senior management training

During the year, all directors received training required by applicable laws and regulatory regulations. In addition, some directors also attended training related to their profession or business to enhance their management capability. All new directors had proper understanding of the laws and rules which they should know for carrying out their duties before taking office.

2.9 Board Diversity Policy

The Company has always sought to enhance the effectiveness of the Board and maintain the highest level of corporate governance and recognises the benefits of Board diversity. In determining the appointment of directors, the Company believes that Board diversity can be achieved through consideration of a number of factors including but not limited to skills, regional and industrial experience, cultural and educational background, race, gender, age, service term and other factors that the Board thinks applicable.

The nomination committee takes the principal responsibility for studying and making recommendations on the selection, selection criteria and procedures of directors of the Company and will fully consider the Board diversity policy in performing the duty.

The nomination committee considers that the current composition of the Board is in line with the actual conditions of the Company. The Board of the Company will formulate the Board diversity policy according to its own business model.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

3. *Chairman and general manager*

The chairman is elected and removed by a majority vote of all directors, serves for a term of 3 years and is eligible for re-election. The chairman is responsible for the day-to-day work of the Board.

The general manager takes charge of the day-to-day production and operation. The general manager is appointed by the Board for a term of 3 years and is eligible for re-election.

The roles of chairman and general manager of the Company were performed by different individuals.

4. *Non-executive Director*

Non-executive directors of the Company serve for a term of 3 years and are eligible for re-election.

For detailed information about current members of the Board, please refer to Section VIII (I) of this report.

5. *Committees under the Board*

5.1 Functions of special committees

(1) Primary responsibilities of the Strategy Committee

- 1) to study the strategic plan for long-term development of the Company and give suggestions;
- 2) to study the major investment and financing plans which are required by the Articles of Association to be approved by the Board and give suggestions;

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(1) Primary responsibilities of the Strategy Committee (Continued)

- 3) to study material acquisition and external investments which are required by the Articles of Association to be proposed or approved by the Board and give suggestions;
- 4) to study other significant events which may influence the Company's development and give suggestions;
- 5) to inspect the execution of the above matters;
- 6) other matters authorized by the Board.

(2) Primary responsibilities of the Audit Committee

- 1) to supervise and evaluate the work of external auditors.
- 2) to supervise and evaluate internal audit work.
- 3) to review and comment on the financial statements of the Company.
- 4) to assess the effectiveness of internal controls.
- 5) to coordinate the communication between the management, internal audit department and related departments and external auditors.
- 6) to report measures that are deemed necessary or matters to be improved to the Board, and make recommendations thereon.
- 7) to handle other matters authorised by the laws and regulations, the Articles of Association and the Board.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (CONTINUED)

(3) Primary responsibilities of the Remuneration and Evaluation Committee

- 1) to propose remuneration policies for all directors and senior management, and formulate procedures for such policies.
- 2) to propose the remuneration plan or proposal based on the main scope of work, duties, importance of positions of directors and senior management, and the remuneration standard of social related positions, including but not limited to: performance evaluation standards, procedures, and main evaluation system, levels and payment methods of remuneration, main schemes and systems for rewards and penalties, etc.
- 3) to study the evaluation standards of directors and senior managers, organise the performance evaluation of directors and senior management, review the performance of duties of directors and senior management based the business goals achieved by the Company, and conduct annual performance evaluation and make recommendations. The Company can entrust a third party to conduct performance evaluation.
- 4) to supervise the implementation of the remuneration system of the Company's directors and senior management and make recommendations.
- 5) to handle other matters authorised by the Board.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

5. Committees under the Board (Continued)

5.1 Functions of special committees (Continued)

(4) Primary responsibilities of the Nomination Committee

- 1) to review structure, number and composition of the Board (including skills, knowledge and experience, and promotion of diversity of gender, social and racial backgrounds, cognition and personal strengths) at least annually, and make recommendations to the Board in respect of proposed changes of the Board for corporate strategy of the Company based on the actual situation of the Company in shareholding structure, asset size, strategic planning and operating activities.
- 2) to study criteria and procedures of selecting directors, general manager and other senior management, and make recommendations to the Board.
- 3) to select competent candidates of directors, general manager and other senior management.
- 4) to review and make recommendations for candidates of directors, general manager and other senior management.
- 5) to evaluate the independence of independent non-executive directors.
- 6) to review the board diversity policy and recommend any changes to the Board in this regard, and review the progress regularly with reference to all measurable goals set by the Board in terms of board diversity.
- 7) Other duties authorised by the Board.

Section IX Corporate Governance (Continued)

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

5. Committees under the Board (Continued)

5.2 Composition of all special committees (as of 31 December 2019)

Strategy Committee	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee
Zhou Zhu Ping*	Xin Qing Quan*	Wang Zhen Hua*	Xu Yi Xiang*
Song De An	Xu Yi Xiang	Song De An	Song De An
Li Yong Xiang	Wang Zhen Hua	Xin Qing Quan	Xin Qing Quan
Tu De Ling	Zhang Shuo Gong	Xu Yi Xiang	Wang Zhen Hua
Wang Li			
Zhang Shuo Gong			

*Note:** Chairman of special committees, names in italic letters are independent non-executive directors.

5.3 Work of special committees

For details, please refer to “Section IX.IV” of this report.

6. Remuneration of auditors

For details, please refer to “Section V.VI” of this report.

7. Company secretary

The Company did not engage any service institutions as the company secretary.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

8. Shareholders' rights

8.1 Shareholders' right to convene an extraordinary general meeting

In accordance with the Companies Law, the Articles of Association stipulates that: shareholders individually or collectively holding more than 10% of the Company's shares are entitled to request, which should be in written form, the Board to hold an extraordinary general meeting.

The Board shall, in accordance with laws, regulations and the Articles of Association, give a written feedback indicating its agreement or objection to convening an extraordinary general meeting within 10 days of receipt of the requisition. If the Board agrees to the proposal, it shall issue a note convening the general meeting within 5 days of its decision and shall obtain relevant shareholders' consent in case of any changes to the original requisition.

If the Board disagrees or does not give any feedback within 10 days of receipt of the requisition, shareholders individually or collectively holding more than 10% of the Company's shares have the right to propose, which should be in written form, the convening of an extraordinary general meeting to the Supervisory Committee.

8.2 Enquiry procedure and available information

According to the provisions of the Articles of Association of the Company, relevant information may be available, including:

- (1) the Articles of Association after paying the cost.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

8. Shareholders' rights (Continued)

8.2 Enquiry procedure and available information (Continued)

- (2) inspecting and copying, after paying reasonable fees:
 - 1) all parts of the register of shareholders;
 - 2) personal information of the Company's directors, supervisors, general manager and other senior management, including: (a) current and previous name and alias; (b) principal address (residence); (c) nationality; (d) fulltime and all other part-time jobs and titles; (e) identity document and number;
 - 3) counterfoil of corporate bonds;
 - 4) resolutions of the Board meetings;
 - 5) resolutions of the Supervisory Committee meetings;
 - 6) information about the share capital of the Company;
 - 7) reports showing the total nominal value and number of each class of shares repurchased by the Company since the end of the last financial year, the maximum and minimum prices as well as the aggregate amount paid by the Company;
 - 8) minutes of general meetings.

Section IX Corporate Governance (Continued)

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

(II) Corporate Governance Practices (Continued)

8. Shareholders' rights (Continued)

8.3 Procedure for proposing a resolution

Shareholders individually or collectively holding more than 3% of the Company's shares may put forward a provisional proposal and submit the same in writing to the Board 10 days prior to a general meeting. The Board shall notify other shareholders within 2 days after receiving the proposal, and submit the interim proposal to the general meeting for consideration. The content of the interim proposal shall fall within the authority of the general meeting, with clear topics and specific resolutions therein.

Does corporate governance significantly deviate from relevant CSRC provisions? If so, please explain the reason.

Applicable Not applicable

II. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions
The 2018 Annual General Meeting, 2019 First Class Meeting of A Shareholders and 2019 First Class Meeting of H Shareholders	21 May 2019	Announcement on Resolutions of The 2018 Annual General Meeting, 2019 First Class Meeting of A Shareholders and 2019 First Class Meeting of H Shareholders (Ann. No.: 2019-017) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn)	22 May 2019

Explanation on shareholders' meeting

Applicable Not applicable

Section IX Corporate Governance (Continued)

II. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

The 2018 Annual General Meeting, 2019 First Class Meeting of A Shareholders and 2019 First Class Meeting of H Shareholders was convened by the Board of the Company and presided by the chairman Mr. Zhou Zhuping. The convening of and the procedures for holding the meeting and the voting procedures at the meeting were in compliance with the relevant requirements of the Company Law and other laws and regulations as well as the Articles of Association of the Company. The independent directors of the Company made the performance report of the independent directors of the Company for the year 2018 at the general meeting. The following resolutions were considered and approved at the meeting:

(I) The 2018 Annual General Meeting

No.	Resolutions
-----	-------------

Resolutions adopting non-cumulative voting

- | | |
|------|--|
| 1 | The final financial accounts report for the year 2018 |
| 2 | The 2018 annual report (full text and summary) |
| 3 | The profit distribution plan for the year 2018 |
| 4 | The report of the board of directors for the year 2018 |
| 5 | The report of the supervisory committee for the year 2018 |
| 6 | The proposal for the re-appointment of Ernst & Young Hua Ming LLP as the financial and internal control auditor of the Company for the year 2019 |
| 7 | The proposal for the proposed budget for the year 2019 |
| 8 | The proposal for the grant of general mandate to the board of directors to issue debt financing instruments |
| 9.00 | The proposal for the grant of general mandate to the board of directors to repurchase shares of the Company |
| 9.01 | The grant of general mandate to the board of directors to repurchase A Shares of the Company |
| 9.02 | The grant of general mandate to the board of directors to repurchase H Shares of the Company |

Resolutions adopting cumulative voting

- | | |
|-------|---|
| 10.00 | The proposal for election of directors of the eighth session of the board of directors of the Company |
| 10.01 | To elect Mr. Song De An as a director of the eighth session of the board of directors of the Company |
| 10.02 | To elect Mr. Wang Li as a director of the eighth session of the board of directors of the Company |
| 11.00 | The proposal for election of supervisor of the eighth session of the supervisory committee of the Company |
| 11.01 | To elect Mr. Zhang Wenxue as a supervisor of the eighth session of the supervisory committee of the Company |

II. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

(II) The 2019 First Class Meeting of A Shareholders

No.	Resolutions
	Resolutions adopting non-cumulative voting
9.00	The grant of general mandate to the board of directors to repurchase Shares of the Company
9.01	The grant of general mandate to the Board to repurchase A Shares of the Company
9.02	The grant of general mandate to the Board to repurchase H Shares of the Company

(III) The 2019 First Class Meeting of H Shareholders

No.	Resolutions
	Resolutions adopting non-cumulative voting
9.00	The grant of general mandate to the board of directors to repurchase Shares of the Company
9.01	The grant of general mandate to the Board to repurchase A Shares of the Company
9.02	The grant of general mandate to the Board to repurchase H Shares of the Company

Section IX Corporate Governance (Continued)

III. DUTY PERFORMANCE OF DIRECTORS

(I) Directors' attendance of Board meetings and general meetings

Name of director	Independent director or not	Number of Board meetings	Attendance of Board meetings				Whether failed to attend 2 consecutive meetings in person	Attendance of general meetings
			Attendance in person	Attendance via communication	Attendance by proxy	Absence		
Zhou Zhu Ping	No	11	11	4	0	0	No	1
Song De An	No	7	6	3	1	0	No	0
Li Yong Xiang	No	11	11	4	0	0	No	1
Tu De Ling	No	11	11	4	0	0	No	1
Wang Li	No	7	6	3	1	0	No	0
Zhang Shuo Gong	No	11	10	6	1	0	No	0
Zheng Jie	No	3	3	2	0	0	No	0
Xin Qing Quan	Yes	11	11	4	0	0	No	1
Xu Yi Xiang	Yes	11	11	4	0	0	No	1
Wang Zhen Hua	Yes	11	11	6	0	0	No	1

Explanations on failure to attend 2 consecutive meetings in person

Applicable Not applicable

Number of Board meetings during the year 11
 Including: number of physical meetings 2
 Number of virtual meetings 4
 Number of meetings by both physical and virtual means 5

(II) Objections raised by independent Directors in respect of relevant matters of the Company

Applicable Not applicable

(III) Others

Applicable Not applicable

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED

Applicable Not applicable

(I) Work of the Strategy Committee

In 2019, the Strategy Committee under the Board of the Company studied the medium-and long-term development strategy and major investment decisions of the Company and gave suggestions in accordance with relevant laws, regulations, Articles of Association and Work Regulations of the Strategic Committee under the Board of the Company, so as to provide professional supports for efficient and scientific decision-making of the Board.

1. *Composition*

The members of the special committees were adjusted at the tenth meeting of the eighth session of the board of directors of the Company on 21 May 2019. The members of the Strategy Committee were changed from Zhou Zhuping (chairman), Li Yongxiang, Tu Deling and Zhang Shuogong to Zhou Zhuping (chairman), Song De An, Li Yongxiang, Tu Deling, Wang Li, and Zhang Shuogong. The members of the Strategy Committee have extensive experience in various aspects of industry management, investment and financing management practices and intelligent manufacturing and construction, which meet the Company's strategic development goals.

2. *Convening of meetings*

The first meeting of the eighth session of the Strategy Committee under the Board of the Company was held by way of on-site meeting on 9 August 2019 in Chongqing. All of the 6 members attended the meeting. Part of the Company's supervisors and senior management attended the meeting, which was convened and chaired by chairman Zhou Zhuping, at which the Development and Planning for 2019–2024 of Chongqing Iron & Steel and the Proposal in Relation to Proposed Joint Establishment of a Joint Venture Company by Chongqing Iron & Steel and Siyuanhe Intelligent Manufacturing Fund were studied and discussed, the following opinions and suggestions were formed and submitted to the Board of the Company:

- (1) The Strategy Committee agrees with the Company's future development and planning direction in general.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(I) Work of the Strategy Committee (Continued)

2. Convening of meetings (Continued)

- (2) The management's attention was drawn to the implementation and specific progress of the Company's overall development and planning.
- (3) The discussion focused on problems existing in the implementation process of the planning, such as the uncertainty of project approval, bottlenecks encountered during the specific implementation of the overall planning scheme, the economics of project implementation and the lack of human resources. It is hoped that the actual development needs of the Company will be focused on to sort out the existing needs in a timely manner and solve the specific problems faced during the implementation process as soon as possible by leveraging on relevant forces.
- (4) It is targeted to communicate the necessity for the establishment of the joint venture company by the Company and Siyuanhe Intelligent Manufacturing Fund, the relationship with intelligent manufacturing projects of Chongqing Iron & Steel and the benefits brought to the Company's overall development.
- (5) It is recommended that the Company to establish a special working group to form an overall implementation layout to shore up weaknesses in personnel as soon as possible, and accelerate the implementation of the overall planning based on the Company's overall development and operation needs.
- (6) It will seize market development opportunities to transform informationization and automation into intelligent manufacturing capabilities in a reasonable manner, so as to enhance the Company's brand image in the capital market, and change the basis of traditional valuation models.
- (7) it will actively carry out management innovation and organizational reform to form an unique corporate culture of Chongqing Iron & Steel.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(I) Work of the Strategy Committee (Continued)

In 2020, the Strategy Committee under the Board will continue to focus on the implementation and progress of the Company's overall development and planning, the construction of the Company's corporate culture system, the formation and cultivation of the Company's core values, the brand image of the Company in capital market, with a view to realize the Company's green development, intelligent manufacturing and improvement in scale. (II) Work of the Audit Committee

(II) Work of the Audit Committee

In 2019, in compliance with the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (revised in 2018), Operational Guidelines of the Shanghai Stock Exchange for the Audit Committee under the Board of Listed Companies 《(上海證券交易所上市公司董事會審計委員會運作指引)》, the Articles of Association of Chongqing Iron & Steel Company Limited and the Work Rules for Audit Committee under the Board of Chongqing Iron & Steel Company Limited 《(重慶鋼鐵股份有限公司董事會審計委員會工作條例)》, the Audit Committee under the Board proactively and earnestly performed its responsibilities with devoted efforts. The performance by the Audit Committee in 2019 is reported as follows:

1. *General status of Audit Committee of the Board*

At the beginning of 2019, the eighth session of Audit Committee of the Company consisted of 3 non-executive directors, namely Xin Qing Quan (Chairman), Wang Zhenhua and Zheng Jie, of whom 2 are independent directors. At the tenth meeting of the eighth session of the Board of the Company held on 21 May 2019, members of the Audit Committee were changed, for which the existing members of the Audit Committee of the Company consists of 4 non-executive directors, namely Xin Qing Quan (Chairman), Wang Zhen Hua, Xu Yi Xiang and Zhang Shuo Gong, of whom 3 are independent directors, and the chairman of the Audit Committee is acted by an independent director with professional accounting qualification. The composition and qualification of the members of the Audit Committee are in compliance with the regulatory requirements of listed companies.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(II) Work of the Audit Committee (Continued)

2. Meetings convened by the Audit Committee of the Board in 2019

In 2019, a total of 4 meetings were convened by the Audit Committee of the Board of the Company, the particulars of which are as follows:

- (1) On 27 March 2019, the Company held the fourth meeting of the eighth session of the Audit Committee of the Board at which discussed the audit report of Ernst & Young Hua Ming LLP for the year 2018 and related matters, considered the Company's 2018 internal audit work summary and 2019 internal audit work plan; and also reviewed the Company's provision for asset impairment, the financial accounts report for the year 2018, the 2018 annual report, the profit distribution plan, and further reviewed the 2019 budget, reappointment of Ernst & Young Hua Ming LLP and the 2018 internal control self-evaluation report.
- (2) On 9 August 2019, the Company held the fifth meeting of the eighth session of the Audit Committee of the Board, at which considered the report of Ernst & Young Hua Ming LLP on the findings of the 2019 interim agreed procedures and related communications, and reviewed the Company's 2019 half-yearly report (full text and summary).
- (3) On 26 October 2019, the Company held the sixth meeting of the eighth session of the Audit Committee of the Board, at which considered the proposals on changes in accounting policies of the Company and the 2019 third quarter report of the Company.
- (4) On 27 December 2019, the Company held the seventh meeting of the eighth session of the Audit Committee of the Board, at which considered the proposals on the write-off of the Company's receivables and lease of assets of associated companies for 2020.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(II) Work of the Audit Committee (Continued)

3. *Work focus of the Audit Committee of the Board of the Company*

- (1) Supervising and evaluating the work of external auditor
 - 1) Prior to the commencement of annual audit by the auditor, the Audit Committee under the Board communicated with the certified public accountants responsible for the annual audit (the “CPAs”) in respect of the plan for annual audit and specific audit arrangement, and examined the independence of the auditors concerned. Upon the commencement of audit by CPAs for annual audit, the Audit Committee of the Board communicated and exchanged opinions with the CPAs for annual audit about the problems identified during the auditing and consulted with them for the submitting time of the auditors’ report. After the auditor issued the preliminary audit opinion and before the Company convenes a Board meeting to consider the annual report, the Audit Committee communicated with CPAs for annual audit in respect of the preliminary audit opinion, and recorded the opinions in writing.
 - 2) Upon the issue of Auditors’ Report for 2018 by Ernst & Young Hua Ming LLP, the Audit Committee under the Board of the Company held a meeting on 27 March 2019, at which it made a summary of the audit work by Ernst & Young Hua Ming LLP. The Audit Committee was of the opinion that Ernst & Young Hua Ming LLP adhered to the principles of independence in its practice of auditing for the Company, implemented the integration audit in strict accordance with China Standards on Auditing and the relevant provisions of the Enterprise Internal Control Audit Guidance, earnestly performed its duties as an auditor, and the audit fees were reasonable. In this regard, the Audit Committee of the Board recommended to re-appoint Ernst & Young Hua Ming LLP as the Company’s auditor for financial and internal control in 2019.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(II) Work of the Audit Committee (Continued)

3. Work focus of the Audit Committee of the Board of the Company (Continued)

(2) Providing guidance on the internal audit of the Company

On 27 March 2019, the Audit Committee under the Board of the Company earnestly debriefed the report by the audit department in relation to the Company's Internal Audit for 2018 and the Internal Audit Plan for 2019, and provided instructive opinions on problems found in the internal audit, made suggestions on the construction of the Company's internal audit team, and guide the Company to carry out the internal audit for 2019.

(3) Reviewing the Company's financial statements and expressing opinions thereof

- 1) On 27 March 2019 and 9 August 2019, the Audit Committee under the Board convened meetings to debrief the major problems found in the audit of 2018 annual report and suggestions for improvement from Ernst & Young Hua Ming LLP, and the findings and communication suggestions of 2019 interim agreed upon procedures, exchange of opinions and findings on issues related to corporate governance through communication at different stages.
- 2) The Audit Committee under the Board of the Company earnestly reviewed the Company's 2019 regular financial report and believed that the Company's 2019 regular financial accounting statements could be prepared in accordance with the requirements of Accounting Standard for Business Enterprises, comply with the requirements of the relevant departments of the Ministry of Finance and China Securities Regulatory Commission, and sufficiently reflect the Company's financial position, operating results and cash flow.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(II) Work of the Audit Committee (Continued)

3. Work focus of the Audit Committee of the Board of the Company (Continued)

(4) Evaluating the effectiveness of internal control

The Audit Committee under the Board of the Company gave full play to the role of professional committee to proactively propel the construction of the Company's internal control system and supervise and urge the construction of the Company's standard internal control system. On 27 March 2019, the Audit Committee under the Board of the Company reviewed the Company's self-assessment report on internal control and the internal control audit report issued by Ernst & Young Hua Ming LLP. The Audit Committee under the Board agreed with the Company's self-assessment report on internal control and believed that the Company had established a relatively complete internal control system and standardized business processes. The Company's internal control was generally effective, and found no material defect in the Company's financial report and non-financial reporting. Therefore, the Audit Committee was of the view that the Company has maintained efficient internal control in the financial report and non-financial reporting in all material respects in accordance with requirements of corporate internal control standard system and relevant regulations.

(5) Reviewing related party transactions and expressing opinions thereof

On 27 December 2019, the Audit Committee under the Board convened a meeting to consider the Resolution in relation to Leasing of Assets from Related Companies in 2020, at which the rentals of lease asset was discussed. It was of view that the related party transaction was necessary for the Company's production and operation, the transaction pricing was open, equal and fair, and the settlement method and time of the exchange were fair and reasonable, as such, the resolution was approved and submitted to the Board for consideration.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(II) Work of the Audit Committee (Continued)

3. *Work focus of the Audit Committee of the Board of the Company (Continued)*

(6) Reviewing opinions on other matters

- 1) On 25 October 2019, the Audit Committee under the Board reviewed the resolution in relation to change in accounting policies of the Company and was of view that the change in accounting policies of the Company was reasonably made pursuant to the revised accounting policies as promulgated by the Ministry of Finance, as such, the change in accounting policies was approved and submitted to the Board of the Company for consideration.
- 2) On 27 December 2019, the Audit Committee under the Board reviewed the resolution in relation to the write-off of trade receivables of the Company. The Audit Committee had a detailed understanding of the reasons for the write-off of the trade receivables, and was of view that the write-off of the trade receivables by the Company was to strengthen the asset management of the Company. Such write-off of trade receivables complied with the accounting standards and gave a fair view of the Company's financial position, as such, the write-off was approved and submitted to the Board of the Company for consideration.

4. *Overall evaluation*

In 2019, in accordance with relevant laws and regulations, the Audit Committee of the Board of the Company earnestly performed its duties, fully leveraged on the professional level and professional experience of members to provide advice and recommendations for decision-making of the Board. In 2020, the Audit Committee of the Board of the Company will continue to diligently and effectively supervise the Company's external audit, guide the Company's internal audit work, review the Company's financial statements, and promote the Company to establish effective internal control, strengthen its relationship with the Board, management and give full play to the role of the Audit Committee of the Board.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(III) Work of the Remuneration and Evaluation Committee

In 2019, the Remuneration and Evaluation Committee of the Board of the Company duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Association and Rules of Procedure for the Remuneration and Evaluation Committee.

1. *Composition*

The members of the special committees were adjusted at the tenth meeting of the eighth session of the board of directors of the Company on 21 May 2019. The members of the Remuneration and Evaluation Committee were changed from Wong Chunwa (chairman), Li Yongxiang and Xu Yixiang to Wong Chunwa (chairman), Song De An, Xin Qingquan and Xu Yixiang. The composition of the Remuneration and Evaluation Committee under the Board is in compliance with the requirements of relevant regulations before and after the adjustment.

2. *Convening of meetings*

- (1) The second meeting of the eighth session of the Remuneration and Evaluation Committee under the Board of the Company was held by way of on-site meeting on 27 March 2019 in Chongqing. All of the 3 members attended the meeting. Independent Director Xin Qingquan attended the meeting, which was convened and chaired by Chairman Wong Chunwa. The Report on the Implementation of the Remuneration of Directors, Supervisors and Other Senior Management Personnel in 2018 was debriefed and discussed at the meeting. The members attending the meeting were of view that the remuneration distribution of the Company's directors, supervisors and other senior management personnel in 2018 was in line with the established remuneration design scheme, and there was no circumstance that harms the interests of the Company and shareholders, as such, this resolution was approved and submitted to the Board for consideration.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(III) Work of the Remuneration and Evaluation Committee (Continued)

2. Convening of meetings (Continued)

(2) The third meeting of the eighth session of the Remuneration and Evaluation Committee under the Board of the Company was held by way of on-site meeting and teleconference in Chongqing on 27 December 2019. All of the 4 members attended the meeting. The meeting was convened and chaired by Chairman Wong Chunwa. The members attending the meeting debriefed the Resolution in relation to Collection and Utilization of Bonus Fund of the Company for 2019 and the Resolution in relation to the Third Phase of the Employee Share Ownership Plan, and discussed the performance requirements for employee share ownership and the disposal of remaining funds for shares purchased. The members attending the meeting were of view that the employee share ownership plan was within the framework adopted by the general meeting in 2018, as such, the aforesaid resolution was approved and submitted to the Board for consideration.

3. In 2020, the Company will continue to implement the plan for the remunerations of the directors and supervisors of the eighth session of board of directors and Supervisory Committee considered and approved by the general meeting for the directors' remuneration. Under the Incentive Framework Plan for Senior Management of Chongqing Iron & Steel approved by the Board, the Company practices the management concept of taking performance as the first evaluation standard, emphasizes the consistency of operating results and personal interests, reflecting the spirit of co-creation and sharing, and cashed the remuneration of senior management accordingly..

In 2019, the Remuneration and Evaluation Committee under the Board assisted the Board in supervising the implementation of the remuneration policies of directors and senior management, and assisted the Company to motivate, retain and attract outstanding talents to create maximum value for shareholders.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(IV) Work of the Nomination Committee

In 2019, the Nomination Committee of the Board of the Company duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Association and Rules of Procedure for the Nomination Committee of the Board.

1. *Composition*

The members of the special committees were adjusted at the tenth meeting of the eighth session of the board of directors of the Company on 21 May 2019. The members of the Nomination Committee were changed from Xu Yixiang (chairman), Zhou Zhuping, Xin Qingquan and Wong Chunwa to Xu Yixiang (chairman), Song De An, Xin Qingquan and Wong Chunwa. The composition of the Nomination Committee under the Board is in compliance with the requirements of relevant regulations before and after the adjustment.

2. *Convening of meetings*

- (1) The fifth meeting of the eighth session of the Nomination Committee of the Company was held by way of on-site meeting in Chongqing on 27 March 2019. All of the 4 members attended the meeting. The meeting was convened and chaired by Xu Yixiang, chairman of the Nomination Committee. The resolution on the by-election of directors of the eighth session of the board of directors of the Company was reviewed at the meeting with the opinions formed as follows:

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(IV) Work of the Nomination Committee (Continued)

2. Convening of meetings (Continued)

The nominee qualifications, nomination procedures and review procedures for the by-election of directors of the eighth session of the board of directors of the Company were in compliance with the requirements of relevant laws, regulations and regulatory documents. After reviewing the biographical details and related information of Mr. Song De An and Mr. Wang Li, the education background, professional knowledge, skills, management experience and current physical condition of candidates for directors of the Company are competent for their respective duties, and hold required qualifications for discharging their powers and responsibilities. No circumstance was identified under which Mr. Lv Feng is forbidden to be appointed as chief financial officer (financial controller), nor is there any other situations under which he is banned from market entry by the CSRC and such order has not yet been lifted, and holds the qualifications stipulated under the Companies Law and other relevant laws, regulations and rules. As such, the resolution on the by-election of directors of the eighth session of the board of directors of the Company was approved and submitted to the Board and general meeting for election.

- (2) The sixth meeting of the eighth session of the Nomination Committee of the Company was held by way of on-site meeting and teleconference in Chongqing on 27 December 2019. All of the 4 members attended the meeting. The meeting was convened and chaired by Xu Yixiang, chairman of the Nomination Committee. The Resolution in relation to the Appointment of Senior Management of the Company was reviewed at the meeting with the opinions formed as follows:

Having been fully informed the occupation, educational background, qualification, detailed working experience of Mr. Liu Jianrong, Mr. Zou An and Mr. Xie Chao and all of their full-time and part-time jobs, the Nomination Committee is of the opinion that Mr. Liu Jianrong holds the qualifications as a general manager as stipulated under the Companies Law and the Articles of Association of the Company and relevant laws and regulations, Mr. Zou An and Mr. Xie Chao hold the qualifications as a deputy general manager as stipulated under the Companies Law and the Articles of Association of the Company and relevant laws and regulations. As such, the Resolution in relation to the Appointment of Senior Management of the Company was approved and submitted to the Board for consideration.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(IV) Work of the Nomination Committee (Continued)

3. Evaluation on the independence of the Company's independent directors

In 2019, the Company's three independent directors are professionals in the sectors of accounting and law. Upon reviewing, the Company's independent directors hold no posts other than that of directors in the Company, and have no relationship with the Company and substantial shareholders of the Company as to hinder their independent and objective judgement. During the Reporting Period, the number of listed companies in which the Company's independent directors are independent directors did not exceed five, and the number of listed companies in which they are directors did not exceed seven, which was in compliance with the independence standard under laws and regulations such as the Guidance on Establishment of the Independent Director System in Listed Companies and the Stock Listing Rules.

4. Reviewing the Company's Board Diversity Policy

As of 31 December 2019, the Board of the Company consists of 9 members, including 3 independent directors. The members of the Board are composed of persons possess professional quality in iron and steel metallurgy, accounting and law, and with extensive experience in corporate management practices, capital operation experience, and intelligent manufacturing and construction, which meet the Company's strategic development goals. The Board of the Company has 4 special committees, namely the Audit Committee, the Strategy Committee, the Remuneration and Evaluation Committee and the Nomination Committee, of which, the number of independent directors in the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee accounted for 3/4, the role of chairman of each special committee were held by different independent directors and the chairman of Audit Committee are professional accountants, so as to ensure that independent non-executive directors can devote sufficient time to perform their duties. The composition of each special committee under the Board is in compliance with relevant requirements.

The diversity and group thinking of the Company's directors in terms of skills, knowledge and experience, as well as cognition and personal advantages, will facilitate the Board to make the best decisions, enhance the efficiency of the Board and improve corporate governance.

V. EXPLANATION ABOUT IDENTIFICATION OF RISKS IN THE COMPANY BY THE SUPERVISORY COMMITTEE

Applicable Not applicable

VI. EXPLANATION ABOUT INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, STAFF, ASSETS, ORGANIZATION AND FINANCE AND THE COMPANY'S INDEPENDENT OPERATING CAPABILITY

Applicable Not applicable

Corresponding resolutions, progress and subsequent working plans of the Company in case of horizontal competition

Applicable Not applicable

VII. ESTABLISHMENT AND IMPLEMENTATION OF SENIOR MANAGEMENT APPRAISAL AND INCENTIVE MECHANISMS DURING THE REPORTING PERIOD

Applicable Not applicable

In 2019, under the "Compensation Incentive Framework Plan for Senior Management of Chongqing Iron & Steel" approved by the Board, the Company emphasized the performance of the Company is linked to personal interests, reflecting the spirit of co-creation and sharing. The Company and senior management entered into a performance indicator assignment for 2019 to implement the performance-oriented management philosophy, under which the performance evaluation is made based on the monthly, quarterly, and annual results indicators, and determine their remuneration accordingly.

VIII. WHETHER TO DISCLOSE THE SELF-EVALUATION REPORT ON INTERNAL CONTROL

Applicable Not applicable

We evaluated the effectiveness of the internal control of the Company for the year ended 31 December 2019 (the reference date of internal control evaluation report) in accordance with the requirements of the Basic Standards for Internal Control of Companies and the corresponding guidance and other regulatory requirements concerning internal control (the "Corporate Internal Control Standard System"), taking into account internal control system and evaluation methods of the Company and based on the day-to-day monitoring and special supervision of internal control.

VIII. WHETHER TO DISCLOSE THE SELF-EVALUATION REPORT ON INTERNAL CONTROL (CONTINUED)

According to the identification criteria of material defects of internal control in the financial reporting of the Company, as at the basis date of internal control evaluation report, material defects of internal control in the financial reporting did not exist. The Board is of the view that the Company has maintained efficient internal control in the financial report in all material respects in accordance with requirements of Corporate Internal Control Standard System and relevant regulations.

According to the identification of material defects of internal control in the non-financial reporting, as at the basis date of internal control evaluation report, there was no material defects in the internal control for non-financial reporting.

Please refer to the 2019 Evaluation Report on Internal Control published by the Company on 30 March 2019 for details.

Explanation on material defects regarding the internal control during the Reporting Period

Applicable Not applicable

IX. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

Applicable Not applicable

Ernst & Young Hua Ming LLP conducted an audit on the effectiveness of the Company's internal control over financial reporting as at 31 December 2019 in accordance with Enterprise Internal Control Audit Guidance and relevant requirements from the practising guidances of the China Institute of Certified Public Accountants and the audit view is as follows: Chongqing Iron & Steel Company Limited maintained effective internal control on financial reporting in all material aspects as at 31 December 2019 according to the Basic Standards for Enterprise Internal Control and relevant requirements.

Whether to disclose the audit report on internal control: Yes

X. OTHERS

Applicable Not applicable

Section X Relevant Information on Corporate Bond

Applicable

Not applicable

Section XI Financial Report

For the year ended 31 December 2019 (Unit: RMB'000)

AUDITOR'S REPORT



Ernst & Young Hua Ming (2020) Shen Zi No. 61427602_D01
Chongqing Iron and Steel Company Limited

To the shareholders of Chongqing Iron and Steel Company Limited

(I) OPINION

We have audited the financial statements of Chongqing Iron and Steel Company Limited, which comprise the consolidated and company statements of financial position as at 31 December 2019, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the statements of cash flows for 2019, and notes to the financial statements.

In our opinion, the accompanying financial statements of Chongqing Iron and Steel Company Limited present fairly, in all material respects, the consolidated and company's financial position of Chongqing Iron and Steel Company Limited as at 31 December 2019, and the consolidated and company's financial performance and cash flows for 2019 in accordance with Accounting Standards for Business Enterprises.

(II) BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Chongqing Iron and Steel Company Limited and we have fulfilled our other ethical responsibilities in accordance with China Code of Ethics for Certified Public Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Section XI Financial Report (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

(III) KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter :

How our audit addressed the key audit matter :

Recognition of Revenue

In 2019, the revenue was RMB23,477,597,000 in the consolidated financial statements, of which the revenue from sale of steel products amounted to RMB22,494,047,000, accounting for 95.8% of the total revenue in the consolidated financial statements. The revenue was RMB23,467,962,000 in the company financial statements, of which the revenue from sale of steel products amounted to RMB22,484,412,000, accounting for 95.8% of the total revenue in the company financial statements.

Considering that the revenue from sale of steel products impacted the financial statements significantly, and the price fluctuated obviously, we regarded the recognition of revenue as a key audit matter.

Please refer to Note III.19, Note V.35, and Note XIII.4 to the financial statements for disclosures on the recognition of revenue.

The audit procedures include the following:

- 1) Understood and tested the design and operation of the internal controls on recognition of revenue;
- 2) Implemented analytical review procedures, and analyzed the changes in revenue and gross margin;
- 3) Selected sales contracts, focused on the key terms of transferring the rights of goods, assessed whether the revenue recognition policy complied with the related standards in Accounting Standards for Business Enterprises;
- 4) Selected revenue transaction samples, checking purchase orders, shipping orders, sales invoices and collection records, etc.;
- 5) Implemented cut-off tests to the sales transactions before and after balance sheet date;
- 6) Selected customers to perform the confirmation procedures on transactions and balances of trade receivables or contract liabilities;
- 7) Checked the disclosures in relation to revenue.

Section XI Financial Report (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

(III) KEY AUDIT MATTERS (CONTINUED)

Key audit matter :	How our audit addressed the key audit matter :
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Recognition of deferred tax assets

As at 31 December 2019, the deferred tax assets recognized in the consolidated financial statements for deductible temporary differences and tax losses were RMB68,436,000; the deferred tax assets recognized in the company financial statements for deductible temporary differences and tax losses were RMB68,192,000.

The management recognized the deferred tax assets to the extent that it was probable that future taxable profits will be available against which the deductible temporary differences and tax losses could be utilized. Significant management judgement was required to determine the amount of deferred tax assets that could be recognized, based upon the likely timing and level of future taxable profits.

Given that the amounts of both recognized and unrecognized deferred tax assets were significant, and management needed to make significant estimates and judgements when recognized deferred tax assets, we regarded the recognition of deferred tax assets as a key audit matter.

Please refer to Note III.22, Note III.28, and Note V.14 to the financial statements for disclosures on the deferred tax assets.

The audit procedures include the following:

1) Obtained the annual tax filling of preceding year, checked the deductible temporary differences and tax losses acknowledged by the tax authority;

2) Reviewed the profit forecast for the future periods approved by management, compared the historical operating results, trends, and future operating, investing and financing plans, assessed the main data and key assumptions adopted by management in the prediction of the future taxable profits, reviewed the reconciliation items between the profit forecast and future taxable profits;

3) Assessed the tax positions and the related assumptions with assistance of tax specialists;

4) Checked the disclosures in relation to deferred tax assets.

Section XI Financial Report (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

(IV) OTHER INFORMATION

The management of Chongqing Iron and Steel Company Limited is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

(V) RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Chongqing Iron and Steel Company Limited is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Chongqing Iron and Steel Company Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate Chongqing Iron and Steel Company Limited or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Chongqing Iron and Steel Company Limited's financial reporting process.

Section XI Financial Report (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

(VI) AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chongqing Iron and Steel Company Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Chongqing Iron and Steel Company Limited to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Chongqing Iron and Steel Company Limited to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Section XI Financial Report (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

(VI) AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

*Chinese Certified Public
Accountant: Ai Wei
(Engagement partner)*

*Chinese Certified Public
Accountant: Wang Dan*

Beijing,
the People's Republic of China
27 March 2020

Consolidated Statement of Financial Position

As at 31 December 2019 (Unit: RMB'000)

Assets	Note V	31 December 2019	31 December 2018
Current assets:			
Cash and bank balances	1	1,783,747	2,764,631
Financial assets held for trading	2	400,000	30,000
Trade receivables	3	5,610	30,340
Receivables financing	4	861,373	575,652
Prepayments	5	751,498	908,646
Other receivables	6	78,132	10,506
Inventories	7	3,931,513	3,192,201
Other current assets	8	43,410	279
Total current assets		7,855,283	7,512,255
Non-current assets :			
Long-term equity investments	9	28,258	–
Other equity investments	10	5,000	5,000
Property, plant and equipment	11	16,442,264	16,914,109
Construction in progress	12	171,858	16,593
Intangible assets	13	2,392,114	2,454,327
Deferred tax assets	14	68,436	31,067
Other non-current assets	15	12,513	–
Total non-current assets		19,120,443	19,421,096
Total assets		26,975,726	26,933,351

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019 (Unit: RMB'000)

Liabilities and shareholders' equity	Note V	31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings	17	384,528	–
Notes payable	18	91,127	1,199,147
Trade payables	19	1,726,883	1,747,169
Contract liabilities	20	1,145,615	1,004,280
Employee benefits payable	21	257,143	333,407
Taxes payable	22	70,867	35,733
Other payables	23	421,768	348,348
Non-current liabilities due within one year	24	841,576	416,317
Other current liabilities		150,208	160,675
Total current liabilities		5,089,715	5,245,076
Non-current liabilities :			
Long-term borrowings	25	–	300,000
Long-term employee benefits payable	26	201,737	240,615
Deferred income	27	38,271	40,495
Other non-current liabilities	28	2,250,000	2,575,500
Total non-current liabilities		2,490,008	3,156,610
Total liabilities		7,579,723	8,401,686
Shareholders' equity :			
Share capital	29	8,918,602	8,918,602
Capital reserves	30	19,282,147	19,282,147
Less: Treasury shares	31	62,314	–
Special reserves	32	14,573	13,644
Surplus reserves	33	606,991	606,991
Accumulated losses	34	(9,363,996)	(10,289,719)
Total shareholders' equity		19,396,003	18,531,665
Total liabilities and shareholders' equity		26,975,726	26,933,351

The financial statements have been signed by:

Legal Representative:

Chief accountant:

*Head of the accounting
department:*

The accompanying notes form an integral part of these financial statements

Consolidated Income Statement

For the year ended 31 December 2019 (Unit: RMB'000)

	Note V	2019	2018
Revenue	35	23,477,597	22,638,957
Less: Cost of sales	35	21,718,957	19,681,846
Taxes and surcharges	36	168,336	127,675
Distribution and selling expenses	37	121,521	88,057
General and administrative expenses	38	597,612	795,392
Finance expenses	39	170,887	183,073
Including: Interest expenses		216,278	278,680
Interest income		52,977	99,927
Add: Other income	40	144,872	2,729
Investment income	41	15,894	5,455
Including: investment losses from associates and joint ventures		–	(1,566)
Impairment losses on credit	42	(531)	(8,752)
Impairment losses on assets	43	–	(30,728)
Gains on disposal of assets	44	–	14,822
Operating profit		860,519	1,746,440
Add: Non-operating income	45	39,638	19,827
Less: Non-operating expenses	46	9,648	7,534
Total profit		890,509	1,758,733
Less: Income tax expenses/(credit)	48	(35,214)	(29,300)
Net Profit		925,723	1,788,033
Breakdown by continuity of operations			
Net profit from continuing operations		925,723	1,788,033

The accompanying notes form an integral part of these financial statements

Consolidated Income Statement (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

	Note V	2019	2018
Breakdown by attributable interests			
Net profit attributable to shareholders of the parent		925,723	1,787,906
Non-controlling interests		–	127
<hr/>			
Other comprehensive income after tax		–	–
<hr/>			
Total comprehensive income		925,723	1,788,033
Including:			
Total comprehensive income attributable to shareholders of the parent		925,723	1,787,906
Total comprehensive income attributable to non-controlling interests		–	127
<hr/>			
Earnings per share:	49		
Basic earnings per share (RMB/share)		0.10	0.20
Diluted earnings per share (RMB/share)		0.10	0.20
<hr/>			

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019 (Unit: RMB'000)

	2019									
	Total equity attributable to shareholders of the parent								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Subtotal		
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 reserves	-	-	-	-	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	8,918,602	19,282,147	62,314	-	14,573	606,991	(9,363,996)	19,396,003	-	19,396,003

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

	2018									
	Total equity attributable to shareholders of the parent								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Subtotal		
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 reserves	-	-	-	-	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	8,918,602	19,282,147	-	-	13,644	606,991	(10,289,719)	18,531,665	-	18,531,665

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2019 (Unit: RMB'000)

	Note V	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	50	149,412	175,337
Sub-total of cash inflows from operating activities		22,526,149	13,446,083
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	50	328,647	1,001,331
Sub-total of cash outflows from operating activities		22,931,475	12,107,888
Net cash flows from operating activities		(405,326)	1,338,195
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	50	980	-
Sub-total of cash inflows from investing activities		1,025,674	1,264,886
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		1,407,058	620,000
Sub-total of cash outflows from investing activities		1,744,502	634,281
Net cash flows from investing activities		(718,828)	630,605

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

	Note V	2019	2018
III. Cash flows from financing activities:			
Cash received from borrowings		591,545	185,500
Other cash received relating to financing activities	50	795,088	1,181,576
Sub-total of cash inflows from financing activities		1,386,633	1,367,076
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	50	69,258	1,587,450
Sub-total of cash outflows from financing activities		636,699	2,235,295
Net cash flows from financing activities		749,934	(868,219)
IV. Effect of changes in exchange rate on cash and cash equivalents		-	-
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		1,969,543	868,962
VI. Cash and cash equivalents at the end of the year		51	1,595,323
			1,969,543

The accompanying notes form an integral part of these financial statements

Statement of Financial Position of the Parent Company

As at 31 December 2019 (Unit: RMB'000)

Assets	Note XIII	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	1	5,610	29,851
Receivables financing		861,373	575,652
Prepayments		707,289	908,523
Other receivables	2	78,027	10,500
Inventories		3,931,513	3,192,201
Other current assets		43,410	279
Total current assets		7,806,958	7,509,448
Non-current assets			
Long-term equity investments	3	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		19,120,022	19,421,071
Total assets		26,926,980	26,930,519

The accompanying notes form an integral part of these financial statements

Statement of Financial Position of the Parent Company (Continued)

As at 31 December 2019 (Unit: RMB'000)

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	1,746,742
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
Total current liabilities	5,044,175	5,243,597
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
Total non-current liabilities	2,490,008	3,156,610
Total liabilities	7,534,183	8,400,207
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
Accumulated losses	(9,368,166)	(10,292,036)
Total shareholders' equity	19,392,797	18,530,312
Total liabilities and shareholders' equity	26,926,980	26,930,519

The accompanying notes form an integral part of these financial statements

Income Statement of the Parent Company

For the year ended 31 December 2019 (Unit: RMB'000)

	<i>Note XIII</i>	2019	2018
Revenue	4	23,467,962	22,633,236
Less: Cost of sales	4	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	5	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

The accompanying notes form an integral part of these financial statements

Statement of changes in Equity of the Parent Company

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	Accumulated losses	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	8,918,602	19,313,090	62,314	-	14,573	577,012	(9,368,166)	19,392,797

The accompanying notes form an integral part of these financial statements

Statement of changes in Equity of the Parent Company (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

	2018							
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	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	8,918,602	19,313,090	-	-	13,644	577,012	(10,292,036)	18,530,312

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows of the Parent Company

For the year ended 31 December 2019 (Unit: RMB'000)

	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	149,135	173,919
Sub-total of cash inflows from operating activities	22,514,803	13,443,050
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	328,176	994,972
Sub-total of cash outflows from operating activities	22,926,171	12,100,677
Net cash flows from operating activities	(411,368)	1,342,373
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	980	-
Sub-total of cash inflows from investing activities	1,029,894	610,154
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	337,444	14,256
Cash paid for investments	1,407,058	620,000
Sub-total of cash outflows from investing activities	1,744,502	634,256
Net cash flows from investing activities	(714,608)	(24,102)

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows of the Parent Company (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

	2019	2018
III. Cash flows from financing activities:		
Cash received from borrowings	591,545	185,500
Other cash received relating to financing activities	795,088	1,181,576
Sub-total of cash inflows from financing activities	1,386,633	1,367,076
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	69,258	850,438
Sub-total of cash outflows from financing activities	636,699	1,497,820
Net cash flows from financing activities	749,934	(130,744)
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	-	-
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	1,967,354	779,827
VI. Cash and cash equivalents at the end of the year	1,591,312	1,967,354

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2019 (Unit: RMB'000)

I BASIC INFORMATION ON THE COMPANY

According to the approval of Ti Gai Sheng Zi [1997] No. 127 issued by the State Commission for Restructuring Economic Systems and the approval of Guo Zi Qi Fa [1997] No. 156 issued by the State-owned Assets Administration Bureau, Chongqing Iron & Steel Company Limited (the “Company”) was established as a limited liability company by Chongqing Iron & Steel (Group) Co., Ltd. (“CISG”) as the sole promoter. The Company was incorporated and registered with Chongqing Municipal Administration of Industry and Commerce on 11 August 1997, whose headquarter is located in Changshou Economic Development Zone of Chongqing. The Company holds the business license with unified social credit code of 91500000202852965T, with the registered capital of RMB8,918,602,000 and the sum of 8,918,602,000 shares with par value of RMB1 each, including 31,500,000 A shares with restricted condition, 8,348,975,000 A shares without any restricted condition and 538,127,000 H shares. The Company’s shares were listed in the Stock Exchange of Hong Kong Ltd. and listed in Shanghai Stock Exchange on 17 October 1997 and 28 February 2007, respectively.

Pursuant to the reorganization plan, 2,096,981,600 shares of the Company held by CISG were transferred to Chongqing Changshou Iron and Steel Co., Ltd. (重慶長壽鋼鐵有限公司) (“Changshou Iron & Steel”) on 27 December 2017, and the share transfer procedures were completed with China Securities Depository and Clearing Corporation Limited. Subsequent to the completion of the share transfer, Changshou Iron & Steel holds 2,096,981,600 shares of the Company, with a shareholding percentage of 23.51%, and became the controlling shareholder of the Company.

The Company and its subsidiaries (collectively the “Group”) are mainly engaged in the production, processing and sale of steel plates, steel sections, wire rods, bar materials, billets and thin plates, and in the production and sale of coking and coal chemical products, pig iron & grain slag, steel slag, and steel scrap.

The financial statements were approved by the Board of Directors of the Company on 27 March 2020. In accordance with the Articles of Association of the Company, these financial statements will be proposed to the general meeting for review.

The scope of consolidation of the consolidated financial statements is determined on the basis of control, and there is no change in the scope of consolidation during the year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

II BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises – Basic Standards* promulgated by the Ministry of Finance of the People's Republic of China (the "MOF") and the specific accounting standards, subsequent practice notes, interpretations and other relevant regulations as subsequently announced and revised (collectively "CAS").

These financial statements have been prepared on a going concern basis.

Except for certain financial instruments, these financial statements have been prepared under the historical cost convention. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Group has determined the accounting policies and accounting estimates based on the characteristics of the operation, especially those related to provision for bad debt of receivables, inventory pricing method, depreciation of property, plant and equipment ("PPE"), and amortization of intangible assets, etc.

1. Statement of compliance

These financial statements have been prepared in accordance with CAS, and present truly and completely the financial position of the Group and the Company as at 31 December 2019 and the financial performance and the cash flows for the year ended 31 December 2019.

2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

The functional currency of the Group and the currency used in preparing the financial statements are Renminbi. The amounts in the financial statements were denominated in thousands of Renminbi, unless otherwise stated.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Business combination

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the absorbing party, while that other entity participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities that are obtained by the absorbing party in a business combination involving entities under common control, including goodwill arising from the acquisition of the party being absorbed by the ultimate controller, shall be accounted for on the basis of the carrying amounts on the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve and the balance transferred from capital reserves under the old accounting system. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combination not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date refers to the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination not involving entities under common control at their fair values on the acquisition date.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Business combination (Continued)

Business combination not involving entities under common control (Continued)

The excess of the sum of the consideration paid (or equity securities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the fair value of the sum of the consideration paid (or fair value of equity securities issued) and equity interests in the acquiree held prior to the date of acquisition is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination (or fair value of equity securities issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid (or equity securities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognized in current profit or loss.

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company, including separable parts of an enterprise or investee and structured entities controlled by the Company, etc.

In preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as those of the Company. All intra-group assets, liabilities, equity interests, income, expenses and cash flow are eliminated in full on consolidation.

Where the amount of losses of a subsidiary attributable to the non-controlling shareholders in the current period exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the day on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

5. Consolidated financial statements (Continued)

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative consolidated financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

The Group's control over an investee is re-assessed if change in relevant facts and situations causes changes in one or more of the control substances.

6. Classification of Joint arrangement and Joint operation

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint operators have rights to the net assets of the arrangement.

A joint operator recognizes the following items in relation to its interest in a joint operation: its solely-held assets, and its share of any assets held jointly; its solely-assumed liabilities, and its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; its solely-incurred expenses, and its share of any expenses incurred jointly.

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Foreign currency translation

The Group translates the amount of foreign currency transactions occurred into its functional currency.

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate prevailing on the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate prevailing on the balance sheet date. All the resulting differences on settlement and monetary item translation are taken to profit or loss in the current period, except for those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The difference thus resulted are recognized in profit or loss or as other comprehensive income based on the nature of the non-monetary items.

Foreign currency cash flows are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Recognition and derecognition of financial instruments (Continued)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated balance sheet) when:

- 1) the rights to receive cash flows from the financial asset have expired;
- 2) the Group has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Regular way purchases and sales of financial assets are recognized and derecognized using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Group committed to purchase or sell a financial asset.

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at fair value through profit or loss, financial assets at amortized cost and financial assets at fair value through other comprehensive income. All affected related financial assets will be reclassified only if the Group changes its business model for managing financial assets.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

The subsequent measurement of financial assets depends on their classification as follows:

Debt investments measured at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met: the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest method. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Debt investments at fair value through other comprehensive income

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income is recognized using the effective interest method. The interest income, impairment losses and foreign exchange revaluation are recognized in profit or loss. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Equity investments at fair value through other comprehensive income

The Group can elect to classify irrevocably its equity investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income (excluding the dividend income explicitly recovered as part of the investment cost) is recognized in profit or loss. Subsequent changes in the fair value are included in other comprehensive income, and no provision for impairment is made. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.

Financial assets at fair value through profit or loss

The financial assets other than the above financial assets measured at amortized cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognized in profit or loss.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities, and the related transaction costs are included in the initial recognition amounts. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Impairment of financial assets

Based on the expected credit losses ("ECLs"), the Group recognizes an allowance for ECLs for the financial assets measured at amortized cost, debt investments at fair value through other comprehensive income.

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach to recognize a loss allowance based on lifetime ECLs.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Impairment of financial assets (Continued)

Except for financial assets which apply the simplified approach as mentioned above, the Group assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the amortized cost and the effective interest rate. If the credit risk of financial instruments is low at the balance sheet date, the Group assumes that the credit risk has not increased significantly since initial recognition.

The Group assesses the ECLs of financial instruments by individual or group. Considered the characteristics of different customers' credit risk, the Group assesses the ECLs of trade receivables and other receivables based on the ageing profile. The Group assesses the ECLs of notes receivable, by considering the characteristics of the acceptors' credit risk.

The disclosure of the criteria for judging significant increase in credit risk, the definition of credit-impaired assets, and the assumption of ECLs measurement, please refer to Note VII.3.

When the Group no longer reasonably expects to collect all or part of the contractual cash flows of the financial asset, the Group directly writes down the carrying amount of the financial assets.

If the financial assets that have been written down are collected in the future, the reversal of the ECLs are recognized in profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts; and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of provisions for ECLs at the balance sheet date, and (ii) the amount initially recognized less the cumulative amortization recognized in accordance with the guidance for revenue recognition.

Transfers of financial assets

A financial asset is derecognized when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognized when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognizes the financial asset and recognizes the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognize the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Inventories

Inventories include hold-for-sale stock goods in the ordinary course of business, working in progress in the process of production, raw materials to be consumed in the production process or in the rendering of services, lower valued consumables and repaired spare parts, etc.

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is assigned by using weighted average method. Costs of spare parts, lower valued consumables and packing materials shall be amortized on the immediate written-off or amortization in stage basis.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is recognized in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, so that the net realizable value is higher than the carrying amount, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the decline in value of inventories. The amount of the reversal is recognized in current profit or loss.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The provision for decline in value of inventories is made on an individual basis.

The Groups adopts the perpetual inventory system.

11. Long-term equity investments

Long-term equity investments consist of equity investments in subsidiaries, joint ventures and associates.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

Long-term equity investments are recognized at initial investment cost upon acquisition. For a long-term equity investment acquired through a business combination under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. Any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The portion recognized based on changes in the investee's equity (other than net profit or loss, other comprehensive income and profit appropriation) is charged to profit or loss upon disposal of such long-term equity investment. For those partially disposed equity investments, gains or losses upon disposal are proportionately recognized in profit or loss when they still constitute long-term equity investments after the disposal and are fully charged to profit or loss when they are reclassified to financial instruments after the disposal. For business combination involving entities not under common control, the initial investment cost should be the cost of acquisition (for step acquisitions not under common control, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree held before the acquisition date and the additional investment cost paid on the acquisition date), which is the sum of the fair value of assets transferred, liabilities incurred or assumed and equity instruments issued. If the equity investments in the acquiree involve other comprehensive income prior to the acquisition date, when disposing of the investments, the relevant other comprehensive income will be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The portion recognized based on changes in the investee's equity (other than net profit or loss, other comprehensive income and profit appropriation) is charged to profit or loss upon disposal of such long-term equity investment. The initial investment cost of a long-term equity investment acquired otherwise than through a business combination shall be determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price has been paid plus those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for those acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

The cost method is applied for long-term equity investments in the financial statements of the Parent Company when the investee is controlled by the Company. Control refers to the power over the investee such that the Company is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

When the cost method is adopted, long-term equity investments are recorded at initial investment cost. Adjusting the cost of long-term equity investment by adding or withdrawing investment. Profits or cash dividends declared to be distributed by the investee should be recognized as investment income for the period.

The equity method is adopted when the Group has joint control, or exercises significant influence over the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the excess is included in the initial investment cost. Where the initial investment cost is less than the investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

When the equity method is adopted, the investor recognizes its investment income and adjusts the carrying amount of the investment based on the post-acquisition change in the investor's share of net assets of the investee. The recognition of the investee's results should be based on the fair values of the individual identifiable assets of the investee according to the Group's accounting policies and accounting period. The gains and losses resulting from intercompany transactions with its joint ventures and associates should be eliminated to the extent of the amount attributable to the investor according to the shareholding (but if the gains and losses belong to asset impairment losses, they should be entirely recognized). The recognition should be based on the adjusted net profit of the investee. The investor's share of profit distributions or cash dividends declared by the investee is deducted from the carrying amount of the investment. The Group recognizes net losses incurred by the investee to the extent that the carrying amount of the investment and other long-term equity interests that are investment in the investee in substance is reduced to zero, except for which the investor has an extra obligation to assume loss of it. For the changes of equity in an investee other than profit or loss, the investor adjusts the carrying amount of the investment and recognized it in shareholders' equity.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

When long-term equity investments are disposed of, the difference between the carrying amount and the actual proceeds received should be charged to profit or loss. For long-term equity investments under the equity method, if the method would not be adopted after the disposal, the basis of the accounting treatment on the related other comprehensive income under original equity method is the same as that on disposal of related assets or liabilities by the investee, the amount recognized in the equity on the changes in other equity movements except for the net profit or loss, other comprehensive income and profit appropriation, should be all charged to the profit or loss; if the equity method would continue to be adopted after the disposal, the basis of the accounting treatment on the related other comprehensive income under the original equity method is the same as that on disposal of related assets or liabilities by the investee, the amount recognized in the equity on the changes in other equity movements except for the net profit or loss, other comprehensive income and profit distribution, should be charged to profit or loss in proportion.

12. Property, plant and equipment

PPE are recognized in situations when it is probable that their related future economic benefits will flow into the Group, and their cost can be measured reliably. The subsequent expenditure is recorded in the cost of PPE only if the conditions above are met and the carrying amount of parts which had been replaced shall be derecognized; otherwise, is charged to profit or loss.

PPE are initially recorded taking discard expenses into consideration. The purchase cost of PPE comprises its purchase price, related taxes, and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

Except for the source from work safety fund, the depreciation of PPE is calculated on the straight-line basis. The estimated useful lives, the estimated residual values, and the annual depreciation rates of each category of PPE are as follows:

	Estimated Useful life (years)	Estimated residual rate	Annual depreciation rate
Plant and buildings	30–50	3%	1.94%–3.23%
Machinery and other equipment	8–22	3%–5%	4.32%–12.13%
Motor vehicles	8	3%	12.13%

The Group reviews the useful life and estimated net residual value of a PPE and the depreciation method applied at least at the end of each year and makes adjustments if necessary.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalized before the construction reaches the condition for intended use and other relevant expenses.

Construction in progress is transferred to PPE when the asset is ready for its intended use.

14. Borrowing costs

Borrowing costs are interests and other expenses arising from borrowings of the Group, including borrowing interest, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

All the borrowing costs that are directly attributable to construction or production of all qualifying assets are capitalized and other borrowing costs are treated as an expense. A qualifying asset is defined as a PPE, investment property or inventory that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

- (1) Expenditures for the assets are incurred;
- (2) Borrowing costs are incurred; and
- (3) The acquisition and construction activities that are necessary to bring the assets to get ready for their intended use or sale have commenced.

The capitalization of borrowing costs ceases when the asset being acquired or constructed is substantially ready for its intended use or sale and borrowing costs incurred thereafter are charged to profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Borrowing costs (Continued)

Within the capitalization period, the amounts of capitalized borrowing costs for each accounting period are determined by the following methods:

- (1) For specific borrowings, the borrowing costs eligible for capitalization are the actual borrowing costs incurred during the current period after deducting any temporary interest or investment income.
- (2) For general borrowings, the borrowing costs eligible for capitalization are determined by applying a capitalization rate to the weighted average of capital expenditure that exceeds the specific borrowings.

Capitalization of borrowing costs is suspended during extended periods in which the acquisition or construction of a PPE is interrupted abnormally, and the interruption lasts for more than three months until the acquisition or construction is resumed. The borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

15. Intangible assets

Intangible assets are recognized if and only if it is probable that the related economic benefits will flow into the Group and the costs of which can be measured reliably. Intangible assets are measured at cost initially. However, for an intangible asset acquired in the business combination not under common control whose fair value can be reliably measured, it is separately recognized and is measured at its fair value.

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

The useful lives of the Group's intangible assets are as follows:

	Useful life <i>(years)</i>
Land use rights	50

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Intangible assets (Continued)

Land use rights that are acquired by the Group are generally accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights and buildings, are accounted for as intangible assets and PPE, respectively. Payments for the land and buildings acquired are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as PPE.

Intangible assets with finite useful lives are amortized over the useful lives on the straight-line basis. The Group reviews the useful lives and amortization method of intangible assets with finite useful lives, and adjusts them if appropriate, at least at the end of each reporting year.

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognized in profit or loss in which it is incurred. Expenditure on the development phase is capitalized when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Expenditure in the development phase that does not meet the above criteria is recognized in profit or loss in which it is incurred.

16. Impairment of assets

Except for inventories, deferred tax assets and financial assets, the Group determines the impairment of assets according to the following method:

The Group assesses whether an indication of impairment exists at the end of each reporting period, and performed impairment test on estimation of the asset's recoverable amount if such indications exist. Intangible assets that unavailable for use are tested for impairment annually.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Impairment of assets (Continued)

An asset's recoverable amount is calculated as the higher of the asset's fair value less costs of sale and the present value of estimated future cash flows of the assets. The recoverable amount is calculated for an individual asset unless it is not applicable, in which case the recoverable amount is determined for the asset groups to which the asset belongs. An asset group is recognized based on whether the cash inflows generated by the asset group are largely independent to those of other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment allowance is provided.

Impairment losses cannot be reversed in subsequent accounting periods.

17. Payroll and employee benefits payable

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits that the Group provides to the spouses, children and dependents of employees, the late employees' family and other beneficiaries also shall be deemed as employee benefits.

Short-term employee benefits payable

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

Post-employment benefits (defined contribution plans)

Expenditures for employees' endowment insurance and unemployment insurance managed by the local government established by the Group are capitalized in the related assets or charged to profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Payroll and employee benefits payable (Continued)

Post-employment benefits (defined benefit plan)

The Group operates a defined benefit pension plan, which includes providing retirees of the Group with living allowance monthly, and the amount of benefit allowance is based on the period the employee serves the Group and the related allowance policy. No capital has been injected into the plan. The benefits cost under the defined benefit plan is calculated using the projected accumulative benefit unit method.

The items to be remeasured as a result of the defined benefit pension plan, which include actuarial gains or losses, are immediately recognized in the balance sheet, and are included in shareholders' equity through other comprehensive income during the period in which they are incurred. They will not be reversed to profit or loss in subsequent periods.

The past service costs are recognized as expenses for the current period when the defined benefit plan is modified or when the Group recognizes relevant restructuring costs or termination benefits, whichever occurs earlier.

Net interest is calculated by multiplying net liabilities or net assets of the defined benefit plan by the discount rate. The Group recognizes changes in net liabilities of the defined benefit plan under administrative expenses and finance expenses in the income statement. Service costs include current service costs, past service costs and gains or losses on settlement; net interest includes interest expenses on plan obligations.

Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the entity cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or 2) when the entity recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

Other long-term employee benefits

When other long-term employee benefits provided by the Group to the employees satisfied the conditions for classifying as post-employment benefits, the Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to post-employment benefits. And all changes in the carrying amount of liabilities for other long-term employment benefits are recognized in profit or loss, or included in the cost of a relevant asset.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Provisions

Except for contingent considerations or contingent liabilities assumed for business combination not under common control, a provision is recognized if:

- (1) the obligation is a present obligation assumed by the Group; and
- (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (3) A reliable estimate can be made of the amount of the obligation.

Provisions are initially measured at the best estimate of the expenditure required to settle the present obligation, after considering risks, uncertainties, present value, etc. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

19. Revenue from contracts with customers

Revenue from contracts with customers is recognized when the Group has fulfilled its performance obligations in the contracts, that is, when the customer obtains control of relevant goods or services. Control of relevant goods or services refers to the ability to direct the use of the goods, or the provision of the services, and obtain substantially all of the remaining benefits from the goods or services.

Contracts for the sale of goods

A contract for the sale of goods between the Group and the customer usually only includes the performance obligation to transfer the steel products. The revenue is recognized at the point that the customers signed the receipts based on the following indicators, which include: a present right to payment for goods, the transfer of significant risks and rewards of ownership of goods, the transfer of legal title to goods, the transfer of physical possession of goods, the customer's acceptance of goods.

Royalty income

According to the agreed contract terms, the Group has transferred the use right of trade mark to customers, and settles based on the customers' actual steel production, and recognizes royalty income accordingly.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Contract liabilities

The Group recognizes a contract liability based on the relationship between performance of obligations and customer payments.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration or an amount of consideration that is due from the customer, in the case that the entity has received the consideration before transferring the promised goods.

21. Government grants

Government grants are recognized in profit or loss, when they are highly probable to be received and all conditions are fulfilled. If a government grant is in form of monetary asset, it is measured at the amount received or receivable. If a government grant is in form of nonmonetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at the nominal amount.

Asset-related government grants are recognized when the government document designates that the government grants are used for constructing or forming long-term assets. If the government document is inexplicit, the Company should make a judgement based on the basic conditions to obtain the government grants, and recognizes them as asset-related government grants if the conditions are to form long-term assets through construction or other method. Otherwise, the government grants should be income-related.

A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related costs or expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss or offset against relevant costs over the periods in which the related costs are recognized; (b) if the grant is a compensation for related costs or expenses or losses already incurred, it is recognized immediately in profit or loss or offset against relevant costs for the current period.

A government grant related to asset can be either accounted by being recognized as deferred income, and evenly amortized systematically and reasonably to profit or loss over the useful life of the related asset (government grants measured at the nominal amount should be recognized in profit or loss immediately for the period). When the asset is sold, transferred, discarded or destroyed within the useful life, the related deferred income should be recognized in profit or loss immediately.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Income tax

Income tax comprises current tax and deferred tax, and is normally recognized as credit or expense in profit or loss, except for goodwill arising from a business combination or items that have been recognized directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, and the differences between the carrying amounts of some items that have a tax base but are not recognized as assets and liabilities and their tax base, the Group adopts the liability method for the provision of deferred tax.

A deferred tax liability is recognized in respect of all taxable temporary differences except those arising from:

- (1) the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; and
- (2) as to temporary differences associated with subsidiaries, joint ventures and associates: the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized in respect of all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference will be utilized except those arising from the initial recognition of an asset or liability in a transaction which:

- (1) is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; and
- (2) as to deductible temporary differences associated with subsidiaries, joint ventures and associates: a deferred tax asset is recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilized.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Income tax (Continued)

At the end of each reporting period, deferred tax assets and liabilities are measured, based on taxation laws and regulations, at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled, taking into account the income tax effect of expected asset realization or liability settlement at the end of each reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred tax assets and liabilities should be offset and disclosed in net if and only if: the entity has a legally enforceable right to set off current tax and liabilities; and the deferred tax assets and liabilities concerned related to income taxes raised by the same authority on the same taxable entity, or taxable entities which intend, in each future period in which significant amounts of deferred tax are expected to be settled or recovered, to settle their current tax assets and liabilities either on a net basis or simultaneously.

23. Lease (applicable from 1 January 2019)

Identification of lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Identification of a separate lease

For a contract that contains multiple separate lease components, the Group separates the components of the contract and accounts for each separate lease component. The right to use an underlying asset is a separate lease component if both:

- (1) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; and
- (2) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Lease (applicable from 1 January 2019) (Continued)

Assessment of lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As a lessee

Short-term leases

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease. The Group does not recognize the right-of-use assets and lease liabilities for machinery and motor vehicles short-term leases. The Group recognizes lease payments on short-term leases in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

As a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As lessor of an operating lease

Rent income under an operating lease is recognized on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Lease (applicable for 2018)

A lease that transfers substantially all of the risks and benefits of ownership of an asset to the lessee is termed as a finance lease. All the other leases are termed as operating leases.

As lessee in operating leases

Rentals payable under operating leases are charged to profit or loss or capitalized on the straight-line basis over the lease terms, and contingent rental payment is charged to profit or loss when it is incurred.

As lessor in operating leases

Rentals receivable under operating leases are credited to profit or loss over the lease terms on the straight-line basis, and contingent rental receivable is charged to profit or loss when it is incurred.

25. Share repurchase

The consideration and transaction costs paid for the repurchase of the Company's shares are deducted from shareholders' equity. The issuance (including refinancing), repurchase, sale or cancellation of the Company's shares shall be treated as changes in equity.

26. Safety reserve fund

The safety reserve fund extracted by the Group shall be recognized as the cost of the related products or income statement, while be recognized as special reserve. When using safety reserve fund, it shall be distinguished whether it will form PPE or not. The expenditure shall write down the special reserve; the capital expenditure shall be recognized as PPE when meet the expected conditions for use, and write down the special reserve while recognizing accumulated depreciation with the same amount.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Fair value measurement

The Group measures its financial assets held for trading, receivables financing and other equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value, giving priority to the use of relevant observable inputs, and using unobservable inputs only when observable inputs are unavailable or not feasible to obtain.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- | | | |
|---------|---|--|
| Level 1 | – | Quoted (unadjusted) market prices in active markets for identical assets or liabilities |
| Level 2 | – | Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable |
| Level 3 | – | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

28. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

Business model

The classification of financial assets at initial recognition depends on the Group's business model for managing financial assets. When determining the business model, the Group considers the methods to include evaluation and report financial asset performance to key management, the risks affecting the performance of financial assets and the risk management, and the manner in which the relevant management receives remuneration. When assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and judge the reason, timing, frequency and value of the sale before the maturity date of the financial assets.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics, and the judgements on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, including when assessing the modification of the time value of money, the judgement on whether there is any significant difference from the benchmark cash flow and whether the fair value of the prepayment features is insignificant for financial assets with prepayment features, etc.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

28. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The Group is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation of useful life and residual value of property plant and equipment

The estimation of useful life of its property plant and equipment is based on the historical experience of the actual useful lives of property plant and equipment of similar nature and functions. If the useful life of these property plant and equipment is shortened, the Group will increase the depreciation rate and eliminate the idle or technically obsolete parts of property plant and equipment.

Net realizable values of inventories

At the end of reporting period, inventories are measured at the lower of cost and net realizable value and the provision for inventory write-down is made on the difference between the cost and the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Changes in accounting policies

The new lease standard

In 2018, the MOF issued revised *Accounting Standard for Business Enterprises No. 21 – Leases* (the “New Leases Standard”). The New Leases Standard introduces a single model similar to the current accounting treatment of finance leases, requiring the lessee to recognize right-of-use assets and lease liabilities for all the leases, except for short-term leases and leases of low-value assets, and recognize depreciation and interest expense, respectively. The Group has accounted for leases under the revised leases standard since 1 January 2019. As a practical expedient, the Group did not reassess whether a contract is, or contains, a lease at the date of initial application. According to the transitional requirements, the Group did not restate comparative information. Instead, the Group recognized the cumulative effect of the initial application of the New Leases Standard as an adjustment to the opening balance of retained earnings of 2019 at the date of initial application. The implementation of the New Lease Standard had no impact on the retained earnings of the Group as at 1 January 2019.

For operating leases for which the lease term ends within 12 months before initial application, the Group applied a simplified approach and did not recognize the right-of-use assets and lease liabilities.

The Group reconciled the outstanding minimum lease payments for significant operating leases disclosed in 2018 financial statements with lease liabilities included in the balance sheet as at 1 January 2019 based on the present value of the minimum lease payments discounted using the incremental borrowing rate of the Group as the lessee as at 1 January 2019 as follows:

Minimal lease payments for significant operating leases as at	
31 December 2018	379,500
Less: Lease payments subject to simplified approach	379,500
Including: Short-term lease	379,500
	–
Weighted average at incremental borrowing rate	4.86%
	–
Discounted operating lease commitments at 1 January 2019	–
Lease liabilities as at 1 January 2019	–

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Changes in accounting policies (Continued)

The new lease standard (Continued)

The implementation of the New Lease Standard had no significant impact on the consolidated and company statements of financial position as at 1 January 2019 and the consolidated and company financial statements for the year ended 31 December 2019.

Changes in presentation of financial statements

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Financial Statements for General Business Enterprises (Cai Kuai [2019] No.6) and the Notice on Revising and Issuing Format of Consolidated Financial Statements (2019 edition) (Cai Kuai [2019] No.16), 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”, the notes receivables at fair value through other comprehensive income previously presented in “other current assets” are separately presented in “receivables financing, the “interests receivable” in “other receivables” is changed to reflect only the outstanding interests on financial instruments that expired and can be collected at the balance sheet date (the interests on the financial instrument accrued using the effective interest method are included in the outstanding amount of the corresponding financial instrument); the “interests payable” in “other payables” is changed to reflect only the outstanding interests on financial instruments that expired and should be paid at the balance sheet date (the interests on the financial instrument accrued using the effective interest method are included in the outstanding amount of the corresponding financial instrument). The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in the accounting police have had no impact on the net profit and equity in the consolidated and company financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Changes in accounting policies (Continued)

Changes in presentation of financial statements (Continued)

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

The Group

	Changes in accounting policies		
	Before changes Closing balance for 2018	Other changes in presentation of financial statements	After changes Opening balance for 2019
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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Changes in accounting policies (Continued)

Changes in presentation of financial statements (Continued)

2018	Before changes Opening balance	Changes in accounting policies Other changes in presentation of financial statements	After changes Opening balance
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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Changes in accounting policies (Continued)

Presentation of financial statement (Continued)

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

The company

	Changes in accounting policies		
	Before changes Closing balance for 2018	Other changes in presentation of financial statements	After changes Opening balance for 2019
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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Changes in accounting policies (Continued)

Presentation of financial statement (Continued)

2018	Before changes Opening balance	Changes in accounting policies Other changes in presentation of financial statements	After changes Opening balance
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
Other payables	1,486,183	(7,174)	1,479,009
Non-current liabilities due within one year	400,000	7,174	407,174

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IV. TAXES

1. Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (“VAT”)	The taxable revenue from sales of goods	VAT payable is the difference between VAT output and less deductible VAT input for the current year. VAT output of sales of steel products has been calculated by applying a rate of 13% to the taxable value since 1 April 2019 (16% before 1 April 2019).
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12%	Other tax rate: 6%、9%、10% 1.2%、12%
City maintenance and construction tax	Amount of commodity turnover tax paid	7%
Education surcharge	Amount of commodity turnover tax paid	3%
Local education surcharge	Amount of commodity turnover tax paid	2%
Corporate income tax (“CIT”)	Taxable income	15%、25%
Environmental protection tax	The actual emission of air pollutants	RMB2.4–3.5 per pollution equivalent

The applicable CIT rates of the Company and its subsidiaries are analyzed as follows:

Name of subject of taxation	Income tax rate
The Company	15%
Chongqing CIS Building Materials Sales Co., Ltd.	25%

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IV TAXES (CONTINUED)

2. Tax benefits

Pursuant to the requirement of the Notice Concerning Issues on Taxation Policies Relating to the Thorough Implementation of China's Strategy of Western Development (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs, enterprises located in the western region that fall into the Catalogue of Encouraged Industries are subject to a reduced Corporate Income Tax rate of 15% from 1 January 2011 to 31 December 2020. These enterprises refer to the enterprises that are mainly engaged in the industrial projects stipulated in the Catalogue of Encouraged Industries, and whose main business income accounts for more than 70% of the total income of the enterprises. Pursuant to the Catalogue of Encouraged Industries in the Western Region issued by the National Development and Reform Commission on 20 August 2014, the Company has qualified to implement preferential tax policy of 15% for the Western Development as the business operations belong to the encouraged industries in the western region, and all of them are stipulated in the Catalogue of Encouraged Industries in the Western Region. Thus in this year, the Company's tax rates and preferential tax policies remained unchanged as compared with last year.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	31 December 2019	31 December 2018
Cash on hand	–	18
Bank deposits	1,595,323	1,969,525
Other monetary assets	188,424	795,088
	1,783,747	2,764,631
Including: the total amount of restricted cash and bank balances due to mortgage, pledge or freeze.	188,424	795,088

As at 31 December 2019, the Group had restricted cash and bank balances for notes and letter of credit, details refer to Note V.52.

Interest income is generated from current savings as determined by the interest rate for the savings in banks.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Financial assets held for trading

	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss		
Debt investment	400,000	30,000

As at 31 December 2019, the debt investment the Group held was non-guaranteed trust products.

3. Trade receivables

Credit period of trade receivables is generally within one-month. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables is as follows:

	31 December 2019	31 December 2018
Within 3 months (third month inclusive)	5,414	26,362
4 to 12 months (first year inclusive)	3	2,063
1 – 2 years	101	791
2 – 3 years	–	2,547
Above 3 years	1,092	151,432
Sub-total	6,610	183,195
Less: Provision for bad debts	1,000	152,855
Total	5,610	30,340

The ageing analysis was based on the month when incurred. The trade receivables recognized firstly will be firstly settled.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (Continued)

The movements in impairment allowance for trade receivables are as follows:

	Opening balance	Provision	Reversal	Write-off	Closing balance
2019	152,855	3,383	(2,930)	(152,308)	1,000
2018	143,500	12,628	(3,273)	–	152,855

	31 December 2019				31 December 2018			
	Book value		Bad debt provision		Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are subject to provision by group with similar credit risk characteristics	6,610	100	1,000	15	183,195	100	152,855	83

Receivables that are subject to provision by group with similar credit risk characteristics

6,610 100 1,000 15 183,195 100 152,855 83

As at 31 December 2019 and at 31 December 2018, the group have no individually trade receivables to separate provision.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (Continued)

The ECLs on the accounts receivable by age are as follows:

	31 December 2019			31 December 2018		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 3 months (third month inclusive)	5,414	–	–	13,778	–	–
4-12 months (first year inclusive)	3	–	–	1,683	5	83
1–2 years	101	25	25	790	11	90
2–3 years	–	–	–	980	46	450
Over 3 years	1,092	89	975	137,934	100	137,934
	6,610		1,000	155,165		138,557

As at 31 December 2018, trade receivables that are subject to provision by group for other method are as follows:

	31 December 2018		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Trade receivables from historical related parties*	28,030	51	14,298

* As at 31 December 2018, according to Article 71 of the "Administrative Measures on Information Disclosure of Listed Companies" (Order No. 40 of the CSRC), the aforesaid historical related parties were disclosure as the Group's historical related parties, the related bad debts are provided for other method. The aforesaid historical related parties were no longer historical related parties of the Group this year, the related bad debts were provided for aging analysis method.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (Continued)

During 2019, the ECL of trade receivables was provided amounted to RMB3,383,000 (2018: RMB12,628,000), and reversal with amount of RMB2,930,000 (2018: RMB3,273,000).

The trade receivables write-off for 2019 amounted to RMB152,308,000 (2018: Nil), the most significant ones are as follows:

Company	Nature	Write-off	Reasons	Procedures of write-off	Related party transactions
Southwest Sales Company of Chongqing Iron and Steel Group Co., Ltd (重鋼集團公司西南銷售公司)	Payment for goods	13,694	uncollectible	Approved by the Board	No
Chongqing Iron and Steel Group Industry Co., Ltd (重慶鋼鐵集團產業有限公司)	Payment for goods	10,952	uncollectible	Approved by the Board	No*
Jinxi Chemical Machinery Plant (錦西化工機械廠)	Payment for goods	7,144	uncollectible	Approved by the Board	No
Guanghan High-tech industry and Trade Materials Corporation (廣漢高新工貿物資總公司)	Payment for goods	6,987	uncollectible	Approved by the Board	No
Chongqing Runjiang environmental protection building materials Co., Ltd (重慶潤江環保建材有限公司)	Payment for goods	6,935	uncollectible	Approved by the Board	No
Chongqing Special Steel Co., Ltd (重慶特殊鋼股份有限公司)	Payment for goods	6,244	uncollectible	Approved by the Board	No*
Chongqing Steel Chengdu supply and marketing business department (重鋼成都供銷經營部)	Payment for goods	5,996	uncollectible	Approved by the Board	No
Guanghan steel industry and Trade Corporation (廣漢鋼都工貿總公司)	Payment for goods	5,592	uncollectible	Approved by the Board	No
		63,544			

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (Continued)

* these companies were historical related parties of the Group. As at 31 December 2018, according to Article 71 of the "Administrative Measures on Information Disclosure of Listed Companies" (Order No. 40 of the CSRC), the aforesaid historical related parties were disclosure as the Group's historical related parties. The aforesaid historical related parties were no longer historical related parties of the Group this year.

As at 31 December 2019, the top five balances in respect of trade receivables aggregating RMB4,380,000 (As at 31 December 2018: RMB51,408,000), accounting for 66% (As at 31 December 2018: 28%) of the total of closing balance of trade receivables. The closing balance in respect of ECLs provision made for the top five balances amounted to RMB787,000 (As at 31 December 2018: RMB45,538,000).

4. Receivables financing

	31 December 2019	31 December 2018
Notes receivable	861,373	575,652

For the purposes of obtaining contractual cash flow and disposition, the Group managed the business model of the aforesaid notes receivable through the endorsement and discount of some bank acceptances during its daily capital management. Therefore, the Group reclassified such notes receivable as financial assets at fair value through other comprehensive income, presented as receivables financing.

	31 December 2019	31 December 2018
Commercial acceptance bill	200	2,900
Bank acceptance bill	861,173	572,752
Less: Provision for bad debts	—	—
	861,373	575,652

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Receivables financing (Continued)

Pledged notes receivable included are as follows:

	31 December 2019	31 December 2018
Bank acceptance Bill	–	20,000

Please refer to Note V.52. for notes receivable with ownership restricted at the year end.

Notes receivable endorsed or discounted but not yet due at the balance sheet date are as follows:

	31 December 2019		31 December 2018	
	Derecognition at the end of the year	Non- derecognition at the end of the year	Derecognition at the end of the year	Non- derecognition at the end of the year
Bank acceptance Bill	3,937,197	280,000	5,563,044	258,359
Commercial acceptance Bill	–	–	–	2,500
	3,937,197	280,000	5,563,044	260,859

As at 31 December 2019, there was no transfer of notes receivable into trade receivables due to default on the part of the drawer. (31 December 2018:Nil).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments

Ageing analysis as follows:

	31 December 2019		31 December 2018	
	Book value	Proportion (%)	Book value	Proportion (%)
Within 1 year	747,905	100	901,812	99
1-2 years	3,188	–	6,834	1
2-3 years	405	–	–	–
	751,498	100	908,646	100

As at 31 December 2019, the closing balances of the top five prepayments balances in aggregate to RMB411,317,000 (As at 31 December 2018: RMB760,350,000), representing 55% (As at 31 December 2018: 84%) of the total closing balances of prepayments at the end of reporting year.

6. Other receivables

	31 December 2019	31 December 2018
Other receivables	78,132	10,506

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

Aging analysis as follows:

	31 December 2019	31 December 2018
Within 3 months (third month inclusive)	74,603	5,810
4 to 12 months (first year inclusive)	1,712	4,275
1 – 2 year	2,132	1,131
2 – 3 year	115	192
Above 3 year	3,078	36,965
	81,640	48,373
Less: Provision for bad debts	3,508	37,867
	78,132	10,506

Other receivables presented by nature:

	31 December 2019	31 December 2018
Government grant receivables	73,821	–
Guarantee deposits, staff advances, etc.	6,467	10,293
Prepayments for trading	975	33,297
Others	377	4,783
	81,640	48,373

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

The ECLs movement based on 12-month and lifetime ECLs are as follows:

	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Credit-impaired financial assets (Lifetime ECLs)	Total
2019				
Opening balance	522	380	36,965	37,867
Changes due to the opening balance				
– Transfer to Stage 2	(50)	50	–	–
– Transfer to Stage 3	(472)	–	472	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Provision	–	–	78	78
Reversal	–	–	–	–
Transfer	–	–	–	–
Write-off	–	–	34,437	34,437
Closing balance	–	430	3,078	3,508

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

2018	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Credit-impaired financial assets (Lifetime ECLs)	
Opening balance	97	6,445	33,193	39,735
Changes due to the opening balance				
– Transfer to Stage 2	(15)	15	–	–
– Transfer to Stage 3	–	(6,406)	6,406	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Provision	522	365	6,406	7,293
Reversal	82	39	7,775	7,896
Transfer	–	–	–	–
Write-off	–	–	1,265	1,265
Closing balance	522	380	36,965	37,867

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

The book value of other receivables movement:

2019	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Credit-impaired financial assets (Lifetime ECLs)	
Opening balance	10,085	1,323	36,965	48,373
Changes due to the opening balance				
– Transfer to Stage 2	(924)	924	–	–
– Transfer to Stage 3	(550)	–	550	–
– Turn back Stage 2	–	–	–	–
– Turn back Stage 1	–	–	–	–
Addition	76,316	–	–	76,316
Derecognition	8,612	–	–	8,612
Write-off	–	–	34,437	34,437
Closing balance	76,315	2,247	3,078	81,640

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

2018	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Credit-impaired financial assets (Lifetime ECLs)	
Opening balance	3,677	13,052	33,361	50,090
Changes due to the opening balance				
– Transfer to Stage 2	(1,323)	1,323	–	–
– Transfer to Stage 3	–	(12,812)	12,812	–
– Turn back Stage 2	–	–	–	–
– Turn back Stage 1	–	–	–	–
Addition	11,090	–	–	11,090
Derecognition	3,359	240	7,943	11,542
Write-off	–	–	1,265	1,265
Closing balance	10,085	1,323	36,965	48,373

During 2019, the ECL of other receivables was provided amounted to RMB78,000 (2018: RMB7,293,000), and no provision for bad debts was recovered or reversed for the year ended 2019 (2018: RMB7,896,000).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

The other receivables write-off for 2019 amounted to RMB34,437,000 (2018: RMB1,265,000), the most significant ones are as follows:

Company	Nature	Write-off	Reasons	Procedures of write-off	Related party transactions
Zhanjiang heavy steel industry and Trade Company (湛江重鋼工貿公司)	Payment for goods	10,240	Uncollectible	Approved by the Board	No
Changzhou chunzhixin metal material Co., Ltd (常州市春之鑫金屬材料有限公司)	Payment for goods	7,222	Uncollectible	Approved by the Board	No
Jiangsu Hetuo International Trade Co., Ltd. (江蘇和拓國際貿易有限公司)	Payment for goods	5,590	Uncollectible	Approved by the Board	No
		23,052			

As at 31 December 2019, the five largest other receivables are as follows:

Company	31 December 2019	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
First	73,821	90	Government grant receivables	Within 3 months	-
Second	4,562	6	Staff advances	0-3 years	2,982
Third	1,332	1	Guarantee deposits	0-3 years	207
Fourth	975	1	Prepayments for trading	Within 1 year	-
Fifth	473	1	Guarantee deposits	0-2 years	319
		81,163	99	3,508	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

As at 31 December 2018, the five largest other receivables are as follows:

Company	31 December 2019	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
First	10,240	21	Prepayment for trading	Above 3 Years	10,240
Second	7,222	15	Prepayment for trading	Above 3 Years	7,222
Third	5,590	12	Prepayment for trading	Above 3 Years	5,590
Fourth	4,126	9	Prepayment for trading	Above 3 Years	4,126
Fifth	3,921	8	Prepayment for trading	Above 3 Years	3,921
	31,099	65			31,099

As at 31 December 2019, the Government grant receivables are as follows:

Description of government grants	Amount	Aging	Estimated receiving time, amount and supporting documents
Finance Bureau of Management Committee of Changshou Economic and Technological Development Zone	73,821	Within 3 months	Received in 11 March 2020, Changshou Economic and Technological Development Area Financial Paper [2019] 78

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

	31 December 2019			31 December 2018		
	Book value	Provision for decline in value	Carrying amount	Book value	Provision for decline in value	Carrying amount
Raw materials	2,744,960	136,616	2,608,344	2,064,672	136,616	1,928,056
Work in progress	451,017	–	451,017	518,618	–	518,618
Finished goods	309,756	–	309,756	469,552	4,954	464,598
Low value consumables and maintenance and spare parts	698,380	135,984	562,396	470,991	190,062	280,929
Total	4,204,113	272,600	3,931,513	3,523,833	331,632	3,192,201

The movements in provision for decline in value of inventories in 2019 are as follows:

2019	Opening balance	Provision	Decrease		Closing balance
			Reversal or Transfer	Others	
Raw materials	136,616	–	–	–	136,616
Finish goods	4,954	–	4,954	–	–
Low value consumables and maintenance and spare parts	190,062	–	54,078	–	135,984
	331,632	–	59,032	–	272,600

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

The movements in provision for decline in value of inventories in 2018 are as follows:

2018	Opening balance	Provision	Decrease		Closing balance
			Reversal or Transfer	Others	
Raw materials	169,466	–	32,850	–	136,616
Work in progress	476	–	476	–	–
Finish goods	–	4,954	–	–	4,954
Low value consumables and maintenance and spare parts	164,288	25,774	–	–	190,062
	334,230	30,728	33,326	–	331,632

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

Determination basis of net realizable value and reasons for the reversal or transfer of provision for inventories

	Determination basis for provision for decline in value	Basis for determination of net realizable value	Reasons for the reversal or the transfer of provision for decline in value of inventories in the current year
Raw materials	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges	Nil
Work in progress	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges	Nil
Finish goods	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Relevant inventories sold
Low value consumables and maintenance and spare parts	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Relevant inventories used

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other current assets

	31 December 2019	31 December 2018
Input VAT to be verified	43,410	279

9. Long-term equity investments

	31 December 2019			31 December 2018		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Joint ventures	-	-	-	-	-	-
Associate	28,258	-	28,258	-	-	-
	28,258	-	28,258	-	-	-

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investments (Continued)

2019

Investees	Opening balance	Increase/(decrease)		Investment income recognized through equity method	Closing balance
		Investments increased	Investments decreased		
<i>Joint venture</i>					
Chongqing Jianwei Intelligent Technology Co., Ltd ("Chongqing Jianwei", 重慶鑒微智能科技有限公司) (Note 1)	-	-	-	-	-
<i>Associate</i>					
Chongqing Xingang Changlong Logistics Co., Ltd ("Xingang Changlong", 重慶新港長龍物流有限責任公司) (Note 2)	-	28,258	-	-	28,258
	-	28,258	-	-	28,258

Note 1: The Resolution in Relation to Chongqing Steel together with Siyuanhe Intelligent Manufacturing Fund to Establish Joint venture was approved at the 12th meeting of the eighth session of the board of directors of the Company by voting. It approved the company and Jianwei digital technology (Chongqing) Co., Ltd (鑒微數字科技重慶有限公司) contribute RMB2,500,000 to establish Chongqing Jianwei individually. As at 31 December 2019, the company has not paid such contributions. According to the Article of Chongqing Jianwei, the company possesses 50% equity voting right.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investment (Continued)

Note 2: The Resolution in Relation to Participation in Online Bidding for Acquisition of Equity Interest was approved at the 7th meeting of the eighth session of the board of directors of the Company by voting. It approved the Company to participate in the online bidding for the 28% equity interest (listing-for-sale price: RMB28,480,000) in Xingang Changlong (重慶新港長龍物流有限責任公司) with self-owned funds based on its business development demands. The Company paid all the transaction consideration at the price of RMB28,482,000 (transaction fee excluded) on 22 March 2019, and obtained the certificate of asset transaction from Chongqing United Asset and Equity Exchange Group on 29 March 2019. In accordance with the Articles of Association of Xingang Changlong, the Company has the corresponding voting rights in Xingang Changlong.

2018

Investees	Opening balance	Increase/(decrease)			Closing balance
		Investments increased	Investments decreased	Investment income recognized through equity method	
<i>Associate</i> Chongqing POSCO CISL automotive steel Co., Ltd. ("POSCO CISL", 重 慶浦項重鋼汽車板有 限公司) (<i>Note</i>)	124,158	-	(122,592)	(1,566)	-

Note: In May 2018, POSCO CISL had completed deregistration, and obtained the notice of deregistration of foreign-invested enterprises ((Yu Chang) Foreign-invested He Zhun [2018] No. 000079).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Other equity investments

Non-tradable equity instruments measured at FVOCI at the end of the year

31 December 2019 and 31 December 2018 :

	Accumulated fair value changes recorded in other comprehensive income	Fair value	Dividends Income		Reason for being designated as fair value through other comprehensive income
			Equity instruments derecognized	Equity instruments that are still held	
Xiamen Shipbuilding Industry Co., Ltd (廈門 船舶重工股份有限公司)	-	5,000	-	-	Intended to hold in long-term and earn investment income

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment

2019

	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
Cost				
Opening balance	13,628,267	7,731,568	11,937	21,371,772
Purchase	–	4,121	5,101	9,222
Transfers from construction in progress	2,650	182,947	–	185,597
Disposal or retirements	–	(1,191)	(6,127)	(7,318)
Closing balance	13,630,917	7,917,445	10,911	21,559,273
Accumulated depreciation				
Opening balance	2,026,556	2,420,598	10,509	4,457,663
Provided	317,351	348,143	110	665,604
Disposal or retirements	–	(429)	(5,829)	(6,258)
Closing balance	2,343,907	2,768,312	4,790	5,117,009
Provision for impairment				
Opening balance and closing balance	–	–	–	–
Carrying amount				
At the end of the year	11,287,010	5,149,133	6,121	16,442,264
At the beginning of the year	11,601,711	5,310,970	1,428	16,914,109

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment (Continued)

2018

	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
Cost				
Opening balance	13,623,580	7,724,644	14,770	21,362,994
Purchase	–	88	128	216
Transfer from construction in progress	4,687	8,683	–	13,370
Disposal or retirements	–	(1,847)	(2,961)	(4,808)
Closing balance	13,628,267	7,731,568	11,937	21,371,772
Accumulated depreciation				
Opening balance	1,688,230	2,066,284	12,781	3,767,295
Provided	338,326	354,950	493	693,769
Disposal or retirements	–	(636)	(2,765)	(3,401)
Closing balance	2,026,556	2,420,598	10,509	4,457,663
Provision for impairment				
Opening balance and closing balance	–	–	–	–
Carrying amount				
At the end of the year	11,601,711	5,310,970	1,428	16,914,109
At the beginning of the year	11,935,350	5,658,360	1,989	17,595,699

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment (Continued)

PPE leased out under operating lease are as follows:

2019	Plant and buildings
Cost	
Opening balance	16,976
Increase in the year	2,009
Decrease in the year	–
Closing balance	18,985
Accumulated depreciation	
Opening balance	2,324
Increase in the year	990
Decrease in the year	–
Closing balance	3,314
Provision for impairment	
Opening balance and closing balance	–
Carrying amount	
At end of the year	15,671
At beginning of the year	14,652
	2018
Plant and buildings	14,652

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment (Continued)

As at 31 December 2019, PPE without certificates of ownership are as follows:

	Carrying amount	Reason for lacking certificates of ownership
Workshop in Changshou district	1,058,544	Application materials in preparation

For details of PPE with ownership restricted, please refer to Note V.52.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress

	31 December 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
2#&3# Sintering flue gas desulfurization upgrading project	104,208	-	104,208	-	-	-
Upgrading and transformation project of raw material terminal equipment for logistics transportation	15,539	-	15,539	-	-	-
Ironmaking plant sintering 2#						
Ironmaking plant sintering	7,866	-	7,866	-	-	-
Transformation of the main pumping frequency conversion system of the third sintering plant	5,928	-	5,928	-	-	-
Transformation of pellet desulfurization and denitrification	3,705	-	3,705	-	-	-
Upgrading and reconstruction of continuous caster breakout detection system	3,147	-	3,147	3,147	-	3,147
Plant road function improvement project	3,040	-	3,040	-	-	-
Repair Technology Innovation Integration Project	-	-	-	2,980	-	2,980
Boiler supporting project	-	-	-	3,384	-	3,384
Others	28,425	-	28,425	7,082	-	7,082
	171,858	-	171,858	16,593	-	16,593

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

Changes in significant projects for 2019:

Name of project	Budget	Opening balance	Current year additions	Transferred to PPE	Closing balance	Source of funds	Invest proportion of budget
2#&3# Sintering flue gas desulfurization upgrading project	126,199	–	104,208	–	104,208	Self-owned funds	83
Reconstruction of 2# blast furnace main project	34,806	–	34,806	(34,806)	–	Self-owned funds	100
Project to improve the capacity of iron transfer from system I to system II	33,445	–	33,445	(33,445)	–	Self-owned funds	100
1780 finishing mill, roughing mill, roller table and other renovation projects	–	–	25,464	(25,464)	–	Self-owned funds	–
Transformation 2# blast furnace supporting project	20,266	–	20,266	(20,266)	–	Self-owned funds	100
Transformation and upgrading project of electric dust removal at 2# head of sintering plant	15,950	–	15,940	(8,074)	7,866	Self-owned funds	99
Upgrading and transformation project of raw material terminal equipment for logistics transportation	126,000	–	15,539	–	15,539	Self-owned funds	12
Dehumidification and air blowing project	–	–	12,820	(12,820)	–	Self-owned funds	–
Transformation of cooling system of coal refining workshop in Ironmaking Plant	7,245	–	7,245	(7,245)	–	Self-owned funds	100
Subtotal		–	269,733	(142,120)	127,613		

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

Changes in significant projects for 2019: (Continued)

Name of project	Budget	Opening balance	Current year additions	Transferred to PPE	Closing balance	Source of funds	Invest proportion of budget
Transformation of the main pumping frequency conversion system of the third sintering plant	6,474	–	5,928	–	5,928	Self-owned funds	92
Transformation of pellet desulfurization and denitrification	100,000	–	3,705	–	3,705	Self-owned funds	4
Hall information transformation project	3,198	–	3,198	(3,198)	–	Self-owned funds	100
Boiler supporting project	3,384	3,384	–	(3,384)	–	Self-owned funds	100
Upgrading and reconstruction of continuous caster breakout detection system	3,650	3,147	–	–	3,147	Self-owned funds	86
Plant road function improvement project	8,324	–	3,040	–	3,040	Self-owned funds	37
Repair Technology Innovation Integration Project	2,980	2,980	–	(2,980)	–	Self-owned funds	100
Others		7,082	55,258	(33,915)	28,425	Self-owned funds	
Subtotal		16,593	71,129	(43,477)	44,245		
Total		16,593	340,862	(185,597)	171,858		

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (Continued)

Changes in significant projects for 2018

Name of project	Budget	Opening balance	Current year additions	Transferred to PPE	Closing balance	Source of funds	Invest proportion of budget
Continuous caster reconstruction project	4,500	3,590	-	(3,590)	-	Self-owned funds	80
Upgrading and reconstruction of continuous caster breakout detection system	3,650	-	3,147	-	3,147	Self-owned funds	86
Repair Technology Innovation Integration Project	4,610	-	3,108	(128)	2,980	Self-owned funds	67
Boiler supporting project	5,800	-	3,384	-	3,384	Self-owned funds	58
Others		5,105	11,629	(9,652)	7,082	Self-owned funds	
Total		8,695	21,268	(13,370)	16,593		

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Intangible assets

Land use rights

	2019	2018
Cost		
Opening and closing balance	2,871,067	2,871,067
Accumulated amortization		
Opening balance	416,740	349,333
Provided	62,213	67,407
Closing balance	478,953	416,740
Provision for impairment		
Opening and closing balance	–	–
Carrying amount		
At end of the year	2,392,114	2,454,327
At beginning of the year	2,454,327	2,521,734

As at 31 December 2019, there was no land use right for which the Group had not obtained title certificates (31 December 2018: Nil). For details of intangible assets with ownership restricted, please refer to Note V.52.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Deferred tax assets

Details of deferred tax assets without offset are as follows:

	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible losses	186,664	28,000	146,905	22,036
Provision for assets impairment	268,923	40,436	60,206	9,031
	455,587	68,436	207,111	31,067

Particulars of deferred tax assets unrecognized are presented as follows:

	31 December 2019	31 December 2018
Deductible losses	4,221,108	4,821,780
Deductible temporary differences	588,531	1,137,323
	4,809,639	5,959,103

Deferred tax assets have not been recognized in respect of these losses and deductible temporary differences as it is not considered probable that future taxable profits will be available against which the above items can be utilized.

The aforesaid unrecognized deductible losses will be due in the following years:

Year	31 December 2019	31 December 2018
2020	568,940	1,169,612
2021	3,650,870	3,650,870
2022	1,298	1,298
	4,221,108	4,821,780

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Other non-current assets

	31 December 2019	31 December 2018
Advances of project payments	12,513	–

16. Provision for impairment for assets

2019

	Opening balance	Provision	Deduction		Closing balance
			Reversal	Transfer/ Write-off	
Provision for bad debts	190,722	3,461	2,930	186,745	4,508
Provision for inventories	331,632	–	–	59,032	272,600
	522,354	3,461	2,930	245,777	277,108

2018

	Opening balance	Provision	Deduction		Closing balance
			Reversal	Transfer/ Write-off	
Provision for bad debts	183,235	19,921	11,169	1,265	190,722
Provision for inventories	334,230	30,728	–	33,326	331,632
	517,465	50,649	11,169	34,591	522,354

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Short-term borrowings

	31 December 2019	31 December 2018
Guarantee and mortgage loan (<i>Note 1</i>)	194,528	–
Pledged loan (<i>Note 2</i>)	190,000	–
	384,528	–

Note 1 : As of 31 December 2019, loan mentioned above were guaranteed in full by Changshou Iron & Steel, with interest rate of 5.22% annually (31 December 2018: Nil).

Note 2 : As of 31 December 2019, the company discounted bank acceptance bills amount to RMB190,000,000 to obtained short-term borrowings. (31 December 2018: Nil).

As at 31 December 2019, none of the short-term borrowings overdue (31 December 2018: Nil).

18. Notes payable

	31 December 2019	31 December 2018
Bank acceptance notes	91,127	1,199,147

As at 31 December 2019 and 31 December 2018, the age of notes payable of the company was all within 6 months and none of the notes payable overdue.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Trade payables

Trade payables are non-interest bearing and shall generally be paid within one month.

	31 December 2019	31 December 2018
Within 1 year	1,724,323	1,579,730
1–2 years	2,138	162,640
2–3 years	422	4,763
Over 3 years	–	36
	1,726,883	1,747,169

As at 31 December 2019, there is no significant trade payables aging over 1 year.

20. Contract liabilities

	31 December 2019	31 December 2018
Contract for goods	1,145,615	1,004,280

As at 31 December 2019, VAT of advances were disclosed as other current liabilities with amounted to RMB150,208,000 (31 December 2018: RMB160,675,000)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Employee benefits payable

2019

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	280,910	951,872	1,026,736	206,046
Post-employment benefits – defined contribution plans	27	123,103	123,103	27
Termination benefits	52,470	52,743	54,143	51,070
	333,407	1,127,718	1,203,982	257,143

2018

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	135,833	1,093,832	948,755	280,910
Post-employment benefits – defined contribution plans	427,714	109,646	537,333	27
Termination benefits	–	52,470	–	52,470
	563,547	1,255,948	1,486,088	333,407

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Employee benefits payable (Continued)

Details of short-term employee benefits

2019	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	12,721	574,956	587,677	–
Staff welfare	–	10,673	10,673	–
Social security contributions	8	78,254	78,262	–
Including: Medical insurance	8	64,960	64,968	–
Work injury insurance	–	10,413	10,413	–
Maternity insurance premium	–	2,881	2,881	–
Housing fund	–	71,994	71,994	–
Labor union funds and employee education funds	17,990	32,109	24,398	25,701
Incentive fund (<i>note</i>)	250,000	181,437	251,092	180,345
Others	191	2,449	2,640	–
	280,910	951,872	1,026,736	206,046

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Employee benefits payable (Continued)

2018	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	19,876	663,558	670,713	12,721
Staff welfare	–	16,608	16,608	–
Social security contributions	70	71,669	71,731	8
Including: Medical insurance	65	60,273	60,330	8
Work injury insurance	5	8,959	8,964	–
Maternity insurance premium	–	2,437	2,437	–
Housing fund	113,126	58,894	172,020	–
Labor union funds and employee education funds	2,543	32,154	16,707	17,990
Incentive fund	–	250,000	–	250,000
Others	218	949	976	191
	135,833	1,093,832	948,755	280,910

Note: On 15 May 2018, the 2017 Annual General Meeting passed “the Employee Share Ownership Plan from 2018 to 2020 (draft) of Chongqing Iron and Steel Company Limited”, and authorized the board of directors to deal with relevant matters regarding employee share ownership plan. On 27 December 2019, the sixteenth meeting of the eighth session of the Board passed the incentive fund for the current year. Based on the results of 2019 annual performance appraisal, the Group determined the list of employees who participated in the incentive fund. It accrued the incentive fund with amount of RMB180,345,000.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Employee benefits payable (Continued)

Details of defined contribution plans:

2019	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	119,311	119,311	27
Unemployment insurance	–	3,792	3,792	–
Subtotal	27	123,103	123,103	27

2018	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	427,710	106,826	534,509	27
Unemployment insurance	4	2,820	2,824	–
Subtotal	427,714	109,646	537,333	27

According to “the Labor Law of the People’s Republic of China” and relevant laws and regulations, the Company and its subsidiaries paid basic pension insurance for employees. And the local government authorities were responsible for the entire pension obligations payable to retired employees who reached retirement age pursuant to relevant regulations or quitted the work force due to other reasons. The Company and its subsidiaries had no other obligation to make payment in respect of pension benefits.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Taxes payable

	31 December 2019	31 December 2018
Value-added tax (VAT)	49,897	20,461
Environmental protection tax	7,500	6,109
Stamp duty	5,671	4,274
Individual income tax	1,909	1,506
Corporate income tax	373	882
Others	5,517	2,501
	70,867	35,733

23. Other payables

	31 December 2019	31 December 2018
Other payables	421,768	348,348

	31 December 2019	31 December 2018
Reserve funds for the reorganization	150,406	157,350
Guarantee deposits	95,590	75,606
Rural network loan repayment	83,070	47,063
Project payment payable	56,177	-
Large and medium-sized reservoir resettlement support fund	25,853	15,244
Payment for trading and interest	383	3,143
Accrued electricity expenses	-	29,288
Others	10,289	20,654
	421,768	348,348

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Non-current liabilities due within one year

	31 December 2019	31 December 2018
Long-term loan due within one year	300,297	406,016
Other non-current liabilities due within one year	541,279	10,301
Including: loan of judicial reorganization	145,177	10,301
financial loan	396,102	–
	841,576	416,317

Long term loan due within one year was mortgage and guaranteed loan, which was guaranteed by Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司) free of charge, the interest rate of the above loan was 4.75% (31 December 2018: 4.75%) per annum.

Other non-current liabilities due within one year were the loan of judicial reorganization and financial loan provided by Changshou Iron & Steel. The loan of judicial reorganization with interest rate of 4.90% (31 December 2018: 4.90%) per annum. Changshou Iron & Steel provided financing facilities of RMB500 million to the Company for 3 years, from 1 January 2018 to 31 December 2020, with interest rate of 4.75% (31 December 2018: 4.75%) per annum.

Details of loan refer to Note V.25 and V.28.

25. Long-term borrowings

	31 December 2019	31 December 2018
Mortgage and guaranteed loan	–	300,000

The mortgage and guaranteed loan was guaranteed by Siyuanhe Equity Investment Management Co., Ltd. free of charge. As at 31 December 2019, the interest rate of the above loan was 4.75% per annum (31 December 2018: 4.75%).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Long-term borrowings (Continued)

Analysis on due date of long-term borrowings is as follows:

	31 December 2019	31 December 2018
Spot or within 1 year	300,297	406,016
1-2 years	–	300,000
	300,297	706,016

26. Long-term employee benefits payable

	31 December 2019	31 December 2018
Long-term termination benefits	162,807	203,775
Net liabilities of the defined benefit plan	38,930	36,840
	201,737	240,615

Termination benefits

Termination benefits scheme was implemented by the Group due to the implementation of the human resource optimization policy, which allowed qualified employees to early retire on a voluntary basis. The Company undertakes obligation to pay the early retirement employees' living expenses, social insurance and housing fund during the early retirement period until the employees meet official retirement age (male: 60, female: 50 or 55). The amounts of social insurance and housing fund are determined on the base of the contributions, and the proportion of contributions in accordance with local social security requirement.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Long-term employee benefits payable (Continued)

Termination benefits (Continued)

The present value of this liabilities of early retirement benefits was calculated by Towers Watson Consulting (Shenzhen) Company Limited (韜睿惠悅(深圳)有限公司), on 31 December 2019 using the projected accumulated benefit units method. As at 31 December 2019, key actuarial assumptions used are as follows :

	31 December 2019	31 December 2018
Discount rate	2.75%	3.00%
Retirement age		
Male	60	60
Female	50/55	50/55
Wealth increase rate	5.50–8.00%	5.50–8.00%

The Company adjusted the payment responsibility based on average mortality of Chinese people from “China Life Insurance Mortality Table (2010 to 2013)”. The adjusted payment responsibility was discounted by the treasure bond rate of 31 December 2019 and accounted in profit or loss. As at 31 December 2019, the current portion of the payment responsibility was accounted for in short-term employee benefits.

Net liabilities of the defined benefit plan

The Group operates a defined benefit plan that has yet to receive capital injection for all eligible employees since 2018. Under the plan, an employee is entitled to retirement benefits comprising RMB38 and working age salary, apart from the basic pension insurance. The scheme is subject to interest rate risks, turnover rate and the risk of change in the life expectancy of the pension.

The present value of the net obligation of the defined benefit plans was determined by Towers Watson Consulting (Shenzhen) Company Limited (韜睿惠悅深圳有限公司), a member of the China Association of Actuaries (中國精算學會), on 31 December 2019 using the projected accumulated benefit units method.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Long-term employee benefits payable (Continued)

Net liabilities of the defined benefit plan (Continued)

The following table sets forth the principal actuarial assumptions used as at the balance sheet date:

	31 December 2019	31 December 2018
Discount rate	3.50%	3.50%
Turnover rate	1.50%	1.50%

The Company adjusted the payment responsibility based on average mortality of Chinese people from "China Life Insurance Mortality Table (2010 to 2013)". The adjusted payment responsibility was discounted by the treasure bond rate of 31 December 2019 and accounted in profit or loss.

The following table sets forth the quantitative sensitivity analysis of significant assumptions used:

31 December 2019

	Increase/ (decrease) in present value of defined benefit obligations		Increase/ (decrease) in present value of defined benefit obligations	
	Increase %	Decrease %	Increase %	Decrease %
Discount rate	0.50	(3,750)	0.50	4,310
Leaving rate	0.50	(1,370)	0.50	1,480
Death rate	5.00	(350)	5.00	370

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Long-term employee benefits payable (Continued)

Net liabilities of the defined benefit plan (Continued)

31 December 2018

	Increase/ (decrease) in present value of defined benefit obligations		Increase/ (decrease) in present value of defined benefit obligations	
	Increase %	Decrease %	Decrease %	Increase %
Discount rate	0.50	(3,640)	0.50	4,190
Leaving rate	0.50	(330)	0.50	350
Death rate	5.00	(1,340)	5.00	1,440

The above sensitivity analysis represents the inference on the impacts over the defined benefit obligations based on reasonable changes in key assumptions as at the balance sheet date. The sensitivity analysis is based on changes in major assumptions with other assumptions remain unchanged. As changes in assumptions are always not isolated from each other, the sensitivity analysis may not represent the actual changes in the defined benefit obligations.

Recognition in profit or loss of the plan as follows:

	2019	2018
Current service costs	1,160	36,840
Net interest expense	1,290	–
Net post-employment benefits	2,450	36,840
Charged to administrative expenses	1,160	36,840
Charged to finance expenses	1,290	–
	2,450	36,840

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Long-term employee benefits payable (Continued)

Net liabilities of the defined benefit plan (Continued)

The movement in the present value of defined benefit obligation as follows :

	2019	2018
Amount at beginning of the year	36,840	–
Charged to profit or loss	2,450	36,840
Current service costs	1,160	36,840
Net interest expense	1,290	–
Charged to other comprehensive income	–	–
Other movement	(360)	–
Defined benefit due within one year	(220)	–
Paid welfare	(140)	–
Amount at the end of the year	38,930	36,840

27. Deferred income

	Opening balance	Increase	Decrease	Closing balance
2019	40,495	980	3,204	38,271
2018	43,154	–	2,659	40,495

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Deferred income (Continued)

As at 31 December 2019, details of government grants as follows :

	Opening balance	Increase	Recognition during the year as other income	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	5,807	980	(954)	5,833	Related to assets
Grants for recycle heat power station	34,688	–	(2,250)	32,438	Related to assets
	40,495	980	(3,204)	38,271	

As at 31 December 2018, details of government grants as follows :

	Opening balance	Increase	Recognition during the year as other income	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	6,028	–	(221)	5,807	Related to assets
Grants for recycle heat power station	37,126	–	(2,438)	34,688	Related to assets
	43,154	–	(2,659)	40,495	

For details of government grants credited to the current profit or loss or offset against the related cost in the current year, please refer to explanation of government grants in Note V.40.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Other non-current liabilities

	31 December 2019	31 December 2018
Borrowings from non-financial institutions		
Loan of judicial reorganization	2,250,000	2,390,000
Financial loan	–	185,500
	2,250,000	2,575,500

According to the reorganization plan, Changshou Iron & Steel provided loan of RMB2.4 billion to the Company for the execution of the reorganization plan. The loan term is 7 years, which is from 24 November 2017 to 23 November 2024, and bears interest at the rate of 4.9% (31 December 2018: 4.9%) per annum. Among them loan amounted to RMB140,000,000 will mature in 2020, presented as other non-current liabilities due within one year. Changshou Iron & Steel provided financing facilities of RMB500 million to the Company for 3 years, from 1 January 2018 to 31 December 2020, with interest rate of 4.75% (31 December 2018: 4.75%) per annum. Up to 31 December 2019, the Company had utilized RMB395,500,000, presented as other non-current liabilities due within one year.

The deadline analysis of other non-current liabilities

	31 December 2019	31 December 2018
Spot or within 1 year	541,279	10,301
1 – 2 years	400,000	140,000
2 – 5 years	1,850,000	1,795,500
Above 5 years	–	640,000
	2,791,279	2,585,801

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Share capital

2019	Opening balance	New shares issued	Increase/(decrease) during the current year				Sub-total	Closing balance
			Bonus shares	Reserve transferred to shares	Others			
Restricted shares	-	-	-	-	31,500	31,500	31,500	
A shares	-	-	-	-	31,500	31,500	31,500	
Non-restricted shares	8,918,602	-	-	-	(31,500)	(31,500)	8,887,102	
A shares	8,380,475	-	-	-	(31,500)	(31,500)	8,348,975	
H shares	538,127	-	-	-	-	-	538,127	
	8,918,602	-	-	-	-	-	8,918,602	

2018	Opening balance	New shares issued	Increase/(decrease) during the current year				Sub-total	Closing balance
			Bonus shares	Reserve transferred to shares	Others			
Non-restricted shares	8,918,602	-	-	-	-	-	8,918,602	
A shares	8,380,475	-	-	-	-	-	8,380,475	
H shares	538,127	-	-	-	-	-	538,127	
	8,918,602	-	-	-	-	-	8,918,602	

On 11 January 2018, Changshou Iron & Steel pledged 2,096,981,600 non-restricted shares of the Company to China Development Bank. The pledge period started from 11 January 2018, to the pledge registration is released through China Securities Depository and Clearing Co., Ltd. (中國證券登記結算有限責任公司). The purpose of this pledge was to provide security for Changshou Iron & Steel to borrow RMB2.4 billion from China Development Bank. The loan term is 7 years, which is from 30 November 2017 to 29 November 2029. As at the report day, Changshou Iron & Steel held 2,096,981,600 shares of the Company, of which 2,096,981,600 shares has been pledged, accounting for 23.51% of the total share capital of the Company.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Share capital (Continued)

The Company considered and approved the Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading at the 10th meeting of the eighth session of the board of directors of the Company. In June, the Company repurchased a total of 31,500,000 A shares, representing approximately 0.35% of its total share capital. The shares repurchased are deposited in the Company's securities account designated for share repurchase and will be used for the subsequent employee share ownership plans of the Company. If the Company fails to use all shares repurchased within 36 months after the completion of the repurchase of shares, the outstanding shares repurchased will be cancelled.

30. Capital reserve

2019	Opening balance	Increase	Decrease	Closing balance
Share premium	18,454,409	–	–	18,454,409
Other capital reserves	827,738	–	–	827,738
	19,282,147	–	–	19,282,147

2018	Opening balance	Increase	Decrease	Closing balance
Share premium	18,454,409	–	–	18,454,409
Other capital reserves	827,738	–	–	827,738
	19,282,147	–	–	19,282,147

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Treasury shares

	Opening balance	Increase	Decrease	Closing balance
Treasury shares	–	62,314	–	62,314

In June, the Company repurchased a total of 31,500,000 A shares, representing approximately 0.35% of its total share capital. The shares repurchased will be used for the subsequent employee share ownership plans of the Company, details refer to Note V.29.

32. Special reserve

Safety fund	Opening balance	Increase	Decrease	Closing balance
2019	13,644	25,680	24,751	14,573
2018	–	20,520	6,876	13,644

Special reserve was the safety fund accrued according to article of No.16 “The regulation on the accrual and usage of enterprise’s safety production fee” (Cai Qi [2012] No. 16) promulgated by the MOF and the State Administration of Work Safety (國家安全生產監管總局) on February 14, 2012.

33. Surplus reserve

For the year ended 31 December 2019 and 31 December 2018:

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	606,991	–	–	606,991

In accordance with Articles of Association of the Company, the net profits should be used first to make up for the previous year’s losses. The company should appropriate 10% of the net profit which had been offset for the previous year’s losses to the statutory surplus reserve, where the appropriation can be ceased when the statutory surplus reserve reaches 50% of the registered capital.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Accumulated losses

	Year ended 31 December 2019	Year ended 31 December 2018
Opening balance	(10,289,719)	(12,077,625)
Add: Net profit attributable to the shareholders of the parent	925,723	1,787,906
Closing balance	(9,363,996)	(10,289,719)

35. Revenue and cost of sales

	2019		2018	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	23,369,634	21,648,069	22,578,775	19,651,712
Revenue from other operations	107,963	70,888	60,182	30,134
	23,477,597	21,718,957	22,638,957	19,681,846

Details of revenue as follows:

	2019	2018
Revenue from contracts with customers	23,476,233	22,637,767
Rentals	1,364	1,190
	23,477,597	22,638,957

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Revenue and cost of sales (Continued)

Disaggregation of Revenue from contracts with customers is as follows:

2019

Main Product	Sale of steel products	Others	Total
Hot rolling	10,792,992	–	10,792,992
Medium plate	6,894,166	–	6,894,166
Bars	2,480,253	–	2,480,253
Profiles	2,326,636	–	2,326,636
Others	–	982,186	982,186
	22,494,047	982,186	23,476,233

2018

Main Product	Sale of steel products	Others	Total
Hot rolling	11,714,937	–	11,714,937
Medium plate	6,076,840	–	6,076,840
Bars	2,135,019	–	2,135,019
Profiles	1,908,058	–	1,908,058
Others	–	802,913	802,913
	21,834,854	802,913	22,637,767

All the Group's revenue was recognized at a certain point.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Revenue and cost of sales (Continued)

The details of revenue recognized from remaining contract obligation for the year:

	2019	2018
Sale of goods	1,004,280	159,914

36. Taxes and surcharges

	2019	2018
Land use right tax	42,487	42,371
Housing property tax	33,477	33,583
Environmental protection tax	29,579	22,000
Stamp duty	13,056	11,009
City maintenance and construction tax	28,990	10,907
Education surcharge	12,459	4,675
Local education surcharge	8,273	3,116
Others	15	14
	168,336	127,675

37. Distribution and selling expenses

	2019	2018
Transportation expenses	94,246	66,078
Labor costs	17,442	12,128
Depreciation	483	560
Others	9,350	9,291
	121,521	88,057

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. General and administrative expenses

	2019	2018
Labor costs	108,015	171,761
Incentive funds	181,437	250,000
Depreciation and amortization	114,729	120,412
Loss on suspension of production	70,087	69,080
Consulting and services expenses	46,518	14,173
Environmental protection cost	8,334	8,101
Repair cost	8,569	5,040
Termination benefits	6,130	53,545
Safety expense	14,427	15,648
Auditors' fee	2,950	2,950
Defined benefits plan	1,160	36,840
Rental	106	2,421
Others	35,150	45,421
	597,612	795,392

39. Finance expense

	2019	2018
Interest expense	216,278	278,680
Less: Interest income	52,977	99,927
Net exchange loss	87	3,100
Others	7,499	1,220
	170,887	183,073

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Other income

	2019	2018
Government grants related to the ordinary course of business	144,872	2,729

Government grants related to the ordinary courses of business are as follows:

	2019	2018	Relate to assets or income
Grants for recycle heat power project	2,250	2,438	Relate to assets
Others	954	221	Relate to assets
Special fund for industrial development	73,821	–	Relate to income
Position stability subsidies	53,957	–	Relate to income
Subsidies for product R & D	13,890	–	Relate to income
Others	–	70	Relate to income
	144,872	2,729	

41. Investment income

	2019	2018
Gains on financial assets held for trading	15,894	7,021
Investment loss from long-term equity investments under equity method	–	(1,566)
	15,894	5,455

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Impairment losses on credit

	2019	2018
Losses on bad debts of trade receivables	(453)	(9,355)
Losses on bad debts of other receivables	(78)	603
	(531)	(8,752)

43. Impairment losses on assets

	2019	2018
Losses on decline in value of inventory	–	(30,728)

44. Gains on disposal of assets

	2019	2018
Gains on disposal of PPE	–	14,822

45. Non-operating income

	2019	2018	Amount included in non-recurring profit or loss
Incomes from default	10,519	–	10,519
Gains on reorganization of debts	8,243	19,029	8,243
Others	20,876	798	20,876
	39,638	19,827	39,638

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Non-operating expense

	2019	2018	Amount included in non-recurring profit or loss
Losses from fines	2,022	3,628	2,022
Losses from disposal of non-current assets	1,060	–	1,060
Write-off of debts	6,219	–	6,219
Others	347	3,906	347
	9,648	7,534	9,648

47. Expenses by nature

The COGS, distribution and selling expenses, general and administrative expenses categorized by nature as follows:

	2019	2018
Raw materials and low value consumables, maintenance and spare parts, etc.	18,520,230	17,153,706
Movement in finished goods and work in progress	227,397	(543,032)
Labor costs	1,080,810	1,302,481
Repair costs	860,922	944,283
Depreciation and amortization	727,817	761,176
Transportation and inspection fee	322,245	307,012
Rental not recognized as lease liabilities	295,470	282,109
Loss on suspension of production	70,087	69,080
Office charges	28,522	29,102
Safety expenses	24,751	6,876
Others	279,839	252,502
	22,438,090	20,565,295

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Income tax expense

	2019	2018
Current income tax	2,154	1,767
Deferred tax	(37,368)	(31,067)
	(35,214)	(29,300)

Income tax expense reconciliation from profit before tax

	2019	2018
Profit before tax	890,509	1,758,733
Tax rate	15.00%	15.00%
Income tax expenses calculated at the applicable tax rate	133,576	263,810
Effect of different tax rate for subsidiary	862	466
Expenses not deductible for tax	2,228	2,911
Adjustment in respect of current tax of previous periods	717	265
Utilization of deductible losses and deductible temporary differences from prior years	(89,937)	(312,055)
Recognized unrecognized deductible losses and deductible temporary differences from prior years	(68,436)	(31,067)
Effect of unrecognized deductible temporary differences	(14,224)	46,370
Income tax expenses	(35,214)	(29,300)

All the Group's profit is from Mainland China.

49. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the current year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding. Shares are usually included in the weighted average number of shares from the date of their issuance according to the terms of contract of issuance.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Earnings per share (Continued)

The Group does not hold potential shares that are dilutive.

	2019	2018
	<i>RMB per share</i>	<i>RMB per share</i>
Basic earnings per share		
Continuing operations	0.10	0.20

	2019	2018
Earnings		
Profit attributable to ordinary shareholders of the Company		
Continuing operations (<i>RMB</i>)	925,723,000	1,787,906,000

Number of shares		
Weighted average number of ordinary shares outstanding (<i>Note</i>)	8,918,602,267	8,918,602,267

Note: During the current year, the Company had not incurred any changes that may result in changes in the number of ordinary shares or potential ordinary shares outstanding. Therefore, the weighted average number of ordinary shares outstanding during the year was 8,918,602,267 shares, which was used by the Company to calculate the current earnings per share.

No change occurred in the year from the balance sheet date to the date of approval of the financial statements, resulting in changes in the number of ordinary shares or potential ordinary shares outstanding on the balance sheet date.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Notes to items of the consolidated cash flow statement

Other cash received relating to operating activities

	2019	2018
Government grants	67,847	70
Interest income	44,518	25,039
Guarantees and deposit received	21,255	50,954
Others	15,792	99,274
	149,412	175,337

Other cash paid relating to operating activities

	2019	2018
General and administrative expenses	197,545	143,052
Distribution and selling expenses	103,223	75,179
Intercourse funds paid	15,449	400,969
Others	12,430	382,131
	328,647	1,001,331

Other cash received relating to investing activities

	2019	2018
assets-related government grants	980	–

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Notes to items of the consolidated cash flow statement (Continued)

Other cash received relating to financing activities

	2019	2018
Notes and letter of credit deposit received	795,088	80,700
Reserve fund for the reorganization plan received	–	1,100,000
Others	–	876
	795,088	1,181,576

Other cash paid relating to financing activities

	2019	2018
Share repurchase	62,314	–
Repayment of operating ordinary obligations from the reorganization	6,944	48,909
Financial funds paid to notes and letter of credit	–	795,088
Payment to non-controlling interests of a subsidiary	–	73,513
Repayment of guarantee obligations from the reorganization	–	669,940
	69,258	1,587,450

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Supplementary information to the consolidated cash flow statement

(1) Supplement information to the consolidated cash flow statement

Reconciliation from net profit to cash flows from operating activities:

	2019	2018
Net profit	925,723	1,788,033
Add: Impairment provision	–	30,728
Credit loss	531	8,752
Depreciation of property plant and equipment	665,604	693,769
Amortization of intangible assets	62,213	67,407
Amortization of deferred income	(3,204)	(2,659)
Gains on disposal of assets	–	(14,822)
Losses on disbursing of PPE	1,060	–
Financial expenses	160,183	245,928
Investment losses	(15,894)	(5,455)
Increase in deferred tax assets	(37,369)	(31,067)
Increase in inventories	(739,312)	(1,904,352)
Increase in operating receivables	(403,555)	(857,315)
Increase/(Decrease) in operating payables	(1,009,415)	1,305,604
Others	(11,891)	13,644
Net cash flow from operating activities	(405,326)	1,338,195
Net changes in cash and cash equivalents:		
Cash at the end of the year	1,595,323	1,969,543
Less: cash at the beginning of the year	1,969,543	868,962
Net increase/(Decrease) in cash and cash equivalents	(374,220)	1,100,581

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Supplementary information to the consolidated cash flow statement (Continued)

(1) Supplement information to the consolidated cash flow statement (Continued)

Non-cash payment of material investing and financing activities:

	2019	2018
Proceeds from disposal of investment offset against debt (<i>Note</i>)	–	120,942

Note: On 29 March 2018, the company entrusted POSCO CISL to pay, on behalf of the Company, liquidation amount of RMB120,942,000 attributable to the company to Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership) (重慶戰略性新興產業股權投資基金合夥企業有限合夥) for the settlement of its guaranteed creditor.

(2) Components of cash and cash equivalents

	2019	2018
Cash	1,595,323	1,969,543
Wherein: Cash on hand	–	18
Bank deposit available on demand for payment	1,595,323	1,969,525
Cash and cash equivalents at the end of the year	1,595,323	1,969,543

(3) Endorsement amount of notes receivable with no cash receipts and payments

	2019	2018
Endorsement amount of notes receivable	4,304,622	10,451,024
Including: Payment for goods and labor	4,281,383	10,386,581
Payment for others	23,239	64,443

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

V NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Assets with ownership or use right restricted

	2019	2018	
Cash and bank balances	188,424	795,088	<i>Note 1</i>
Receivables financing	190,000	20,000	<i>Note 2</i>
PPE	1,928,087	1,975,369	<i>Note 3</i>
Intangible assets	2,392,114	2,454,327	<i>Note 4</i>
	4,698,625	5,244,784	

Note 1: As at 31 December 2019, the Group had cash and bank balances amounted to RMB188,424,000 (31 December 2018: RMB795,088,000) restricted for bank acceptance notes and letter of credit.

Note 2: As at 31 December 2019, the Group had discounting receivables financing with a carrying amount of RMB190,000,000 for obtaining short-term borrowings. As at 31 December 2018, the Group had notes receivable pledged amounted to RMB20,000,000 for bank acceptance notes.

Note 3: As at 31 December 2019, the plant and buildings with a net carrying amount of RMB1,928,087,000 (31 December 2018: RMB1,975,369,000) were pledged to banks to secure the bank loans and facilities granted to the Group.

Note 4: As at 31 December 2019, the land use right with a net carrying amount of RMB2,392,114,000 (31 December 2018: RMB2,454,327,000) were pledged to banks to secure the bank loans and facilities granted to the Group. The amortization of above land use right for the current year was RMB62,213,000 (31 December 2018: RMB67,407,000).

53. Foreign currency monetary items

	2019			2018		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash and bank balances						
Wherein: USD	3,376	6.9767	23,553	50	6.8738	344
HKD	6	0.8966	5	6	0.8777	5
			23,558			349

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VI. INTERESTS IN OTHER ENTITIES

1. Equity in subsidiary

Composition of significant subsidiaries

Name of the subsidiary	Main operating place	Place of registration	Business nature	Registered capital	shareholding proportion (%)		Acquisition method
					Direct	Indirect	
Chongqing CIS Building Materials Sales Co., Ltd.	Changshou Economic and Technological Development Zone, Chongqing	Changshou Economic and Technological Development Zone, Chongqing	Trade industry	10,000	100	-	Incorporation

On 31 December 2019, there were no subsidiaries with material interests of non-controlling shareholders.

2. Equity in joint venture and associate

	principal place of business	Domicile	Business nature	registered capital	Shareholding ratio (%)		Accounting policy
					Direct	Indirect	
<i>Joint venture</i>							
Chongqing Jianwei	Changshou District, Chongqing	Changshou District, Chongqing	Software and information technology services	5,000	50	-	Equity method
<i>Associate</i>							
Xingang Changlong	Changshou Economic Technological Development Zone, Chongqing	Changshou Economic Technological Development Zone, Chongqing	Transportation and storage	110,000	28	-	Equity method

The total amount of subscribed capital contribution of the company was RMB5,000,000. As at the balance sheet date, the company has not paid such contributions, and Chongqing Jianwei has not begun to operate.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VI. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Equity in joint venture and associate (Continued)

Financial information of associate Xingang Changlong is as follows:

	2019
Associate	
Book value of investment	28,258
Total amount calculated by shareholding ratio as follows	
Net profit	(762)
Other comprehensive income	-
Total comprehensive income	(762)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

Carrying amounts of each category of financial instruments at the balance sheet date are as follows:

financial assets

31 December 2019	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and bank balances	-	-	1,783,747	1,783,747
Financial assets held for trading (acquired by standards)	-	400,000	-	400,000
Trade receivables	-	-	5,610	5,610
Receivables financing (acquired by standards)	861,373	-	-	861,373
Other receivables	-	-	78,132	78,132
Other equity investment (designated)	5,000	-	-	5,000
	866,373	400,000	1,867,489	3,133,862

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Classification of financial instruments (Continued)

financial assets (Continued)

31 December 2018	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and bank balances	–	–	2,764,631	2,764,631
Financial assets held for trading (acquired by standards)	–	30,000	–	30,000
Trade receivable	–	–	30,340	30,340
Receivables financing (acquired by standards)	575,652	–	–	575,652
Other receivables	–	–	10,506	10,506
Other equity investment (designated)	5,000	–	–	5,000
	580,652	30,000	2,805,477	3,416,129

Financial liabilities

	Financial liabilities measured at amortized cost	
	31 December 2019	31 December 2018
Short-term borrowings	384,528	–
Notes payable	91,127	1,199,147
Trade payables	1,726,883	1,747,169
Other payables	421,768	348,348
Non-current liabilities due within one year	841,576	416,317
Long-term borrowings	–	300,000
Other non-current liabilities	2,250,000	2,575,500
	5,715,882	6,586,481

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Transfer of financial assets

Financial assets transferred but fully derecognized and transferred but still continuing involved

As at 31 December 2019, the Group endorsed bank acceptance bills to its suppliers with a carrying amount of RMB90,000,000 for settlement of trade payables (31 December 2018: RMB260,859,000) and discounted bank acceptance bills to banks with a carry amount of RMB190,000,000 (31 December 2018: Nil) to the bank. As the Group was of the opinion that the Group had retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognize them and the settled trade payables or short-term borrowings associated therewith in full. After the endorsement or discount, the Group no longer reserved the rights to use these financial assets, including the rights to sell, transfer or pledge to any other third parties. As at 31 December 2019, the carrying amount of trade payables settled and short-term borrowings obtained by the Group through these financial assets amounted to RMB90,000,000 (31 December 2018: RMB260,859,000) and RMB190,000,000(31 December 2018: Nil) respectively.

Financial assets fully derecognized and transferred but still continuing involved

As at 31 December 2019, the Group endorsed bank acceptance notes to the suppliers to settle the payables or discounted to obtain consideration of the bank acceptance notes with a carrying amount of RMB3,937,197,000 (31 December 2018: RMB5,563,044,000). As at 31 December 2019, their maturities period was within 9 months. Pursuant to the relevant provisions of “Law of Negotiable Instruments”, the holders of commercial instruments shall have the right of recourse against the Group (“Continuing Involvement”) if the relevant acceptance bank defaults. As the Group was of the opinion that the Group had transferred substantially all their risks and rewards, the Group derecognized the book value of the related trade payables that have been settled by the notes. The undiscounted cash flow and maximum loss of continuing involvement and repurchase were equal to the book value of the notes. The Group considers the fair value of continuing involvement is not significant.

During 2019, the Group did not recognize gains or losses at the date of transfer. The Group had no current or accumulated gain or expense arising from the continuing involvement in financial assets which had been derecognized. The endorsement and discount were incurred evenly throughout this year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3 Risk of financial instruments

The Group is exposed to various types of risks from financial instruments during its ordinary course of business, mainly including credit risk, liquidity risk and market risk with foreign exchange risk and interest rate risk inclusive. Financial instruments of the Group are mainly comprised of cash and bank balances, financial assets held for trading, trade receivables, receivables financing, notes payable, trade payables, loans etc. Risks related to these financial instruments and the Group's risk management policies adopted to reduce such risks are described as follows.

Directors are responsible for planning and establishing the risk management structure of the Group, designating the risk management policies and the related guidance for the Group, and monitoring the implementation of risk management measures. The Group has risk management policies in place to identify and analyze the risk exposure of the Group. These risk management policies have defined particular risks, covering the aspects of the management of market risk, credit risk and liquidity risk. The Group will decide whether it is necessary to update the risk management policies and system by regularly evaluating changes in market environment and the operating activities of the Group. Risk management of the Group is carried out by the board. The board identifies, evaluates and mitigates the relevant risks by closely working with other business departments. Internal audit department of the Group will conduct audit regularly on risk management control and procedures and submit the audit results to the audit committee of the Group.

The Group spreads the risks from financial instruments by diversified investment and business portfolio and develops risk management policies accordingly to mitigate the risk of overconcentration on any single industry, particular region or particular counterparties.

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of trade receivables are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant.

Since the counterparties of cash and bank balances and bank acceptance notes are placed in the well-established banks and trust company with high credit ratings, these financial instruments are exposed to lower credit risk.

The credit risk of the Group's other financial assets, which comprise trade receivables, other receivables, and other equity investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3 Risk of financial instruments (Continued)

Credit risk (Continued)

Maximum credit risk exposure the Group faced at each balance sheet date is the total amount received from customer less impairment.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note X.2.

Since the Group traded only with recognized and creditworthy third parties, there was no requirement for collateral. Credit risk was managed in accordance with customer and industry. At the end of the reporting year, the Group had a certain concentration of credit risk as 66% (31 December 2018: 28%) of the Group's trade receivables were due from the Group's five largest customers in terms of trade receivables. The Group did not hold any collateral or credit enhancements for the balance of trade receivables.

Criteria for judging significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- (1) Quantitative criteria mainly comprise of the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition
- (2) Qualitative criteria mainly comprise of the circumstances that significant adverse change in debtor's operation or financial status and being listed on the watch-list, etc.
- (3) the upper limit indicator is the debtor's contract payment (including principal and interest) is overdue for more than 30 days.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3 Risk of financial instruments (Continued)

Credit risk (Continued)

Definition of credit-impaired asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- (1) Significant financial difficulty of the issuer or the debtor;
- (2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECLs measurement

Based upon whether credit risk has significantly increased or impaired, the Group measures impairment provision for different assets upon the ECLs during 12 months or entire lifetime. The key measuring parameters of ECLs include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3 Risk of financial instruments (Continued)

Credit risk (Continued)

Parameters of ECLs measurement (Continued)

Relative definitions are listed as follows:

- (1) PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment throughout the future 12 months or entire remaining lifetime. The Group's PD is adjusted based on historical loss rate, taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment;
- (2) LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated throughout the future 12 months or entire remaining lifetime;
- (3) EAD is the amount that the Group should be reimbursed at the time of the default throughout the future 12 months or entire remaining lifetime.

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types.

As at 31 December 2019, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
Cash and bank balance	1,783,747	–	–	–	–	1,783,747
Trade receivables	–	–	–	–	6,610	6,610
Receivables financing	861,373	–	–	–	–	861,373
Other receivables	76,315	2,247	3,078	–	–	81,640
	2,721,435	2,247	3,078	6,610	6,610	2,733,370

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3 Risk of financial instruments (Continued)

Credit risk (Continued)

Parameters of ECLs measurement (Continued)

As at 31 December 2018, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
Cash and bank						
balance	2,764,631	–	–	–	–	2,764,631
Trade receivables	–	–	–	183,195	–	183,195
Receivables financing	575,652	–	–	–	–	575,652
Other receivables	10,085	1,323	36,965	–	–	48,373
Total	3,350,368	1,323	36,965	183,195	–	3,571,851

Liquidity risk

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

The Company and its subsidiaries were responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the board of directors of the Company when the borrowings exceeded certain predetermined levels of authority). The Group's liquidity management method was to make sure enough liquidity for the performance of matured debts, so as not to cause any unacceptable losses or any damage to its reputation. As at 31 December 2019, the Group's current liabilities already exceeded current assets by RMB2,765,568,000 (31 December 2018: RMB2,267,179,000).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3 Risk of financial instruments (Continued)

Liquidity risk (Continued)

The rest maturity date analysis of financial liabilities measured at undiscounted contract cashflows is as follows:

	31 December 2019					
	Carrying amount	Undiscounted contract amount	Within 1 year	1–2 years	2 to 5 years	Over 5 years
Short-term borrowings	384,528	394,653	394,653	–	–	–
Notes payable	91,127	91,127	91,127	–	–	–
Trade payables	1,726,883	1,726,883	1,726,883	–	–	–
Other payables	421,768	421,768	421,768	–	–	–
Non-current liabilities due within one year	841,576	867,487	867,487	–	–	–
Other non-current liabilities	2,250,000	2,611,667	112,087	502,880	1,996,700	–
	5,715,882	6,113,585	3,614,005	502,880	1,996,700	–

	31 December 2018					
	Carrying amount	Undiscounted contract amount	Within 1 year	1–2 years	2 to 5 years	Over 5 years
Short-term borrowings	1,199,147	1,199,147	1,199,147	–	–	–
Notes payable	1,747,169	1,747,169	1,747,169	–	–	–
Trade payables	348,348	348,348	348,348	–	–	–
Other payables	416,317	427,150	427,150	–	–	–
Non-current liabilities due within one year	300,000	323,592	14,250	309,342	–	–
Other non-current liabilities	2,575,500	2,884,709	129,183	255,946	1,840,459	659,121
Total	6,586,481	6,930,115	3,865,247	565,288	1,840,459	659,121

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3 Risk of financial instruments (Continued)

Market risk

Market risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market price variation. Market risk mainly includes interest risk and foreign exchange risk.

Interest risk

Interest risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market interest variation. The market interest rate variation risk faced by the group mainly correlated with its loans with the interest measured by the floating interest rate.

The Group's revenue and operating cash flows are largely unaffected by fluctuation in market interest rate. As at 31 December 2019, all the Group's bank loans were calculated by stable interest rate.

Foreign exchange risk

The Group has currency exposures arising from purchases by operating units in currencies other than the units' functional currencies.

During this year, the Group's business is principally conducted in Mainland China and most transactions are settled in RMB, the transactions of sales are denominated in RMB, and approximately 9.53% (2018: 0.87%) of purchase were denominated in US dollars for the purchase of iron ores. The finance department of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent. At the end of the this year, the Group expected that fluctuation of the foreign currency exchange rate of the RMB did not have a significant impact on the Group's operating results.

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Capital management (Continued)

The Group manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to externally imposed capital requirements constraints. In 2019 and 2018, there had been no change in the objectives, policies or procedures of capital management of the Group.

	31 December 2019	31 December 2018
Debt-to-asset ratio	28.10%	31.19%

VIII. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

As at 31 December 2019	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	5,000	5,000
Receivables financing	–	861,373	–	861,373
Financial assets held for trading	–	–	400,000	400,000
	–	861,373	405,000	1,266,373

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Assets and liabilities measured at fair value (Continued)

As at 31 December 2018	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	5,000	5,000
Receivable financings	–	575,652	–	575,652
Financial assets held for trading	–	–	30,000	30,000
	–	575,652	35,000	610,652

2. Assets and liabilities disclosed at fair value

As at 31 December 2019	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other non-current liabilities	–	2,247,820	–	2,247,820

As at 31 December 2018	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	–	277,919	–	277,919
Other non-current liabilities	–	2,426,152	–	2,426,152
	–	2,704,071	–	2,704,071

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Fair value estimation

The illustration below is the disclosure on comparison between the fair value and the carrying amount for each class of financial assets and financial liabilities other than financial instruments where the difference between the carrying amount and the fair value is insignificant:

	Carrying Amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial liabilities				
Long-term borrowings	–	300,000	–	277,919
Other non-current liabilities	2,250,000	2,575,500	2,247,820	2,426,152
	2,250,000	2,875,500	2,247,820	2,704,071

Management has assessed that the fair values of cash and cash equivalents, financial assets held for trading, trade receivables, receivables financing, other receivables, short-term borrowings, notes payable trade payables, other payables, non-current liabilities due within one year etc. approximate to their carrying amounts due to short remaining period.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the long-term borrowings and other non-current liabilities are determined using discount cash flows, at rates equal to market yield of other financial instruments with similar contract terms, credit risks and remaining Term. As at 31 December 2019, non-performance risks underlying other non-current liabilities were appraised as immaterial.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VIII DISCLOSURE OF FAIR VALUE (CONTINUED)

4. Unobservable input value

Below is a summary of significant unobservable inputs of fair value measurements within Level 3:

	Fair value at end of year	Valuation technique	Unobservable inputs	Weighted average
Trust products classified as	2019 : 400,000		Yield of Similar	2019 : 6.2%
Financial assets held for trading	2018 : 30,000	Discounted cash flow method	products in private market	2018 : 6.0%

5. Adjustment of fair value measurement

Reconciliation of recurring fair value measurements within Level 3 is as follows:

2019

	Opening balance	Transfer into	Transfer out of	Total gains or losses	Purchase	Issue	Sale	Settlements	Closing balance	Changes in unrealized gains or losses	
		Stage 3	Stage 3	Through profit or loss						Included in profit or loss for assets held at end of year	
				Through other comprehensive income							
Financial assets held for trading	30,000	-	-	15,894	-	1,378,800	-	-	(1,024,694)	400,000	612

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

VIII DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Adjustment of fair value measurement (Continued)

2018

	Opening balance	Transfer into	Transfer out of	Total gains or losses	Purchase	Issue	Sale	Settlements	Closing balance	Changes in unrealized gains or losses
		Stage 3	Stage 3	Through profit or loss		Through other comprehensive income				Included in profit or loss for assets held at end of year
Financial assets held for trading	650,000	-	-	7,021	30,000	-	-	(657,021)	30,000	15

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Controlling shareholder

Name of the controlling shareholder	Place of registration	Business nature	Registered capital	Shareholding proportion over the company (%)	Voting right proportion over the Company (%)
Changshou Iron & Steel	Chongqing	Technology development, technology transfer, technology service and management consultancy services of the fields of iron and steel, metallurgy and mining, coal, chemical industry, electricity and transportation; sales of raw materials, namely steel; operation of terminals; warehouse services; leases of owned property and equipment; import and export of goods and technology; corporate management and consultancy services	4,000,000	23.51	23.51

Changshou Iron & Steel is the controlling shareholders, and Siyuanhe Equity Investment Management Co., Ltd is the substantial controller of Changshou Iron & Steel.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Subsidiary

Please refer to note VI. Interests in other entities for details of the Company's subsidiaries.

3. Information about other related parties of the Company

	Relationship between the Company and the other related parties
XinGang ChangLong (重慶新港長龍物流有限責任公司)	Associate (Note 1)
Chongqing Jianwei (重慶鑒微智能科技有限公司)	Joint venture (Note 1)
Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司)	Others (Note 2)

Note 1: please refer to note V.9.

Note 2: Siyuanhe Equity Investment Management Co., Ltd. is the substantial controller of Changshou Iron & Steel.

4. Information about related party transactions

(1) Transaction of goods and services with related parties

Purchase of goods and receiving of services from related parties

Related party	Content of transaction	2019	2018
XinGang ChangLong (重慶新港長龍物流有限責任公司)	Receiving of services	37,243	42,713

Sale of goods and rendering of services to related parties

Related party	Content of transaction	2019	2018
XinGang ChangLong (重慶新港長龍物流有限責任公司)	Sale of energy and provide services	868	668

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(1) Transaction of goods and services with related parties (Continued)

Other descriptions

For the purchase price of commodities from the related party, refer to the price or cost plus profit premium for similar transactions between the related party and other third parties, or the suppliers' bidding price.

The price of products sold to related parties are determined with reference to the prices charged by the Company to other third parties or as stipulated by the competent authorities of the Chongqing municipal government.

(2) Leases

As a lessor

Name of Lessee	Type of assets leased	Lease income for 2019	Lease income for 2018
Xin Gang Chang Long (重慶新港長龍物流有限責任公司)	Plant and buildings	36	48

As a lessee

Name of lessor	Types of asset leased	Lease expenses for 2019	Lease expenses for 2018
Changshou Iron & Steel (重慶長壽鋼鐵有限公司)	Machinery and other equipment	188,596	184,387

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(2) Leases (Continued)

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules Chapter 14A of the Stock Exchange of Hong Kong. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Note: In order to raise funds, during the reorganization period the administrator conducted a public auction in respect of pre-ironmaking assets (mainly including machinery and equipment of coking plants, sintering plants and smelting plants, etc.). Changshou Iron & Steel acquired pre-ironmaking assets at a transaction price of RMB3.9 billion. As at 31 December 2017, the Company had completed the delivery of the relevant assets to Changshou Iron & Steel. In 2018, the Group entered into an asset leasing contract with Changshou Iron & Steel to lease the aforesaid pre-ironmaking assets, with a monthly rent of RMB17,875,000 and a lease term from 9 December 2017 to 31 December 2018.

In December 2018, the Proposal on Leasing the Relevant Assets of Related Companies by the Company in 2019 was considered and approved by the 5th Session of the eighth Board Meeting. On 27 December 2018, the Group entered into an asset leasing contract with Changshou Iron & Steel to lease the aforesaid pre-ironmaking assets, with a monthly rent of RMB17,875,000 and a lease term from 1 January 2019 to 31 December 2019.

In December 2019, the Proposal on Leasing the Relevant Assets of Related Companies by the Company in 2020 was considered and approved by the 16th Session of the eighth Board Meeting. On 27 December 2019, the Group entered into an asset leasing contract with Changshou Iron & Steel to lease the aforesaid pre-ironmaking assets, with a monthly rent of RMB17,875,000 and a lease term from 1 January 2020 to 31 December 2020.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(3) Guarantee

Guarantee provided by related parties:

2019

Guaranteed party	Note	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Siyuanhe Equity Investment Management Co., Ltd.	a	300,000	2017/12/27	2020/12/26	No
Changshou Iron & Steel	b	1,000,000	2018/06/19	2019/06/19	Yes
Changshou Iron & Steel	c	1,000,000	2019/10/08	2020/10/08	No

a : According to the reorganization plans in 2017, the Company applied for a loan of RMB1.1 billion from China Development Bank, and Siyuanhe Investment Management Co., Ltd. provided guarantees for the above loan. As at 31 December 2019, the Company had payback RMB800 million to China Development Bank, and the closing balance of the guarantee was RMB300 million.

b : On 19 June 2018, the Company obtained banking facilities of RMB1 billion from China Minsheng Bank Chongqing Branch. Changshou Iron & Steel provided guarantee, free of charge, the guarantee period is 1 year. In 2019, the guarantee has been fulfilled.

c : On 8 October 2019, the Company obtained banking facilities of RMB1 billion from China Minsheng Bank Chongqing Branch, Changshou Iron & Steel provided guarantee, free of charge, the guarantee period is 1 year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(4) Interest fee paid to a related party

Related party	Amount borrowed	Interest in the current year
Changshou Iron & Steel	2,785,500	113,015

Pursuant to the reorganization plan in 2017, Changshou Iron & Steel provided RMB2.4 billion loans to the Company for its execution of the reorganization plan. The loan term is 7 years, which is from 24 November 2017 to 23 November 2024, and bears interest at the rate of 4.9% (31 December 2018: 4.9%) per annum. As at 31 December 2019, the company has repaid RMB10 million on time to Changshou Iron & Steel, the remaining amount of the loan was RMB2.39 billion. Changshou Iron & Steel provided financing facilities of RMB500 million to the Company with a term of 3 years, from 1 January 2018 to 31 December 2020, with annual interest rate of 4.75% (31 December 2018:4.75%). As at 31 December 2019, the company has utilized RMB395.5 million.

(5) Remuneration of key management personnel

Related party	2019	2018
Remuneration of key management personnel	29,933	23,483

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(5) Remuneration of key management personnel (Continued)

	Current year cumulative					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
Director-executive						
director :						
Li Yong Xiang (Note 1)	-	5,449	49	20	32	5,550
Tu De Ling (Note 1)	-	1,680	33	28	24	1,765
Wang Li (Note 2)	-	800	-	-	-	800
Director-non-executive director						
Zhou Zhu Ping	-	-	-	-	-	-
Zheng Jie (Note 5)	-	-	-	-	-	-
Song De An (Note 2)	-	-	-	-	-	-
Zhang Shuo Gong (Note 3)	-	225	-	-	-	225
Xin Qing Quan	180	-	-	-	-	180
Xu Yi Xiang	180	-	-	-	-	180
Wang Zhen Hua	180	-	-	-	-	180

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(5) Remuneration of key management personnel (Continued)

	Current year cumulative					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
Supervisor :						
Zhang Wen Xue (Note 2)	-	-	-	-	-	-
Xiao Yu Xin (Note 1)	-	4,130	49	20	32	4,231
Xia Tong (Note 1)	-	250	17	11	11	289
Zhou Ya Ping	-	282	33	28	24	367
Lu Jun Yong	-	-	-	-	-	-
Ying Dong	-	-	-	-	-	-
Senior Management:						
Li Yong Xiang (Note 6)	-	-	-	-	-	-
Liu Jian Rong (Note 4)	-	-	-	-	-	-
Zou An (Note 4)	-	-	-	-	-	-
Xie Chao (Note 4)	-	-	-	-	-	-
Lv Feng	-	4,117	49	20	32	4,218
Meng Xiang Yun	-	4,130	49	20	32	4,231
Wang Bu Lin	-	4,130	49	20	32	4,231
Zeng Jing	-	1,663	33	28	24	1,748
Zhang Li Quan	-	1,653	33	28	24	1,738
	540	28,509	394	223	267	29,933

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(5) Remuneration of key management personnel (Continued)

Director-non-executive director Mr. Zhou Zhu Ping, Mr. Zheng Jie, Mr. Song De An, Supervisor Mr. Zhang Wen Xue, Mr. Lu Jun Yong and Mr. Yin Dong did not receive remuneration from the Company throughout this year.

The five highest paid employees during the year included one (2018: two) director, one supervisor (2018: one), and three Senior Management (2018: two), details of whose remuneration are set out above.

In 2019, 9 directors, supervisors and senior management members participated in the Third Employee Share Ownership Plan, their sharing account for 50.56% (2018:51.00%) of the Third Employee Share Ownership Plan, please refer to Note V.21. Up to 31 December 2019, the detailed share number given to each directors, supervisors and senior management who participated in the Third Employee Share Ownership Plan have not yet been determined.

	Preceding year comparative					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
Directors-executive directors:						
Li Yong Xiang	-	5,444	50	17	28	5,539
Tu De Ling	-	1,680	42	25	26	1,773
Zhang Shuo gong	-	2,310	-	-	-	2,310
Li Ren Sheng	-	1,607	42	25	26	1,700
Zhang Li Quan	-	67	3	2	2	74
Yao Xiao Hu	-	50	3	2	2	57

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(5) Remuneration of key management personnel (Continued)

	Preceding year comparative					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
Director-non-executive director						
Zhou Zhu Ping	-	-	-	-	-	-
Zheng Jie	-	-	-	-	-	-
Liu Da Wei	-	-	-	-	-	-
Zhou Hong	-	-	-	-	-	-
Xin Qing Quan	137	-	-	-	-	137
Xu Yi Xiang	137	-	-	-	-	137
Wang Zhen Hua	137	-	-	-	-	137
Zheng Yu Chun	105	-	-	-	-	105
Huang Yu Chang	32	-	-	-	-	32
Supervisor :						
Xiao Yu Xin	-	2,446	42	14	24	2,526
Xia Tong	-	444	31	19	18	512
Zhou Ya Ping	-	218	28	17	16	279
Xu Chun	-	125	17	10	9	161
Jia Zhi Gang	-	109	17	10	9	145
Lu Jun Yong	-	-	-	-	-	-
Yin Dong	-	-	-	-	-	-
Li Zheng	-	-	-	-	-	-

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(5) Remuneration of key management personnel (Continued)

	Preceding year comparative					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
Senior Management:						
Li Yong Xiang	-	-	-	-	-	-
Lv Feng	-	2,443	50	17	28	2,538
Meng Xiang Yun	-	1,715	17	6	10	1,748
Wang Bu Lin	-	1,017	9	3	5	1,034
Zeng Jing	-	-	-	-	-	-
Yu Hong	-	2,444	50	17	28	2,539
Li Ren Sheng	-	-	-	-	-	-
Zhang Li Quan	-	-	-	-	-	-
	548	22,119	401	184	231	23,483

Note 1: On 31 May 2019, Mr. Li Yong Xiang and Tu De Ling resigned as vice chairman due to work adjustment. Mr. Xia Tong resigned as Staff Supervisor due to work adjustment. Mr. Xiao Yu Xin resigned as chairman of supervisory due to work adjustment and was appointed as Employee Representative Supervisor on the first joint conference of the first congress of staff and workers convened on the same day.

Note 2: On 28 March 2019, Mr. Song De An and Wang Li were appointed as directors, and Mr. Zhang Wen Xue was appointed as supervisor. At the same day, Mr. Song De An was appointed as vice chairman, and appointed Mr Zhang Wen Xue as chairman of supervisory.

Note 3: On 21 May 2019, Mr. Zhang Shuo Gong was appointed as non-executive director and resigned executive director, and did not receive remuneration from the Company since then.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(5) Remuneration of key management personnel (Continued)

Note 4: On 27 December 2019, the Group hired Mr. Liu Jian Rong as the General manager, and hired Mr. Zou An and Xie Chao as vice general manager, who resigned corresponding duties according to related stipulate and the resignation would take into effect after all of the procedures accomplished.

Note 5: On 31 December 2019, Mr. Zheng Jie resigned non-executive director due to personal reasons.

Note 6: On 31 December 2019, Mr. Li Yong Xiang resigned General manager due to work adjustment.

5. Balance due to or from related parties

(1) Balance due from related parties

Related party		2019		2018	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Trade receivables	Xin Gang Chang Long (重慶新港長龍物流有限責任公司)	806	–	60	–
Other receivables	Xin Gang Chang Long (重慶新港長龍物流有限責任公司)	–	–	50	–

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Balance due to or from related parties (Continued)

(2) Balance due to related parties

	Related party	2019	2018
Trade payables	Changshou Iron & Steel (重慶長壽鋼鐵有限公司)	17,875	17,875
Trade payables	Xin Gang Chang Long (重慶新港長龍物流有限責任公司)	1,822	43
Non-current liabilities due within one year	Changshou Iron & Steel (重慶長壽鋼鐵有限公司)	531,279	10,301
Other non-current liabilities	Changshou Iron & Steel (重慶長壽鋼鐵有限公司)	2,250,000	2,575,500

6. Commitments of related parties

On 9 August 2019, approved at the 12th meeting of the eighth session of the board of directors of the Company, the company together with Jianwei digital technology (Chongqing) Co., Ltd planned to contribute RMB2,500,000 to establish Chongqing Jianwei (重慶鑒微智能科技有限公司) and possesses 50% equity respectively. As at 31 December 2019, the company has not paid the contribution yet.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

X. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

	2019	2018
Contracted, but not provided for	74,003	26,298

2. Contingencies

On 26 February 2018, all the independent directors of the Company issued the Special Statement and Independent Opinion of Independent Directors on External Guarantees which stated the Company's guarantees in 2017.

In 2012, each of China Development Bank and Agricultural Bank of China Taizhou Branch provided San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司, "San Feng Jingjiang") with syndicated loans (loan contract no.: 3200577162012540569, "Syndicated Loan"), for which the Company assumed joint guarantee liability. After the Company underwent judicial reorganization, Chongqing Qianxin Group Co., Ltd. ("Qianxin Group", 重慶千信集團有限公司, former name: Qianxin International) submitted an "Alternative Guarantee Commitment Letter" to the Company's Reorganization Administrator on 13 November 2017, confirming that it would communicate with China Development Bank and Agricultural Bank of China Taizhou Branch and go through relevant procedures and undertaking to pay off debt to assume its guarantee liability in case they claim compensation when the principal debtor San Feng Jingjiang defaults.

On 28 December 2017, Qianxin Group, China Development Bank, Agricultural Bank of China Taizhou Branch and San Feng Jingjiang jointly signed the Change of RMB Syndicated Loan Contract (contract no.: 3200577162012540569004) which provided that Qianxin Group, as the guarantor of Syndicated Loan, assumed joint guarantee liability. On the same day, Qianxin Group, as the guarantor, entered into the Syndicated Loan Guarantee Contract with San Feng Jingjiang, China Development Bank and Agricultural Bank of China Taizhou Branch which served as a guarantee contract of Syndicated Loan (contract No. 3200577162012540569).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XI. EVENTS AFTER BALANCE SHEET DATE

1. Since the outbreak of novel coronavirus pneumonia (hereinafter referred to as "COVID-19") nationwide in January 2020, the Group has actively implemented the various regulations and requirements of the Communist Party of China and national governments at all levels for the prevention and control of the epidemic to ensure that the epidemic prevention and enterprise production are achieved smoothly from supply guarantee, brand channels, social responsibility, internal management and other aspects.

The Group expects that the epidemic of COVID-19 and the prevention and control measures will have a certain temporary impact on the Group's production and operation. The extent of the impact will depend on the progress and duration of the epidemic prevention and control and the implementation of local prevention and control policies.

The Group will continue to monitor closely the development of the epidemic of COVID-19, and evaluate and actively respond to its impact on the financial position and operating results of the Group. As at the date of this report, there has no significant adverse impact.

2. On 19 March 2020, the company successfully issued the 2020 first tranche of medium-term notes with the principal amount of RMB1 billion and due date of 19 March 2023, at the interest rate from 4.64% to 5.13%.
3. The Resolution in Relation to Participation in Online Bidding for Acquisition of 100% Equity Interest in Qianxin Energy Environmental Co., Ltd., was approved at the 20th meeting of the eighth session of the board of directors of the Company by voting. It approved the Company to participate in the bidding for 100% equity interest in Chongqing Qianxin Energy Environmental Co., Ltd. held by Chongqing Qianxin Group Co., Ltd. It exists uncertainty in the process of bidding. The certain contribution amount will subject to the final signed agreement.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS

1. Segment information

(1) Identification basis and accounting policies for reportable segments

The Group will determine different segments based on the internal organizational structure, management requirements and internal report system. The Group's operation segments refer to those components meeting the following conditions at the same time:

- 1) The segment may generate revenue and incur expenses in daily activities;
- 2) Management of the Group can regularly evaluate the operating results of the segment to decide on the allocation of resources to it and evaluate its performance;
- 3) The segment's financial position, operation result, cash flow and other accounting information can be obtained by analysis.

(2) Financial information of reportable segments

The Group's revenue and profit are mainly comprised of steel manufacturing and domestic sales. The Group's major assets are all in China. The management of the Company evaluates the Group's operating results as a whole. Therefore, no segment report has been prepared in the current year.

(3) Information of significant customers

The Group generated revenue from one customer (2018: one) that reached or exceeded 10% of the Group's revenue, which accounting for 20% of the Group's revenue (2018: 32%).

The information of this customer stated below:

Name of Customer	Revenue (Note)	Proportion of the Group's revenue (%)
Qianxin Group (重慶千信集團有限公司)	4,772,663	20

Note: The revenue above was the total amount generated from Qianxin Group and its subsidiaries for the current year by the Group.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XII OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease

(1) As a lessor

The Group rent partial of plants and buildings with lease term of 1 to 5 years, which develops into operating lease. According to the lease contracts, the yearly rental required to adjust based on market rental. The revenue related to plants and buildings lease during 2019 was RMB1,364,000, please refer to Note V.35. for more details.

Operating lease

The profit relating to operating lease is as follows:

	2019
Lease income	1,364

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	2019
Within 1 year (first year inclusive)	305
1 – 2 year (second year inclusive)	81
2 – 3 year (third year inclusive)	81
3 – 4 year (fourth year inclusive)	81
4 – 5 year (fifth year inclusive)	68
	616

Please refer to Note V.11 for more details about PPE leased out under operating lease.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XII OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease (Continued)

(2) As a lessee

	2019
Short-term lease expenses through profit or loss subject to simplified treatment	344,265
Total cash outflows related to lease	<u>344,265</u>

The Group has lease contracts for various items of machineries and motor vehicles used in its operations. Leases of machineries and motor vehicles generally have lease terms of 1 years. Generally, the Group is restricted from subleasing the underlying assets. The Group simplifies the short-term lease and does not recognize right-of-use assets and lease liabilities. Recognize short-term lease expenses through profits or losses.

Leases that have been promised but not yet commenced

The leases that the Group has promised but have not yet commenced are expected to have future cash outflows as follows:

	2019
Within 1 year (first year inclusive)	<u>379,632</u>

Significant operating lease (only apply to 2018)

The Group had total future minimum lease payments under non-cancellable leases with its lessors falling due as follows:

	2018
Within 1 year (first year inclusive)	<u>379,500</u>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Trade receivables

Credit period of trade receivables is generally within one-month. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables is as follows:

	31 December 2019	31 December 2018
Within 3 months (third month inclusive)	5,414	26,405
4 to 12 months (first year inclusive)	3	2,063
1 – 2 years	101	790
2 – 3 years	–	1,572
Above 3 years	117	151,432
	5,635	182,262
Less: Provision for bad debts	25	152,411
	5,610	29,851

The ageing analysis was based on the month when incurred. The trade receivables recognized firstly will be firstly settled.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

The movements in impairment allowance for trade receivables are as follows:

	Opening balance	Provision	Reversal	Transfer	Closing balance
2019	152,411	2,852	(2,930)	(152,308)	25
2018	143,056	12,628	(3,273)	–	152,411

	31 December 2019				31 December 2018			
	Book value		Bad debt provision		Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are subject to provision by group with similar credit risk characteristics	5,635	100	25	–	182,262	100	152,411	84

Receivables that are subject to provision by group with similar credit risk characteristics

5,635 100 25 – 182,262 100 152,411 84

As at 31 December 2019 and at 31 December 2018, the company have no individually trade receivables to separate provision.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

The ECLs on the accounts receivable by age are as follows:

	31 December 2019			31 December 2018		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 3 months (third month inclusive)	5,414	-	-	13,819	-	-
4-12 months (first year inclusive)	3	-	-	1,683	5	83
1-2 years	101	25	25	790	11	90
2-3 years	-	-	-	10	60	6
Over 3 years	117	-	-	137,934	100	137,934
	5,635		25	154,236		138,113

As at 31 December 2018, trade receivables that are subject to provision by group for other method are as follows:

	31 December 2018		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Trade receivables from historical related parties*	28,026	51	14,298

* As at 31 December 2018, according to Article 71 of the "Administrative Measures on Information Disclosure of Listed Companies" (Order No. 40 of the CSRC), the aforesaid historical related parties were disclosure as the Group's historical related parties, the related bad debts are provided for other method. The aforesaid historical related parties were no longer historical related parties of the Group this year, the related bad debts were provided for aging analysis method.

During 2019, the ECL of trade receivable was provided amounted to RMB2,852,000(2018: RMB12,628,000), and reversal with amount of RMB2,930,000(2018: RMB3,273,000).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

The trade receivables write-off for 2019 amounted to RMB152,308,000(2018: Nil), among which the most significant ones are as follows:

Company	Nature	Write-off	Reasons	Procedures of	Related party write-off transactions
Southwest Sales Company of Chongqing Iron and Steel Group Co., Ltd (重鋼集團公司西南銷售公司)	Payment for goods	13,694	uncollectible	Approved by the Board	No
Chongqing Iron and Steel Group Industry Co., Ltd (重慶鋼鐵集團產業有限公司)	Payment for goods	10,952	uncollectible	Approved by the Board	No*
Jinxi Chemical Machinery Plant (錦西化工機械廠)	Payment for goods	7,144	uncollectible	Approved by the Board	No
Guanghan High-tech industry and Trade Materials Corporation (廣漢高新工貿物資總公司)	Payment for goods	6,987	uncollectible	Approved by the Board	No
Chongqing Runjiang environmental protection building materials Co., Ltd (重慶潤江環保建材有限公司)	Payment for goods	6,935	uncollectible	Approved by the Board	No
Chongqing Special Steel Co., Ltd (重慶特殊鋼股份有限公司)	Payment for goods	6,244	uncollectible	Approved by the Board	No*
Chongqing Steel Chengdu supply and marketing business department (重鋼成都供銷經營部)	Payment for goods	5,996	uncollectible	Approved by the Board	No
Guanghan steel industry and Trade Corporation (廣漢鋼都工貿總公司)	Payment for goods	5,592	uncollectible	Approved by the Board	No
		63,544			

* these companies were historical related parties of the Group. As at 31 December 2018, according to Article 71 of the "Administrative Measures on Information Disclosure of Listed Companies" (Order No. 40 of the CSRC), the aforesaid historical related parties were disclosure as the Group's historical related parties. The aforesaid historical related parties were no longer historical related parties of the Group this year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (continued)

As at 31 December 2019, the top five balances in respect of trade receivables aggregating RMB4,031,000 (As at 31 December 2018: RMB51,404,000), accounting for 72% (As at 31 December 2018: 28%) of the total of closing balance of trade receivables and no provision has been made for the top five balances (As at 31 December 2018: RMB45,496,000).

2. Other receivables

	31 December 2019	31 December 2018
Other receivables	78,027	10,500

Aging analysis:

	31 December 2019	31 December 2018
Within 3 months (third month inclusive)	74,603	5,809
4 to 12 months (first year inclusive)	1,607	4,271
1 – 2 year	2,132	1,130
2 – 3 year	115	192
Above 3 year	3,078	36,965
	81,535	48,367
Less: Provision for bad debts	3,508	37,867
	78,027	10,500

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

Other receivables presented by nature

	31 December 2019	31 December 2018
Government grant receivables	73,821	–
Guarantee deposits, staff advances, etc.	6,362	10,293
Prepayments for trading	975	33,297
Others	377	4,777
	81,535	48,367

The ECLs movement based on 12-month and lifetime ECLs are as follows:

2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit-impaired financial assets (Lifetime ECLs)	Total
Opening balance	522	380	36,965	37,867
Changes due to the opening balance				
– Transfer to Stage 2	(50)	50	–	–
– Transfer to Stage 3	(472)	–	472	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Provision	–	–	78	78
Reversal	–	–	–	–
Transfer	–	–	–	–
Write-off	–	–	34,437	34,437
Closing balance	–	430	3,078	3,508

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2018

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit-impaired financial assets (Lifetime ECLs)	Total
Opening balance	97	6,445	33,193	39,735
Changes due to the opening balance				
– Transfer to Stage 2	(15)	15	–	–
– Transfer to Stage 3	–	(6,406)	6,406	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Provision	522	365	6,406	7,293
Reversal	82	39	7,775	7,896
Transfer	–	–	–	–
Write-off	–	–	1,265	1,265
Closing balance	522	380	36,965	37,867

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

The book value of other receivables movement:

2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit-impaired financial assets (Lifetime ECLs)	Total
Opening balance	10,080	1,322	36,965	48,367
Changes due to the opening balance				
– Transfer to Stage 2	(923)	923	–	–
– Transfer to Stage 3	(550)	–	550	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Addition	76,217	–	–	76,217
Derecognition	8,612	–	–	8,612
Write-off	–	–	34,437	34,437
Closing balance	76,212	2,245	3,078	81,535

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2018

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit-impaired financial assets (Lifetime ECLs)	Total
Opening balance	3,677	13,052	33,361	50,090
Changes due to the opening balance				
– Transfer to Stage 2	(1,322)	1,322	–	–
– Transfer to Stage 3	–	(12,812)	12,812	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Addition	11,084	–	–	11,084
Derecognition	3,359	240	7,943	11,542
Write-off	–	–	1,265	1,265
Closing balance	10,080	1,322	36,965	48,367

During 2019, the ECL of other receivables was provided amounted to RMB78,000 (2018: RMB7,293,000), and no provision for bad debts was recovered or reversed for the year ended 2019 (2018: RMB7,896,000).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

The other receivables write-off for 2019 amounted to RMB34,437,000 (2018: RMB1,265,000), the most significant ones are as follows:

Company	Nature	Write-off	Reasons	Procedures of write-off	Related party transactions
Zhanjiang heavy steel industry and Trade Company (湛江重鋼工貿公司)	Payment for goods	10,240	Uncollectible	Approved by the Board	No
Changzhou chunzhixin metal material Co., Ltd (常州市春之鑫金屬材料有限公司)	Payment for goods	7,222	Uncollectible	Approved by the Board	No
Jiangsu Hetuo International Trade Co., Ltd. (江蘇和拓國際貿易有限公司)	Payment for goods	5,590	Uncollectible	Approved by the Board	No
		23,052			

As at 31 December 2019, the five largest other receivables are as follows:

Company	31 December 2019	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
First	73,821	91	Government grant receivables	Within 3 months	-
Second	4,562	6	Staff advances	0-3 years	2,982
Third	1,332	1	Guarantee deposits	0-3 years	207
Fourth	975	1	Prepayments for trading	Within 1 year	-
Fifth	473	1	Guarantee deposits	0-2 years	319
	81,163	100			3,508

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

As at 31 December 2018, the five largest other receivables are as follows:

Company	31 December 2019	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
First	10,240	21	Prepayment for trading	Above 3 Years	10,240
Second	7,222	15	Prepayment for trading	Above 3 Years	7,222
Third	5,590	12	Prepayment for trading	Above 3 Years	5,590
Fourth	4,126	9	Prepayment for trading	Above 3 Years	4,126
Fifth	3,921	8	Prepayment for trading	Above 3 Years	3,921
	31,099	65			31,099

As at 31 December 2019, the Government grant receivables are as follows:

Description of government grants	Amount	Aging	Estimated receiving time, amount and supporting documents
Finance Bureau of Management Committee of Changshou Economic and Technological Development Zone	73,821	Within 3 months	Received in 11 March 2020, Changshou Economic and Technological Development Area Financial Paper [2019] 78

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

	31 December 2019			31 December 2018		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Subsidiary	-	-	-	-	-	-
Joint ventures	-	-	-	-	-	-
Associate	28,258	-	28,258	-	-	-
	28,258	-	28,258	-	-	-

Investees	Increase/(decrease)				
	Opening balance	Investments increased	Investments decreased	Investment income recognized through equity method	Closing balance
<i>Subsidiary</i>					
Chongqing CIS Building Materials Sales Co., Ltd. (Note 1)	-	-	-	-	-
<i>Joint venture</i>					
Chongqing Jianwei Intelligent Technology Co., Ltd (Note 2)	-	-	-	-	-
<i>Associate</i>					
Chongqing Xingang Changlong Logistics Co., Ltd (Note 2)	-	28,258	-	-	28,258
	-	28,258	-	-	28,258

Note 1: The Company incorporated Chongqing CIS Building Materials Sales Co., Ltd., and the amount of the subscribed contribution is RMB10 million. As at the financial position date, the Company has not yet paid the above contribution.

Note 2: please refer to Note V 9.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales

	2019		2018	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	23,359,999	21,647,597	22,578,622	19,651,712
Revenue from other operations	107,963	70,888	54,614	30,130
	23,467,962	21,718,485	22,633,236	19,681,842

Details of revenue as follows:

	2019	2018
Revenue from contracts with customers	23,466,598	22,632,046
Revenue from lease	1,364	1,190
	23,467,962	22,633,236

Disaggregation of Revenue from contracts with customers are as follows:

2019

Main Product	Sale of steel products	Others	Total
Hot roll	10,792,075	–	10,792,075
Medium plate	6,891,869	–	6,891,869
Bars	2,473,832	–	2,473,832
Profiles	2,326,636	–	2,326,636
Others	–	982,186	982,186
	22,484,412	982,186	23,466,598

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIII NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales (Continued)

2018

Main Product	Sale of steel products	Others	Total
Hot roll	11,714,820	–	11,714,820
Medium plate	6,076,804	–	6,076,804
Bars	2,135,019	–	2,135,019
Profiles	1,908,058	–	1,908,058
Others	–	797,345	797,345
	21,834,701	797,345	22,632,046

All the Group's revenue was recognized at a certain point.

The details of revenue recognized from remaining contract obligation for the year:

	Year ended 31 December 2019	Year ended 31 December 2018
Sale of goods	1,004,220	158,893

5. Investment income

	2019	2018
Investment income of financial assets held for trading	15,894	–
Investment income from long-term equity investments under cost method	4,220	–
Investment income from disposal of long-term equity investments	–	3,392
Investment loss from long-term equity investments under equity method	–	(1,566)
	20,114	1,826

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIV. OTHER SUPPLEMENTARY INFORMATION

1. Non-recurring profit or loss

	2019
Losses from disposal of non-current assets, including offset portion of impairment provision for such asset	(1,060)
Government grants charged in profit or loss, except for those closely related to the ordinary operation and gained constantly at a fixed amount or quantity according to certain standard based on state policies	144,872
Gains from debt restructuring	8,243
Capital occupied income from non-financial entities	8,459
Income from disposal of financial assets held for trading	15,894
Non-operating income and expenses other than the above items	22,807
Sub-total	199,215
Less: Impact of income tax	–
Non-recurring profit or loss attributable to owners of the parent	199,215

Note: The items of non-recurring profit or loss were stated at the pre-tax amount. The Group recognized extraordinary profit and loss items in accordance with the provisions in Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public No. 1 – Extraordinary Items (CSRC Announcement [2008] No. 43).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019 (Unit: RMB'000)

XIV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share

2019	Weighted average return on net assets (%)	Earnings per share (RMB per share)	
		Basic earnings per share	Diluted Earnings per share
Net profit attributable to ordinary shareholders of the Company	4.88	0.10	0.10
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	3.83	0.08	0.08

2018	Weighted average return on net assets (%)	Earnings per share (RMB per share)	
		Basic earnings per share	Diluted Earnings per share
Net profit attributable to ordinary shareholders of the Company	10.14	0.20	0.20
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	9.52	0.19	0.19

Chongqing Iron & Steel Company Limited
27 March, 2020

Section XII Documents Available For Inspection

Document available for inspection	Annual Report contained with the signature of the current legal representative of the Company and company seal
Document available for inspection	Accounting statements contained with signatures of the legal representative, the person in charge of the accounting function and the person in charge of the accounting department and company seal
Document available for inspection	Auditor Report contained with seal of accounting firm, signature of certified public accountant and company seal
Document available for inspection	All documents and announcements of the Company disclosed in newspapers designated by China Securities Regulatory Commission and on the website of SSE during the Reporting Period

Chairman: Zhou Zhu Ping

The date of approval by the Board for submission: 27 March 2020

REVISION

Applicable

Not applicable