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

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

(Stock Code: 1053)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT **FOR THE SIX MONTHS ENDED 30 JUNE 2018**

I IMPORTANT

1. This Interim Report summary is extracted from the full text of the Interim Report. To fully understand the operation result, financial position and future development plans of the Company, investors are advised to read carefully the full text of the Interim Report which has also been published on websites designated by the CSRC including the website of the Shanghai Stock Exchange for details.
2. The Board, supervisory committee and directors, supervisors and senior executives of the Company ensure that the contents of the Interim Report are real, accurate and complete, without false records, misleading statements or material omissions, and assume individual and joint liabilities.
3. All directors of the Company attended the Board meeting.
4. The Interim Report is unaudited.
5. The profit distribution proposal or proposal to transfer capital reserve to share capital for the reporting period as considered by the Board

Nil

II BASIC INFORMATION ON THE COMPANY

2.1 Company Information

Stock Profile

| Type | Place of listing | Abbreviated name | Stock code | Stock abbreviation before adjustment |
|---------|---|------------------------|------------|--------------------------------------|
| A share | Shanghai Stock Exchange | Chongqing Iron & Steel | 601005 | * ST Chonggang |
| H share | The Stock Exchange of Hong Kong Limited | Chongqing Iron & Steel | 1053 | Nil |

Contact information

Secretary to the Board

Securities representative

| | | |
|------------------------|---|---|
| Name | Yu Hong | Peng Guoju |
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2.2 Major Financial Data of the Company

Unit: RMB'000

| | At the end of the Reporting Period | At the end of last year | Change from the end of last year to the end of the Reporting Period (%) |
|---|--|----------------------------|--|
| Total assets | 24,402,346 | 25,012,459 | -2.44 |
| Net assets attributable to shareholders of the Company | 17,499,888 | 16,730,115 | 4.60 |
| | This Reporting Period (January to June) | Same period last year | Change from the same period of last year to this Reporting Period (%) |
| Net cash flow from operating activities | -1,301,188 | -82,023 | -1,486.37 |
| Operating income | 11,092,899 | 4,521,727 | 145.32 |
| Net profit attributable to shareholders of the Company | 761,960 | -998,482 | N/A |
| Net profit attributable to shareholders of the Company after extraordinary gains and losses | 736,096 | -1,004,337 | N/A |
| Weighted average return on net assets (%) | 4.45 | N/A | |
| Basic earnings per share (<i>RMB per share</i>) | 0.09 | -0.23 | 139.13 |
| Diluted earnings per share (<i>RMB per share</i>) | 0.09 | -0.23 | 139.13 |

Notes:

The net cash flow from operating activities decreased significantly year-on-year. The main reasons are as follows:

1. The Company has fully repaid the agreed supply debts and the relevant employees' claims in the amount of approximately 1.1 billion, which was derived by the continuous performance of contracts and judicially adjudicated in the process of judicial reorganization in the end of June 2018, such that cash outflow from operating activities increased;
2. In the first half of 2018, the Company effectively implemented the "full production and full sales" production and operation policy, and further expanded the scale of production and sales to ensure stable production and crude fuel inventory increased significantly. The inventory occupied funds at the end of the reporting period increased by approximately RMB674 million compared to the beginning of the period, resulting in an increase in cash outflows from operating activities;
3. To ensure the variety and quality of crude fuel resources, the Company gradually established direct cooperation with relevant excellent suppliers and crude fuel advance payments increased by RMB151 million compared to the beginning of the period, resulting in an increase in cash outflows from operating activities.

2.3 Shareholdings of top ten shareholders

Unit: share

| | |
|---|---------|
| Total number of shareholders as of the end of the reporting period (<i>account</i>) | 153,266 |
| Total number of preferential shareholders with resumed voting rights as of the end of the reporting period (<i>account</i>) | 0 |

Shareholdings of top 10 shareholders

| Name of shareholder | Type of shareholder | Shareholding percentage (%) | Number of shares held | Number of shares held with trading limitations | Number of shares pledged or frozen |
|---|---------------------------------------|-----------------------------|-----------------------|--|------------------------------------|
| Chongqing Changshou Iron & Steel Company Limited | Domestic non-state-owned legal person | 23.51 | 2,096,981,600 | 0 | Pledged 2,096,981,600 |
| HKSCC NOMINEES LIMITED | Foreign legal person | 5.95 | 530,755,540 | 0 | Unknown |
| Chongqing Qianxin Energy Environmental Protection Company Limited | Unknown | 4.79 | 427,195,760 | 0 | Unknown |
| Chongqing Rural Commercial Bank Co., Ltd. | Unknown | 3.24 | 289,268,939 | 0 | Unknown |

Shareholdings of top 10 shareholders

| Name of shareholder | Type of shareholder | Shareholding percentage (%) | Number of shares held | Number of shares held with trading limitations | Number of shares pledged or frozen |
|--|---------------------|-----------------------------|-----------------------|--|------------------------------------|
| Chongqing Guochuang Investment and Management Co., Ltd. | Unknown | 3.12 | 278,288,059 | 0 | Unknown |
| Sinosteel Equipment & Engineering Co., Ltd. | Unknown | 2.83 | 252,411,692 | 0 | Unknown |
| Bank of Chongqing Co., Ltd. | Unknown | 2.53 | 226,042,920 | 0 | Unknown |
| Industrial Bank Co., Ltd. Chongqing Branch | Unknown | 2.46 | 219,633,096 | 0 | Unknown |
| Agricultural Bank of China Limited Chongqing Branch | Unknown | 2.43 | 216,403,628 | 0 | Unknown |
| China Shipbuilding Industry Complete Logistics Co., Ltd. | Unknown | 2.37 | 211,461,370 | 0 | Unknown |

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

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

Description on the preferential shareholders with resumed voting rights and shareholding

Nil

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

Applicable Not Applicable

2.5 Changes in controlling shareholder or beneficial controller

Applicable Not Applicable

2.6 Undue and unpaid or overdue corporate bonds

Applicable Not Applicable

III MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Management Discussion and Analysis

In the first half of 2018, the Company earnestly implemented the operation principle of “achieving full production and sales, low cost and high efficiency” and the strategies of cost leadership and leading manufacturing technologies. It advanced a smooth integration of production, supply and sale and realised stable and smooth production, substantial improvement of cost-effectiveness, and rapid growth of systematic capabilities. In the first half of the year, the Company realised iron, steel and steel products production of 2,784,500 tonnes, 3,100,100 tonnes and 2,966,900 tonnes respectively, representing an increase of 79.10%, 89.96% and 91.57%, respectively, as compared to the same period last year; sales of steel products of 2,943,500 tonnes, representing a year-on-year increase of 125.45%; revenue of RMB11.093 billion, representing a year-on-year increase of 145.32%; and total profit of RMB763 million, marking a dramatic turnaround as compared with the loss of RMB999 million of the same period last year. Earnings before interest, taxes and depreciation (EBITDA) rose from RMB205 million in the same period last year to RMB1.348 billion, representing an increase of 5.58 times. The asset-liability ratio at the end of the half-year period further decreased from 32.62% at the end of the first quarter to 28.29%, representing a decrease of 74.72 percentage points from 103.01% in the same period of last year. The Company’s production and operation entered a virtuous cycle.

In the first half of the year, the Company had taken the following key measures:

1. *Through accurate market positioning and restructuring of the marketing system, the Company’s position in regional market gradually changed from “getting on the bandwagon” to “taking the lead”*

- (1) The Company mapped out the market positioning of “taking root in Chongqing, pursuing further development in Sichuan and Chongqing, and branching out across southwest regions”. In the first half of the year, according to the market and customer needs, the Company reasonably arranged product flow and proactively expanded the channel layout, which resulted in a significant year-

on-year increase in the market share in Chongqing and Chengdu. In the second quarter, the Company's medium and heavy sheets accounted for 85% and 60% of the market share in Chongqing and Chengdu, respectively; while its hot rolled coil accounted for 80% and 25% of the market share in Chongqing and Chengdu, respectively.

- (2) A marketing system featured with direct supply, sales and delivery was established to achieve sales premium and appreciation. Based on in-depth analysis of regional market demand, the Company further tapped the terminal market. In the first half of the year, the proportion of direct supply of major products to strategic direct supply users rose sharply, amounting to more than 40%. The Company established factory distribution centers and developed its own logistics distribution and service platform, striving to increase direct delivery and realise benefits and value appreciation through logistics chain and service.
- (3) Leveraging the development opportunities brought by the Western Development and the Belt and Road, the Company made its foray into the market of steel for steel structures. In the first half of the year, the Company focused on the construction of major projects and key municipal projects in the regional market, and managed to supply products for key projects including Xi'an Silk Road Convention Center, Chongqing Raffles Plaza, Chengdu Tianfu International Airport, Hengfeng Guiyang Center, Xi'an Olympic Sports Center and Xi'an Jinmao Center and key infrastructures including Longzhouwan Tunnel Project, Chongqing Light Rail Line 10, Yulin River Bridge, Luzhou Yangtze River Bridge 6 and Guangxi Pingnan Bridge 3.

2. *The procurement supply chain management was remodeled*

- (1) The procurement supplier structure was optimised. In the first half of the year, the Company consolidated and upgraded the proportion of strategic suppliers, expanded the scope, platform, resources and channels of procurement, and realised resource guarantee, structural optimisation, platform consolidation, and smooth channels. The resource channels were stabilised through expanding and strengthening cooperation with quality ore suppliers; due to the strengthened cooperation, the proportion of direct supply + strategic coal resources steadily increased. The Company effectively reduced the restriction in terms of coal resources purchased from other places and logistics through intensifying the cooperation in respect of local direct supply of resources, resulting in a substantial increase in the proportion of local resources.

- (2) By strengthening tracking and analysis of market information on ore, coal and scrap steel, the Company implemented strategic procurement when the prices temporarily touched the bottom.

3. *The capability in production organisation and management and equipment support was intensified*

- (1) The Company promoted first-class and lean management of plan and organisation, to ensure the centralised, unified and efficient plan and organisation throughout the process from raw material procurement to product delivery; and set up the principle of “process obedience and mutual support” to maintain a safe, stable and smooth production system. In addition, the Company strengthened contract fulfillment management and improved contract delivery capability.
- (2) In order to achieve “stable state, effectiveness of functions and maintenance of precision”, the Company propelled integrated management of equipment. Spot inspection management was intensified so as to ensure reliable operation of equipment in each production line under high load production conditions. In the first half of the year, the Company completed “adjustments and replenishments” for equipment at a faster pace, put in maintenance cost of RMB446 million and significantly improved the disrepair of equipment of all processes of the Company, which effectively guaranteed the functionality of equipment and dramatically reduced equipment failure rate.

4. *Optimisation of product mix was promoted based on the analysis of product profitability*

- (1) The Company established and improved the product profitability analysis system, which was capable of providing prompt external response and effective internal synergy, and allocating production lines and product resources reasonably, dynamically and efficiently, based on the product profitability. As a result, the great misalignment between the previous product mix and the demand in the target market and the situation of external-dependent purchase and sales were practically changed.

- (2) The existing product mix was optimised at a higher speed. Leveraging its advantages in production lines and product portfolio, the Company applied its years of advantages in medium and heavy sheets products into high value-added products for building structures and generated products with different quality, including Q345 to Q420 series of structural steel for bridges and buildings, Q345 to Q690 low-alloy high-strength structural steel plates as well as products with Z-direction properties, thus improving the proportion and structure of variety steel and boosting the profitability of production lines.
- (3) More efforts were devoted to the development of new high value-added products. Giving play to the advantages in the production-sales-research linkage mechanism and closely following market demands, the Company expanded downstream industries and customers for high value-added products and promoted the development of new products in the first half of the year. It developed HB400 (NM400) high-strength abrasion resistance steel plates used for engineering machinery and completed the trial production of HRB500E thread steel; and continued to advance the development of high-strength steel belts for vehicles with the CG590CL and 610L series of products already put into the market.

5. The cost management system was established and improved and meticulous cost management was implemented

- (1) The cost management system was consummated. The Company shifted the emphasis in cost management from the headquarters to the cost center to specify and implement responsibilities in grass-root cost management; it completed the connection of the financial information system and all business information systems and thus enhanced the standardisation, accuracy, timeliness and comprehensiveness of major business and fundamental financial data.
- (2) The thorough synergy between finance and business was reinforced. The Company set up a hierarchical technical index system to match the standards of advanced enterprises externally and meet the standards of all cost centers internally through comparing with budget targets, the performance of the previous period, the best performance in history and other procedures, and provide on-site guidance on cost improvement; it increased the weightiness of cost management in the performance appraisal system and set up rewards for cost reduction and efficiency enhancement, which is based on the cost, consumption and index of all processes.

- (3) The overall planning on cost reduction was advanced. On the basis of cost, index and consumption under full production and sales, which became reasonable stepwise in the first quarter, the Company systematically schemed, formulated and promoted the annual overall planning on cost reduction in the second quarter. It strengthened the establishment of the overall planning system on annual cost reduction, index subdividing, implementation of responsibilities, tracking and analysis, appraisal and encouragement. As a result, the proportion of contribution from internal cost reduction gradually increased and the cost safety margin further hiked in the first half of the year.
- (4) Coal blending and ore blending plans were optimised. In close accordance with market conditions, dynamic adjustments were made with the orientation of the “optimal molten iron cost”, achieving structural cost reduction. The Company implemented the principle of best quality to enhance index on process control. In the second quarter, the hot strength, ash content and sulfur content of coke reached 63.36%, 13.25% and 1.10% while the tumbler strength of sintering mines and the comprehensive grade of furnace coke were 77.27% and 58.25%, respectively, all representing their respective best standard historically, which laid a solid foundation for the stable and high production of blast furnaces and cost reduction. Technological cost reduction was carried out comprehensively. In the first half of the year, the Company augmented the learning, application and promotion of advanced and mature technologies in the industry. In the second quarter, the consumption of hot molten iron in the first and second steel making plants reached 871.16kg/t and 865.84kg/t, respectively, reaching the advanced level in the industry.

6. *Increasing investment in environmental protection and carrying out special treatment for energy conservation and environmental protection*

- (1) Efforts were devoted to renovate the environment protection functions of facilities and to guarantee the synchronous operation rate. The Company further strengthened environmental awareness and carried out function renovation for the existing 72 sets of environmental protection facilities in the first half of the year. It contributed eco-friendly operation fees of RMB367 million to ensure 100% synchronous operation of the environmental protection facilities.

- (2) Special environmental management projects were launched. In the first half of the year, the Company thoroughly inspected the operation efficiency and effectiveness of environmental protection facilities, and conducted centralised rectification on treatment of waste water, exhaust, dust and solid waste. In terms of the waste water system, coking waste water treatment efficiency was improved and the concentration of pollutants in recycling coking water was reduced to make sure that the quality of water with ammonia nitrogen met the index requirements. Waste water from the sintering desulfurization system was recycled and reused in the system after satisfying the standards. The emergency response capacity in the central waste water treatment system was enhanced to guarantee conformable water quality improve recycling rate and reduce waste water discharge. As for waste gas treatment, the main target was to control disordered emissions in the plant area and reduce total dust fall. In the first half of the year, 22 treatment projects were implemented. The disordered emissions of dust in the plant area were effectively controlled, and the dustfall in the plant area decreased by 36.8%, thus completing the periodical treatment targets.

7. *Comprehensive transformation was carried out with the view of developing systematic capabilities*

- (1) The “100-day Plan” was fully promoted to complete key tasks and solve difficulties. Proceedings from project-based method, a special action plan was formed in six aspects including full production and full sale, capability of cost management and control, energy saving and emission reduction, technical transformation of spare parts and utilisation of inventories, management capacity improvement, the Party building and employee care action. The Company also screened and developed the “Quickly-won Project”, and promoted the “filling-in and replenishing” for the production and operation and corporate management as soon as possible.
- (2) Organisational framework was optimised and post setup was streamlined. The Company solved the problem of “lack of function and absence of management”, clarified and implemented professional management responsibility. The Company implemented reform of separation of production execution segment and professional management functions in each secondary production plant, integrated the functional departments for simplicity and efficiency, and streamlined management structure to ensure smooth production, orderly management and stable team.

- (3) It standardised the management system, updated the management process, and achieved “concentrated and consistent” management. The Company developed 36 new systems, made amendments to 212 systems and abolished 8 systems.
- (4) The “horse racing mechanism” was rolled out to stimulate the vitality of employees. The Company fully implemented the “horse racing mechanism”, which prescribed that, all management personnel at the office head-level or above should be determined by open recruitment, aiming at creating a fair, just and open post competition environment, and inspiring the employees.
- (5) Performance-oriented approach was advocated and remuneration reform was promoted. By fully utilizing the advantages of mixed ownership, the Company actively promoted the incentive mechanism reform, advocated performance-oriented approach, designed a market-competitive remuneration system and introduced cost reduction and efficiency enhancement incentive plan and profit sharing plan which were linked to cost improvement and operation performance. It integrated the interests of management, employees and the shareholders, aiming to accomplish mutual development of the employees and the Company.

In the first half of the year, the Board and the shareholders’ general meeting considered, approved and disclosed the 2018 – 2020 Employee Share Ownership Plan (Draft), pursuant to which, the performance incentives for the management and key staffs of core technology, business and management would be honored through the employee stock ownership plan whereby to arouse the enthusiasm of the management and core and backbone staffs, accomplish shared responsibility, risk and benefits and facilitate the long-term and stable development of the Company and improvement of the shareholder value.

8. *The promise to compensate the supply debts and employee claims of the judicial reorganization was fulfilled, and the business reputation has gradually improved.*

In the first half of the year, the Company has already fully compensated the supply debts and employee claims of the judicial reorganization as agreed; as the administrator has made a decision to discharge the joint venture contract, the Company has completed the liquidation and deregistration procedures of Chongqing POSCO Chonggang Automobile Co., Ltd. (重慶浦項重鋼汽車板有限公司) and Chongqing Chonggang Heavy and High-strength Cold-Rolled Sheet Co., Ltd (重慶重鋼高強冷軋板材有限公司) as planned in the first half of the year. In the first half of the year, the Company has kept its promises and faithfully performed its contractual duties. The financial institutions gradually recovered their confidence. As of the end of the reporting period, the Company has obtained a credit line of RMB1 billion.

9. *Development plans were in place for future prosperity*

In the first half of the year, the Company organised and prepared the plan on future process optimisation and green smart manufacturing improvement. In the short term, it mainly improved the existing facility and equipment and enhanced the competitiveness of long products. In the medium term, it gradually increased production and gave effect to the economies of scale. In the long run, the Company aimed to enhance product mix and ameliorate the process. The plan will pave the way for the Company in developing into the most competitive steel enterprise in Southwest China, creating a modern production mode with less environmental impact and high resource efficiency, and building a green steel plant with clean production, waste reclamation and low-carbon emission; the Company will integrate intelligent and information technologies into the steel technology to build an intelligent manufacturing system and lay a sound foundation for the sustainable development of the enterprise.

In 2018, the Company plans to achieve 5.37 million tonnes of iron production, 6 million tonnes of steel, and 5.75 million tonnes of commodity billets.

In the second half of 2018, the Company will aim at becoming “the most competitive steel enterprise in Southwest China; the transforming and upgrading leader of environmentally friendly steel mill in the mainland; a model company in which employees and enterprises mutually develop”. It also continues to strengthen the reform, to focus on the target of “full production full sales”, to emphasise on market

demand and profitability, to optimise the existing product structure, and to continue promoting the marketing strategies of “direct supply, direct sales and direct distribution”. It builds a foundation in Sichuan and Chongqing and further explores the Yuan Gui Region, improving the capabilities of marketing network and fully expanding its influence in the regional market. The Company also further enhances the ability to respond quickly to market changes, promotes the launch of smart logistics operation platform for products, improves the efficiency of logistics and delivery, reduces the cost of logistics so as to improve user satisfaction, and continues to focus on cost reduction in regard to the system and techniques as well as to develop potential personnel internally and reducing the cost, in order to equip with stronger competitiveness regarding costs in the southwest region at the end of 2018.

3.1.1 Principal business analysis

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

Unit: RMB'000

| Subject | For the period | For the corresponding period last year | Change (%) |
|---|----------------|--|------------|
| Operating income | 11,092,899 | 4,521,727 | 145.32 |
| Operating cost | 9,344,298 | 4,412,817 | 111.75 |
| Selling expenses | 41,986 | 23,681 | 77.30 |
| General and administrative expenses | 731,376 | 532,656 | 37.31 |
| Financial expenses | 147,250 | 515,559 | -71.44 |
| Total profit | 762,972 | -998,821 | N/A |
| Net cash flow from operating activities | -1,301,188 | -82,023 | -1,486.37 |
| Net cash flow from investing activities | 664,294 | -17,868 | N/A |
| Net cash flow from financing activities | 217,947 | 109,566 | 98.92 |
| R&D spending | 221,857 | 126,312 | 75.64 |

Note: Net cash flow from investing activities increased significantly, which is mainly attributable to the receipt of investment income from financial products of RMB660 million by Chongqing Chonggang Heavy and High-strength Cold-Rolled Sheet Co., Ltd, a subsidiary of the Company.

(II) Others

- (1) Detailed notes to the major changes in the Company's profits structure or profits sources

Applicable Not applicable

In the first half of 2018, the Group realized operating income of RMB11.093 billion, with a year-on-year increase of 145.32%; it incurred operating cost of RMB9.344 billion, with a year-on-year increase of 111.75%; and it recorded gross profit of RMB763 million, representing a year-on-year increase of RMB1.762 billion as compared with the loss of RMB999 million last year. The considerable turnaround was mainly attributable to:

- ① In the first half of 2018, revenue of the principal operations of the Group amounted to RMB11.066 billion, representing a year-on-year increase of 145.32%, mainly attributable to the expansion of production scale, the full production and sales, the increased sales volume and the rising selling price of steel products.

| Type | First half of 2018 | | First half of 2017 | | Year-on-year growth (%) |
|----------------------------------|--------------------|----------------|--------------------|----------------|-------------------------|
| | Amount (RMB'000) | Percentage (%) | Amount (RMB'000) | Percentage (%) | |
| Plate products | 2,654,990 | 23.99 | 734,615 | 16.29 | 261.41 |
| Hot rolled coil | 6,004,637 | 54.26 | 2,980,277 | 66.07 | 101.48 |
| Rod products | 918,454 | 8.30 | 207,770 | 4.61 | 342.05 |
| Wire rods | 939,650 | 8.49 | - | - | / |
| Sub-total of rolled steel billet | 10,517,731 | 95.04 | 3,922,662 | 86.97 | 168.13 |
| Processing on order | - | 0.00 | 164,340 | 3.64 | / |
| Others | 548,036 | 4.96 | 423,685 | 9.39 | 29.35 |
| Total | 11,065,767 | 100.00 | 4,510,687 | 100.00 | 145.32 |

In the first half of 2018, revenue from the sale of rolled steel billet of the Group amounted to RMB10.518 billion, representing an increase of RMB6.595 billion as compared with the corresponding period of last year. This was mainly attributable to the increase in both

selling price and sales volume. The average selling price of rolled steel billet of the Group was RMB3,573 per tonne, representing an increase of 18.94% as compared with the corresponding period of last year, leading to an increase of RMB1.507 billion in the sales income. The Group sold 2,943,500 tonnes of rolled steel billet, representing a year-on-year increase of 125.45%, leading to an increase of RMB5.088 billion in the sales income.

| Item | Selling price for the first half of 2018 <i>RMB/tonne</i> | Selling price for the first half of 2017 <i>RMB/tonne</i> | Year-on-year growth <i>(%)</i> | Revenue increase <i>(RMB'000)</i> |
|-----------------|--|--|-----------------------------------|--------------------------------------|
| Plate products | 3,776 | 2,976 | 26.88 | 562,724 |
| Hot rolled coil | 3,515 | 2,993 | 17.44 | 891,249 |
| Rod products | 3,498 | 3,297 | 6.10 | 52,603 |
| Wire rods | 3,488 | | / | |
| Total | 3,573 | 3,004 | 18.94 | 1,506,576 |

| Item | Sales volume for the first half of 2018 <i>(0'000 tonnes)</i> | Sales volume for the first half of 2017 <i>(0'000 tonnes)</i> | Year-on-year growth <i>(%)</i> | Revenue increase <i>(RMB'000)</i> |
|-----------------|--|--|-----------------------------------|--------------------------------------|
| Plate products | 70.30 | 24.68 | 184.85 | 1,357,651 |
| Hot rolled coil | 170.85 | 99.58 | 71.57 | 2,133,111 |
| Rod products | 26.26 | 6.30 | 316.83 | 658,081 |
| Wire rods | 26.94 | | / | 939,650 |
| Total | 294.35 | 130.56 | 125.45 | 5,088,493 |

- ② The principal operations realized gross profit of RMB1.726 billion, representing a year-on-year increase of RMB1.625 billion, mainly due to the significant increase in sales volume and selling price of steel products, enhancement of cost control and the decrease of purchasing and processing cost.
- ③ The Group incurred expenses for the period in the amount of RMB921 million, representing a year-on-year decrease of RMB151 million, mainly attributable to: first, the year-on-year increase of RMB18 million in selling expenses as a result of the year-on-year increase in sales volume of steel products by 125.45% in the first half of the year; second, the Company's production scale improved. In order to ensure the normal functioning of the equipment, the maintenance cost of the first half of the year was RMB446 million, resulting in an increase of RMB199 million in administrative expenses; third, the considerable year-on-year decrease of RMB368 million in finance costs benefiting from proper management of the Group's interest-bearing financial liabilities after the judicial reorganisation.

| Item | Amount for the current period <i>(RMB'000)</i> | Amount for the last period <i>(RMB'000)</i> | Percentage change in the amount for the current period as compared with that of the last period <i>(%)</i> |
|---|---|--|--|
| Selling expenses | 41,986 | 23,681 | 77.30 |
| General and administrative expenses | 731,376 | 532,656 | 37.31 |
| Financial expenses | 147,250 | 515,559 | -71.44 |
| Total | 920,612 | 1,071,896 | -14.11 |

(2) Others

Applicable Not applicable

Principal operations by sectors, products and regions

| By sectors | Principal operations by sectors | | | | | |
|----------------|---------------------------------|-----------|--------------|------------|-------------|--------------------------------------|
| | Income from | Costs of | Gross profit | Change in | Change in | Change in |
| | principal | principal | | operating | operating | |
| operations | operations | margin | income from | costs from | margin from | |
| | (RMB'000) | (RMB'000) | (%) | last year | last year | last year |
| | | | | (%) | (%) | |
| Iron and steel | 11,065,767 | 9,339,727 | 15.60 | 145.32 | 111.81 | Increased by 13.36 percentage points |

| By products | Principal operations by products | | | | | |
|---------------------|----------------------------------|-----------|--------------|------------|-------------|--------------------------------------|
| | Income from | Costs of | Gross profit | Change in | Change in | Change in |
| | principal | principal | | operating | operating | |
| operations | operations | margin | income from | costs from | margin from | |
| | (RMB'000) | (RMB'000) | (%) | last year | last year | last year |
| | | | | (%) | (%) | |
| Rolled steel billet | 10,517,731 | 8,816,571 | 16.17 | 168.13 | 129.52 | Increased by 14.09 percentage points |
| Others | 548,036 | 523,156 | 4.54 | 29.35 | 44.03 | Decreased by 9.73 percentage points |

| By regions | Principal operations by regions | | | | | |
|------------------|---|--|----------------------------|--|---|--|
| | Income from principal operations (RMB'000) | Costs of principal operations (RMB'000) | Gross profit margin (%) | Change in operating income from last year (%) | Change in operating costs from last year (%) | Change in gross profit margin from last year |
| Southwest region | 10,110,216 | 8,530,117 | 15.63 | - | - | - |
| Other regions | 955,551 | 809,610 | 15.27 | - | - | - |
| Total | 11,065,767 | 9,339,727 | 15.60 | - | - | - |

Note: Establishing a scientific marketing system with accurate market positioning. By leveraging its geographical advantages and product competitive edges, the Company mapped out the market positioning of “taking root in Chongqing, pursuing further development in Sichuan and Chongqing, and branching out across southwest regions”. In the first half of 2018, income from southwest regions accounted for 91.36%.

| Regions | Income from principal operations (RMB'000) | Percentage of income from principal operations (%) |
|------------------|---|---|
| Southwest region | 10,110,216 | 91.36 |
| Other regions | 955,551 | 8.64 |
| Total | 11,065,767 | 100.00 |

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

Applicable Not applicable

The changes made to the accounting policies of the Company during the reporting period are detailed as follows:

| Particulars of and reasons for the changes in accounting policies | Notes (names and amounts of report items materially affected) |
|--|---|
| <p>From 1 January 2018, the Group implemented the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (the “New Financial Instruments Standards”) revised by the Ministry of Finance on 31 March 2017. The standards stipulate that, from the implementation date of these standards, enterprises shall conduct classification and measurement of financial instruments in accordance with these standards. If there are inconsistencies between the information in previous comparable financial statements and those under these standards, no adjustments are required. For the differences between the original carrying amount of the financial instruments and the new carrying amount of the financial instruments on the implementation date of these standards, the retained earnings at the beginning of 2018, other comprehensive revenue and the amount of other items in the financial statements shall be adjusted accordingly.</p> | <p>Based on the Group’s assessment, the implementation of New Financial Instruments Standards did not have a material effect on the classification and measurement of the financial assets, nor did it have a significant impact on the accounts receivable, notes receivable and provisions for other bad debt of other receivables, except for the reclassification of available-for-sale financial assets into financial assets at fair value with changes recorded as other comprehensive income.</p> |

Particulars of and reasons for the changes in accounting policies

Notes (names and amounts of report items materially affected)

From 1 January 2018, the Group implemented the Accounting Standards for Business Enterprises No. 14 – Revenue (the “New Revenue Standard”) revised by the Ministry of Finance on 5 July 2017. The standards stipulate that enterprises implementing the standards for the first time shall adjust the amount of retained earnings and other items in the financial statements at the beginning of the year in accordance with the cumulative effect and no adjustment shall be made to the comparable period. The change of the accounting policy did not involve the restatement of comparative information and have no effect on 2017 financial statements. The retained earnings at the beginning of 2018 and the amount of other items in the financial statements shall be adjusted.

Based on the Group’s assessment, the Group’s implementation of the New Revenue Standard did not have significant impacts on the recognition of revenue under the existing contracts. No adjustment was required for the retained earnings at the beginning of the year.

Particulars of and reasons for the changes in accounting policies

Notes (names and amounts of report items materially affected)

In the preparation of the 2018 interim statements in accordance with the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2018 (Cai Kuai [2018] No.15), the Group presented the receivables and commercial bills received from the sale of goods and the provision of services and other operating activities of the enterprise measured at amortised cost on the balance sheet date under “notes receivable and accounts receivable” instead of the previous “notes receivable” and “accounts receivable”; the payables and commercial bills issued and accepted for the purchase of materials, goods and the acceptance of services measured at amortised cost on the balance sheet date under “notes payable and accounts payable” instead of the previous “notes payable” and “accounts payable”; and the “interests payable” separately reported previously under “other payables”.

The Group retrospectively restated the items relating to the comparative balance sheet. The change of the accounting policy had no effect on the consolidation and the interests of the shareholders of the Company.

Particulars of and reasons for the changes in accounting policies

Notes (names and amounts of report items materially affected)

The Group implemented the Interpretation of Accounting Standards for Business Enterprises No. 9 – Accounting Treatment of Net Loss of Investment under Equity Method, the Interpretation of Accounting Standards for Business Enterprises No. 10 – Depreciation Method based on Revenue Generated from Use of Fixed Assets, the Interpretation of Accounting Standards for Business Enterprises No. 11 – Amortisation Method based on Revenue Generated from Use of Intangible Assets and the Interpretation of Accounting Standards for Business Enterprises No. 12 – Whether the Provider and the Recipient of the Key Management Personnel Service are Related Parties (collectively “No. 9-12 Interpretations”) from 1 January 2018, which were issued by the Ministry of Finance in 2017.

Based on the Group’s assessment, the Group’s implementation of No. 9-12 Interpretations did not have material impacts on the financial position and operation results of the Group.

The aforesaid changes in the accounting policies were considered and approved at the third meeting of the eighth session of the Board and the second meeting of the eighth session of the supervisory committee of the Company. Independent directors of the Company expressed independent opinion on such changes.

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

Applicable Not applicable

IV OTHER SIGNIFICANT EVENTS

(I) 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.

(II) 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 six months ended 30 June 2018.

(III) Interim dividend

Given the fact that the undistributed profit of the Company remained negative as of the end of the reporting period, the Company does not recommend distribution of any interim dividend for the six months ended 30 June 2018.

(IV) Purchase, Sale or Redemption of Listed Securities of the Company

None of the Company and its subsidiaries purchased, sold or redeemed any listed securities of the Company during the reporting period.

(V) Major acquisition and disposal of subsidiaries and affiliates

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

(VI) Audit Committee

The Audit Committee is comprised of three independent non-executive directors and one non-executive director, namely, Xin Qing Quan, Zheng Jie, Wong Chun Wa and Zheng Yuchun with Mr. Xin Qing Quan acting as the chairman of the Audit Committee.

The unaudited interim financial report of the Company for the six months ended 30 June 2018 had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

V UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2018 PREPARED IN ACCORDANCE WITH THE PRC GAAP

Consolidated Balance Sheet

As at 30 June 2018

Unit: RMB'000

| Items | Closing balance | Opening balance |
|--|----------------------------|----------------------------|
| Current assets: | | |
| Cash and bank balances | 450,015 | 2,050,538 |
| Notes and accounts receivable | 1,595,141 | 167,134 |
| Prepayments | 221,939 | 70,022 |
| Other receivables | 14,331 | 10,355 |
| Inventories | 2,212,662 | 1,330,469 |
| Other current assets | 167,659 | 1,128,655 |
| Total current assets | 4,661,747 | 4,757,173 |
| Non-current assets: | | |
| Available-for-sale financial assets | – | 5,000 |
| Long-term equity investments | – | 124,158 |
| Other equity investments | 5,000 | – |
| Property, plant and equipment | 17,239,463 | 17,595,699 |
| Construction in progress | 10,702 | 8,695 |
| Intangible assets | 2,485,434 | 2,521,734 |
| Total non-current assets | 19,740,599 | 20,255,286 |
| Total assets | 24,402,346 | 25,012,459 |
| Current liabilities: | | |
| Notes payable and accounts payable | 1,138,403 | 2,155,294 |
| Advances from customers | – | 187,099 |
| Contract liabilities | 1,449,496 | – |
| Employee benefits payable | 128,587 | 563,547 |
| Tax payable | 10,668 | 13,095 |
| Other payables | 410,646 | 1,491,912 |
| Non-current liabilities due within one year | 590,000 | 400,000 |
| Total current liabilities | 3,727,800 | 4,810,947 |

| Items | Closing balance | Opening balance |
|---|----------------------------|----------------------------|
| Non-current liabilities: | | |
| Long-term borrowings | 500,000 | 700,000 |
| Long-term employee benefits payable | 232,936 | 243,190 |
| Provisions | – | 11,204 |
| Deferred income | 41,722 | 43,154 |
| Other non-current liabilities | 2,400,000 | 2,400,000 |
| | <hr/> | <hr/> |
| Total non-current liabilities | 3,174,658 | 3,397,548 |
| | <hr/> | <hr/> |
| Total liabilities | 6,902,458 | 8,208,495 |
| | <hr/> | <hr/> |
| Owner's equity: | | |
| Share capital | 8,918,602 | 8,918,602 |
| Capital reserve | 19,282,147 | 19,282,147 |
| Special reserve | 7,813 | – |
| Surplus reserve | 606,991 | 606,991 |
| Accumulated losses | (11,315,665) | (12,077,625) |
| Total equity attributable to owners of the parent | 17,499,888 | 16,730,115 |
| Non-controlling interests | – | 73,849 |
| | <hr/> | <hr/> |
| Total shareholder's equity | 17,499,888 | 16,803,964 |
| | <hr/> | <hr/> |
| Total liabilities and shareholders' equity | 24,402,346 | 25,012,459 |
| | <hr/> | <hr/> |

Legal Representative:
Zhou Zhuping

*The person in charge of
accounting body:*
Lv Feng

*The head of the accounting
department:*
Lv Feng

Balance Sheet of the Parent Company

As at 30 June 2018

Unit: RMB'000

| Items | Closing balance | Opening balance |
|---|-------------------|-------------------|
| Current assets: | | |
| Cash and bank balances | 443,453 | 1,961,403 |
| Notes and accounts receivable | 1,599,602 | 169,949 |
| Prepayments | 221,518 | 69,581 |
| Other receivables | 14,325 | 10,355 |
| Inventories | 2,211,332 | 1,330,469 |
| Other current assets | 167,640 | 478,510 |
| Total current assets | 4,657,870 | 4,020,267 |
| Non-current assets: | | |
| Available-for-sale financial assets | – | 5,000 |
| Long-term equity investments | 50,000 | 835,780 |
| Other equity investments | 5,000 | – |
| Property, plant and equipment | 17,239,463 | 17,595,699 |
| Construction in process | 10,702 | 8,695 |
| Intangible assets | 2,485,434 | 2,521,734 |
| Total non-current assets | 19,790,599 | 20,966,908 |
| Total assets | 24,448,469 | 24,987,175 |
| Current liabilities: | | |
| Notes payable and accounts payable | 1,183,695 | 2,204,070 |
| Advances from customers | – | 185,905 |
| Contract liabilities | 1,448,926 | – |
| Employee benefits payable | 128,587 | 563,518 |
| Tax payable | 10,667 | 13,113 |
| Other payables | 404,951 | 1,486,183 |
| Non-current liabilities due within one year | 590,000 | 400,000 |
| Total current liabilities | 3,766,826 | 4,852,789 |

| Items | Closing balance | Opening balance |
|---|----------------------------|----------------------------|
| Non-current liabilities: | | |
| Long-term borrowings | 500,000 | 700,000 |
| Long-term employee benefits payable | 232,936 | 243,190 |
| Provisions | – | 11,204 |
| Deferred income | 41,722 | 43,154 |
| Other non-current liabilities | 2,400,000 | 2,400,000 |
| | <u>3,174,658</u> | <u>3,397,548</u> |
| Total non-current liabilities | 3,174,658 | 3,397,548 |
| | <u>6,941,484</u> | <u>8,250,337</u> |
| Total liabilities | 6,941,484 | 8,250,337 |
| Owner's equity: | | |
| Share capital | 8,918,602 | 8,918,602 |
| Capital reserve | 19,313,090 | 19,313,090 |
| Special reserve | 7,813 | – |
| Surplus reserve | 577,012 | 577,012 |
| Accumulated losses | (11,309,532) | (12,071,866) |
| | <u>17,506,985</u> | <u>16,736,838</u> |
| Total shareholder's equity | 17,506,985 | 16,736,838 |
| | <u>24,448,469</u> | <u>24,987,175</u> |
| Total liabilities and shareholders' equity | 24,448,469 | 24,987,175 |

Legal Representative:
Zhou Zhuping

*The person in charge of
accounting body:*
Lv Feng

*The head of the accounting
department:*
Lv Feng

Consolidated Income statement
For the six months ended 30 June 2018

Unit: RMB'000

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|---|--|--|
| I. Revenue | 11,092,899 | 4,521,727 |
| Less: Cost of sales | 9,344,298 | 4,412,817 |
| Taxes and surcharges | 52,437 | 39,779 |
| Distribution and selling expenses | 41,986 | 23,681 |
| General and administrative expenses | 731,376 | 532,656 |
| Finance expenses | 147,250 | 515,559 |
| Including: Interest expenses | 190,466 | 539,309 |
| Interest income | (46,428) | (7,146) |
| Impairment losses on assets | - | - |
| Add: Other income (losses are represented by “-”) | 1,502 | 6,286 |
| Investment income(losses are represented by “-”) | (1,826) | (1,911) |
| Including: investment income from joint ventures | (2,628) | (1,911) |
| Gains on disposal of assets (losses are represented by “-”) | 8,482 | 6 |
| | <hr/> | <hr/> |
| II. Operating profit (losses are represented by “-”) | 783,710 | (998,384) |
| Add: Non-operating income | 325 | 78 |
| Less: Non-operating expenses | 21,063 | 515 |
| | <hr/> | <hr/> |
| III. Total profit (losses are represented by “-”) | 762,972 | (998,821) |
| Less: Income tax expenses | 885 | 2 |
| | <hr/> | <hr/> |
| IV. Net Profit (net losses are represented by “-”) | 762,087 | (998,823) |
| (1) Breakdown by continuity of operations | | |

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|--|-------------------------------------|-------------------------------------|
| 1. Net profit from continuing operations (net losses are represented by “-”) | 762,087 | (998,823) |
| 2. Net profit from discontinued operations (net losses are represented by “-”) | - | - |
| (2) Breakdown by attributable interests | | |
| 1. Net profit attributable to the shareholders of the parent company | 761,960 | (998,482) |
| 2. Non-controlling interests | <u>127</u> | <u>(341)</u> |
| V. Other comprehensive income after tax | <u>-</u> | <u>-</u> |
| VI. Total comprehensive income | <u>762,087</u> | <u>(998,823)</u> |
| Total comprehensive income attributable to owners of the parent | 761,960 | (998,482) |
| Total comprehensive income attributable to non-controlling interests | <u>127</u> | <u>(341)</u> |
| VII. Earnings per share: | | |
| (1) Basic earnings per share (yuan/share) | <u>0.09</u> | <u>(0.23)</u> |
| (2) Diluted earnings per share (yuan/share) | <u>0.09</u> | <u>(0.23)</u> |

Legal Representative:
Zhou Zhuping

The person in charge of
accounting body:
Lv Feng

The head of the accounting
department:
Lv Feng

Income statement of the Parent Company

Six months ended 30 June 2018

Unit: RMB'000

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|---|-------------------------------------|-------------------------------------|
| I. Revenue | 11,093,696 | 4,385,450 |
| Less: Cost of sales | 9,345,628 | 4,277,126 |
| Taxes and surcharges | 52,430 | 39,576 |
| Distribution and selling expenses | 41,815 | 21,810 |
| General and administrative expenses | 728,145 | 526,699 |
| Finance expenses | 152,589 | 519,174 |
| Including: Interest expenses | 190,466 | 539,309 |
| Interest income | (38,073) | (1,739) |
| Impairment losses on assets | - | (1) |
| Add: Other income (losses are represented by “-”) | 1,502 | 6,286 |
| Investment income(losses are represented by “-”) | 52 | (4,547) |
| Including: investment income from joint ventures | (2,628) | (1,911) |
| Gains on disposal of assets (losses are represented by “-”) | 8,482 | 6 |
| II. Operating profit (losses are represented by “-”) | 783,125 | (997,189) |
| Add: Non-operating income | 241 | 76 |
| Less: Non-operating expenses | 21,032 | 515 |
| III. Total profit (losses are represented by “-”) | 762,334 | (997,628) |
| Less: Income tax expenses | | |

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|--|-------------------------------------|-------------------------------------|
| IV. Net Profit (net losses are represented by “-”) | 762,334 | (997,628) |
| Breakdown by continuity of operations | | |
| 1. Net profit from continuing operations (net losses are represented by “-”) | 762,334 | (997,628) |
| 2. Net profit from discontinued operations (net losses are represented by “-”) | — | — |
| V. Other comprehensive income after tax | — | — |
| VI. Total comprehensive income | <u>762,334</u> | <u>(997,628)</u> |

Legal Representative:
Zhou Zhuping

*The person in charge of
accounting body:*
Lv Feng

*The head of the accounting
department:*
Lv Feng

Consolidated cash flow statement

For the period between 1 Jan 2018 and 30 June 2018

Unit: RMB'000

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|---|-------------------------------------|-------------------------------------|
| I. Cash flows from operating activities: | | |
| Cash received from sale of goods and rendering of services | 10,366,330 | 847,862 |
| Other cash received relating to operating activities | <u>109,689</u> | <u>2,170,517</u> |
| Sub-total of cash inflows from operating activities | <u>10,476,019</u> | <u>3,018,379</u> |
| Cash paid for purchases of goods and services | 9,743,269 | 836,390 |
| Cash paid to and on behalf of employees | 1,030,356 | 253,804 |
| Cash paid for all types of taxes | 58,176 | 38,646 |
| Other cash paid relating to operating activities | <u>945,406</u> | <u>1,971,562</u> |
| Sub-total of cash outflows from operating activities | <u>11,777,207</u> | <u>3,100,402</u> |
| Net cash flows from operating activities | <u>(1,301,188)</u> | <u>(82,023)</u> |

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|--|-------------------------------------|-------------------------------------|
| II. Cash flows from investing activities: | | |
| Cash received from sale of investments | 651,376 | – |
| Cash received from return on investments | 7,021 | – |
| Net cash received from disposals of property plant and equipment, intangible assets and other long-term assets | <u>8,561</u> | <u>–</u> |
| Sub-total of cash inflows from investing activities | <u>666,958</u> | <u>–</u> |
| Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets | <u>2,664</u> | <u>17,868</u> |
| Sub-total of cash outflows from investing activities | <u>2,664</u> | <u>17,868</u> |
| Net cash flows from investing activities | <u>664,294</u> | <u>(17,868)</u> |
| III. Cash flows from financing activities: | | |
| Cash received from borrowings | – | 1,817,740 |
| Other cash received relating to financing activities | <u>1,181,576</u> | <u>412,753</u> |
| Sub-total of cash inflows from financing activities | <u>1,181,576</u> | <u>2,230,493</u> |

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|--|--|-------------------------------------|
| Cash repayments of borrowings | 10,000 | 1,311,117 |
| Cash paid for distribution of dividends or profits, and for interests expenses | 189,060 | 164,600 |
| Other cash paid relating to financing activities | 764,569 | 645,210 |
| Sub-total of cash outflows from financing activities | 963,629 | 2,120,927 |
| Net cash flows from financing activities | 217,947 | 109,566 |
| IV. Effect of changes in exchange rate on cash and cash equivalents | – | (1,790) |
| V. Net increase in cash and cash equivalents | (418,947) | 7,885 |
| Add: Cash and cash equivalents at the beginning of the period | 868,962 | 745,447 |
| VI. Cash and cash equivalents at the end of the period | 450,015 | 753,332 |

Legal Representative:
Zhou Zhuping

*The person in charge of
accounting body:*
Lv Feng

*The head of the accounting
department:*
Lv Feng

Cash flow statement of the parent company
For the period between 1 Jan 2018 and 30 June 2018

Unit: RMB'000

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|--|--|---|
| I. Cash flows from operating activities: | | |
| Cash received from sale of goods and rendering of services | 10,362,602 | 746,155 |
| Other cash received relating to operating activities | 108,270 | 2,160,248 |
| | <hr/> | <hr/> |
| Sub-total of cash inflows from operating activities | 10,470,872 | 2,906,403 |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Cash paid for purchases of goods and services | 9,743,269 | 736,245 |
| Cash paid to and on behalf of employees | 1,030,327 | 248,254 |
| Cash paid for all types of taxes | 57,285 | 38,516 |
| Other cash paid relating to operating activities | 939,061 | 1,965,467 |
| | <hr/> | <hr/> |
| Sub-total of cash outflows from operating activities | 11,769,942 | 2,988,482 |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Net cash flows from operating activities | (1,299,070) | (82,079) |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|---|-------------------------------------|-------------------------------------|
| II. Cash flows from investing activities: | | |
| Cash received from return on investments | 1,376 | – |
| Net cash received from disposals of property plant and equipment, intangible assets and other long-term assets | <u>8,561</u> | <u>–</u> |
| Sub-total of cash inflows from investing activities | <u>9,937</u> | <u>–</u> |
| Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets | <u>2,664</u> | <u>16,512</u> |
| Sub-total of cash outflows from investing activities | <u>2,664</u> | <u>16,512</u> |
| Net cash flows from investing activities | <u>7,273</u> | <u>(16,512)</u> |
| III. Cash flows from financing activities: | | |
| Cash received from borrowings | – | 1,817,740 |
| Other cash received relating to financing activities | <u>1,181,576</u> | <u>412,753</u> |
| Sub-total of cash inflows from financing activities | <u>1,181,576</u> | <u>2,230,493</u> |
| Cash repayments of borrowings | 10,000 | 1,311,117 |
| Cash paid for distribution of dividends or profits, and for interests expenses | 188,597 | 164,600 |
| Other cash paid relating to financing activities | <u>27,556</u> | <u>645,210</u> |
| Sub-total of cash outflows from financing activities | <u>226,153</u> | <u>2,120,927</u> |
| Net cash flows from financing activities | <u>955,423</u> | <u>109,566</u> |

| Items | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|--|-------------------------------------|-------------------------------------|
| IV. Effect of changes in foreign exchange rate on cash and cash equivalents | ----- - | ----- - |
| V. Net increase in cash and cash equivalents | (336,374) | 10,975 |
| Add: Cash and cash equivalents at the beginning of the period | <u>779,827</u> | <u>5,138</u> |
| VI. Cash and cash equivalents at the end of the period | <u>443,453</u> | <u>16,113</u> |

Legal Representative:
Zhou Zhuping

*The person in charge of
accounting body:*
Lv Feng

*The head of the accounting
department:*
Lv Feng

Consolidated statement of changes in shareholders' equity
For the period between 1 Jan 2018 and 30 June 2018

Unit: RMB'000

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

| Items | Six months ended 30 June 2017 | | | | | | | | | | | | | Non-controlling interests | Total shareholders' equity |
|--|--|--------------------------|----------|----------|------------------|-----------------------|----------------------------|------------------|------------------|------------------------|---------------------|---------------|--------------------|---------------------------|----------------------------|
| | Total equity attributable to owners of the company | | | | | | | | | | | | | | |
| | Share capital | Other equity instruments | | | Capital reserves | Less: treasury shares | Other comprehensive income | Special reserves | Surplus reserves | General risk provision | Accumulated losses | | | | |
| Preferred shares | | Perpetual bonds | Others | | | | | | | | | | | | |
| I. Closing balances of the preceding year and opening balances of the current year | 4,436,023 | - | - | - | 7,154,203 | - | - | - | 606,991 | - | (12,397,711) | 93,060 | (107,434) | | |
| II. Changes in the current period (decrease are represented by "+") | - | - | - | - | 8,508 | - | - | - | - | - | (998,482) | (341) | (990,315) | | |
| (I) Total comprehensive income | - | - | - | - | - | - | - | - | - | - | (998,482) | (341) | (998,823) | | |
| (II) Shareholders' contribution and decrease in share capital | - | - | - | - | 8,508 | - | - | - | - | - | - | - | 8,508 | | |
| 1. Others | - | - | - | - | 8,508 | - | - | - | - | - | - | - | 8,508 | | |
| (III) Special reserve | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| 1. Amount established in the year | - | - | - | - | - | - | - | 9,332 | - | - | - | - | 9,332 | | |
| 2. Amount utilized in the year | - | - | - | - | - | - | - | 9,332 | - | - | - | - | 9,332 | | |
| III. Closing balance for the current year | <u>4,436,023</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,162,711</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>606,991</u> | <u>-</u> | <u>(13,396,193)</u> | <u>92,719</u> | <u>(1,097,749)</u> | | |

Legal Representative:
Zhou Zhuping

*The person in charge of
accounting body:*
Lv Feng

*The head of the accounting
department:*
Lv Feng

Statement of changes in Shareholders' Equity of the Parent Company
For the period between 1 Jan 2018 and 30 June 2018

Unit: RMB'000

| Items | Six months ended 30 June 2018 | | | | | | | | | | | | Total shareholders' equity |
|--|-------------------------------|--------------------------|-----------------|----------|-------------------|-----------------------|----------------------------|------------------|------------------|------------------------|---------------------|-------------------|----------------------------|
| | Share capital | Other equity instruments | | | Capital reserves | Less: treasury shares | Other comprehensive income | Special reserves | Surplus reserves | General risk provision | Accumulated losses | | |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | | |
| 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 period (decrease are represented by "+") | - | - | - | - | - | - | - | 7,813 | - | - | 762,334 | 770,147 | |
| (I) Total comprehensive income | - | - | - | - | - | - | - | - | - | - | 762,334 | 762,334 | |
| (II) Special reserve | - | - | - | - | - | - | - | 7,813 | - | - | - | 7,813 | |
| 1. Amount established in the year | - | - | - | - | - | - | - | 10,260 | - | - | - | 10,260 | |
| 2. Amount utilized in the year | - | - | - | - | - | - | - | 2,447 | - | - | - | 2,447 | |
| III. Closing balance for the current year | <u>8,918,602</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>19,313,090</u> | <u>-</u> | <u>-</u> | <u>7,813</u> | <u>577,012</u> | <u>-</u> | <u>(11,309,532)</u> | <u>17,506,985</u> | |

| Items | Six months ended 30 June 2017 | | | | | | | | | | | | Total shareholders' equity |
|--|-------------------------------|--------------------------|-----------------|----------|------------------|-----------------------|----------------------------|------------------|------------------|------------------------|---------------------|--------------------|----------------------------|
| | Share capital | Other equity instruments | | | Capital reserves | Less: treasury shares | Other comprehensive income | Special reserves | Surplus reserves | General risk provision | Accumulated losses | | |
| | | Preferred shares | Perpetual bonds | Others | | | | | | | | | |
| I. Closing balances of the preceding year and opening balances of the current year | 4,436,023 | - | - | - | 7,185,146 | - | - | - | 577,012 | - | (12,398,006) | (199,825) | |
| II. Changes in the current period (decrease are represented by "+") | - | - | - | - | 8,508 | - | - | - | - | - | (997,628) | (989,120) | |
| (I) Total comprehensive income | - | - | - | - | - | - | - | - | - | - | (997,628) | (997,628) | |
| (II) Shareholders' contribution and decrease in share capital | - | - | - | - | 8,508 | - | - | - | - | - | - | 8,508 | |
| 1. Others | - | - | - | - | 8,508 | - | - | - | - | - | - | - | |
| (III) Special reserve | - | - | - | - | - | - | - | - | - | - | - | - | |
| 1. Amount established in the year | - | - | - | - | - | - | - | 9,332 | - | - | - | 9,332 | |
| 2. Amount utilized in the year | - | - | - | - | - | - | - | 9,332 | - | - | - | 9,332 | |
| III. Closing balance for the current year | <u>4,436,023</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,193,654</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>577,012</u> | <u>-</u> | <u>(13,395,634)</u> | <u>(1,188,945)</u> | |

Legal Representative:
Zhou Zhuping

The person in charge of accounting body:
Lv Feng

The head of the accounting department:
Lv Feng

By order of the Board
Chongqing Iron & Steel Company Limited
Yu Hong
Secretary to the Board

Chongqing, the PRC, 17 August 2018

As at the date of this announcement, the Directors of the Company are: Mr. Zhou Zhu Ping (Non-executive Director), Mr. Zheng Jie (Non-executive Director), Mr. Li Yong Xiang (Executive Director), Mr. Tu De Ling (Executive Director), Mr. Zhang Shuo Gong (Executive Director), Mr. Xu Yi Xiang (Independent Non-executive Director), Mr. Xin Qing Quan (Independent Non-executive Director), Mr. Wong Chun Wa (Independent Non-executive Director) and Mr. Zheng Yuchun (Independent Non-executive Director).