



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

INTERIM 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 interim report and individually and collectively accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.
- II. All directors of the Company attended Board meetings.
- III. This interim report has not been audited.
- 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 interim report.
- V. The profit distribution proposal or proposal to transfer capital reserve to share capital for the Reporting Period as considered by the Board
Nil
- VI. Risk warning in respect of forward-looking statements
 Applicable Not applicable
 The forward-looking statements in this interim report, such as the future plans, are subject to uncertainties and do not constitute the Company's substantive undertakings to investors. Investors should pay attention to 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
Nil
- X. Others
 Applicable Not applicable

Section 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) Steel Industry Development Equity Investment Fund Partnership (Limited Partnership)
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
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Reporting Period	From 1 January 2019 to 30 June 2019
RMB, RMB'000, RMB0'000, RMB000'000'000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan, RMB hundred million yuan

Section II Company Profile and Major Financial Indicator

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 Guoju
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. CHANGES IN 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
Query index for the change during the Reporting Period	There was no change during the Reporting Period.

Section II Company Profile and Major Financial Indicator (Continued)

IV. CHANGE IN DISCLOSURE OF INFORMATION AND PLACE FOR INSPECTION

Name of newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for posting the interim report	http://www.sse.com.cn , https://sc.hkex.com.hk (HKEx)
Place for inspection of the interim report	Secretariat of the Board of the Company
Query index for the change during the Reporting Period	There was no change during the Reporting Period.

V. BASIC INFORMATION ABOUT THE SHARES OF THE COMPANY

Class of shares	Place of listing	Abbreviated name	Stock code	Stock 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	01053	N/A

VI. OTHER RELATED INFORMATION

Applicable Not applicable

Section II Company Profile and Major Financial Indicator (Continued)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

Unit: RMB'000 Currency: RMB

Key accounting data	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)
Revenue	11,483,560	11,092,899	3.52
Net profit attributable to shareholders of the Company	615,728	761,960	-19.19
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	589,097	736,096	-19.97
Net cash flow from operating activities	88,417	-1,301,188	Not applicable

	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 (%)
Net assets attributable to shareholders of the Company	19,093,683	18,531,665	3.03
Total assets	26,486,557	26,933,351	-1.66

Section II Company Profile and Major Financial Indicator (Continued)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (CONTINUED)

(II) Key Financial Indicators

Key financial indicators	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)
Basic earnings per share (<i>RMB per share</i>)	0.07	0.09	-22.22
Diluted earnings per share (<i>RMB per share</i>)	0.07	0.09	-22.22
Basic earnings per share after extraordinary gains and losses (<i>RMB per share</i>)	0.07	0.08	-12.50
Weighted average return on net assets (%)	3.27	4.45	Decreased by 1.18 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	3.13	4.30	Decreased by 1.17 percentage points

Explanation on the major financial data and financial indicators

Applicable Not applicable

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

Applicable Not applicable

Section II Company Profile and Major Financial Indicator (Continued)

IX. EXTRAORDINARY GAINS AND LOSSES ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Extraordinary gains and losses	Amount	Notes (if applicable)
Gains/(losses) from disposal of non-current assets	-532	
Government grants charged in the profit or loss for the current period (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)	1,227	
Capital occupied income from non-financial entities	7,466	
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	5,351	
Non-operating income and expenses other than the above items	13,119	
Total	26,631	

X. OTHERS

Applicable Not applicable

Section III Company Business Summary

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

(I) Particulars on Main Business, Operational Mode of the Company

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.

The Company actively implemented the strategies highlighting "cost and manufacturing technology leadership" and continuously carried out the production and operation principle of "achieving full production and sales, low cost and high efficiency". 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 has consummated its marketing system featured with direct supply, sales and distribution.

Section III Company Business Summary (Continued)

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

(II) Explanation on industrial situation

Since the beginning of 2019, the State implemented more proactive fiscal policies and comparatively easing monetary policies, achieving progress amid stableness in economic operation. Therefore, the demand for steel was guaranteed to some extent and the overall operation of the steel industry was steady. On the one hand, the steel and iron output kept growing with its production matching the demand in general; on the other hand, the price of steel products maintained a slight fluctuation indicating a pattern of “strong performance in long material and weakness in sheet materials”. Meanwhile, the price of imported ores surged resulting in remarkable decline in profits within the industry.

As shown in the figures released by the National Bureau of Statistics, in the first half of 2019, the production of pig iron, crude steel and steel products in China reached 404 million tonnes, 492 million tonnes and 587 million tonnes, representing an increase of 7.9%, 9.9% and 11.4% as compared with the same period of the previous year, respectively. In the first half of 2019, daily production of crude steel was 2,720,000 tonnes, representing an increase of 230,000 tonnes as compared with the same period of the previous year. From April to June, the monthly production of crude steel reached 8,500 tonnes, 8,900 tonnes and 8,800 tonnes, respectively, representing an increase of 12.7%, 10.0% and 10.0% as compared with the same period of the previous year, all achieving a historical new record.

As shown in the steel products price composite index issued by China Iron and Steel Association (CISA), in the first half of 2019, the domestic composite price of steel at an average of 109.5 points indicated range-bound fluctuations, and average composite price of steel was approximately RMB4,100/tonne, representing a year-on-year decrease of 4.5%. The long materials, the average price index of which was 115.8 points, representing a year-on-year decrease of 2.5%, demonstrated better performance than sheet materials, the average price index of which was 105.6 points, representing a year-on-year decrease of 6.3%.

Section III Company Business Summary (Continued)

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

By adopting the strategies highlighting “cost and manufacturing technology leadership”, the Company persisted with the market positioning of “taking root in Chongqing, pursuing further development in Sichuan and Chongqing, and branching out across southwest regions” towards 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”. The Company revitalized and started off on a journey for continuous deepening reform, to further consolidate the foundation of a “Strong Chongqing Iron & Steel” and accelerate the construction of a “Beautiful and Attractive Chongqing Iron & Steel”.

- (I) Geographical advantages. The Company is the only iron and steel conglomerate in compliance with national policies on the industry in Chongqing market and southwestern regions with net inflows of steel. With its proximity to the Yangtze River, the Company enjoys favourable logistic conditions of the port with its products mainly sold in southwestern regions and regions along the Yangtze River. It boasts obvious comparable advantages in regional markets and enjoys bright development prospects.
- (II) Advantage regarding the system and mechanism. As a mixed ownership enterprise the Company fully displayed the advantage in relation to the system and mechanism, 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 with the Company, and injected vitality and momentum to the sustainable development of the Company.
- (III) Advantage regarding the production line. The Company was included amongst the third batch of pilot enterprises of recycling economy by the National Development and Reform Commission and passed the environmental assessment and acceptance of the Ministry of Environmental Protection. With rich production lines, the Company is able to provide a diversified portfolio of products. The production equipment of the Company is above the average level of the country, its product structure meets the development demands in regional markets and the “Sanfeng” brand is highly recognized in regional markets. The Company owned technical achievements with proprietary intellectual property rights such as the “one molten iron tank” in the steel making techno-interface method and dry-type vacuum metallurgical technology (“乾式真空冶金技術”).

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

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

1. Production and sales hit historical records

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

2. Dominant position in regional markets gradually enhanced

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

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Noticeable improvement in manufacturing capacity

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

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

4. On-going cost reduction efforts

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

5. Results achieved with the coordinated support of China Baowu Steel Group

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

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

6. Fully advancing system capacity building

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

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

(I) Principal business analysis

1 Analysis of changes in certain items from financial statements

Unit: RMB'000 Currency: RMB

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

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Principal business analysis (Continued)

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

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

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

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

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

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

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

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

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

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(1) Principal business analysis (Continued)

2 Others

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

Applicable Not applicable

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

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

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Principal business analysis (Continued)

2 Others (Continued)

- (1) Detailed description of the major changes in the Company's profit structure or profit sources (Continued)

Composition of revenue from principal operations:

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

Sales prices of steel products:

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

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(1) Principal business analysis (Continued)

2 Others (Continued)

- (1) Detailed description of the major changes in the Company's profit structure or profit sources (Continued)

Sales volumes of steel products:

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

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

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

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(I) Principal business analysis (Continued)

2 Others (Continued)

(2) Others

Applicable Not applicable

Principal operations by sectors, products and regions

Unit: RMB'000

Main operations by sectors						
By sectors	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Iron and steel	11,441,288	10,307,160	9.91	3.39	5.55	-1.84

Main operations by products						
By products	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Steel products	10,994,545	9,865,158	10.27	4.53	6.74	-1.86
Other	446,743	442,002	1.06	-18.48	-15.51	-3.48

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(1) Principal business analysis (Continued)

2 Others (Continued)

(2) Others (Continued)

By regions	Main operations by regions					
	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Southwest	9,330,516	8,422,009	9.74	-7.71	-5.57	-2.05
Other regions	2,110,772	1,885,151	10.69	120.90	122.70	-0.73
Total	11,441,288	10,307,160	9.91	3.39	5.55	-1.84

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

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (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	2,396,973	9.05	2,764,631	10.26	-13.30	
Financial assets held for trading	184,400	0.70	30,000	0.11	514.67	Purchase of wealth management products
Trade receivables	15,043	0.06	30,340	0.11	-50.42	Offset of creditors' rights and liabilities of the same entity
Receivables financing	1,076,313	4.06	575,652	2.14	86.97	Adjustment to payment method for purchases
Prepayments	259,982	0.98	908,646	3.37	-71.39	Completion of settlement of prepayment transactions
Other receivables	7,797	0.03	10,506	0.04	-25.79	
Inventories	3,385,993	12.78	3,192,201	11.85	6.07	
Other current assets	30,467	0.12	279	0.00	10,820.07	Increase in input tax to be verified during the period
Long-term equity investments	28,258	0.11	-	-	Not applicable	New equity investments
Other equity investments	5,000	0.02	5,000	0.02	0.00	
Property, plant and equipment	16,593,061	62.65	16,914,109	62.80	-1.90	
Construction in progress	28,341	0.11	16,593	0.06	70.80	Increase in technical transformation projects
Intangible assets	2,423,221	9.15	2,454,327	9.11	-1.27	
Deferred tax assets	31,067	0.12	31,067	0.12	0.00	

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (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
Other non-current assets	20,641	0.08	-	-	-	Not applicable
Notes payable	197,409	0.75	1,199,147	4.45	-83.54	Redemption of notes upon maturity
Trade payables	1,920,115	7.25	1,747,169	6.49	9.90	
Contract liabilities	1,042,789	3.94	1,004,280	3.73	3.83	
Employee benefits payable	191,266	0.72	333,407	1.24	-42.63	Transfer to employee incentive funds
Taxes payable	53,794	0.20	35,733	0.13	50.54	Increase in VAT payable during the period
Other payables	393,179	1.48	354,665	1.32	10.86	
Non-current liabilities due within one year	430,000	1.62	410,000	1.52	4.88	
Other current liabilities	135,547	0.51	160,675	0.60	-15.64	
Long-term borrowings	150,000	0.57	300,000	1.11	-50.00	Repayment of borrowings
Long-term employee benefits payable	229,007	0.86	240,615	0.89	-4.82	
Deferred income	39,268	0.15	40,495	0.15	-3.03	
Other non-current liabilities	2,610,500	9.86	2,575,500	9.56	1.36	

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (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	30 June 2019	31 December 2018	Notes
Cash and bank balances	183,029	795,088	Note 1
Receivables financing	70,000	20,000	Note 2
Property, plant and equipment			
plant – plant and buildings	1,950,776	1,975,369	Note 3
Intangible assets	2,423,221	2,454,327	Note 4
Total	4,627,026	5,244,784	

Note 1: As at 30 June 2019, the Group's ownership of cash and bank balances with carrying value of RMB183,029,000 (31 December 2018: RMB795,088,000) was restricted for issuing bank acceptances and letters of credit.

Note 2: As at 30 June 2019, the Group's notes receivables with carrying value of RMB70,000,000 (31 December 2018: RMB20,000,000) were pledged for issuing bank acceptances.

Note 3: As at 30 June 2019, the plant and buildings with a net carrying amount of RMB1,950,776,000 (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 30 June 2019, the land use right with a net carrying amount of RMB2,423,221,000 (31 December 2018: RMB2,454,327,000) was pledged to banks to secure the bank loans and facilities granted to the Group. The amortisation of above land use right for the current period was RMB31,106,000.

3. Others

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(IV) Investment Analysis

1. *General analysis of external equity investment*

Applicable Not applicable

In the first half of 2019, the Company completed equity investment projects of RMB28,258,000, representing an increase of RMB28,258,000 as compared to the same period last year. For details, please refer to "Section V-XV-(III) of this report.

(1) *Significant Equity Investment*

Applicable Not applicable

(2) *Significant Non-Equity Investment*

Applicable Not applicable

(3) *Financial Assets Measured at Fair Value*

Applicable Not applicable

Unit: RMB'000

Item	Opening balance	Closing balance	Changes in the reporting period	Effects on the profit for the reporting period
Financial assets held for trading	30,000	184,400	154,400	5,351
Other equity investments	5,000	5,000	0	0
Receivables financing	575,652	1,076,313	500,661	0
Total	610,652	1,265,713	655,061	5,351

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(V) Major Assets and Equity Disposal

Applicable Not applicable

(VI) Analysis of principal controlled and investee companies

Applicable Not applicable

Name of the subsidiary/ investee companies	Principal place of business	Place of registration	Business nature	Shareholdings		Acquisition method
				Direct	Indirect	
Chongqing CIS Building Materials Sales Co., Ltd.	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Trading	100%	-	Establishment by capital contribution
Chongqing Xingang Changlong Logistics Co., Ltd. (重慶新港長龍物流有限責任公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation, storage	28%	-	Equity acquisition

(VII) Structured entities under the control of the Company

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

II. OTHER DISCLOSURE

- (I) Warning and description of a forecast of recording a loss-making aggregate net profit from the beginning of the year to the end of next reporting period or recording a substantial year-on-year change

Applicable Not applicable

(II) Potential Risks

Applicable Not applicable

1. The iron and steel industry is a strong cyclical industry. Macro-economic and industrial policies may have significant effects on the operation of the Company. The steel price is subject to significant fluctuations, which may have certain effect on the profitability of the Company.
2. The Company is suffering increasing cost pressures as a result of the rapid growth in the prices of bulk materials.

(III) Other disclosure

Applicable Not applicable

Section V Significant Events

I. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions
2018 Annual General Meeting, 2019 First Class Meeting of A Shareholders and 2019 First Class Meeting of H Shareholders	21 May 2019	Announcement of Resolutions Passed at 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

The 2018 Annual General Meeting, 2019 First Class Meeting of A Shareholders and 2019 First Class Meeting of H Shareholders of the Company were convened by the Board of the Company and presided by the chairman Mr. Zhou Zhuping. The convening of and the procedures for holding the meetings and the voting procedures at the meetings 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. Independent directors of the Company delivered the performance report for the year 2018 at the shareholders' meetings. The following resolutions were considered and approved at the meetings:

Section V Significant Events (Continued)

I. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

(I) 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 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 the election of directors for 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 the election of supervisors for 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 |

Section V Significant Events (Continued)

I. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

(II) 2019 First Class Meeting of A Shareholders

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

Resolutions adopting non-cumulative voting

- | | |
|------|---|
| 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 |

(III) 2019 First Class Meeting of H Shareholders

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

Resolutions adopting non-cumulative voting

- | | |
|------|---|
| 1.00 | The proposal for the grant of general mandate to the board of directors to repurchase shares of the Company |
| 1.01 | The grant of general mandate to the board of directors to repurchase A Shares of the Company |
| 1.02 | The grant of general mandate to the board of directors to repurchase H Shares of the Company |

II. SCHEME FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Interim proposals on profit distribution and the proposal on transferring capital reserve to share capital

Profit distribution or transfer of capital reserve to share capital	No
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)	/
Relevant explanation on proposals on profit distribution and transfer of capital reserve to share capital	Nil

Section V Significant Events (Continued)

III. COMPLIANCE WITH UNDERTAKINGS

(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	Commitment 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 reorganization plan, 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)

III. COMPLIANCE WITH UNDERTAKINGS (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	Commitment 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 the letter of undertaking. <i>(Note)</i>	From 29 December 2017 to 28 December 2022	Yes	Yes

Section V Significant Events (Continued)

III. COMPLIANCE WITH UNDERTAKINGS (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	Commitment Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
	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
	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

Section V Significant Events (Continued)

III. COMPLIANCE WITH UNDERTAKINGS (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	Commitment Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
	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
	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 Chongqing Iron & Steel and 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

Section V Significant Events (Continued)

III. COMPLIANCE WITH UNDERTAKINGS (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	Commitment Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
	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.

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Explanation for appointment and removal of accounting firms

Applicable Not applicable

Upon the consideration and approval at the 15th meeting of the seventh session of the Board and the 2017 annual general meeting, Ernst & Young Hua Ming LLP was appointed as the Company's auditor for financial and internal control in 2018, and its term expired on the date of the 2018 Annual General Meeting of the Company.

Upon the consideration and approval at the 8th meeting of the eighth session of the Board 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, totalling RMB2.95 million (tax exclusive).

Section V Significant Events (Continued)

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS (CONTINUED)

Explanation for change of the accounting firm during the auditing period

Applicable Not applicable

Explanation for the “Non-Standard Audit Report” Issued by the Accounting Firm

Applicable Not applicable

Explanation for the “Non-Standard Audit Report” Issued by the Certified Public Accountant in respect of the Financial Report in the Annual Report for the Previous Year

Applicable Not applicable

V. MATTERS RELATING TO INSOLVENCY OR REORGANISATION

Applicable Not applicable

VI. MATERIAL LITIGATION AND ARBITRATION

Material litigations and arbitrations occurs during the Reporting Period

No material litigations and arbitrations occurs during the Reporting Period

VII. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACQUIRER AND RECTIFICATION MEASURES

Applicable Not applicable

VIII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

Applicable Not applicable

Section V Significant Events (Continued)

IX. EQUITY INCENTIVE PLAN, EMPLOYEE SHARE OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

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

Applicable Not applicable

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

Equity incentive

Applicable Not applicable

Other explanations

Applicable Not applicable

Employee share ownership plan

Applicable Not applicable

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》) and other proposals were considered and approved. The Company convened the 5th meeting of the eighth session of the board of directors and the 4th meeting of the eighth session of the supervisory committee on 18 December 2018, at which the Proposal in relation to the First Phase of Employee Share Ownership Plan of the Company (《關於公司第一期員工持股計劃的議案》) and other proposals were considered and approved.

The personnel entitled to the first phase of the Employee Share Ownership Plan of the Company include executive directors, supervisors, senior management, core management, and core business and technical personnel, which shall not exceed 111 persons in total. 9 of them are directors, supervisors and senior management. The source of funds is the bonus fund withdrawn by the Company and provision is made at 3.125% of the total profit (before the withdrawal of the bonus fund) under the audited consolidated statements for 2018.

Section V Significant Events (Continued)

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

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

In April 2019, Chongqing Iron & Steel Company Limited (on behalf of the first phase of employee share ownership plan and as asset entrustor), Huatai Securities (Shanghai) Asset Management Co., Ltd. (as asset manager) and China Merchants Bank Co., Ltd., Suzhou Branch (as asset custodian) executed the Asset Management Contract between Huatai Asset Management and Chongqing Iron & Steel Regarding Employee Share Ownership Plan No. 1 Single Asset Management Plan (《華泰資管重慶鋼鐵員工持股計劃1號單一資產管理計劃資產管理合同》) based on the principle of equality, voluntariness and good faith. The contract sets out detailed explanations and provisions on the condition and investment of the entrusted assets as well as the rights and obligations of the parties thereto.

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 will fulfill the subsequent obligations on information disclosure in a timely manner in strict accordance with relevant laws and regulations.

Other incentive measures

Applicable Not applicable

Section V Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS

(I) Related party transactions related to day-to-day operation

1. *Matters disclosed in extraordinary announcements but without development or changes in subsequent implementation*

Applicable Not applicable

2. *Matters disclosed in extraordinary 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 <i>(Unit: RMB'000)</i>
Renting	Market price	93,684

Section V Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

3. Matters not disclosed in extraordinary 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		11,536	4.50			
Chongqing Xingang Changlong Logistics Co., Ltd.	Associate	Sale of products	Sale of energy, rendering of services	With reference to market price		643	0.10			
Total				/	/	12,179	/	/	/	/

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)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Applicable Not applicable

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

Applicable Not applicable

3. *Events not disclosed in extraordinary 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 related party transactions related to joint external investment

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

Applicable Not applicable

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

Applicable Not applicable

3. *Events not disclosed in extraordinary announcements*

Applicable Not applicable

Section V Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(IV) Amounts due to or from related parties

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

Applicable Not applicable

2. *Events disclosed in extraordinary 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 Chongqing Iron & Steel 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	2,690,500	64,692

3. *Events not disclosed in extraordinary announcements*

Applicable Not applicable

Section V Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Other material related party transactions

Applicable Not applicable

(VI) Others

Applicable Not applicable

XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION

1 Trust, contracted businesses and leasing affairs

Applicable Not applicable

(1) *Trust*

Applicable Not applicable

(2) *Contracted businesses*

Applicable Not applicable

Section V Significant Events (Continued)

XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

1 Trust, contracted businesses and leasing affairs (Continued)

(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 related party transaction	Connected relations
Chongqing Iron & Steel Company (Group) Limited	Chongqing Iron & Steel Company Limited	Equipment		2019.01.01	2019.12.31	72,065	Contract	Affecting the production costs	No	
Chongqing Changshou Iron & Steel Company Limited	Chongqing Iron & Steel Company Limited	Equipment		2019.01.01	2019.12.31	93,684	Contract	Affecting the production costs	Yes	Controlling shareholder

2 Guarantee

Applicable Not applicable

3 Other significant contracts

Applicable Not applicable

XII. POVERTY ALLEVIATION BY THE LISTED COMPANY

Applicable Not applicable

XIII. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

Applicable Not applicable

Section V Significant Events (Continued)

XIV. ENVIRONMENTAL INFORMATION

(I) 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

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 COD and ammonia nitrogen). Information about pollutant discharging is disclosed on the website of the Ecological Environment Bureau on a regular basis.

2. *Construction and operation of pollution control facilities*

Applicable Not applicable

The Company is implementing the upgrading and transformation of the desulfurization system for 2# and 3# sintering machines. All of the existing pollution control facilities were operated in parallel with our production facilities and were under sound operating condition.

3. *Environmental impact assessment of construction projects and other environmental protection administrative licensing*

Applicable Not applicable

4. *Environmental emergency plan*

Applicable Not applicable

The Company completed the preparation of 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 environmental protection filing in January 2018 which is still valid. In April 2019, the Company prepared the urgent drill plan for environmental emergencies and presented it to the Ecological Environment Bureau of Changshou District. The Company will organize and carry out drills as planned in the second half year.

Section V Significant Events (Continued)

XIV. ENVIRONMENTAL INFORMATION (CONTINUED)

(I) 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)

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 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 accomplished its self-monitoring work in the first half of the year in accordance with such program.

6. *Other environmental information required to be disclosed*

Applicable Not applicable

(II) Explanation on environmental protection of companies beyond the classification of key pollutant discharging entity

Applicable Not applicable

(III) Explanation of reasons for non-disclosure of environmental information by companies beyond the classification of key pollutant discharging entity

Applicable Not applicable

Section V Significant Events (Continued)

XIV. ENVIRONMENTAL INFORMATION (CONTINUED)

(IV) Explanation on development or changes in environmental information disclosed during the Reporting Period

Applicable Not applicable

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS

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

Applicable Not applicable

1. *New lease standard*

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

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

Section V Significant Events (Continued)

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(I) Changes of accounting policies, estimations and methods and their reasons and influence as compared to the last accounting period (Continued)

1. New lease standard (Continued)

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

Unit: RMB'000

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

The implementation of the New Lease Standard had no significant impact on the consolidated and company statement of financial position as at 1 January 2019 and consolidated and company income statement for the six months ended 30 June 2019.

Section V Significant Events (Continued)

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(I) Changes of accounting policies, estimations and methods and their reasons and influence as compared to the last accounting period (Continued)

2. Changes in presentation of financial statement

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

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

The Group

Unit: RMB'000

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

Section V Significant Events (Continued)

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

- (I) Changes of accounting policies, estimations and methods and their reasons and influence as compared to the last accounting period (Continued)

2. *Changes in presentation of financial statement (Continued)*

For the six months ended 30 June 2018	Before changes in accounting policies 1 January 2018	The impact of changes in accounting policies	After changes in accounting policies 1 January 2018
Notes and trade receivables	44,038	(44,038)	–
Trade receivables	–	44,038	44,038
Other current assets	1,251,751	(123,096)	1,128,655
Receivables financing	–	123,096	123,096
Notes and trade payables	2,155,294	(2,155,294)	–
Notes payable	–	80,700	80,700
Trade payables	–	2,074,594	2,074,594

The Company

Unit: RMB'000

For the six months ended 30 June 2019	Carrying amount according to the original standards 31 December 2018	The impact of changes in presentation of financial statements Reclassification	Carrying amount according to the new standards 1 January 2019
Notes and trade receivables	29,851	(29,851)	–
Trade receivables	–	29,851	29,851
Other current assets	575,931	(575,652)	279
Receivables financing	–	575,652	575,652
Notes and trade payables	2,945,889	(2,945,889)	–
Notes payable	–	1,199,147	1,199,147
Trade payables	–	1,746,742	1,746,742

Section V Significant Events (Continued)

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(I) Changes of accounting policies, estimations and methods and their reasons and influence as compared to the last accounting period (Continued)

2. *Changes in presentation of financial statement (Continued)*

For the six months ended 30 June 2018	Before changes in accounting policies 1 January 2018	The impact of changes in accounting policies	After changes in accounting policies 1 January 2018
Notes and trade receivables	46,853	(46,853)	–
Trade receivables	–	46,853	46,853
Other current assets	601,606	(123,096)	478,510
Receivables financing	–	123,096	123,096
Notes and trade payables	2,204,070	(2,204,070)	–
Notes payable	–	80,700	80,700
Trade payables	–	2,123,370	2,123,370

(II) Correction of significant accounting errors requiring restatement, correction amount, and their reasons and impact during the reporting period

Applicable Not applicable

(III) Other significant events

Applicable Not applicable

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

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

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

(2) *Model Code for Securities Transactions by Directors*

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

(3) *Interim dividend*

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

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

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

(5) *Major acquisition and disposal of subsidiaries and affiliates*

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

Section V Significant Events (Continued)

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

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

(6) *Audit Committee*

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

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

(7) *Interests or Short Positions*

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

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

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

2. *Repurchase of A shares of the Company through centralized bidding trading*

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.

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.

The Company will determine the specific use of repurchased shares and perform its obligation of information disclosure in a timely manner in strict accordance with relevant laws, regulations, and normative documents.

Section V Significant Events (Continued)

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

3. *Participation in online 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.

Section VI Movement of Ordinary Shares and the Particulars of Shareholders

I. INFORMATION ON CHANGES IN SHARE CAPITAL

(I) Table of movement of shares

1. *Table of movement of shares*

During the Reporting Period, the total number of shares and the structure of the share capital of the Company remained unchanged.

2. *Explanation on movement of shares*

Applicable Not applicable

3. *Impact on financial indicators such as earnings per share and net assets per share from change in shares occurred from the Reporting Period up to the disclosure date of the interim report (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. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as of the end of the Reporting Period	142,205
Total number of preferential shareholders with resumed voting rights as of the end of the Reporting Period	0

Section VI Movement of Ordinary Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period

Unit: share

Shareholdings of top ten shareholders

Name of shareholder (full name)	Increase/ Decrease during Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen		Type of shareholder
					Status of shares	Number	
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	+18,481	531,040,021	5.95	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

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of 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	531,040,021	Overseas listed foreign shares	531,040,021
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. (中船工業成套物流有限公司)	211,461,370	RMB denominated ordinary shares	211,461,370

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of 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.
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Preferential shareholders with resumed 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

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE DE FACTO CONTROLLER

Applicable Not applicable

Section VII Related Information on Preference Shares

Applicable

Not applicable

Section VIII Directors, Supervisors and Senior Management

I. INFORMATION ON CHANGES IN SHAREHOLDINGS

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

Applicable Not applicable

(II) Information on incentive share option granted to directors, supervisors and senior management during the Reporting Period

Applicable Not applicable

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not applicable

Name	Position	Change
Song De An	Vice Chairman	Election
Wang Li	Director	Election
Zhang Wenxue	Chairman of the Supervisory Committee	Election
Xiao Yuxin	Staff Representative Supervisor	Election
Li Yongxiang	Vice Chairman	Resigned
Tu Deling	Vice Chairman	Resigned
Zheng Jie	Director	Resigned
Xiao Yuxin	Chairman of the Supervisory Committee	Resigned
Xia Tong	Staff Representative Supervisor	Resigned

Details on changes in directors, supervisors and senior management of the Company

Applicable Not applicable

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY (CONTINUED)

(I) Details on changes in directors

1. On 28 March 2019, the Board of the Company received a resignation letter from Mr. Zheng Jie, a director of the Company. Due to personal reasons, Mr. Zheng Jie requested to resign from the position as a director of the eighth session of the Board and relevant positions in the special committees under the Board.
2. On 13 May 2019, Mr. Li Yongxiang and Mr. Tu Deling respectively resigned from the position of vice chairman of the eighth session of the Board of the Company due to work rearrangement.

After the resignation of Mr. Li Yongxiang as a vice chairman of the Board, he would still continue to serve as a director and the general manager of the Company. After the resignation of Mr. Tu Deling as a vice chairman of the Board, he would still continue to serve as a director of the Company.

3. On 21 May 2019, the Company convened the 2018 annual general meeting, at which Mr. Song De An and Mr. Wang Li were elected as directors of the eighth session of the Board of the Company.

On the same date, the Company convened the 10th meeting of the eighth session of the Board, at which Mr. Song De An was elected as the vice chairman of the eighth session of the Board of the Company; Mr. Zhang Shuogong was re-designated from an executive director to a non-executive director.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY (CONTINUED)

(II) Details on changes in supervisors

1. On 13 May 2019, Mr. Xiao Yuxin resigned from the positions of chairman and shareholder representative supervisor of the eighth session of the supervisory committee of the Company due to work rearrangement. Mr. Xia Tong resigned from the position of a staff representative supervisor of the eighth session of the supervisory committee of the Company due to work rearrangement.

On the same date, the Company convened the first joint meeting of the first session of staff congress, at which Mr. Xiao Yuxin was elected as a staff representative supervisor of the eighth session of the supervisory committee of the Company.

2. On 21 May 2019, the Company convened the 2018 annual general meeting, at which Mr. Zhang Wenxue was elected as a supervisor of the eighth session of the supervisory committee of the Company.

On the same date, the Company convened the 8th meeting of the eighth session of the supervisory committee, at which Mr. Zhang Wenxue was elected as the chairman of the eighth session of the supervisory committee of the Company.

III. OTHER EXPLANATIONS

Applicable Not applicable

Section IX Relevant Information on Corporate Bond

Applicable

Not applicable

Consolidated Statement of Financial Position

As at 30 June 2019

I. AUDITOR'S REPORT

The interim report is unaudited.

II. FINANCIAL STATEMENTS

Unit: RMB'000

Items	Note VII	30 June 2019	31 December 2018
Current assets:			
Cash and bank balances	1	2,396,973	2,764,631
Financial assets held for trading	2	184,400	30,000
Trade receivables	3	15,043	30,340
Receivables financing	4	1,076,313	575,652
Prepayments	5	259,982	908,646
Other receivables	6	7,797	10,506
Inventories	7	3,385,993	3,192,201
Other current assets	8	30,467	279
Total current assets		7,356,968	7,512,255
Non-current assets:			
Long-term equity investments	10	28,258	–
Other equity investments	9	5,000	5,000
Property, plant and equipment	11	16,593,061	16,914,109
Construction in progress	12	28,341	16,593
Intangible assets	13	2,423,221	2,454,327
Deferred tax assets	14	31,067	31,067
Other non-current assets		20,641	–
Total non-current assets		19,129,589	19,421,096
Total assets		26,486,557	26,933,351

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Financial Position (Continued)

As at 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Items	Note VII	30 June 2019	31 December 2018
Current liabilities:			
Notes payable	16	197,409	1,199,147
Trade payables	17	1,920,115	1,747,169
Contract liabilities	18	1,042,789	1,004,280
Employee benefits payable	19	191,266	333,407
Taxes payable	20	53,794	35,733
Other payables	21	393,179	354,665
Non-current liabilities due within one year	22	430,000	410,000
Other current liabilities		135,547	160,675
Total current liabilities		4,364,099	5,245,076
Non-current liabilities:			
Long-term borrowings	23	150,000	300,000
Long-term employee benefits payable	24	229,007	240,615
Deferred income	25	39,268	40,495
Other non-current liabilities	26	2,610,500	2,575,500
Total non-current liabilities		3,028,775	3,156,610
Total liabilities		7,392,874	8,401,686

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Financial Position (Continued)

As at 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Items	Note VII	30 June 2019	31 December 2018
Owners' equity:			
Share capital	27	8,918,602	8,918,602
Capital reserves	28	19,282,147	19,282,147
Less: Treasury shares	29	62,314	–
Special reserves	30	22,248	13,644
Surplus reserves	31	606,991	606,991
Accumulated losses	32	(9,673,991)	(10,289,719)
Total owners' equity		19,093,683	18,531,665
Total liabilities and owners' equity		26,486,557	26,933,351

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal Representative:
Zhou Zhuping

Chief accountant:
Lv Feng

Head of the accounting department:
Lv Feng

Statement of Financial Position of the Parent Company

As at 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000

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

The accompanying notes form an integral part of these financial statements

Statement of Financial Position of the Parent Company (Continued)

As at 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

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

The accompanying notes form an integral part of these financial statements

Consolidated Income Statement

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000

Items	Note VII	For the six months ended 30 June 2019	For the six months ended 30 June 2018
I. Revenue	33	11,483,560	11,092,899
Less: Cost of sales	33	10,342,032	9,769,641
Taxes and surcharges	34	92,194	52,437
Distribution and selling expenses	35	45,161	41,986
General and administrative expenses	36	330,030	306,033
Finance expenses	37	75,985	147,250
Including: Interest expenses		106,499	190,466
Interest income		33,469	46,428
Add: Other income	38	1,227	1,502
Investment income/(loss)	39	5,351	(1,826)
Including: investment income/ (loss) from an associate		–	(2,628)
Gains/(losses) on disposal of assets		–	8,482
II. Operating profit/(loss)		604,736	783,710
Add: Non-operating income	40	13,252	325
Less: Non-operating expenses	41	665	21,063
III. Total profit/(loss)		617,323	762,972
Less: Income tax expenses	42	1,595	885

The accompanying notes form an integral part of these financial statements

Consolidated Income Statement (Continued)

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Items	Note VII	For the six months ended 30 June 2019	For the six months ended 30 June 2018
IV. Net Profit/(loss)		615,728	762,087
(1) Breakdown by continuity of operations			
1. Net profit/(loss) from continuing operations		615,728	762,087
(2) Breakdown by attributable interests			
1. Net profit/(loss) attributable to owners of the parent		615,728	761,960
2. Non-controlling interests		–	127
V. Other comprehensive income after tax		–	–
VI. Total comprehensive income		615,728	762,087
Total comprehensive income attributable to owners of the parent		615,728	761,960
Total comprehensive income attributable to non-controlling interests		–	127
VII. Earnings per share :			
(1) Basic earnings per share <i>(RMB/share)</i>	43	0.07	0.09
(2) Diluted earnings per share <i>(RMB/share)</i>		0.07	0.09

The accompanying notes form an integral part of these financial statements

Income Statement of the Parent Company

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000

Items	Note XVI	For the six months ended 30 June 2019	For the six months ended 30 June 2018
I. Revenue	4	11,486,217	11,093,696
Less: Cost of sales	4	10,350,441	9,770,971
Taxes and surcharges		91,997	52,430
Distribution and selling expenses		44,950	41,815
General and administrative expenses		330,030	302,802
Finance expenses		75,989	152,589
Including: Interest expenses		106,499	190,466
Interest income		33,463	38,073
Add: Other income		1,227	1,502
Investment income/(loss)	5	9,571	52
Including: investment income/(loss) from an associate		–	(2,628)
Gains/(losses) on disposal of assets		–	8,482
II. Operating profit/(loss)		603,608	783,125
Add: Non-operating income		13,252	241
Less: Non-operating expenses		665	21,032
III. Total profit/(loss)		616,195	762,334
Less: Income tax expenses		–	–
IV. Net Profit/(loss)		616,195	762,334
Breakdown by continuity of operations			
1. Net profit/(loss) from continuing operations		616,195	762,334
V. Other comprehensive income after tax		–	–
VI. Total comprehensive income		616,195	762,334

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000

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

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

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

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity of the Parent Company

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000

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

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

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000

Items	Note VII	For the six months ended 30 June 2019	For the six months ended 30 June 2018
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		10,334,249	10,366,330
Other cash received relating to operating activities	44	61,079	109,689
Sub-total of cash inflows from operating activities		10,395,328	10,476,019
<hr style="border-top: 1px dashed #0056b3;"/>			
Cash paid for purchase of goods and services		9,030,724	10,168,612
Cash paid to and on behalf of employees		743,222	1,030,356
Cash paid for all types of taxes		365,205	58,176
Other cash paid relating to operating activities	44	167,760	520,063
Sub-total of cash outflows from operating activities		10,306,911	11,777,207
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Net cash flows from operating activities	45	88,417	(1,301,188)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
II. Cash flows from investing activities:		
Cash received from disposal of investments	404,400	651,376
Cash received from return on investments	5,351	7,021
Net cash received from disposal of property plant and equipment, intangible assets and other long-term assets	–	8,561
<hr/>		
Sub-total of cash inflows from investing activities	409,751	666,958
<hr style="border-top: 1px dashed #005696;"/>		
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	36,926	2,664
Cash paid for investments	587,058	–
<hr/>		
Sub-total of cash outflows from investing activities	623,984	2,664
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Net cash flows from investing activities	(214,233)	664,294
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The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Items	<i>Note VII</i>	For the six months ended 30 June 2019	For the six months ended 30 June 2018
III. Cash flows from financing activities:			
Cash received from borrowings		105,000	–
Other cash received relating to financing activities	44	795,088	1,181,576
Sub-total of cash inflows from financing activities		900,088	1,181,576
Cash repayments of borrowings		200,000	10,000
Cash paid for distribution of dividends or profits, and for interest expenses		79,446	189,060
Other cash paid relating to financing activities	44	250,425	764,569
Sub-total of cash outflows from financing activities		529,871	963,629
Net cash flows from financing activities		370,217	217,947
IV. Effect of changes in exchange rate on cash and cash equivalents			
		–	–
V. Net increase in cash and cash equivalents			
		244,401	(418,947)
Add: Cash and cash equivalents at the beginning of the period		1,969,543	868,962
VI. Cash and cash equivalents at the end of the period			
		2,213,944	450,015

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows of the Parent Company

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	10,328,057	10,362,602
Other cash received relating to operating activities	61,079	108,270
Sub-total of cash inflows from operating activities	10,389,136	10,470,872
Cash paid for purchase of goods and services	9,030,724	10,168,612
Cash paid to and on behalf of employees	743,222	1,030,327
Cash paid for all types of taxes	363,825	57,285
Other cash paid relating to operating activities	167,564	513,718
Sub-total of cash outflows from operating activities	10,305,335	11,769,942
Net cash flows from operating activities	83,801	(1,299,070)

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows of the Parent Company (Continued)

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
II. Cash flows from investing activities:		
Cash received from disposal of investments	404,400	1,376
Cash received from return on investments	9,571	–
Net cash received from disposal of property plant and equipment, intangible assets and other long-term assets	–	8,561
Sub-total of cash inflows from investing activities	413,971	9,937
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	36,926	2,664
Cash paid for investments	587,058	–
Sub-total of cash outflows from investing activities	623,984	2,664
Net cash flows from investing activities	(210,013)	7,273

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows of the Parent Company (Continued)

For the six months ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

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

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

For the six months ended 30 June 2019

(Unit: RMB'000)

III 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 9 August 2019.

The scope of consolidation of the consolidated financial statements is determined on the basis of control, the scope of consolidation remains unchanged during the period.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IV PREPARATION BASIS 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 in accordance with the “Accounting Standards for Business Enterprises – No. 32 Interim Financial Reporting” issued by the MOF and the “Contents and Formats requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 3 – Contents and Formats Rules on Interim Financial Reporting (revised in 2017)” promulgated by the China Securities Regulatory Commission, and hence do not include all the information and disclosures of the annual financial statements for the year ended 31 December 2018. Accordingly, these interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

These financial statements are prepared on a going concern basis.

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

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V 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 30 June 2019 and the results of their operations and cash flows for the six months ended 30 June 2019.

2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year. The current accounting period starts on 1 January 2019 and ends on 30 June 2019.

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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V 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.

(1) *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 reserves 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Business combination (Continued)

(2) *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.

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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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.

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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. 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.

7. 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. 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.

(1) *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.

The Group derecognizes and writes off a financial asset (or part of a financial asset, or part of a group of similar financial assets) from its account and balance sheet when the following conditions are met:

- 1) the rights to receive cash flows from the asset have expired;
- 2) the Group has transferred its rights to receive cash flows from the 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) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognized in profit or loss.

Regular way purchases or sales of financial assets are recognized and derecognized on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period established by regulations or conventions in the marketplace. Trade date is the date that the Group commits to purchase or sell the asset.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(2) *Classification and measurement of financial assets*

According to the Group's corporate business model for managing financial assets and the contractual cash flow characteristics of the financial assets, the Group's financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, financial assets at amortized cost, and financial assets at fair value through other comprehensive income. A financial asset is recognized initially at fair value. The trade receivables or notes receivable generated from sales of goods or services, which do not contain significant financing component or do not consider financing component over one year, initially are measured at trading price.

In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss; transaction costs relating to financial assets of other categories are included in the amounts initially recognized.

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

1) *Debt instrument investment at amortized cost*

Financial assets are classified as financial assets at amortized cost if the financial assets meet the following conditions: the objective of the Group's business model for managing such financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payment of the principal and the interest based on the outstanding principal amount. Such financial assets recognize interest income by using the effective interest rate method. The gains or losses arising from derecognition, adjustment or impairment are recognized in profit or loss. Such financial assets include cash and bank balance, trade receivables, other receivables, etc.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(2) *Classification and measurement of financial assets (Continued)*

2) *Debt instrument investment at fair value through other comprehensive income*

Financial assets are classified as financial assets at fair value through other comprehensive income if the financial assets meet the following conditions: the objective of the Group's business model for managing such financial assets is both to collect contractual cash flows and to dispose of the financial assets; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payment of the principal and the interest based on the outstanding principal amount. Such financial assets recognize interest income by using the effective interest rate method. Except for interest income, impairment losses and exchange difference recognized as profit or loss, other changes in fair value are recognized as other comprehensive income. When such financial asset is derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to profit or loss. Such financial assets are presented as other debt investments, other debt investments due within one year from the balance sheet date are presented as non-current assets due within one year, and other debt investments with original maturities within one year are presented as other current assets. Notes receivable and trade receivables at fair value through other comprehensive income are presented as receivables financing.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(2) *Classification and measurement of financial assets (Continued)*

3) *Equity instrument investment at fair value through other comprehensive income*

The Group irrevocably elects to designate certain equity instrument investments not held for trading as financial assets at fair value through other comprehensive income, such that only relevant dividend income (excluding the dividends recovered as part of the investment cost) is recognized as profit or loss and changes in fair value are recognized as other comprehensive income, and the provision for impairment is not accrued. When such financial asset is derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to retained earnings. And such financial assets are presented as other equity investments.

It is a financial asset held for trading if it meets one of the following conditions: to acquire the relevant financial asset or assume the relevant financial liability is primarily for the purpose of selling or buying-back in the near term; it is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the entity recently adopts the model of short-term profit-taking; it is a derivative, except for a derivative that is designated as an effective hedging instrument, or one that is aligned with a derivative under financial guarantee contract.

4) *Financial assets at fair value through profit or loss*

Apart from the financial assets at amortized cost and financial assets at fair value through other comprehensive income mentioned above, other financial assets are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value. All changes in fair value are recognized in profit or loss. Such financial assets are presented as financial assets held for trading. They are presented as other non-current financial assets, when the maturity is or expected to be above one year from the balance sheet date.

Only when the business model for managing financial assets is changed by the Group, the Group will reclassify the related financial assets affected.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(3) *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 amounts initially recognized. Such kinds of financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

(4) *Impairment of financial assets*

On the basis of expected credit losses ("ECLs"), the Group makes impairment provisions and recognizes loss provisions for the financial assets carried at amortized cost and investments on debt instrument at fair value through other comprehensive income.

Credit loss represents the difference between all contractual cash flows due to the Group under contracts discounted at the original effective interest rate and all the cash flows that the Group expects to receive, i.e. the present value of all cash shortfalls. Among them, the financial assets acquired or originated by the Group that have impaired with credit shall be discounted at an effective interest rate adjusted in accordance with credit status of the financial assets.

For trade receivables that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provision based on the amount of ECLs throughout the lifetime.

In addition to the abovementioned financial assets for which the simplified measurement method are used, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. Financial instruments for which credit risk has not increased significantly since initial recognition, at stage 1, and for which the loss allowance is measured at an amount equal to 12-month ECLs, calculated by carrying amount and effective interest rate; financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets, at stage 2, and for which the loss allowance is measured at an amount equal to lifetime ECLs, calculated by carrying amount and effective interest rate; financial assets that are credit-impaired since initial recognition, at stage 3, and for which the loss allowance is measured at an amount equal to lifetime ECLs, calculated by carrying amount and effective interest rate. For these financial instruments with lower credit risk at reporting date, the Group assumes the related credit risk has not increased significantly since initial recognition.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(4) *Impairment of financial assets (Continued)*

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.

When assessing the ECLs, the Group considers reasonable and evidenced information about past events, current conditions and future economic forecasts.

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 IX.3.

When the Group no longer reasonably expects to be able to recover, in full or in part, the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

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

(5) *Offset of financial instruments*

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

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(6) *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 at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of the ECLs settle at the balance sheet date, and (ii) the amount initially recognized less the cumulative amortization recognized in accordance with the guidance for revenue recognition.

(7) *Transfers of financial assets*

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transactions as follows: (i) if the Group has not retained control, it derecognizes the financial asset and recognizes any resulting assets or liabilities; (ii) if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Inventories

(1) *Categories of 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.

(2) *Accounting method of dispatching inventories*

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.

(3) *Net realizable value of inventories*

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.

(4) *The principal of inventory stock*

The Groups adopts the perpetual inventory system.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Long-term equity investments

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

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 reserves. If the balance of capital reserves 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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. 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 applied for long-term equity investments when the investees are significantly influenced by the Group. 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Long-term equity investments (Continued)

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 the investee 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.

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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. 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, estimated residual values, and the annual depreciation rates of each category of PPE are as follows:

Items	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.

12. 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. 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.

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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. 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:

Item	Useful life (years)
Land use rights	50

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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. 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.

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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. 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.

(1) *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.

(2) *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.

(3) *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 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Payroll and employee benefits payable (Continued)

(4) 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.

(5) 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.

17. 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Revenues

When the Group has fulfilled its performance obligations of the contract, the revenue is recognized when the customers take control of the relevant goods or services. Taking control of the relevant goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits from them.

The specific accounting policies related to the main activities of the Group's revenue are as follows:

(1) *Sale of goods*

Sales contracts of goods between the Group and its customers generally include the performance obligation of transferred steel products only. Generally, upon taking account of all the following factors, namely, receipt of the current payment rights of goods, transfer of major risks and rewards in relation to the ownership of goods, transfer of the legal ownership of goods, transfer of physical assets of goods and receipt of delivery of such goods by the customers, the Group recognizes it as revenue when customers sign the receipts.

(2) *Interest income*

Interest income is calculated based on the carrying amount under the effective interest rate method, except the credit-impaired financial assets' interest income calculated based on the amortized cost (i.e., the net amount after deducting provision for ECLs). The effective interest rate is the rate to discounting the future cash flow of financial assets or financial liabilities to the amortized cost during the expected duration.

(3) *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.

(4) *Lease income*

Lease income from operating leases is recognized over the lease terms on the straight-line basis. Contingent lease income is recognized when incurred.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. 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.

20. 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 non-monetary 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 reducing the carrying amount of the asset or 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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. 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 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Income tax (Continued)

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 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.

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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases (applicable from 1 January 2019)

At the commencement date, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys a right to control the use of an identified asset for a period of time, the Group assess whether a control is conveyed where the customer has both 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.

(1) *As lessee*

The major category of lease assets of the Group is machinery and equipment.

1) *Initial measurement*

At the commencement date, the Group recognizes an asset that represents its right to use an underlying asset for the lease term as the right-of-use asset and recognizes the lease liability at the present value of the lease payments that are not paid at that date, except for short-term lease and low-value lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease term is the non-cancellable period for which the group has the right to use an underlying asset, together with both: periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The Group reassesses the lease term upon the occurrence of a significant event or a significant change in 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, or not to exercise an option previously included in its determination of the lease term.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases (applicable from 1 January 2019) (Continued)

(1) *As lessee (Continued)*

2) *Subsequent measurement*

The depreciation of the right-of-use asset is calculated on the straight-line basis. If the lease transfers ownership of the underlying asset to the Group by the end of the lease, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability and is recognized in profit or loss.

Variable lease payments not included in the measurement of the lease liability is recognized in profit or loss when the event or condition that triggers those payments occurs.

After the commencement date, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the in-substance fixed lease payments, a change in the amounts expected to be paid under residual value guarantees, a change in future lease payments arising from change in an index or rate, or a change in assessment or result to purchase the underlying asset, to extend the lease or to terminate the lease. The Group remeasures the lease liability to reflect changes to the lease payments, and recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases (applicable from 1 January 2019) (Continued)

(1) *As lessee (Continued)*

3) *Short-term lease*

The Group recognizes a lease that, at the commencement date, has a lease term of 12 months or less and does not contain a purchase option as a short-term lease. The Group elected not to recognize a right-of-use asset or lease liability of the short-term lease of machinery. The Group recognizes the lease payments associated with those leases as either costs to related assets or an expense on a straight-line basis. Contingent lease expense is recognized when incurred.

(2) *As lessor*

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

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.

A lessor shall account 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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Leases (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.

(1) *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.

(2) *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.

24. 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 reserves. When using safety reserve fund, it shall be distinguished whether it will form PPE or not. The expenditure shall write down the special reserves; the capital expenditure shall be recognized as PPE when meet the expected conditions for use, and write down the special reserves while recognizing accumulated depreciation with the same amount.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Fair value measurement

The Group measures held 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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. 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

In the process of applying the Group's accounting policies, management has made the following judgements which have a significant effect on the amounts recognized in the financial statements:

1) *Business model*

The classification of financial assets on initial recognition is based on the Group's business model for managing the financial assets. When assessing the business model, the Group considers matters including how the performance of the financial assets is evaluated and reported to the key management personnel, the risks that affect the performance of the financial assets and the way those risks are managed, and how managers of the business are compensated. When evaluating whether the objective is to collect contractual cash flows, the Group needs to analyze and evaluate the reasons, time, frequency and value of sales before the maturity date of the financial assets.

2) *Characteristic of the contractual cash flow*

The classification of financial assets on initial recognition is based on the contractual cash flow characteristics of the financial assets. When assessing whether the contractual cash flows are solely payments of the principal and the interest based on the outstanding principal amount, including assessing the modification of the time value of money element, it needs to assess whether there is a significant difference when compared with the benchmark cash flow. For the financial assets including the prepayment feature, it needs to assess whether the fair value of the prepayment feature is insignificant.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Significant accounting judgements and estimates (Continued)

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.

1) *Impairment of financial instruments*

The Group uses ECLs model to conduct assessment on the impairment of financial instruments. The application of ECLs model requires significant judgement and estimation and takes into account all reasonable and reliable information, including forward looking information. When making such judgement and estimation, the Group predicts the expected changes in credit risk of the obligor based on its historical data of repayment together with factors such as economic policy, macroeconomic indicators and industry risk.

2) *Deferred tax assets*

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and unused tax credit 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 tax planning strategies.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

3) *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.

4) *Net realisable values of inventories*

At the end of reporting period, inventories are measured at the lower of cost and net realisable value and the provision for inventory write-down is made on the difference between the cost and the net realisable value. The net realisable 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 realisable 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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Changes in accounting policies

(1) The New Lease Standard

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

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

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

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

The implementation of the New Lease Standard had no significant impact on the consolidated and company statement of financial position as at 1 January 2019 and consolidated and company income statement for the six months ended 30 June 2019.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Changes in accounting policies (Continued)

(2) *Presentation of financial statement*

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No.6) (《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號)), in the balance sheet, the 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 new item “Receivables financing” is added to present notes receivable and trade receivables at fair value through other comprehensive income as at the balance sheet date; In the income statement, in addition to the expensed expenditures incurred during the research and development process, “research and development expenses” shall also include the amortization of intangible assets developed by the Group as previously presented in “general and administrative expenses”. 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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Changes in accounting policies (Continued)

(2) Presentation of financial statement (Continued)

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

The Group

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

For the six months ended 30 June 2018	Before changes in accounting policies 1 January 2018	The impact of changes in accounting policies	After changes in accounting policies 1 January 2018
Notes and trade receivables	44,038	(44,038)	–
Trade receivables	–	44,038	44,038
Other current assets	1,251,751	(123,096)	1,128,655
Receivables financing	–	123,096	123,096
Notes and trade payables	2,155,294	(2,155,294)	–
Notes payable	–	80,700	80,700
Trade payables	–	2,074,594	2,074,594

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Changes in accounting policies (Continued)

(2) Presentation of financial statement (Continued)

The Company

For the six months ended 30 June 2019	Carrying amount according to the original standards 31 December 2018	The impact of changes in presentation of financial statements Reclassification	Carrying amount according to the new standards 1 January 2019
Notes and trade receivables	29,851	(29,851)	–
Trade receivables	–	29,851	29,851
Other current assets	575,931	(575,652)	279
Receivables financing	–	575,652	575,652
Notes and trade payables	2,945,889	(2,945,889)	–
Notes payable	–	1,199,147	1,199,147
Trade payables	–	1,746,742	1,746,742

For the six months ended 30 June 2018	Before changes in accounting policies 1 January 2018	The impact of changes in accounting policies	After changes in accounting policies 1 January 2018
Notes and trade receivables	46,853	(46,853)	–
Trade receivables	–	46,853	46,853
Other current assets	601,606	(123,096)	478,510
Receivables financing	–	123,096	123,096
Notes and trade payables	2,204,070	(2,204,070)	–
Notes payable	–	80,700	80,700
Trade payables	–	2,123,370	2,123,370

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

VI. TAXES

1. Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (“VAT”)	The taxable revenue from sale of goods	VAT payable is the difference between VAT output and less deductible VAT input for the current period. VAT output has been calculated by applying a rate of 13% to the taxable value for sales of steel products since 1 April 2019 (16% before 1 April 2019). Other tax rate: 3%, 6%, 9%,10%
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%	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%

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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

VI. 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 the current period, the Company's tax rates and preferential tax policies remained unchanged as compared with last year.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

(1) Details

Items	30 June 2019	31 December 2018
Cash on hand	5	18
Bank deposits	2,213,939	1,969,525
Other monetary assets	183,029	795,088
Total	2,396,973	2,764,631

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

1. Cash and bank balances (Continued)

(2) Other descriptions

Restricted cash and bank balances:

Items	30 June 2019	31 December 2018
Deposits for notes and letter of credit	183,029	795,088
Total	183,029	795,088

As at 30 June 2019, the Group had restricted cash and bank balances for notes and letter of credit, details refer to Note VII.46.

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

2. Financial assets held for trading

Items	30 June 2019	31 December 2018
Financial assets at fair value through profit or loss		
Debt instrument investments	184,400	30,000
Total	184,400	30,000

As at 30 June 2019, debt instrument investments the Group held are wealth management products.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

3. Trade receivables

(1) Details

Items	30 June 2019	31 December 2018
Trade receivables	15,043	30,340
Total	15,043	30,340

(2) Trade receivables

1) Ageing Analysis is as follows:

Ageing	30 June 2019	31 December 2018
Within 3 months (third month inclusive)	12,019	26,362
4–12 months (first year inclusive)	689	2,063
1–2 year	902	791
2–3 year	2,586	2,547
Above 3 year	151,702	151,432
Sub-total	167,898	183,195
Less: Provision for bad debts	152,855	152,855
Total	15,043	30,340

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

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

3. Trade receivables (Continued)

(2) Trade receivables (Continued)

2) Trade receivables disclosed on categories are as follows:

Categories	30 June 2019			
	Book Value		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are subject to provision by group with similar credit risk characteristics	167,898	100	152,855	91
Total	167,898	100	152,855	91

Categories	31 December 2018			
	Book Value		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are subject to provision by group with similar credit risk characteristics	183,195	100	152,855	83
Total	183,195	100	152,855	83

- a. As at 30 June 2019 and 31 December 2018, the Group did not have individually impaired trade receivables.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

3. Trade receivables (Continued)

(2) Trade receivables (Continued)

2) Trade receivables disclosed on categories are as follows: (Continued)

- b. Receivables that are subject to provision by group with similar credit risk characteristics for which bad debts are provided for ageing analysis are as follows:

Ageing	30 June 2019		
	Estimated doubtful book value	Lifetime ECLs	ECLs proportion (%)
Within 3 months (third month inclusive)	12,019	–	–
4–12 months (first year inclusive)	689	27	4
1–2 years	902	85	9
2–3 years	2,586	1,041	40
Over 3 years	151,702	151,702	100
Total	167,898	152,855	91

Ageing	31 December 2018		
	Estimated doubtful book value	Lifetime ECLs	ECLs proportion (%)
Within 3 months (third month inclusive)	13,778	–	–
4–12 months (first year inclusive)	1,683	83	5
1–2 years	790	90	11
2–3 years	980	450	46
Over 3 years	137,934	137,934	100
Total	155,165	138,557	89

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

3. Trade receivables (Continued)

(2) Trade receivables (Continued)

2) Trade receivables disclosed on categories are as follows: (Continued)

- c. Receivables that are subject to provision by group with similar credit risk characteristics for which bad debts are provided for other method are as follows:

Portfolios	30 June 2019		ECLs
	Book value	Lifetime ECLs	proportion (%)

Trade receivables from
historical related
parties*

— — —

Portfolios	31 December 2018		ECLs
	Book value	Lifetime ECLs	proportion (%)

Trade receivables from
historical related
parties*

28,030 14,298 51

- * 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. In the current period, the aforesaid historical related parties were no longer historical related parties of the Group, the related bad debts were provided for aging analysis method.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

3. Trade receivables (Continued)

(2) Trade receivables (Continued)

3) The movement for provision of bad debt of trade receivables is as follows:

	Opening balance	Provide	Reversal	Transfer	Written- off	Closing balance
30 June 2019	152,855	–	–	–	–	152,855
31 December 2018	143,500	12,628	3,273	–	–	152,855

4) Top five trade receivables balances

As at 30 June 2019, the top five balances in respect of trade receivables aggregating RMB45,945,000, accounting for 27% 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 RMB38,603,000.

4. Receivables financing

Items	30 June 2019	31 December 2018
Notes receivable	1,076,313	575,652
Total	1,076,313	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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

4. Receivables financing (Continued)

(1) Notes receivable

1) Details

Items	30 June 2019	31 December 2018
Commercial acceptance notes	200	2,900
Bank acceptance notes	1,076,113	572,752
Less: Provision for bad debts	—	—
Total	1,076,313	575,652

2) The pledged notes receivable included are as follows:

Items	30 June 2019	31 December 2018
Commercial acceptance notes	—	—
Bank acceptance notes	70,000	20,000
Subtotal	70,000	20,000

Note: For details of notes receivable with ownership restricted, please refer to Note VII.46.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

4. Receivables financing (Continued)

(1) Notes receivable (Continued)

3) Notes receivable has been endorsed or discounted but not yet due at the end of the reporting period are as follows:

Items	30 June 2019		31 December 2018	
	Amount derecognized at the end of the period	Amount remained to be recognized at the end of the period	Amount derecognized at the end of the year	Amount remained to be recognized at the end of the year
Commercial acceptance notes	-	-	-	2,500
Bank acceptance notes	4,280,764	143,101	5,563,044	258,359
Subtotal	4,280,764	143,101	5,563,044	260,859

4) As at 30 June 2019, there was no transfer of notes receivable into trade receivables due to default on the part of the drawer (31 December 2018: Nil).

5. Prepayments

(1) Ageing analysis

Ageing	30 June 2019		31 December 2018	
	Book value	Proportion (%)	Book value	Proportion (%)
Within 1 year	255,972	98	901,812	99
1-2 years	4,010	2	6,834	1
Total	259,982	100	908,646	100

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

5. Prepayments (Continued)

(2) Top five prepayments balances

As at 30 June 2019, the closing balances of the top five prepayments balances in aggregate to RMB140,351,000, representing 54% of the total closing balances of prepayments at the end of reporting period.

6. Other receivables

(1) Details

1) Ageing analysis

Ageing	30 June 2019	31 December 2018
Within 3 months (third month inclusive)	746	5,810
4–12 months (first year inclusive)	3,118	4,275
1–2 year	4,643	1,131
2–3 year	192	192
Above 3 year	36,965	36,965
Sub-total	45,664	48,373
Less: Provision for bad debts	37,867	37,867
Total	7,797	10,506

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

6. Other receivables (Continued)

(1) Details (Continued)

2) The ECLs movement based on 12-month and lifetime ECLs are as follows:

There are no changes in the ECLs based on 12-month and lifetime ECLs during the current period.

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs Individual assessment	Stage 2 Lifetime ECLs Group assessment	Stage 3 Credit- impaired Lifetime	Total
Losses on 1 January 2018	97	6,406	39	33,193	39,735
Losses on 1 January 2018 among current year					
- Transfer to Stage 2	(15)	-	15	-	-
- Transfer to Stage 3	-	(6,406)	-	6,406	-
- Turn back Stage 2	-	-	-	-	-
- Turn back Stage 1	-	-	-	-	-
Provided	522	-	365	6,406	7,293
Reversal	82	-	39	7,775	7,896
Written-off	-	-	-	1,265	1,265
Losses on 31 December 2018	522	-	380	36,965	37,867

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

6. Other receivables (Continued)

(1) Details (Continued)

3) the book value of carrying amount movement:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs Individual assessment	Stage 2 Lifetime ECLs Group assessment	Stage 3 Credit- impaired Lifetime	Total
Amount on 1 January 2019	10,085	–	1,323	36,965	48,373
Amount on 1 January 2019 among current period					
– Transfer to Stage 2	–	–	–	–	–
– Transfer to Stage 3	–	–	–	–	–
– Turn back stage 2	–	–	–	–	–
– Turn back stage1	–	–	–	–	–
Increase	875	–	–	–	875
Termination	3,584	–	–	–	3,584
Written-off	–	–	–	–	–
Amount on 30 June 2019	7,376	–	1,323	36,965	45,664

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

6. Other receivables (Continued)

(1) Details (Continued)

3) the book value of carrying amount movement: (Continued)

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs Individual assessment	Stage 2 Lifetime ECLs Group assessment	Stage 3 Credit- impaired Lifetime	Total
Amount on 1 January 2018	3,677	12,812	240	33,361	50,090
Amount on 1 January 2018 among current year					
- Transfer to Stage 2	(1,323)	-	1,323	-	-
- Transfer to Stage 3	-	(12,812)	-	12,812	-
- Turn back stage 2	-	-	-	-	-
- Turn back stage1	-	-	-	-	-
Increase	11,090	-	-	-	11,090
Termination	3,359	-	240	7,943	11,542
Written-off	-	-	-	1,265	1,265
Amount on 31 December 2018	10,085	-	1,323	36,965	48,373

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

6. Other receivables (Continued)

(2) As at 30 June 2019, other receivables presented by nature:

Nature	30 June 2019	31 December 2018
Prepayments for trading	32,856	33,297
Guarantee deposits and staff advances	8,726	10,293
Others	4,082	4,783
Total	45,664	48,373

(3) As at 30 June 2019, the five largest other receivables are as follows:

Company	Book value	Nature	Ageing	Ratio in other receivables (%)	Provision for bad debts
First	10,240	Prepayment for trading	Above 3 year	22	10,240
Second	7,222	Prepayment for trading	Above 3 year	16	7,222
Third	5,590	Prepayment for trading	Above 3 year	12	5,590
Fourth	4,126	Prepayment for trading	Above 3 year	9	4,126
Fifth	3,921	Prepayment for trading	Above 3 year	9	3,921
Total	31,099			68	31,099

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

7. Inventories

(1) Details

Items	30 June 2019			31 December 2018		
	Book value	Provision for decline in value	Carrying amount	Book value	Provision for decline in value	Carrying amount
Raw materials	2,123,269	136,616	1,986,653	2,064,672	136,616	1,928,056
Work in progress	554,137	–	554,137	518,618	–	518,618
Finished goods	403,668	–	403,668	469,552	4,954	464,598
Low value consumables and maintenance and spare parts	631,597	190,062	441,535	470,991	190,062	280,929
Total	3,712,671	326,678	3,385,993	3,523,833	331,632	3,192,201

(2) Provision for inventories

1) Details

For the six months ended 30 June 2019	Opening balance	Increase		Decrease Reversal or Written-off	Closing balance
		Provision	Others		
Raw materials	136,616	–	–	–	136,616
Finished goods	4,954	–	–	4,954	–
Low value consumables and maintenance and spare parts	190,062	–	–	–	190,062
Total	331,632	–	–	4,954	326,678

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

7. Inventories (Continued)

(2) Provision for inventories (Continued)

2) Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventories

Items	Determination basis for provision for decline in value	Basis for determination of net realizable value	Reasons for the reversal or the written-off of provision for decline in value of inventories in the current period
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	
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	
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	

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

8. Other current assets

Item	30 June 2019	31 December 2018
Input VAT to be deducted	30,467	279
Total	30,467	279

9. Other equity investments

Non-Trading Equity instruments measured at FVOCI at the end of the period

30 June 2019 and 31 December 2018

	Cost	Accumulated FVOCI	Fair Value	Dividend Income		The reason of designated as FVOCI
				Derecognized equity instrument during the period/year	Hold equity instrument	
Xiamen Shipbuilding Industry Co., Ltd. (廈門船舶重工股份有限公司)	5,000	-	5,000	-	-	Intention to long-term holding to obtain investment income

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

10. Long-term equity investments

(1) Categories

Items	30 June 2019			31 December 2018		
	Book value	Provision for impairments	Carrying amount	Book value	Provision for impairments	Carrying amount
Investments in associates	28,258	-	28,258	-	-	-

(2) Details

For the six months ended 30 June 2019

Investees	Opening balance	Increase/(decrease)			Closing balance
		Investments increased	Investment income recognized under equity method		
Chongqing Xingang Changlong Logistics Co., Ltd. ("Xingang Changlong") (Note)	-	28,258	-	-	28,258

Note: 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

11. Property, plant and equipment

(1) Details

For the six months ended 30 June 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
Increase	–	8,307	3,887	12,194
1) Purchase	–	3,507	3,887	7,394
2) Transfer from construction in progress	–	4,800	–	4,800
Decrease	–	844	268	1,112
1) Disposal or retirements	–	844	268	1,112
Closing balance	13,628,267	7,739,031	15,556	21,382,854
Accumulated depreciation				
Opening balance	2,026,556	2,420,598	10,509	4,457,663
Increase	159,083	173,410	217	332,710
1) Provided	159,083	173,410	217	332,710
Decrease	–	236	344	580
1) Disposal or retirements	–	236	344	580
Closing balance	2,185,639	2,593,772	10,382	4,789,793
Provision for impairment				
Opening balance and closing balance	–	–	–	–
Carrying amount				
Carrying amount at the end of the period	11,442,628	5,145,259	5,174	16,593,061
Carrying amount at the beginning of the period	11,601,711	5,310,970	1,428	16,914,109

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

11. Property, plant and equipment (Continued)

(2) PPE leased out under operating lease are as follows:

For the six months ended 30 June 2019

Items	Plants and buildings
Cost	
Opening balance	16,976
Increase	1,019
Decrease	–
Closing balance	17,995
Accumulated depreciation	
Opening balance	2,324
Increase	328
Decrease	–
Closing balance	2,652
Provision for impairment	
Opening and closing balance	–
Carrying amount	
Carrying amount at the end of the reporting period	15,343
Carrying amount at the beginning of the reporting period	14,652

Items	31 December 2018
Plants and buildings	14,652

(3) PPE without certificates of ownership are as follows:

Items	Carrying amount	Reason for lacking certificates of ownership
Workshop in Changshou district	1,070,333	Application materials in the approval process

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

11. Property, plant and equipment (Continued)

(4) For details of PPE with ownership restricted, please refer to Note VII.46.

12. Construction in progress

(1) Details

Projects	30 June 2019		Book value	31 December 2018		
	Book value	Provision for impairments		Book value	Provision for impairments	Book value
2# blast furnace recovery project	3,560	–	3,560	–	–	–
Upgrading and reconstruction of continuous caster breakout detection system	3,147	–	3,147	3,147	–	3,147
Repair technology Innovation Integration Project	2,980	–	2,980	2,980	–	2,980
Continuous caster electromagnetic stirring device turnover item project	2,260	–	2,260	–	–	–
Third phase construction of power dispatching automation system	2,205	–	2,205	–	–	–
Sintering flue gas desulfurization upgrading and transformation project	1,641	–	1,641	–	–	–
Road function improvement project	1,230	–	1,230	–	–	–
Boiler supporting project	–	–	–	3,384	–	3,384
Others	11,318	–	11,318	7,082	–	7,082
Total	28,341	–	28,341	16,593	–	16,593

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

12. Construction in progress (Continued)

(2) Changes in significant projects for the period

Name of project	Budget	Opening balance	Current period additions	Transferred to PPE	Closing balance	Source of funds	Invest proportion of budget
2# blast furnace recovery project	140,300	-	3,560	-	3,560	Self-owned funds	3%
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	2,980	-	-	2,980	Self-owned funds	65%
Continuous caster electromagnetic stirring device turnover item project	11,900	-	2,260	-	2,260	Self-owned funds	19%
Third phase construction of power dispatching automation system	2,600	-	2,205	-	2,205	Self-owned funds	85%
Sintering flue gas desulfurization upgrading and transformation project	209,400	-	1,641	-	1,641	Self-owned funds	1%
Road function improvement project	8,412	-	1,230	-	1,230	Self-owned funds	15%
Boiler supporting project	3,323	3,384	(68)	3,316	-	Self-owned funds	100%
Others		7,082	5,720	1,484	11,318	Self-owned funds	
Sub-total		16,593	16,548	4,800	28,341		

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

13. Intangible assets

	For the six months ended 30 June 2019 Land use rights
Cost	
Opening balance and closing balance	2,871,067
Accumulated amortization	
Opening balance	416,740
Provided	31,106
Closing balance	447,846
Provision for impairment	
Opening balance and closing balance	–
Carrying amount	
Carrying amount at the end of the period	2,423,221
Carrying amount at the beginning of the period	2,454,327

As at 30 June 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 VII.46.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

14. Deferred tax assets

(1) Details of deferred tax assets without offset are as follows:

Items	30 June 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deductible losses	146,905	22,036	146,905	22,036
Provision for assets impairment	60,206	9,031	60,206	9,031
Total	207,111	31,067	207,111	31,067

(2) Particulars of deferred tax assets unrecognized are presented as follows:

Items	30 June 2019	31 December 2018
Deductible losses	4,352,395	4,821,780
Deductible temporary differences	971,333	1,137,323
Sub-total	5,323,728	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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

14. Deferred tax assets (Continued)

(3) The aforesaid unrecognized deductible losses will be due in the following years:

Year	30 June 2019	31 December 2018
2020	700,227	1,169,612
2021	3,650,870	3,650,870
2022	1,298	1,298
Sub-total	4,352,395	4,821,780

15. Provision for impairment for assets

For the six months ended 30 June 2019

Items	Opening balance	Provided	Deduction		Closing balance
			Reversal	Written-off	
Provision for bad debts	190,722	–	–	–	190,722
Provision for inventories	331,632	–	–	4,954	326,678
Total	522,354	–	–	4,954	517,400

16. Notes payable

Items	30 June 2019	31 December 2018
Bank acceptance notes	197,409	1,199,147

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

17. Trade payables

(1) *Details*

Items	30 June 2019	31 December 2018
Trade payables for goods and services	1,920,115	1,747,169

(2) *Trade payables ageing analysis*

Ageing	30 June 2019	31 December 2018
Within 1 year	1,910,274	1,579,730
1–2 years	5,008	162,640
2–3 years	34	4,763
Over 3 years	4,799	36
Total	1,920,115	1,747,169

(3) *Trade payables with ageing over one year:*

Items	30 June 2019	Reasons for unsettlement
Trade payables	9,841	Continuation of the contract but temporarily not paid

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

18. Contract liabilities

For the six months ended 30 June 2019

Items	Opening balance	Cash increase	Revenue recognized	Other movement	Closing balance
Contract for goods	1,004,280	11,033,054	10,994,545	–	1,042,789

2018

Items	Opening balance	Cash increase	Revenue recognized	Other movement	Closing balance
Contract for goods	159,914	22,679,220	21,834,854	–	1,004,280

As at 30 June 2019, the VAT included in prepayments amounted to RMB135,547,000 (31 December 2018: RMB160,675,000) was presented as other current liabilities.

19. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	280,910	512,042	662,479	130,473
Post-employment benefits – defined contribution plans	27	60,744	53,758	7,013
Termination benefits	52,470	25,658	24,348	53,780
Total	333,407	598,444	740,585	191,266

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

19. Employee benefits payable (Continued)

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	12,721	328,794	324,130	17,385
Staff welfare	–	3,558	3,558	–
Social security contributions	8	36,767	34,244	2,531
Including:				
Medical insurance	8	30,371	28,009	2,370
Work injury insurance	–	4,675	4,675	–
Maternity insurance premium	–	1,721	1,560	161
Housing fund	–	32,888	32,886	2
Labor union funds and employee education funds	17,990	20,435	16,170	22,255
Incentive fund (<i>note</i>)	250,000	89,201	251,092	88,109
Others	191	399	399	191
Sub-total	280,910	512,042	662,479	130,473

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. In the current period, the Company has transferred incentive fund for 2018 amounted to RMB251,092,000 to the special fund accounts of the incentive fund. The special fund accounts are fully isolated from the Company’s own funds and do not belong to the Company’s disposable funds. Meanwhile, the Company accrued the incentive fund amounted to RMB88,109,000 based on 12.5% of the unaudited consolidated profit before taxes for the six months ended 30 June 2019 (before picking up incentive fund).

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

19. Employee benefits payable (Continued)

(3) Details of defined contribution plans

Items	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	59,215	52,298	6,944
Unemployment insurance	–	1,529	1,460	69
Sub-total	27	60,744	53,758	7,013

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.

20. Taxes payable

Items	30 June 2019	31 December 2018
VAT	38,067	20,461
Environmental protection tax	8,551	6,109
Stamp duty	2,445	4,274
City maintenance and construction tax	2,686	1,458
CIT	125	882
Others	1,920	2,549
Total	53,794	35,733

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

21. Other payables

(1) *Details*

Items	30 June 2019	31 December 2018
Interest payable	5,773	6,317
Other payables	387,406	348,348
Total	393,179	354,665

(2) *Other payables*

1) *Details*

Items	30 June 2019	31 December 2018
Reserve funds for the reorganization	152,268	157,350
Guarantee deposits	95,437	75,606
Rural network loan repayment	67,895	47,063
Large and medium-sized reservoir resettlement support fund	21,728	15,244
Accrued electricity expenses	14,352	29,288
Payment for trading and interest	2,511	3,143
Others	33,215	20,654
Total	387,406	348,348

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

22. Non-current liabilities due within one year

Items	30 June 2019	31 December 2018
Long-term loan due within one year	350,000	400,000
Other non-current liabilities due within one year	80,000	10,000
Total	430,000	410,000

Note: Long term loan due within one year was mortgage and guaranteed loan, which was guaranteed by Siyuanhe Equity Investment Management Co., Ltd. (思源合股權投資管理有限公司) free of charge. As at 30 June 2019, the interest rate of the above loan was 4.75% per annum (31 December 2018: 4.75%). Other non-current liabilities due within one year was loan of judicial reorganization from Changshou Iron & Steel, which bears interest at the rate of 4.9% per annum (31 December 2018: 4.9%), details of loan refer to Note VII.23 and VII.26.

23. Long-term borrowings

(1) *Details*

Items	30 June 2019	31 December 2018
Mortgage and guaranteed loan (<i>Note</i>)	150,000	300,000

Note: The mortgage and guaranteed loan was guaranteed by Siyuanhe Equity Investment Management Co., Ltd. free of charge. As at 30 June 2019, the interest rate of the above loan was 4.75% per annum (31 December 2018: 4.75%).

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

23. Long-term borrowings (Continued)

(2) *Analysis on due date of long-term borrowings is as follows:*

Items	30 June 2019	31 December 2018
Spot or within 1 year	350,000	400,000
1–2 years	150,000	300,000
Sub-total	500,000	700,000
Long-term loans due within one year	350,000	400,000
Long-term loans due over one year	150,000	300,000

24. Long-term employee benefits payable

Items	30 June 2019	31 December 2018
Termination benefits	192,167	203,775
Net liabilities of the defined benefit plan	36,840	36,840
Total	229,007	240,615

(1) *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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

24. Long-term employee benefits payable (Continued)

(1) Termination benefits (Continued)

As at 30 June 2019, key actuarial assumptions used are as follows:

Items	30 June 2019	31 December 2018
Discount rate	3.00%	3.00%
Retirement age		
Male	60	60
Female	50/55	50/55
Increase rate		
Wealth increase rate	5.5–8%	5.5–8%

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 30 June 2019 and accounted in profit or loss. As at 30 June 2019, the current portion of the payment responsibility was accounted for in short-term employee benefits.

(2) 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 following table sets forth the principal actuarial assumptions used as at the balance sheet date:

Items	30 June 2019
Discount rate	3.5%
Turnover rate	1.5%

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 30 June 2019 and accounted in profit or loss.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

25. Deferred income

(1) Details of deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants	40,495	–	1,227	39,268	Government grants

(2) Details of government grants

Items	Opening balance	Increase	Recognition during the period as other income (Note)	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	5,807	–	102	5,705	Related to assets
Grants for recycle heat power station	34,688	–	1,125	33,563	Related to assets
Sub-total	40,495	–	1,227	39,268	

Note: 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 VII.38.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

26. Other non-current liabilities

(1) *Details*

Items	30 June 2019	31 December 2018
Borrowings from non-financial institutions		
– loan of judicial reorganization	2,320,000	2,390,000
– financial loan	290,500	185,500
Total	2,610,500	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 RMB80,000,000 will mature on 20 April 2020, presented as 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. As at 30 June 2019, the Company had utilized RMB290.5 million.

(2) *The deadline analysis of other non-current liabilities*

Items	30 June 2019	31 December 2018
Due within 1 year	80,000	10,000
1 to 2 year	560,500	140,000
2 to 5 year	1,730,000	1,795,500
Above 5 year	320,000	640,000
Subtotal	2,690,500	2,585,500
Other non-current liabilities due within 1 year	80,000	10,000
Other non-current liabilities due above 1 year	2,610,500	2,575,500

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

27. Share capital

Items	Opening balance	New shares issued	Increase/(decrease) during the current period				Sub-total	Closing balance
			Bonus shares	Reserve transferred to shares	Restricted share unlocked	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
Total	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 2024. 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.

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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

28. Capital reserves

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	18,454,409	–	–	18,454,409
Other capital reserves	827,738	–	–	827,738
Total	19,282,147	–	–	19,282,147

29. Treasury shares

Items	Opening balance	Increase	Decrease	Closing balance
Treasury shares (<i>note</i>)	–	62,314	–	62,314

Note: 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 VII.27.

30. Special reserves

Items	Opening balance	Increase	Decrease	Closing balance
Safety fund	13,644	12,840	4,236	22,248

Special reserves 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

31. Surplus reserves

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	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 reserves, where the appropriation can be ceased when the statutory surplus reserves reaches 50% of the registered capital.

32. Accumulated losses

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Opening balance	(10,289,719)	(12,077,625)
Add: Net profit attributable to the owners	615,728	761,960
Closing balance	(9,673,991)	(11,315,665)

33. Revenue and cost of sales

Items	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	11,441,288	10,307,160	11,065,767	9,765,070
Revenue from other operations	42,272	34,872	27,132	4,571
Total	11,483,560	10,342,032	11,092,899	9,769,641

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

33. Revenue and cost of sales (Continued)

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Sale of steel products	10,994,545	10,517,731
Others	446,743	548,036
Sub-total of revenue from principal operations	11,441,288	11,065,767

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Sale of wasted materials	31,929	20,153
Lease revenue	236	572
Others	10,107	6,407
Sub-total of revenue from other operations	42,272	27,132

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

33. Revenue and cost of sales (Continued)

Lease revenue is as follows:

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Operating lease	236	572
Sub-total	236	572

Disaggregation of revenue from contracts with customers

(1) *Revenue by products' categories are as follows:*

For the six months ended 30 June 2019

Main Product	Sale of steel products	Others	Total
Hot rolling	5,158,288	–	5,158,288
Medium plate	3,542,337	–	3,542,337
Bars	1,142,570	–	1,142,570
Profiles	1,151,350	–	1,151,350
Others	–	489,015	489,015
Total	10,994,545	489,015	11,483,560

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

33. Revenue and cost of sales (Continued)

Disaggregation of revenue from contracts with customers (Continued)

(1) *Revenue by products' categories are as follows: (Continued)*

For the six months ended 30 June 2018

Main Product	Sale of steel products	Others	Total
Hot rolling	6,004,637	–	6,004,637
Medium plate	2,654,990	–	2,654,990
Bars	918,454	–	918,454
Profiles	939,650	–	939,650
Others	–	575,168	575,168
Total	10,517,731	575,168	11,092,899

(2) *All the Group's revenue was recognized at a certain point.*

The details of expected revenue recognized from remaining contract obligation

	Within one year	One to two years	Above two years	Total
Sale of goods	1,042,789	–	–	1,042,789

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

34. Taxes and surcharges

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Land use right tax	21,249	21,146
Housing property tax	16,738	16,849
Environmental protection tax	14,199	10,161
Stamp duty	4,829	4,273
City maintenance and construction tax	20,502	–
Education surcharge	8,813	–
Local education surcharge	5,858	–
Others	6	8
Total	92,194	52,437

35. Distribution and selling expenses

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Transportation expenses	32,752	30,947
Labor costs	8,784	5,726
Depreciation and amortization	258	297
Others	3,367	5,016
Total	45,161	41,986

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

36. General and administrative expenses

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Labor costs	81,356	79,501
Incentive funds	89,201	–
Depreciation and amortization	58,029	64,217
Termination benefits	10,600	67,225
Loss on suspension of production	34,999	35,128
Service fee of agencies	1,607	4,212
Consulting fee	14,650	1,821
Safety expense	10,562	7,649
Environmental protection cost	3,574	1,575
Repair cost	4,258	20,975
Others	21,194	23,730
Total	330,030	306,033

37. Finance Expenses

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Bank interest and other in kind	106,499	190,466
Less: Interest income	33,469	46,428
Net exchange loss/(gain)	–	3,113
Others	2,955	99
Total	75,985	147,250

Interest income	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Funds and others	33,469	46,428

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

38. Other income

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Amount included in non-recurring profit or loss
Government grants	1,227	1,502	1,227

Government grants related to daily operating activities are as follows:

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Relate to assets or income
Grants for recycle heat power project	1,125	1,313	Relate to assets
Others	102	119	Relate to assets
Subtotal	1,227	1,432	
Others	–	70	Relate to income
Subtotal	–	70	
Total	1,227	1,502	

39. Investment Income

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Investment income from financial assets held for trading	5,351	–
Investment income from long-term equity investments under equity method	–	(2,628)
Investment income from disposal of long-term equity investments	–	802
Total	5,351	(1,826)

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

40. Non-operating income

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Amount included in non-recurring profit or loss
Incomes from default	10,176	–	10,176
Others	3,076	325	3,076
Total	13,252	325	13,252

41. Non-operating expenses

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Amount included in non-recurring profit or loss
Losses from the retirement of non-current assets	532	–	532
Losses on the reorganization	–	19,062	–
Others	133	2,001	133
Total	665	21,063	665

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

42. Income tax expenses

(1) *Details*

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Current income tax	1,595	885
Deferred tax	–	–
Total	1,595	885

(2) *Income tax expense reconciliation from profit before tax*

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Profit before tax	617,323	762,972
Tax rate	15%	15%
Income tax expenses calculated at the applicable tax rate	92,598	114,446
Effect of different tax rate applicable to subsidiaries	540	620
Expenses not deductible for tax purposes	2,882	718
Adjustment of income tax in the prior year	882	265
Profits and losses attributable to associates	–	394
Utilization of deductible losses from prior years	(70,408)	(128,434)
Effect of unrecognized deductible temporary differences	(24,899)	12,876
Income tax expenses	1,595	885

(3) *All the Group's profit is from Mainland China.*

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

43. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the current period 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.

The Group does not hold potential shares that are dilutive.

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Basic earnings per share		
Continuing operations	0.07	0.09
Total	0.07	0.09

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Earnings		
Profit attributable to ordinary shareholders of the Company (RMB)	615,728,000	761,960,000
Number of shares		
Weighted average number of ordinary shares outstanding (Note)	8,918,602,267	8,918,602,267

Note: During the current period, 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 period was 8,918,602,267 shares, which was used by the Company to calculate the current earnings per share.

No change occurred in the period 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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

44. Notes to items of the consolidated cash flow statement

(1) *Other cash received relating to operating activities*

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Interest income	26,003	39,407
Guarantees and deposit	19,831	47,007
Others	15,245	23,275
Total	61,079	109,689

(2) *Other cash paid relating to operating activities*

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Distribution and selling expenses	36,122	35,963
General and administrative expenses	94,086	84,145
Others	37,552	399,955
Total	167,760	520,063

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

44. Notes to items of the consolidated cash flow statement (Continued)

(3) *Other cash received relating to financing activities*

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Notes and letter of credit deposit	795,088	80,700
Reserve fund for the reorganization plan	–	1,100,000
Others	–	876
Total	795,088	1,181,576

(4) *Other cash paid relating to financing activities*

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Notes and letter of credit deposit	183,029	–
Repurchase of shares	62,314	–
Repayment of operating ordinary obligations from the reorganization	5,082	26,166
Repayment of guarantee obligations from the reorganization	–	664,890
Payment to non-controlling interests of a subsidiary	–	73,513
Total	250,425	764,569

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

45. Supplementary information to the consolidated cash flow statement

(1) *Supplement information to the consolidated cash flow statement*

Supplementary Information	For the six months ended 30 June 2019	For the six months ended 30 June 2018
1) Reconciliation from net profit to cash flows from operating activities:		
Net profit	615,728	762,087
Add: Depreciation of property plant and equipment	332,710	359,601
Amortization of intangible assets	31,106	36,300
Amortization of deferred income	(1,227)	(1,432)
Losses on disposal of fixes assets, intangible assets and other long-term assets	–	(8,482)
Losses from the retirement of property plant and equipment	532	–
Financial expenses	78,902	178,364
Investment losses/(income)	(5,351)	1,826
Decrease/(increase) in inventories	(202,895)	(885,878)
Decrease/(increase) in operating receivables	135,821	(1,272,889)
Increase/(decrease) in operating payables	(905,513)	(478,498)
Others	8,604	7,813
Net cash flow from operating activities	88,417	(1,301,188)
2) Net changes in cash and cash equivalents:		
Cash at the end of the period	2,213,944	450,015
Less: cash at the beginning of the period	1,969,543	868,962
Net increase in cash and cash equivalents	244,401	(418,947)

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

45. Supplementary information to the consolidated cash flow statement (Continued)

(2) Cash flows relating to lease

Items	For the six months ended 30 June 2019
Cash inflows relating to lease	1,027
Cash outflows relating to lease	(189,750)
Total	(188,723)

(3) Components of cash and cash equivalents

Items	30 June 2019	31 December 2018
1) Cash	2,213,944	1,969,543
Wherein: Cash on hand	5	18
Bank deposit available on demand for payment	2,213,939	1,969,525
2) Cash and cash equivalents at the end of the period	2,213,944	1,969,543

(4) Endorsement amount of notes receivable with no cash receipts and payments

Items	For the six months ended 30 June 2019
Endorsement amount of notes receivable	2,524,753
Including: Payment for goods and labor	2,506,642
Payment for others	18,111

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

46. Assets with ownership or use right restricted

Items	30 June 2019	31 December 2018	Remarks
Cash and bank balances	183,029	795,088	<i>Note 1</i>
Receivables financing	70,000	20,000	<i>Note 2</i>
PPE—Plants and buildings	1,950,776	1,975,369	<i>Note 3</i>
Intangible assets	2,423,221	2,454,327	<i>Note 4</i>
Total	4,627,026	5,244,784	

Note 1: As at 30 June 2019, the Group had cash and bank balances amounted to RMB183,029,000 (31 December 2018: RMB795,088,000) restricted for bank acceptance notes and letter of credit.

Note 2: As at 30 June 2019, the Group had notes receivable pledged amounted to RMB70,000,000 (31 December 2018: RMB20,000,000) for bank acceptance notes.

Note 3: As at 30 June 2019, the plant and buildings with a net carrying amount of RMB1,950,776,000 (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 30 June 2019, the land use right with a net carrying amount of RMB2,423,221,000 (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 period was RMB31,106,000.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

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

47. Foreign currency monetary items

Items	Original currency	Exchange rate	RMB equivalent
Cash and bank balances			
Wherein: USD	82	6.8747	564
HKD	6	0.8778	5

48. Government grants

(1) *Detail*

1) *Government grants related to assets*

Items	Opening deferred income	Newly-added grants for the period	Amortization for the period	Closing deferred income	Items stated of the amortization for the period
Construction of environmental protection equipment and facilities	5,807	-	102	5,705	Other income
Recycle heat power project	34,688	-	1,125	33,563	Other income
Total	40,495	-	1,227	39,268	

2) *There was no government grants that related to the income and used to compensate for related costs and losses incurred by the Company during current period.*

(2) The total amount of government grants included in profit and loss of the current period was RMB1,227,000.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

VIII. INTERESTS IN OTHER ENTITIES

1. Equity in subsidiaries

Composition of significant subsidiaries

Name of the subsidiary	Main operating place	Place of registration	Business nature	Shareholding proportion		Acquisition method
				Direct	Indirect	
Chongqing CIS Building Materials Sales Co., Ltd.	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Trade industry	100%	–	Incorporation

On 30 June 2019, there were no subsidiaries with material interests of non-controlling shareholders.

2. Equity in associates

Name of associate	Main operating place	Place of registration	Business nature	Registered capital	Shareholding proportion		Accounting method
					Direct	Indirect	
Xingang Changlong	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Logistic and warehousing industry	110,000	28%	–	Equity method

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

As at 30 June 2019 and 31 December 2018, the carrying amount of financial instruments is as follows:

(1) *financial assets*

30 June 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	–	–	2,396,973	2,396,973
Financial assets held for trading	–	184,400	–	184,400
Trade receivables	–	–	15,043	15,043
Receivables financing (required by standards)	1,076,313	–	–	1,076,313
Other receivables	–	–	7,797	7,797
Other equity investment (designated)	5,000	–	–	5,000
Total	1,081,313	184,400	2,419,813	3,685,526

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	–	30,000	–	30,000
Trade receivables	–	–	30,340	30,340
Receivables financing (required by standards)	575,652	–	–	575,652
Other receivables	–	–	10,506	10,506
Other equity investment (designated)	5,000	–	–	5,000
Total	580,652	30,000	2,805,477	3,416,129

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Classification of financial instruments (Continued)

(2) *financial liabilities*

	Financial liabilities at amortized cost	
	30 June 2019	31 December 2018
Notes payable	197,409	1,199,147
Trade payables	1,920,115	1,747,169
Other payables	393,179	354,665
Non-current liabilities due within one year	430,000	410,000
Long-term borrowings	150,000	300,000
Other non-current liabilities	2,610,500	2,575,500
Total	5,701,203	6,586,481

2. Transfer of financial assets

(1) *Financial assets transferred but fully derecognized and transferred but still continuing involved*

As at 30 June 2019, the Group endorsed bank acceptance notes to the suppliers with a carrying amount of RMB143,101,000 for settlement of trade payables (31 December 2018: RMB260,859,000). 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 associated therewith in full. After the endorsement, 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 30 June 2019, the carrying amount of trade payables settled by the Group through these financial assets amounted to RMB143,101,000 (31 December 2018: RMB260,859,000).

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Transfer of financial assets (Continued)

(2) *Financial assets fully derecognized and transferred but still continuing involved*

As at 30 June 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 RMB4,280,764,000 (31 December 2018: RMB5,563,044,000). As at 30 June 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.

For the six months ended 30 June 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 in the current period.

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, and 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 risk management committee in accordance with the policies approved by the board. Risk management committee 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

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 over-concentration on any single industry, particular region or particular counterparties.

(1) *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, bank acceptance notes and financial assets held for trading are placed in the well-established banks 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 other receivables and other equity investments arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XII.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 period, the Group had a certain concentration of credit risk as 27% (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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

(1) Credit risk (Continued)

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:

- 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
- 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.
- the upper limit indicator is the debtor's contract payment (including principal and interest) is overdue for more than 30 days.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

(1) 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:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- 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;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

(1) Credit risk (Continued)

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.

Relative definitions are listed as follows:

- 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;
- 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;
- 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

(1) Credit risk (Continued)

Forward-looking information

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 30 June 2019, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

Items	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
Cash and bank balance	2,396,973	–	–	–	2,396,973
Trade receivables	–	–	–	167,898	167,898
Receivables financing	1,076,313	–	–	–	1,076,313
Other receivables	7,376	1,323	36,965	–	45,664
Total	3,480,662	1,323	36,965	167,898	3,686,848

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

(1) Credit risk (Continued)

Forward-looking information (Continued)

As at 31 December 2018, the analysis of gross carrying amounts and credit risk exposure of financial assets are as follows:

Items	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
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

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

(2) 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 30 June 2019, the Group's current liabilities already exceeded current assets by RMB2,992,869,000 (31 December 2018: RMB2,267,179,000).

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

(2) Liquidity risk (Continued)

Classification of financial liabilities based on the rest maturity date:

Items	30 June 2019					
	Carrying amount	Undiscounted	Within 1 year	1-2 years	2 to 5 years	Over 5 years
		contract amount				
Notes payable	197,409	197,409	197,409	-	-	-
Trade payables	1,920,115	1,920,115	1,920,115	-	-	-
Other payables	393,179	393,179	393,179	-	-	-
Non-current liabilities due within one year	430,000	441,805	441,805	-	-	-
Long-term borrowings	150,000	160,787	7,244	153,543	-	-
Other non-current liabilities	2,610,500	3,053,864	129,373	678,410	1,919,722	326,359
Total	5,701,203	6,167,159	3,089,125	831,953	1,919,722	326,359

Items	31 December 2018					
	Carrying amount	Undiscounted	Within 1 year	1-2 years	2 to 5 years	Over 5 years
		contract amount				
Notes payable	1,199,147	1,199,147	1,199,147	-	-	-
Trade payables	1,747,169	1,747,169	1,747,169	-	-	-
Other payables	354,665	354,665	354,665	-	-	-
Non-current liabilities due within one year	410,000	420,833	420,833	-	-	-
Long-term borrowings	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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

(3) *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.

1) *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 30 June 2019, all the Group's bank loans were calculated by stable interest rate.

2) *Foreign exchange risk*

Foreign exchange risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the variation in the foreign exchange rate. Foreign exchange risk faced by the Group is mainly correlated with its monetary assets in foreign currency. When short-term imbalance occurred to foreign currency assets and liabilities, the Group may trade foreign currency at market exchange rate when necessary to ensure that the net risk exposure is maintained at an acceptable level.

During the current period, the Group's operating activities were carried out in Mainland China. Majority of transactions are denominated in RMB, the transactions of sales are denominated in RMB, and approximately 9% (Six months ended 30 June 2018: Nil) 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 current period, 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.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 and monitors capital using debt-to-asset ratio. In the current period and 2018, there had been no change in the objectives, policies or procedures of capital management of the Group.

On 30 June 2019 and 31 December 2018, the Group's debt-to-asset ratio, which is total liabilities divided by total assets at the end of the reporting period, is as follows:

	30 June 2019	31 December 2018
Debt-to-asset ratio	27.91%	31.19%

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

X. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

As at 30 June 2019

	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	5,000	5,000
Receivables financing	–	1,076,313	–	1,076,313
Financial assets held for trading	–	–	184,400	184,400

As at 31 December 2018

	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	5,000	5,000
Receivables financing	–	575,652	–	575,652
Financial assets held for trading	–	–	30,000	30,000

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Assets and liabilities disclosed at fair value

As at 30 June 2019	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	–	149,937	–	149,937
Other non-current liabilities	–	2,607,253	–	2,607,253
Total	–	2,757,190	–	2,757,190

As at 31 December 2018	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
		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
Total	–	2,704,071	–	2,704,071

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Fair value estimation

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

	30 June 2019		31 December 2018	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial liabilities				
Long-term borrowings	150,000	149,937	300,000	277,919
Other non-current liabilities	2,610,500	2,607,253	2,575,500	2,426,152
Total	2,760,500	2,757,190	2,875,500	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, 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 30 June 2019, non-performance risks underlying long-term borrowings and other non-current liabilities were appraised as immaterial.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XI. 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 (%)
Chongqing Changshou Iron & Steel Company Limited	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

Note: In December 2017, Chongqing Municipal First Intermediate People's Court (重慶市第一中級人民法院) judged that the reorganization plan had been completed. Changshou Iron & Steel received 2,096,981,600 shares held by CISG and became the Company's largest shareholder. Since that, CISG (with registered capital of RMB1,650,706,000) was no longer the parent company, and the controlling shareholder is Changshou Iron & Steel, whose substantial controller is Siyuanhe Equity Investment Management Co., Ltd.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Please refer to note VIII. Interests in other entities for details of the Company's subsidiaries.
3. Information about other related parties of the Company

Name of the other related parties	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)
Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司)	Other (Note 2)

Note 1: Refer to note VII.10 for details.

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

1) Purchase of goods and receiving of services from related parties

Related party	Content of transaction	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Xingang Changlong (重慶新港長龍物流有限責任公司)	receiving of services	11,536	19,210

2) Sale of goods and rendering of services to related parties

Related party	Content of transaction	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Xingang Changlong (重慶新港長龍物流有限責任公司)	Sale of energy, rendering of services	643	329

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(1) Transaction of goods and services with related parties (Continued)

3) 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

1) As a lessor

Name of Lessee	Type of assets leased	Lease income in six months ended 30 June 2019	Lease income in six months ended 30 June 2018
Xingang Changlong (重慶新港長龍物流有限 責任公司)	Plant and buildings	13	25

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(2) Leases (Continued)

2) As a lessee

Name of lessor	Types of asset leased	Lease expenses in six months ended 30 June 2019	Lease expenses in six months ended 30 June 2018
Changshou Iron & Steel (重慶長壽鋼鐵有限公司) (note)	Machinery and equipment	93,684	91,930

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 was considered and approved by the 5th Session of the Eighth Board Meeting. The Board agreed that the Company shall lease the aforesaid pre-ironmaking assets from Changshou Iron & Steel. On 27 December 2018, the Group entered into the renewal leasing contract of the aforesaid pre-ironmaking with Changshou Iron & Steel, with a monthly rent of RMB17,875,000 and a lease term from 1 January 2019 to 31 December 2019.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(3) Guarantee

Guarantee provided by related parties:

Guaranteed party	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Siyuanhe Equity Investment Management Co., Ltd. (Note 1)	500,000	2017/12/27	2020/12/26	No
Changshou Iron & Steel (Note 2)	1,000,000	2018/6/19	2019/6/19	Yes

Notes relating to guarantee provided by related parties

Note 1: 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, free of charge. As at 30 June 2019, the Company had payback RMB600 million to China Development Bank, and the closing balance of the guarantee was RMB500 million.

Note 2: 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 was 1 year. In the current reporting period, the guarantee has been fulfilled.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XI. 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 period
Changshou Iron & Steel (Note)	2,690,500	64,692

Note: 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. 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%. As at 30 June 2019, the Company has utilized RMB290.5 million.

(5) Remuneration of key management personnel

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Remuneration of key management personnel	14,905	10,770

5. Balance due to or from related parties

(1) Balance due from related parties

Items	Related party	30 June 2019		31 December 2018	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Trade receivables	Xingang	514	–	60	–
	Changlong (重慶新港長龍物流有限責任公司)				
Other receivables	Xingang	29	–	50	–
	Changlong (重慶新港長龍物流有限責任公司)				

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Balance due to or from related parties (Continued)

(2) Balance due to related parties

Items	Related party	30 June 2019	31 December 2018
Trade payables			
	Changshou Iron & Steel (重慶長壽鋼鐵有限公司)	17,875	17,875
	Xingang Changlong (重慶新港長龍物流有限責任公司)	–	43
Sub-total		17,875	17,918
Non-current liabilities due within one year	Changshou Iron & Steel (重慶長壽鋼鐵有限公司)	80,000	10,000
Other non-current liabilities	Changshou Iron & Steel (重慶長壽鋼鐵有限公司)	2,610,500	2,575,500

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Significant capital commitment:

Item	30 June 2019
Contracted, but not provided for	175,658

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. A supplementary statement is as follows:

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 Trade Co., Ltd.) 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).

XIII. EVENTS AFTER BALANCE SHEET DATE

As at the date of approval of this financial report, the Group had no significant events after the balance sheet date that need to be disclosed.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XIV. 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 period.

(3) Information of significant customers

The Group generated revenue from one customer (For the six months ended 30 June 2018: one) that reached or exceeded 10% of the Group's revenue, which accounting for 22% of the Group's revenue (For the six months ended 30 June 2018: 40%).

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)	2,523,019	22

Note: The revenue above was the total amount generated from Qianxin Group and its subsidiaries for the current period by the Group.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease

As a lessor

Operating lease: Under the lease contract signed with the lessee, the minimum lease receipt for the non-cancellable lease is as follows

Items	30 June 2019
Within one year (first year inclusive)	299
1-2 years	94
Total	393

Please refer to VII.11 for details of PPE leased out under operating lease.

As a lessee

(1) *Supplementary information for lease expenses*

The Group adopted simplified treatment for the short-term leases and had not recognize the right-of-use asset and lease liability. The short-term leases that accrued in expenses in the current period are as follows:

Item	30 June 2019
short-term leases	165,866

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease (Continued)

As a lessee (Continued)

- (2) *Significant operating lease (applicable for 2018): Under the lease contract signed with the lessor, the minimum payment for the non-cancellable lease is as follows:*

Item	31 December 2018
Within one year (first year inclusive)	379,500

XV. COMPARABLE AMOUNTS

The Group represented repair and maintenance cost of production equipment as cost of sales in the current period which represented as general and administrative expense originally in the financial statements for the six months ended 30 June 2018, and the change will result in more comparability with other companies in the iron & steel industry. The Group and the Company had adjusted comparative amounts, which resulted in a decrease in general and administrative expense by RMB425,343,000, and an increase in cost of sales by RMB425,343,000 for the six months ended 30 June 2018. This change in disclosure had no impact on the consolidated income statement and shares' equity for the six months ended 30 June 2018.

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Trade receivables

- (1) *Details*

Items	30 June 2019	31 December 2018
Trade receivables	15,739	29,851

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

(2) Trade receivables

1) Ageing Analysis is as follows:

Ageing	30 June 2019	31 December 2018
Within 3 months(third month inclusive)	13,246	26,405
4 to 12 months (first year inclusive)	689	2,063
1-2 year	902	790
2-3 year	1,611	1,572
Above 3 year	151,702	151,432
Sub-total	168,150	182,262
Less: Provision for bad debts	152,411	152,411
Total	15,739	29,851

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

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

(2) Trade receivables (Continued)

2) Trade receivables disclosed on categories are as follows:

Categories	30 June 2019			
	Book Value		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are subject to provision by group with similar credit risk characteristics	168,150	100	152,411	91
Total	168,150	100	152,411	91

Categories	31 December 2018			
	Book value		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Receivables that are subject to provision by group with similar credit risk characteristics	182,262	100	152,411	84
Total	182,262	100	152,411	84

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

(2) Trade receivables (Continued)

2) Trade receivables disclosed on categories are as follows: (Continued)

Receivables that are subject to provision by group with similar credit risk characteristics for which bad debts are provided for ageing analysis are as follows:

Ageing	30 June 2019		
	Estimated doubtful book value	Lifetime ECLs	ECL proportion (%)
Within 3 months (third month inclusive)	13,246	–	–
4–12 months (first year inclusive)	689	27	4
1–2 years	902	84	9
2–3 years	1,611	598	37
Over 3 years	151,702	151,702	100
Total	168,150	152,411	91

Ageing	31 December 2018		
	Estimated doubtful book value	Lifetime ECLs	ECL proportion (%)
Within 3 months (third month inclusive)	13,819	–	–
4–12 months (first year inclusive)	1,683	83	5
1–2 years	790	90	11
2–3 years	10	6	60
Over 3 years	137,934	137,934	100
Total	154,236	138,113	90

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

(2) Trade receivables (Continued)

2) Trade receivables disclosed on categories are as follows: (Continued)

Receivables that are subject to provision by group with similar credit risk characteristics for which bad debts are provided for other method are as follows:

Portfolios	30 June 2019		
	Book value	Lifetime ECLs	ECL proportion (%)
Trade receivables from historical related parties	–	–	–

Portfolios	31 December 2018		
	Book value	Lifetime ECLs	ECL proportion (%)
Trade receivables from historical related parties	28,026	14,298	51

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

(2) *Trade receivables (Continued)*

3) *The movement for provision of bad debt of trade receivables is as follows:*

	Opening balance	Provide	Reversal	Transfer	Written-off	Closing balance
30 June 2019	152,411	-	-	-	-	152,411
31 December 2018	143,056	12,628	3,273	-	-	152,411

4) *Top five trade receivables balances*

As at 30 June 2019, the top five balances in respect of trade receivables aggregating RMB45,941,000, accounting for 27% of the total of closing balance of trade receivables. The closing balance in respect of bad debt provision made for the top five balances amounted to RMB38,404,000.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1) Details

1) Ageing analysis

Ageing	30 June 2019	31 December 2018
Within 3 months (third month inclusive)	746	5,809
4 to 12 months (first year inclusive)	3,118	4,271
1-2 year	4,638	1,130
2-3 year	192	192
Above 3 year	36,965	36,965
Sub-total	45,659	48,367
Less: Provision for bad debts	37,867	37,867
Total	7,792	10,500

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(1) *Details (Continued)*

2) *The ECLS movement based on 12-month and lifetime ECLS are as follows:*

There are no changes in the ECLS based on 12-month and lifetime ECLS during the current period.

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs Individual assessment	Stage 2 Lifetime ECLs Group assessment	Stage 3 Credit- impaired Lifetime	Total
Losses on 1 January 2018	97	6,406	39	33,193	39,735
Losses on 1 January 2018 among current year					
- Transfer to Stage 2	(15)	-	15	-	-
- Transfer to Stage 3	-	(6,406)	-	6,406	-
- Turn back Stage 2	-	-	-	-	-
- Turn back Stage 1	-	-	-	-	-
Provided	522	-	365	6,406	7,293
Reversal	82	-	39	7,775	7,896
Written-off	-	-	-	1,265	1,265
Losses on 31 December 2018	522	-	380	36,965	37,867

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(1) Details (Continued)

3) The book value of carrying amount movement:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs Individual assessment	Stage 2 Lifetime ECLs Group assessment	Stage 3 Credit- impaired Lifetime	Total
Amount on 1 January 2019	10,080	–	1,322	36,965	48,367
Amount on 1 January 2019 among current period					
– Transfer to Stage 2	–	–	–	–	–
– Transfer to Stage 3	–	–	–	–	–
– Turn back stage 2	–	–	–	–	–
– Turn back stage1	–	–	–	–	–
Provided	874	–	–	–	874
Termination	3,582	–	–	–	3,582
Written-off	–	–	–	–	–
Other change	–	–	–	–	–
Amount on 30 June 2019	7,372	–	1,322	36,965	45,659

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(1) Details (Continued)

3) The book value of carrying amount movement: (Continued)

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs Individual assessment	Stage 2 Lifetime ECLs Group assessment	Stage 3 Credit- impaired Lifetime	Total
Amount on 1 January 2018	3,677	12,812	240	33,361	50,090
Amount on 1 January 2018 among current year					
- Transfer to Stage 2	(1,322)	-	1,322	-	-
- Transfer to Stage 3	-	(12,812)	-	12,812	-
- Turn back stage 2	-	-	-	-	-
- Turn back stage1	-	-	-	-	-
Provided	11,084	-	-	-	11,084
Termination	3,359	-	240	7,943	11,542
Written-off	-	-	-	1,265	1,265
Other change	-	-	-	-	-
Amount on 31 December 2018	10,080	-	1,322	36,965	48,367

(2) Other receivables presented by nature

Nature	30 June 2019	31 December 2018
Prepayments for trading	32,856	33,297
Guarantee deposits and staff advances	8,721	10,293
Others	4,082	4,777
Total	45,659	48,367

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(3) As at 30 June 2019, the five largest other receivables are as follows:

Company	30 June 2019	Nature	Ageing	Ratio in other receivables (%)	Provision for bad debts
First	10,240	Prepayment for trading	Above 3 Years	22	10,240
Second	7,222	Prepayment for trading	Above 3 Years	16	7,222
Third	5,590	Prepayment for trading	Above 3 Years	12	5,590
Fourth	4,126	Prepayment for trading	Above 3 Years	9	4,126
Fifth	3,921	Prepayment for trading	Above 3 Years	9	3,921
Subtotal	31,099			68	31,099

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

(1) Details

Items	30 June 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	-	-	-	-	-	-
Investments in associates	28,258	-	28,258	-	-	-
Total	28,258	-	28,258	-	-	-

(2) Investments in subsidiaries

Items	Opening balance	30 June 2019		Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
		Increase	Decrease			
Chongqing CIS Building Materials Sales Co., Ltd. (Note 1)	-	-	-	-	-	-

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(3) Investments in associates

Items	Opening balance	Investments increased	Increase/(decrease)	Closing balance
			Investment income recognized under equity method	
Xingang Changlong (Note 2)	–	28,258	–	28,258

(4) Investments in unlisted companies

Items	30 June 2019	31 December 2018
Investments in unlisted companies	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 capital contribution.

Note 2: For details please refer to Note VII.10.

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales

Items	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	11,443,945	10,315,569	11,067,089	9,766,400
Revenue from other operations	42,272	34,872	26,607	4,571
Total	11,486,217	10,350,441	11,093,696	9,770,971

Items	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Revenue	Cost	Revenue	Cost
Sale of steel products		10,997,202	10,519,018	
Others		446,743	548,071	
Sub-total		11,443,945	11,067,089	

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales (Continued)

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Sale of waste materials	31,929	20,153
Rental income	236	572
Others	10,107	5,882
Sub-total	42,272	26,607

Rental income:

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Operating lease	236	572
Total	236	572

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales (Continued)

Disaggregation of revenue from contracts with customers

1) *Revenue by products' categories are as follows:*

Revenue for the six months ended 30 June 2019 are as follows:

Main Product	Sale of steel products	Others	Sub-total
Hot rolling	5,162,100	–	5,162,100
Medium Plate	3,546,994	–	3,546,994
Bars	1,136,758	–	1,136,758
Profiles	1,151,350	–	1,151,350
Other	–	489,015	489,015
Sub-total	10,997,202	489,015	11,486,217

Revenue for the six months ended 30 June 2018 are as follows:

Main Product	Sale of steel products	Others	Sub-total
Hot rolling	6,006,566	–	6,006,566
Medium Plate	2,654,348	–	2,654,348
Bars	918,454	–	918,454
Profiles	939,650	–	939,650
Other	–	574,678	574,678
Sub-total	10,519,018	574,678	11,093,696

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVI. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales (Continued)

Disaggregation of revenue from contracts with customers (Continued)

2) All the Company's revenue was recognized at a certain point.

The details of expected revenue recognized from remaining contract obligation

	Within one year	One to two years	Above two years	Sub-total
Sale of goods	1,033,166	–	–	1,033,166

5. Investment income

Items	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Investment income from financial assets held for trading	5,351	–
Investment income from long-term equity investments under cost method	4,220	–
Investment income from long-term equity investments under equity method	–	(2,628)
Investment income from disposal of long-term equity investments	–	2,680
Total	9,571	52

Notes to Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVII. OTHER SUPPLEMENTARY INFORMATION

1. Non-recurring profit or loss

Items	Amount
Gains/(losses) from disposal of non-current assets, including offset portion of impairment provision for such asset	(532)
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	1,227
Capital occupied income from non-financial entities	7,466
Income from disposal of financial assets held for trading	5,351
Non-operating income and expenses other than the above items	13,119
Sub-total	26,631
Less: Impact of income tax	–
Non-recurring profit or loss attributable to owners	26,631

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 Financial Statements (Continued)

For the six months ended 30 June 2019

(Unit: RMB'000)

XVII. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share

Profit of the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted Earnings per share
Net profit attributable to ordinary shareholders of the Company	3.27	0.07	0.07
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	3.13	0.07	0.07

Chongqing Iron & Steel Company Limited

9 August 2019

Section XI Documents Available for Inspection

Documents Available for Inspection

A copy of interim report, containing the signature of the legal representative of the Company and company seal

A copy of interim financial accounting report, containing 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

Copies of all documents and announcements of the Company disclosed in newspapers designated by China Securities Regulatory Commission and on the websites of SSE and the HKEx during the Reporting Period

Copies of other relevant documents.

Chairman: **Zhou Zhuping**

The date of approval of the Board for submission: 9 August 2019

REVISION

Applicable

Not applicable