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

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

(Stock Code: 1053)

ANNOUNCEMENT OF ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2018

A. IMPORTANT NOTICE

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

According to the auditing by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company for 2018 amounted to RMB1.788 billion, and the unappropriated profit as at the end of 2018 amounted to RMB-10.290 billion. As the Company recorded a negative unappropriated profit carried forward, the directors suggested not to make profit distribution or transfer capital reserve to share capital pursuant to the Article 250 of the Articles of Association for 2018.

- 6 The annual results of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee.

B. BASIC INFORMATION ON THE COMPANY

1 Company Information

Stock Profile

Stock type	Place of listing	Abbreviated name	Stock code	Abbreviation before adjustment
A share	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	*ST Chongqing Iron & Steel
H share	The Stock Exchange of Hong Kong Limited	Chongqing Iron & Steel	01053	Nil

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
Tel	86-23-6887 3311	86-23-6898 3482
E-mail	IR@email.cqgt.cn	IR@email.cqgt.cn

2 Main Business Profile during the Reporting Period

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

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

3 Major Financial Data and Financial Indicators of the Company

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

Unit: RMB'000

	2018	2017	Increase/ decrease from last year (%)	2016
Total assets	26,933,351	25,012,459	7.68	36,438,454
Operating income	22,638,957	13,236,840	71.03	4,414,902
Net profit attributable to shareholders of listed company	1,787,906	320,086	458.57	-4,685,956
Net profit attributable to shareholders of listed company, netting non- recurring gains and losses	1,677,588	-1,870,066	n/a	-5,392,375
Net assets attributable to shareholders of listed company	18,531,665	16,730,115	10.77	-200,494
Net cash flow from operating activities	1,338,195	505,815	164.56	-449,021
Basic earnings per share (RMB/share)	0.20	0.04	400	-0.53
Diluted earnings per share (RMB/share)	0.20	0.04	400	-0.53
Weighted average return on net assets (%)	10.14	-1,290.51	n/a	-284.59

3.2 Major financial data by quarter during the reporting period

Unit: RMB'000

	1st Quarter (January- March)	2nd Quarter (April- June)	3rd Quarter (July- September)	4th Quarter (October- December)
Operating income	5,152,412	5,940,487	6,343,961	5,202,097
Net profit attributable to shareholders of listed company	350,389	411,571	718,057	307,889
Net profit attributable to shareholders of listed company, netting non- recurring gains and losses	353,865	382,231	699,210	242,282
Net cash flow from operating activities	-304,134	-997,054	1,740,322	899,061

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

☐ Applicable ☒ Not applicable

4 Share Capital and Shareholders

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

Unit: share

As of the end of the reporting period, the total number of ordinary shareholders (accounts)	146,983
At the end of the month before the annual report disclosure, the total number of ordinary shareholders (accounts)	147,266
As of the end of the reporting period, the total number of preferred shareholders with restored voting rights (accounts)	0
At the end of the month before the annual report disclosure, the total number of preferred shareholders with restored voting rights (accounts)	0

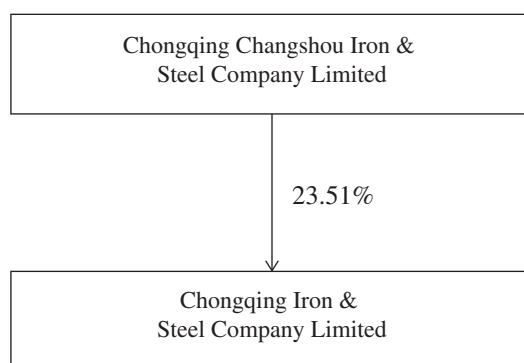
The top 10 shareholders

Name of shareholder (Full name)	Changes during the reporting period	Period-end number of stock	Ratio (%)	Number of restricted stock held	Pledged or frozen		Nature of shareholders
					Stock Status	Quantity	
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	22,400	531,021,540	5.95	0	Unknown		Foreign legal person
Chongqing Qianxin Energy Environmental Protection Company Limited	0	427,195,760	4.79	0	Unknown		Unknown
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.24	0	Unknown		Unknown
Chongqing Guochuang Investment and Management Co., Ltd.	0	278,288,059	3.12	0	Unknown		Unknown
Sinosteel Equipment & Engineering Co., Ltd.	0	252,411,692	2.83	0	Unknown		Unknown
Bank of Chongqing Co., Ltd.	0	226,042,920	2.53	0	Unknown		Unknown
Industrial Bank Co., Ltd., Chongqing Branch	0	219,633,096	2.46	0	Unknown		Unknown
Agricultural Bank of China Limited, Chongqing Branch	0	216,403,628	2.43	0	Unknown		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	Unknown		Unknown
The above shareholders' connected relationship or acting in concert	There is no connection between Chongqing Changshou Iron & Steel Company Limited, the controlling shareholder of the Company, and the other 9 shareholders, nor are they persons acting in concert regulated in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Companies' Shareholders. The Company is also not aware of any connected relationship among the other 9 shareholders or whether they are acting in concert.						
Preferred shareholders with restored voting rights and their shareholding	Not applicable.						

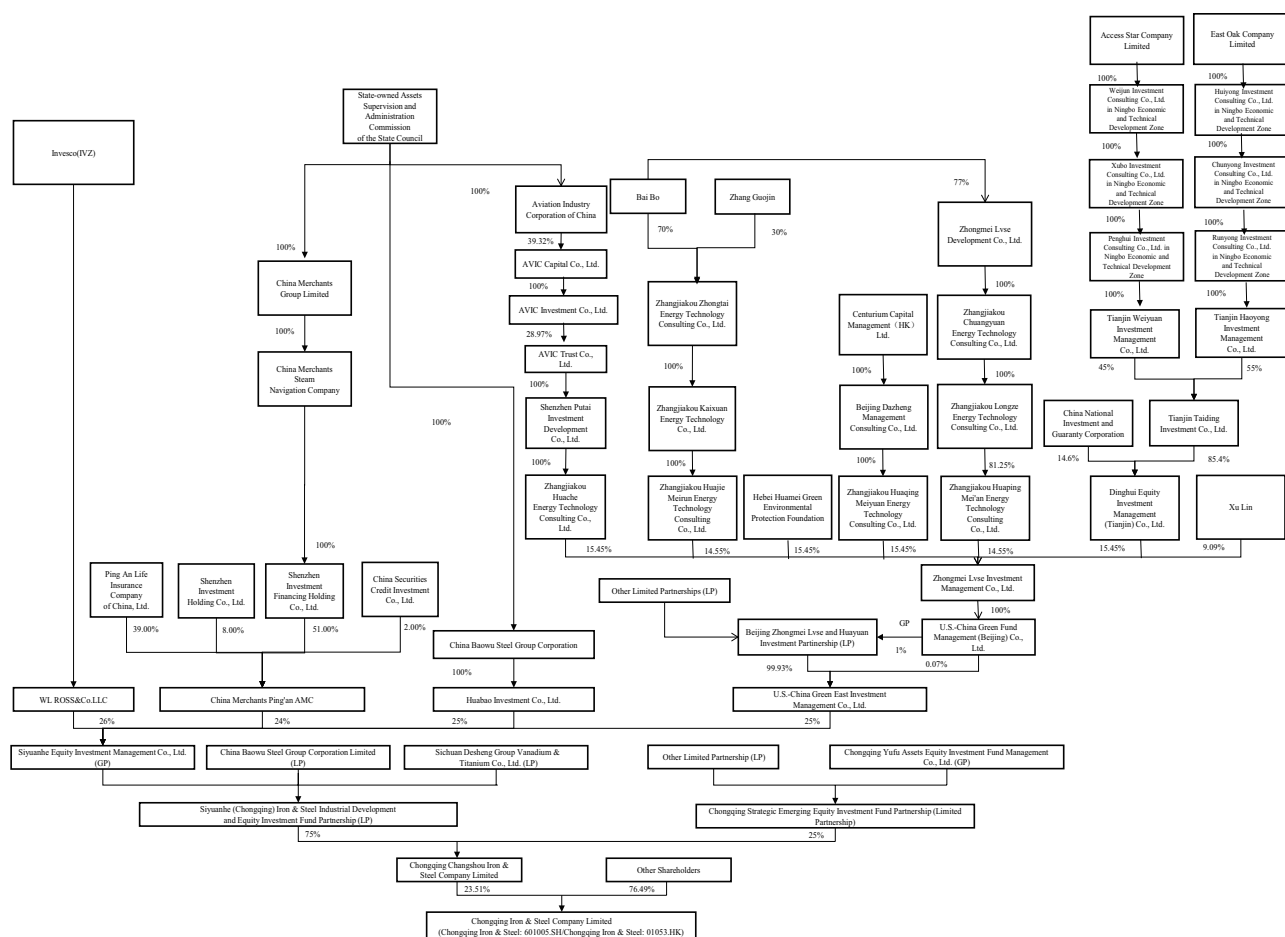
4.2 Chart of equity and the controlling relationship between the Company and the controlling shareholder

☒ Applicable

☐ Not applicable



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

☒ Applicable☐ Not applicable

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

☐ Applicable

☒ Not applicable

5 Information on Corporate Bond

☐ Applicable ☒ Not applicable

C. MANAGEMENT DISCUSSION AND ANALYSIS

1 Major Operations During the Reporting Period

During the reporting period, the Company achieved stable and smooth production by embracing the production and operation policy of “full-scale production and sell-through rates, low cost and high efficiency”, with significant improvement of major technical-economic indicators, falling costs and beating earnings. The operating income for the year is RMB22.639 billion, representing a year-on-year growth of 71.03%; the gross profit is RMB1.759 billion, representing a year-on-year growth of 449.93%.

1.1 Main business analysis

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

Unit: RMB'000

Item	Current period	Corresponding period last year	Change (%)
Operating income	22,638,957	13,236,840	71.03
Operating cost	19,681,846	13,531,607	45.45
Selling expenses	88,057	60,628	45.24
Administrative expenses	795,392	574,502	38.45
R&D expenses			
Financial expenses	183,073	512,281	-64.26
Net cash flow from operating activities	1,338,195	505,815	164.56
Net cash flow from investing activities	630,605	6,246,136	-89.90
Net cash flow from financing activities	-868,219	-6,625,239	n/a

- (1) The increase of operating income was mainly due to the improvement of production and sales, as well as the increasing steel price.

- (2) The increase of operating cost was mainly due to the improvement of production and sales.
- (3) The increase of selling expenses was mainly due to the improvement of production and sales, as well as the increase of freight charge.
- (4) The increase of administrative expenses was mainly due to the provision of employee incentives.
- (5) The decrease of financial expenses was mainly due to the significant falling of interest expenses caused by the decrease of debts after the judicial reorganisation.
- (6) The increase of net cash flow from operating activities was mainly due to the increase of operating profit.
- (7) The decrease of net cash flow from investing activities was mainly due to the disposal of fixed assets during the judicial reorganisation in 2017.
- (8) The increase of net cash flow from financing activities was mainly due to the debt repayment during the judicial reorganisation in 2017.

1.1.2 Revenue and cost analysis

☒ Applicable ☐ Not applicable

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

In 2018, the Group realized a total profit of RMB1.759 billion, representing a year-on-year increase of 449.93%, which was mainly due to the following reasons: the selling price of steel products amounted to RMB3,611/tonne, representing a year-on-year increase of 9.56%, and the product portfolio was optimized, achieving an aggregate of an increase of RMB1.901 billion in profit; the increase in prices of raw materials, such as ore, coal, alloy, scrap steel, etc., resulted in a decrease of RMB967 million in profit; the Company implemented the operating principle of achieving full production and sales, improved basic management, realized stable and smooth production and vigorously promoted the cost reduction plan. As a result, critical technical and economic indicators such as the hot strength of coke, tumbler index of sinter, fuel ratio, capacity factor of blast furnace, steel

consumption in steelmaking, yield of rolled steel, etc., were all improved significantly and cost consumption levels were reduced substantially, thus resulting in an increase of RMB2.544 billion in profit from cost reduction in the aspect of process; the year-on-year decrease in the total amount of expenses for the period gave rise to an increase of RMB81 million in profit; and one-off net gain generated from the judicial reorganisation of the Company was RMB2.09 billion in 2017.

In 2018, the Group's revenue from principal business amounted to RMB22.579 billion, representing a year-on-year increase of 70.90%. In particular, the income from sales of rolled steel billet amounted to RMB21.835 billion, representing an increase of RMB9.654 billion as compared with the same period of previous year. Firstly, the sales volume of rolled steel billet was 6,046,400 tonnes, representing a year-on-year increase of 63.62%, resulting in an increase in the sales income of RMB7.904 billion; secondly, the average sales price of rolled steel billet was RMB3,611/ tonne, representing a year-on-year increase of 9.56%, leading to an increase in the sales income of RMB1.705 billion.

Composition of income from principal businesses:

Type	2018		2017		Year-on-year increase in amount (%)
	Amount (RMB '000)	Percentage (%)	Amount (RMB '000)	Percentage (%)	
Plate	6,076,840	26.91	2,356,286	17.84	157.90
Hot rolling	11,714,937	51.88	8,110,234	61.39	44.45
Bars	2,135,019	9.46	1,102,082	8.34	93.73
Profiles	1,908,058	8.45	516,509	3.91	269.41
Billet	-	0.00	95,637	0.72	-100.00
Subtotal	<u>21,834,854</u>	<u>96.71</u>	<u>12,180,748</u>	<u>92.20</u>	<u>79.26</u>
Other	<u>743,921</u>	<u>3.29</u>	<u>1,030,608</u>	<u>7.80</u>	<u>-27.82</u>
Total	<u>22,578,775</u>	<u>100.00</u>	<u>13,211,356</u>	<u>100.00</u>	<u>70.90</u>

Sales prices of rolled steel billet:

Item	2018 Sales price <i>RMB/tonne</i>	2017 Sales price <i>RMB/tonne</i>	Year-on-year growth (%)	Income increase (<i>RMB '000</i>)
Plate	3,802	3,275	16.09	841,502
Hot rolling	3,505	3,255	7.68	834,047
Bars	3,663	3,512	4.30	88,209
Profiles	3,652	3,678	-0.71	-13,815
Billet	—	3,142	-100.00	—
Subtotal	3,611	3,296	9.56	1,749,943

Sales volumes of rolled steel billet:

Item	Sales volume for 2018 (<i>Ten thousand tonnes</i>)	Sales volume for 2017 (<i>Ten thousand tonnes</i>)	Year-on-year growth (%)	Income increase (<i>RMB '000</i>)
Plate	159.85	71.94	122.20	2,879,053
Hot rolling	334.26	249.14	34.17	2,770,656
Bars	58.28	31.38	85.72	944,728
Profiles	52.25	14.04	272.15	1,405,364
Billet	—	3.04	-100.00	-95,637
Subtotal	604.64	369.54	63.62	7,904,164

(1) Main business by sectors, products and regions

Unit: RMB'000

Main operations by sectors

By sectors	Operating income	Operating cost	Gross margin (%)	Year-on- year increase/ decrease in operating income (%)	Year-on- year increase/ decrease in operating cost (%)	Year-on- year increase/ decrease in gross margin (%)
Iron and steel	22,578,775	19,651,712	12.96	70.90	45.47	Increase by 15.21 percentage points

Main operations by products

By products	Operating income	Operating cost	Gross margin (%)	Year-on- year increase/ decrease in operating income (%)	Year-on- year increase/ decrease in operating cost (%)	Year-on- year increase/ decrease in gross margin (%)
Rolled steel billet	21,834,854	18,977,424	13.09	79.26	51.18	Increase by 16.14 percentage points
Other	743,921	674,288	9.36	-27.82	-29.51	Increase by 2.18 percentage points

Main business by regions

By regions	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Southwest	19,750,243	17,190,865	12.96	50.67	28.10	Increase by 15.34 percentage points
Other regions	2,828,532	2,460,847	13.00	2,644.83	2,671.52	Decrease by 0.84 percentage points
Total	22,578,775	19,651,712	12.96	70.90	45.47	Increase by 15.21 percentage points

(2) Table of production and sales volume analysis

☒ Applicable ☐ Not applicable

Unit: Ten thousand tons

Main products	Production volume	Sales volume	Inventory	Year-on-year increase/decrease in production volume (%)	Year-on-year increase/decrease in sales volume (%)	Year-on-year increase/decrease in inventory (%)
Plate	162.28	159.85	4.61	122.51	122.20	200.33
Hot rolling	335.38	334.26	4.87	33.77	34.17	220.18
Bars	60.24	58.28	2.52	88.43	85.72	338.26
Profiles	53.18	52.25	1.42	266.00	272.15	188.03

Explanations on production and sales volume:

As the sales price of steel decreased on a monthly basis in the fourth quarter of 2018, the Company adjusted its sales strategy in a timely manner to cope with market changes, resulting in an increase in the inventory of steel products.

(3) Cost analysis table

Unit: RMB '000

By sectors

By sectors	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Iron and steel	Raw material	14,282,976	72.68	7,380,111	54.63	93.53
Iron and steel	Energy	1,679,213	8.55	1,330,279	9.85	26.23
Iron and steel	Labor and other costs	3,689,523	18.77	4,798,742	35.52	-23.11

By products

By products	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Rolled steel billet	Raw material and energy costs	18,977,424	96.57	12,552,551	92.92	51.18
Other	Raw material and energy costs	674,288	3.43	956,581	7.08	-29.51

(4) Major buyers and major suppliers

☒ Applicable ☐ Not applicable

The sales attributable to the five largest buyers amounted to RMB10,043,947,400, representing 44.37% of the total sales for the year, of which the sales attributable to related parties amounted to nil, representing 0% of the total sales for the year.

The purchase amount attributable to the five largest suppliers amounted to RMB9,417,887,500, representing 48.37% of the total purchase amount for the year, of which the purchase amount attributable to related parties amounted to nil, representing 0% of the total purchase amount for the year.

1.1.3 Expenses

☒ Applicable ☐ Not applicable

Unit: RMB'000

Item	Amount for the period	Amount for the previous period	Year-on- year change (%)
Selling expenses	88,057	60,628	45.24
Administrative expenses	795,392	574,502	38.45
Financial expenses	183,073	512,281	-64.26

1.1.4 R&D investment

Table of R&D investment

☒ Applicable ☐ Not applicable

Unit: RMB'000

Expensed R&D investment for the period	491,092
Capitalized R&D investment for the period	
Total R&D investment	491,092
Percentage of the total R&D investment in operating income (%)	2.17
Number of R&D personnel of the Company	900
Percentage of R&D personnel in total number of employees (%)	12.02
Percentage of capitalized R&D investment in total R&D investment (%)	0

1.1.5 Cash flow

☒ Applicable ☐ Not applicable

Items from cash flow statement

Unit: RMB'000

Item	Current period	Corresponding period	Main reasons for changes
Net cash flow from operating activities	1,338,195	505,815	Increase in operating profit
Net cash flow from investing activities	630,605	6,246,136	Disposed of fixed assets during the judicial reorganisation in 2017
Net cash flow from financing activities	-868,219	-6,625,239	Repaid debts during the judicial reorganisation in 2017
Net increase in cash and cash equivalents	1,100,581	123,515	

1.2 Explanation on material change in profit due to non-principal business☐ Applicable☒ Not applicable

1.3 Analysis of assets and liabilities

☒ Applicable ☐ Not applicable

1.3.1 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	2,764,631	10.26	2,050,538	8.20	34.82	Expanding scale of both production and sales, strengthened fund management and planning
Financial assets held for trading	30,000	0.11		–	n/a	Implementing New Financial Instruments Standards
Notes and trade receivable	30,340	0.11	167,134	0.67	-81.85	Implementing New Financial Instruments Standards
Prepayments	908,646	3.37	70,022	0.28	1,197.66	Expanding scale of production and increase in purchasing raw fuel
Other receivables	10,506	0.04	10,355	0.04	1.46	
Inventories	3,192,201	11.85	1,330,469	5.32	139.93	Expanding scale of production and significant increase in inventory of raw fuel
Other current assets	575,931	2.14	1,128,655	4.51	-48.97	Recovery of funds under wealth management and provision for VAT credit

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
Available-for-sale financial assets		0.00	5,000	0.02	-100.00	Implementing New Financial Instruments Standards
Long-term equity investments		0.00	124,158	0.50	-100.00	Liquidation and cancellation of associated companies
Other equity investments	5,000	0.02		–	n/a	
Property, plant and equipment	16,914,109	62.80	17,595,699	70.35	-3.87	
Construction in process	16,593	0.06	8,695	0.03	90.83	Increase in technical measures
Intangible assets	2,454,327	9.11	2,521,734	10.08	-2.67	
Deferred tax assets	31,067	0.12		–	n/a	
Notes and trade payable	2,946,316	10.94	2,155,294	8.62	36.70	Expanding scale of production and increase in purchasing raw fuel
Advances from customers		0.00	187,099	0.75	-100.00	Implementing the New Revenue Standard
Contractual liabilities	1,004,280	3.73		–	n/a	Implementing the New Revenue Standard
Employee benefits payable	333,407	1.24	563,547	2.25	-40.84	Payment for the debts to employees related to the judicial reorganisation

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
Taxes payable	35,733	0.13	13,095	0.05	172.88	VAT payable in December
Other payables	354,665	1.32	1,491,912	5.96	-76.23	Payment for guaranteed debts related to the judicial reorganisation
Non-current liabilities due within one year	410,000	1.52	400,000	1.60	2.50	
Other current liabilities	160,675	0.60		–	n/a	Implementing the New Revenue Standard
Long-term borrowings	300,000	1.11	700,000	2.80	-57.14	Repayment of the principal of the CDB loans of RMB0.4 billion
Long-term employee benefits payable	240,615	0.89	243,190	0.97	-1.06	
Provisions		0.00	11,204	0.04	-100.00	
Deferred income	40,495	0.15	43,154	0.17	-6.16	
Other non-current liabilities	2,575,500	9.56	2,400,000	9.60	7.31	

As at the end of 2018, the Company's gear ratio decreased to 31.19% from 32.82% as at the end of 2017, which was attributable to the significant increase in the profit of the Company.

1.3.2 Major restricted assets at the end of the Reporting Period

☒ Applicable ☐ Not applicable

Unit: RMB'000

Item	Carrying amount at the end of the period	Carrying amount at the beginning of the period	Note
Cash and bank balances	795,088	1,181,576	Note 1
Notes receivables	20,000	–	Note 2
Property, plant and equipment - houses and buildings	1,975,369	962,898	Note 3
Intangible assets	<u>2,454,327</u>	<u>1,405,002</u>	Note 4
Total	<u><u>5,244,784</u></u>	<u><u>3,549,476</u></u>	

Note 1: As at 31 December 2018, the Group's ownership of cash and bank deposits with carrying value of RMB795,088,000 was restricted for issuing bank acceptances and letters of credit. As at 31 December 2017, the Group's ownership of cash and bank deposits with carrying value of RMB1,181,576,000 was restricted for issuing bank acceptances and drawing reorganisation reserves according to the implementation of the reorganisation plan.

Note 2: As at 31 December 2018, the Group's notes receivables with carrying value of RMB20,000,000 (as at 31 December 2017: nil) were pledged for issuing bank acceptances.

Note 3: As at 31 December 2018, the Group's houses and buildings with carrying value of RMB1,975,369,000 (as at 31 December 2017: RMB962,898,000) were pledged for obtaining bank borrowing and working capital loan facilities.

Note 4: As at 31 December 2018, the Group's land use right with carrying value of RMB2,454,327,000 (as at 31 December 2017: RMB1,405,002,000) was pledged for obtaining bank borrowing and working capital loan facilities, and the amortised amount of the land use right was RMB67,407,000 during the current period.

2 Management Discussion and Analysis on Future Development of the Company

☒ Applicable ☐ Not applicable

2.1 Industry competition pattern and development trend

☒ Applicable ☐ Not applicable

In 2018, the supply side structure reform was deeply promoted by the PRC, which resulted in a significant improvement in the steel industry's earnings. Highly excessive production capacity is the biggest obstacle for the healthy development of the steel industry. As the leader industry of the supply side structure reform, the steel industry continued to cut overcapacity, overfulfilled the target of cutting 30.00 million tonnes of capacity, and completed the maximum cutting target of 150 million tonnes of steel production as stated in the "13th Five-Year Plan" two years in advance.

While the capacity cutting in the steel industry achieved a superior result, there are still many things to be done in the supply side structure reform of the steel industry. Currently, there are still issues in the capacity structure of the steel industry, with pressures resulted from the quick release of the capacity in compliant companies. Meanwhile, there are still issues that distress the development of the industry, such as environment protection problems, irrational layouts and weak innovation.

While consolidating the results of the capacity cutting, the steel industry will be more active in deleveraging, in efforts to reduce capital risks. China Iron and Steel Association (CISA) has proposed that the steel industry should bring the asset to liability ratio down to below 60% in the future 3–5 years, but there are still enterprises in the industry with the ratio above 60%. Therefore, it is necessary to take advantage of the efficiency improvement to deleverage with various measures in 2019.

From a deeper aspect, the steel industry cannot achieve a healthy and sustainable development until it substantially focuses on the improvement of quality and efficiency. In 2018, a research report named China's Steel Industry Transformation and Upgrading Strategy and Path (《中國鋼鐵工業轉型升級戰略和路徑》), which was published by the industry association, proposed the upgrading strategies for the steel industry and the related main paths, and pointed out that enterprises should research its own strategies and paths for upgrading according to its own characters. It is critical for the steel industry to enhance the capability of independent innovation and increase the technological composition in products in order to achieve the goal of transforming from big to strong.

2.2 Corporate development strategy

☒ Applicable ☐ Not applicable

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

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

2.3 Operating plans

☒ Applicable ☐ Not applicable

In 2019, the Company will continue to implement the production and operation policy of “full-scale production and sell-through rates, low cost and high efficiency”. Its production will be led by financial budgets. The Company will adapt to the changing market conditions with flexibility, enhance the allocation of resources, strengthen process control, proactively implement its cost leadership strategy and leading manufacturing technology strategy, promote the orderly connection among the production, supply and marketing, and ensure the system runs efficiently. The Company will continue to implement the meticulous management, and enhance its product competitiveness by lowering its administrative expenses to shape a more powerful Chongqing Iron & Steel.

The Company plans to produce 5.86 million tonnes of iron, 6.40 million tonnes of steel and 6.13 million tonnes of steel products, and realize sales volume of 6.20 million tonnes of steel products and sales revenue of RMB22.0 billion (tax exclusive) in the year of 2019.

2.4 Potential risks

☒ Applicable ☐ Not applicable

First, the cost pressure keeps increasing with higher prices of the raw fuel.

Second, there is still an oversupply in the industry, with the increasing downside pressure on the steel price caused by the weakening demand from the downstream industry.

3 Reasons for the Suspension of Listing

☐ Applicable ☒ Not applicable

4 The Circumstances and Reasons for the Termination of the Listing

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

(1) Changes in accounting policy

In 2017, the Ministry of Finance issued the revised “Accounting Standard for Business Enterprises No.14 – Revenue” (the “New Revenue Standard”), “Accounting Standard for Business Enterprises No.22 – Recognition and measurement for financial instruments”, “Accounting Standard for Business Enterprises No.23 – Transfer of financial assets”, “Accounting Standard for Business Enterprises No.24 – Hedging” and “Accounting Standard for Business Enterprises No.37 – Presentation of financial instruments” (collectively the “New Financial Instruments Standards”). The Group began to implement the accounting treatment according to the above newly revised standards from 1 January 2018. According to the convergence rules, the information for the comparable period will not be adjusted and undistributed profit or other comprehensive income will be retrospectively adjusted by the difference between the implementation of the new standards on the first day and the current standards.

1) New Revenue Standard

The New Revenue Standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. According to the New Revenue Standard, the way in which the revenue is recognized should reflect the mode in which the entity transfers goods or services to customers. The amount of revenue should reflect the amount of consideration that the entity is expected to receive due to the transfer of such goods and services to the customers. At the same time, the New Revenue Standard also regulates the judgments and estimates required for each aspect of revenue recognition. The Group only adjusts the cumulative impact of contracts that have not been completed on 1 January 2018. For the changes to contracts that might occur before 1 January 2018, the Group adopts a simplified treatment method to identify the performance obligations that have been and have not been fulfilled, determine the transaction price and apportion the transaction price between the fulfilled and outstanding performance obligations for the final arrangement of all contracts under the changes to contracts.

The Group’s revenue was mainly the revenue of selling commodities, and therefore, implementing the New Revenue Standard has no significant impacts on the retained earnings and other comprehensive income as at 1 January 2018.

The impacts of implementing the New Revenue Standard on the consolidated balance sheet items dated 1 January 2018 were as follows:

Unit: RMB'000

Consolidated Balance Sheet	Amount on the statement	Assumption by the original standard	Change
Advance from customers	–	187,099	(187,099)
Contractual liabilities	159,914	–	159,914
Other current liabilities	27,185	–	27,185
Total	187,099	187,099	–

The impacts of implementing the New Revenue Standard on the consolidated balance sheet as at 31 December 2018 were as follows:

Unit: RMB'000

Consolidated Balance Sheet	Amount on the statement	Assumption by the original standard	Change
Advance from customers	–	1,164,955	(1,164,955)
Contractual liabilities	1,004,280	–	1,004,280
Other current liabilities	160,675	–	160,675
Total	1,164,955	1,164,955	–

The implementation of New Revenue Standard has no significant impacts on the consolidated income statement for 2018.

2) *New Financial Instruments Standards*

The New Financial Instrument Standards changes the classification and measurement of financial assets and requires three measurement categories: financial assets are measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss. The enterprise needs to consider its own business model and the characteristics of the financial asset's contractual cash flow to classify its financial

assets. Equity investments shall be measured at fair value through profit or loss. However, the enterprise can elect to irrevocably designate non-marketable equity investments as financial assets at fair value through other comprehensive income at the initial recognition.

Instead of the “incurred loss” model, the New Financial Instrument Standards required the “expected credit loss” model to be used for the measurement of impairments in financial assets, which is applied to the financial assets measured at amortised cost or the financial assets at fair value through other comprehensive income.

The yields of wealth management products held by the Group depend on the yields of the underlying assets. Before 1 January 2018, the Group presented its financial assets at fair value through profit or loss as other current assets. After 1 January 2018, the Group analyzed that its contractual cash flow was not just representing the payment of principal and interest based on outstanding principal, so such wealth management products were classified as financial assets at fair value through profit or loss, presented as financial assets held for trading.

For the purposes of obtaining contractual cash flow and disposition, the Group managed the business model of the aforesaid bills receivable through the endorsement and discount of some bank acceptances during its daily capital management. Therefore, the Group reclassified such bills receivable as financial assets at fair value through profit or loss, presented as other current assets after 1 January 2018.

The Group designated equity investments held by the Group as financial assets at fair value through other comprehensive income, presented as other equity instrument investments after 1 January 2018.

On the first implementation date, the comparison is made regarding the financial assets classified and measured in accordance with the original and revised standards of recognition and measurement for financial instruments is as follows:

Unit: RMB'000

The Group	Pre-amended standards of recognition and measurement for financial instruments		Revised standards of recognition and measurement for financial instruments	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash and bank balances	Amortised cost (loans and receivables)	2,050,538	Amortised cost	2,050,538
Notes receivables/ trade receivables	Amortised cost (loans and receivables)	167,134	Amortised cost	44,038
			At fair value through other comprehensive income	123,096
Other receivables	Amortised cost (loans and receivables)	10,355	Amortised cost	10,355
Equity investments	Amortised cost (available-for-sale assets)	5,000	At fair value through other comprehensive income (designated)	5,000
Wealth management products	At fair value through profit or loss (marketable)	650,000	At fair value through profit or loss (required by standards)	650,000

Unit: RMB'000

The Company	Pre-amended standards of recognition and measurement for financial instruments		Revised standards of recognition and measurement for financial instruments	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash and bank balances	Amortised cost (loans and receivables)	1,961,403	Amortised cost	1,961,403
Notes receivables/ trade receivables	Amortised cost (loans and receivables)	169,949	Amortised cost	46,853
			At fair value through other comprehensive income	123,096
Other receivables	Amortised cost (loans and receivables)	10,355	Amortised cost	10,355
Equity investments	Amortised cost (available-for-sale assets)	5,000	At fair value through other comprehensive income (designated)	5,000

On the first implementation date, there were no material impacts on the measurement of the carrying value of financial assets. The carrying value of original financial assets is adjusted to the book value of the new financial assets classified and measured in accordance with the revised recognition and measurement standards for financial instruments, and the adjustments are as follows:

Unit: RMB '000

	Carrying amount presented according to the original financial instruments standards 31 December 2017	Reclassification	Carrying amount presented according to the new financial instruments standards 1 January 2018
The Group			
Financial assets measured by amortised cost			
Cash and bank balances	2,050,538	–	2,050,538
Trade receivables	44,038	–	44,038
Notes receivable			
Balance presented according to the original financial instruments standards	123,096		
Less: financial assets at fair value through other comprehensive income (New Financial Instruments Standards)		(123,096)	
Balance presented according to the new financial instruments standards			–

Unit: RMB '000

	Carrying amount presented according to the original financial instruments standards 31 December 2017	Reclassification	Carrying amount presented according to the new financial instruments standards 1 January 2018
The Group			
Other receivables	10,355	–	10,355
Equity investments			
Balance presented according to the original financial instruments standards	5,000		
Less: financial assets at fair value through other comprehensive income- equity instrument (designated)		(5,000)	
Balance presented according to the new financial instruments standards			–
Total financial assets measured by amortised cost	2,233,027	(128,096)	2,104,931
Financial assets at fair value through other comprehensive income			
Equity investments			
Balance presented according to the original financial instruments standards	–		
Add: transferred from available-for-sale assets (original financial instruments standards)(designated)		5,000	
Balance presented according to the new financial instruments standards			5,000

Unit: RMB '000

	Carrying amount presented according to the original financial instruments standards 31 December 2017	Reclassification	Carrying amount presented according to the new financial instruments standards 1 January 2018
The Group			
Notes receivables			
Balance presented according to the original financial instruments standards	–		
Add: transferred (the New Financial Instruments Standards) from loans and receivables (original financial instruments standards)		123,096	
Balance presented according to the new financial instruments standards			123,096
Total financial assets at fair value through other comprehensive income	–	128,096	128,096
Financial assets at fair value through profit or loss			
Wealth management products	650,000	–	650,000
Total financial assets at fair value through profit or loss	650,000	–	650,000
Total	2,883,027	–	2,883,027

Unit: RMB '000

	Carrying amount presented according to the original financial instruments standards 31 December 2017	Reclassification	Carrying amount presented according to the new financial instruments standards 1 January 2018
The Company			
Financial assets measured by amortised cost			
Cash and bank balances	1,961,403	–	1,961,403
Trade receivables	46,853	–	46,853
Notes receivables			
Balance presented according to the original financial instruments standards	123,096		
Less: financial assets at fair value through other comprehensive income (New Financial Instruments Standards)		(123,096)	
Balance presented according to the new financial instruments standards			–
Other receivables	10,355	–	10,355
Equity investments			
Balance presented according to the original financial instruments standards	5,000		
Less: financial assets at fair value through other comprehensive income- equity instrument (designated)		(5,000)	
Balance presented according to the new financial instruments standards			–
Total financial assets measured by amortised cost	<u>2,146,707</u>	<u>(128,096)</u>	<u>2,018,611</u>

Unit: RMB '000

	Carrying amount presented according to the original financial instruments standards 31 December 2017	Reclassification	Carrying amount presented according to the new financial instruments standards 1 January 2018
The Company			
Financial assets at fair value through other comprehensive income			
Equity investments- Available-for-sale financial assets			
Balance presented according to the original financial instruments standards	–		
Add: transferred from available-for- sale financial assets (original financial instruments standards) (designated)		5,000	
Balance presented according to the new financial instruments standards			5,000
Notes receivable			
Balance presented according to the original financial instruments standards	–		
Add: transferred (the New Financial Instruments Standards) from loans and receivables (original financial instruments standards)		123,096	
Balance presented according to the new financial instruments standards			123,096
Total financial assets at fair value through other comprehensive income	–	128,096	128,096
Total	2,146,707	–	2,146,707

On the first implementation date, the new loss provision classified and measured under the requirements of revised financial instruments standards did not have significant change as compared to the classification and measurement of the impairment provision for the original financial assets.

3) *Changes in the presentation of financial statements*

Under the “Notice on the Revision of the Issuance of the Financial Statements of General Enterprises for Year 2018” (Accounting [2018] No. 15), the Group consolidated the “Bills receivable” and “Accounts receivable” to the newly added item “Bills receivable and accounts receivable”, “Interest receivable” and “Dividends receivable” to “Other receivables”, “Disposal of fixed assets” to “Fixed assets”, “Engineering material” to “Construction in progress”, “Bills payable” and “Accounts payable” to the newly added “Bills payable and accounts payable”, “Interest payable” to “Other payables”, and “Special payables” to “Long-term payables” on the balance sheet; on the income statement, the Group added the “R&D expenses” item for presenting the expenses incurred during the process of research and development, split the “Financial expenses” item into “Interest expenses” and “Interest income”; and the Group has made retroactive adjustments to the comparative figures accordingly. This change in accounting policy has no impact on the merger and the Company’s net profit and shareholder interests.

4) *Other changes in accounting policy*

The Group implemented the Interpretation of Accounting Standards for Business Enterprises No. 9 – Accounting Treatment of Net Loss of Investment under Equity Method, the Interpretation of Accounting Standards for Business Enterprises No. 10 – Depreciation Method based on Revenue Generated from Use of Fixed Assets, the Interpretation of Accounting Standards for Business Enterprises No. 11 – Amortisation Method based on Revenue Generated from Use of Intangible Assets and the Interpretation of Accounting Standards for Business Enterprises No. 12 – Whether the Provider and the Recipient of the Key Management Personnel Service are Related Parties (collectively “No. 9–12 Interpretations”) from 1 January 2018, which were issued by the Ministry of Finance in 2017. Based on the Company’s assessment, the Group’s implementation of No. 9–12 Interpretations did not have material impacts on the financial position and operation results of the Group.

The main effects on the financial statements by the retroactive adjustment arising from the abovementioned changes in accounting policy are as follows:

The Group

Unit: RMB '000

	Carrying amount presented according to the original standards 31 December 2017	Effects of New Revenue Standard	Effects of New Financial Instruments Standards	Effects of other changes in the presentation of financial statements	Carrying amount presented according to the new standards 1 January 2018
2018	2017	Reclassification	Reclassification	Reclassification	1 January 2018
Notes receivable	123,096	-	(123,096)	-	-
Trade receivable	44,038	-	-	(44,038)	-
Notes and trade receivable	-	-	-	44,038	44,038
Other current assets	1,128,655	-	123,096	-	1,251,751
Available-for-sale financial assets	5,000	-	(5,000)	-	-
Other equity instrument investments	-	-	5,000	-	5,000
Notes payable	80,700	-	-	(80,700)	-
Trade payable	2,074,594	-	-	(2,074,594)	-
Notes and trade payable	-	-	-	2,155,294	2,155,294
Interest payable	7,174	-	-	(7,174)	-
Other payables	1,484,738	-	-	7,174	1,491,912
Advance from customers	187,099	(187,099)	-	-	-
Contractual liabilities	-	159,914	-	-	159,914
Other current liabilities	-	27,185	-	-	27,185

Unit: RMB'000

	Before changes in accounting policy 1 January 2017	Changes in accounting policy	After changes in accounting policy 1 January 2017
2017			
Notes receivable	19,435	(19,435)	–
Trade receivable	256,258	(256,258)	–
Notes and trade receivable	–	275,693	275,693
Notes payable	1,632,710	(1,632,710)	–
Trade payable	9,385,026	(9,385,026)	–
Notes and trade payable	–	11,017,736	11,017,736
Interest payable	117,013	(117,013)	–
Other payables	4,202,381	117,013	4,319,394

The Company

Unit: RMB'000

	Carrying amount presented according to the original standards 31 December 2017	Effects of New Revenue Standard	Effects of New Financial Instruments Standards	Effects of other changes in the presentation of financial statements	Carrying amount presented according to the new standards 1 January 2018
2018					
Notes receivable	123,096	–	(123,096)	–	–
Trade receivable	46,853	–	–	(46,853)	–
Notes and trade receivable	–	–	–	46,853	46,853
Other current assets	478,510	–	123,096	–	601,606
Available-for-sale financial assets	5,000	–	(5,000)	–	–
Other equity instrument investments	–	–	5,000	–	5,000
Notes payable	80,700	–	–	(80,700)	–
Trade payable	2,123,370	–	–	(2,123,370)	–
Notes and trade payable	–	–	–	2,204,070	2,204,070
Interest payable	7,174	–	–	(7,174)	–
Other payables	1,479,009	–	–	7,174	1,486,183
Advance from customers	185,905	(185,905)	–	–	–
Contractual liabilities	–	158,893	–	–	158,893
Other current liabilities	–	27,012	–	–	27,012

Unit: RMB'000

	Before changes in accounting policy 1 January 2017	Changes in accounting policy	After changes in accounting policy 1 January 2017
2017			
Notes receivable	19,435	(19,435)	–
Trade receivable	258,568	(258,568)	–
Notes and trade receivable	–	278,003	278,003
Notes payable	1,632,710	(1,632,710)	–
Trade payable	9,429,515	(9,429,515)	–
Notes and trade payable	–	11,062,225	11,062,225
Interest payable	117,013	(117,013)	–
Other payables	4,259,548	117,013	4,376,561

5) *Accounting policies that are issued but not adopted*

The “Accounting Standard for Business Enterprises No.21 – Lease” requires lessees to account for all leases under a single on-balance sheet model. At the commencement date of a lease, a lessee shall recognise the payable rent as a liability and the right to use related assets during the lease term as an asset. For short-term lease and lease of low-value assets, lessees could choose not to recognise the right-to-use assets and lease liability.

The Group has reappraised all leasing contracts under existing standards. The Group’s existing leasing contracts are short-term operating leases commencing from 1 January 2019 and expiring on 31 December 2019, and the Group will adopt the exemption clause for short-term lease. The new lease standard will not have significant impact on the accounting treatment of the Group’s existing leasing contracts.

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

1 Compliance of Corporate Governance Code

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

2 Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for trading of the Company’s securities by Directors. All directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2018.

3 Purchase, Sale and Redemption of Listed Shares of the Company

During the reporting period, the Company had not redeemed any of its issued securities, nor purchased or sold any of its listed securities.

4 Major Acquisition and Disposal of Subsidiaries and Affiliates

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

5 Interests or Short Positions

As of 31 December 2018, the Board was not aware of any persons or its associates whose interests or short positions in the shares or underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (“SFO”).

6 Pre-emptive Rights

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

7 Public Float of H Shares

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

8 Circulating Market Capitalisation

Based on the publicly available information, as of 31 December 2018 (the last trading day of 2018 for H Shares), the circulating market capitalisation of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$1.15)) was approximately HK\$619 million; as of 28 December 2018 (the last trading day of 2018 for A Shares), the circulating market capitalisation of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB1.94)) was approximately RMB16.258 billion.

9 Final Dividend

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

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

According to the auditing by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company for 2018 amounted to RMB1.788 billion, and the unappropriated profit as at the end of 2018 amounted to RMB-10.290 billion. As the Company recorded a negative unappropriated profit as at the end of 2018, the directors suggested not to make profit distribution or transfer capital reserve to share capital in 2018 pursuant to the Article 250 of the Articles of Association.

Consolidated Statement of Financial Position
As at 31 December 2018

Unit: RMB'000

Items	31 December 2018	31 December 2017
Current assets:		
Cash and bank balances	2,764,631	2,050,538
Financial assets held for trading	30,000	–
Notes and trade receivables	30,340	167,134
Prepayments	908,646	70,022
Other receivables	10,506	10,355
Inventories	3,192,201	1,330,469
Other current assets	575,931	1,128,655
Total current assets	7,512,255	4,757,173
Non-current assets:		
Available-for-sale financial assets	–	5,000
Long-term equity investments	–	124,158
Other equity investments	5,000	–
Property, plant and equipment	16,914,109	17,595,699
Construction in process	16,593	8,695
Intangible assets	2,454,327	2,521,734
Deferred tax assets	31,067	–
Total non-current assets	19,421,096	20,255,286
Total assets	26,933,351	25,012,459

Items	31 December 2018	31 December 2017
Current liabilities:		
Notes and trade payables	2,946,316	2,155,294
Advances from customers	–	187,099
Contract liabilities	1,004,280	–
Employee benefits payable	333,407	563,547
Tax payable	35,733	13,095
Other payables	354,665	1,491,912
Non-current liabilities due within one year	410,000	400,000
Other current liabilities	160,675	–
Total current liabilities	5,245,076	4,810,947
Non-current liabilities:		
Long-term borrowings	300,000	700,000
Long-term employee benefits payable	240,615	243,190
Provisions	–	11,204
Deferred income	40,495	43,154
Other non-current liabilities	2,575,500	2,400,000
Total non-current liabilities	3,156,610	3,397,548
Total liabilities	8,401,686	8,208,495
Owner's equity:		
Share capital	8,918,602	8,918,602
Capital reserve	19,282,147	19,282,147
Special reserve	13,644	–
Surplus reserve	606,991	606,991
Accumulated losses	(10,289,719)	(12,077,625)
Total equity attributable to owners of the parent	18,531,665	16,730,115
Non-controlling interests	–	73,849
Total shareholder's equity	18,531,665	16,803,964
Total liabilities and shareholders' equity	26,933,351	25,012,459

Statement of Financial Position of the Parent Company

As at 31 December 2018

Unit: RMB'000

Items	31 December 2018	31 December 2017
Current assets		
Cash and bank balances	2,762,442	1,961,403
Financial assets held for trading	30,000	–
Notes and trade receivables	29,851	169,949
Prepayments	908,523	69,581
Other receivables	10,500	10,355
Inventories	3,192,201	1,330,469
Other current assets	575,931	478,510
Total current assets	7,509,448	4,020,267
Non-current assets:		
Available-for-sale financial assets	–	5,000
Long-term equity investments	–	835,780
Other equity investments	5,000	–
Property, plant and equipment	16,914,084	17,595,699
Construction in process	16,593	8,695
Intangible assets	2,454,327	2,521,734
Deferred tax assets	31,067	–
Total non-current assets	19,421,071	20,966,908
Total assets	26,930,519	24,987,175

Items	31 December 2018	31 December 2017
Current liabilities:		
Notes and trade payables	2,945,889	2,204,070
Advances from customers	–	185,905
Contract liabilities	1,004,220	–
Employee benefits payable	333,407	563,518
Tax payable	34,741	13,113
Other payables	354,665	1,486,183
Non-current liabilities due within one year	410,000	400,000
Other current liabilities	160,675	–
Total current liabilities	5,243,597	4,852,789
Non-current liabilities:		
Long-term borrowings	300,000	700,000
Long-term employee benefits payable	240,615	243,190
Provisions	–	11,204
Deferred income	40,495	43,154
Other non-current liabilities	2,575,500	2,400,000
Total non-current liabilities	3,156,610	3,397,548
Total liabilities	8,400,207	8,250,337
Owner's equity		
Share capital	8,918,602	8,918,602
Capital reserve	19,313,090	19,313,090
Special reserve	13,644	–
Surplus reserve	577,012	577,012
Accumulated losses	(10,292,036)	(12,071,866)
Total shareholder's equity	18,530,312	16,736,838
Total liabilities and shareholders' equity	26,930,519	24,987,175

Consolidated Statement of Profit or Loss
For the Year ended 31 December 2018

Unit: RMB'000

Items	Year ended 31 December 2018	Year ended 31 December 2017
Revenue	22,638,957	13,236,840
Less: Cost of sales	19,681,846	13,531,607
Taxes and surcharges	127,675	82,364
Distribution and selling expenses	88,057	60,628
General and administrative expenses	795,392	574,502
Finance expenses	183,073	512,281
Including: Interest expenses	278,680	528,458
Interest income	99,927	9,244
Impairment losses on assets	30,728	292,599
Impairment losses on financial assets	8,752	–
Add: Other income	2,729	47,198
Investment income/(loss)	5,455	2,255
Including: investment income/(loss) from an associate	(1,566)	(6,857)
Gains on disposal of assets	14,822	(5,009,485)
Operating profit/(loss)	1,746,440	(6,777,173)
Add: Non-operating income	19,827	7,226,586
Less: Non-operating expenses	7,534	129,603
Total profit/(loss)	<u>1,758,733</u>	<u>319,810</u>
Less: Income tax expenses/(credit)	<u>(29,300)</u>	<u>2</u>

Items	Year ended 31 December 2018	Year ended 31 December 2017
Net Profit/(loss)	1,788,033	319,808
Breakdown by continuity of operations		
Net profit/(loss) from continuing operations	1,788,033	319,808
Breakdown by attributable interests		
Net profit/(loss) attributable to owners of the parent	1,787,906	320,086
Non-controlling interests	<u>127</u>	<u>(278)</u>
Other comprehensive income after tax	<u>—</u>	<u>—</u>
Total comprehensive income/(loss)	1,788,033	319,808
Total comprehensive income/(loss) attributable to owners of the parent	1,787,906	320,086
Total comprehensive income/(loss) attributable to non-controlling interests	<u>127</u>	<u>(278)</u>
Earnings per share:		
Basic earnings/(loss) per share (RMB/share)	<u>0.20</u>	<u>0.04</u>
Diluted earnings/(loss) per share (RMB/share)	<u>0.20</u>	<u>0.04</u>

Statement of Profit or Loss of the Parent Company
For the Year ended 31 December 2018

Unit: RMB'000

Items	Year ended 31 December 2018	Year ended 31 December 2017
Revenue	22,633,236	13,142,240
Less: Cost of sales	19,681,842	13,437,519
Taxes and surcharges	127,627	81,967
Distribution and selling expenses	87,883	58,029
General and administrative expenses	800,514	558,136
Finance expenses	181,402	515,593
Including: Interest expenses	278,680	528,458
Interest income	98,593	2,531
Impairment losses on assets	30,728	292,447
Impairment losses on financial assets	8,752	–
Add: Other income	2,729	47,198
Investment income/(loss)	1,826	(8,969)
Including: investment income/(loss) from an associate	(1,566)	(6,857)
Gains on disposal of assets/(loss)	14,822	(5,009,485)
Operating profit/(loss)	1,733,865	(6,772,707)
Add: Non-operating income	19,744	7,226,405
Less: Non-operating expenses	4,846	127,558
Total profit/(loss)	1,748,763	326,140
Less: Income tax expenses/(credit)	(31,067)	–
Net Profit/(loss)	1,779,830	326,140
Breakdown by continuity of operations		
Net profit/(loss) from continuing operations	1,779,830	326,140
Other comprehensive income after tax	–	–
Total comprehensive income/(loss)	1,779,830	326,140

Consolidated Statement of Changes in Equity
For the Year ended 31 December 2018

Unit: RMB '000

Items	Year ended 31 December 2018								
	Total equity attributable to owners of the parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses		
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,282,147	-	-	-	606,991	(12,077,625)	73,849	16,803,964
II. Changes in the current period	-	-	-	-	13,644	-	1,787,906	(73,849)	1,727,701
(I) Total comprehensive income	-	-	-	-	-	-	1,787,906	127	1,788,033
(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 reserve	-	-	-	-	13,644	-	-	-	13,644
1. Amount established during the period	-	-	-	-	20,520	-	-	-	20,520
2. Amount utilised during the period	-	-	-	-	6,876	-	-	-	6,876
III. Closing balance for the period	8,918,602	19,282,147	-	-	13,644	606,991	(10,289,719)	-	18,531,665

Items	Total equity attributable to owners of the parent								
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Non-controlling interests	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	4,436,023	7,154,203	-	-	-	606,991	(12,397,711)	93,060	(107,434)
II. Changes in the current period	4,482,579	12,127,944	-	-	-	-	320,086	(19,211)	16,911,398
(I) Total comprehensive income	-	-	-	-	-	-	320,086	(278)	319,808
(II) Owners' contribution and decrease in share capital	-	16,610,523	-	-	-	-	-	(18,933)	16,591,590
1. Others	-	16,610,523	-	-	-	-	-	(18,933)	16,591,590
(III) Transfers within owners' equity	4,482,579	(4,482,579)	-	-	-	-	-	-	-
1. Transfer to capital (or share capital) from capital reserve	4,482,579	(4,482,579)	-	-	-	-	-	-	-
(IV) Special reserve	-	-	-	-	-	-	-	-	-
1. Amount established during the period	-	-	-	-	13,619	-	-	-	13,619
2. Amount utilised during the period	-	-	-	-	13,619	-	-	-	13,619
III. Closing balance for the period	8,918,602	19,282,147	-	-	-	606,991	(12,077,625)	73,849	16,803,964

Statement of changes in Equity of the Parent Company
For the Year ended 31 December 2018

Unit: RMB'000

Items	Year ended 31 December 2018							
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,313,090	-	-	-	577,012	(12,071,866)	16,736,838
II. Changes in the current period	-	-	-	-	13,644	-	1,779,830	1,793,474
(I) Total comprehensive income	-	-	-	-	-	-	1,779,830	1,779,830
(II) Special reserve	-	-	-	-	13,644	-	-	13,644
Amount established during the period	-	-	-	-	20,520	-	-	20,520
2. Amount utilised during the period	-	-	-	-	6,876	-	-	6,876
III. Closing balance for the period	8,918,602	19,313,090	-	-	13,644	577,012	(10,292,036)	18,530,312

Items	Year ended 31 December 2017							
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Accumulated losses	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	4,436,023	7,185,146	-	-	-	577,012	(12,398,006)	(199,825)
II. Changes in the current period	4,482,579	12,127,944	-	-	-	-	326,140	16,936,663
(I) Total comprehensive income	-	-	-	-	-	-	326,140	326,140
(II) Owners' contribution and decrease in share capital	-	16,610,523	-	-	-	-	-	16,610,523
1. Others	-	16,610,523	-	-	-	-	-	16,610,523
(III) Transfers within owners' equity	4,482,579	(4,482,579)	-	-	-	-	-	-
1. Transfer to capital (or share capital) from capital reserve	4,482,579	(4,482,579)	-	-	-	-	-	-
(IV) Special reserve	-	-	-	-	-	-	-	-
1. Amount established during the period	-	-	-	-	13,619	-	-	13,619
2. Amount utilised during the period	-	-	-	-	13,619	-	-	13,619
III. Closing balance for the period	8,918,602	19,313,090	-	-	-	577,012	(12,071,866)	16,736,838

Consolidated Statement of Cash Flows
For the Year ended 31 December 2018

Unit: RMB'000

Items	Year ended 31 December 2018	Year ended 31 December 2017
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	13,270,746	1,127,997
Other cash received relating to operating activities	175,337	2,866,598
Sub-total of cash inflows from operating activities	13,446,083	3,994,595
Cash paid for purchase of goods and services	9,306,899	1,109,954
Cash paid to and on behalf of employees	1,536,319	907,211
Cash paid for all types of taxes	263,339	79,896
Other cash paid relating to operating activities	1,001,331	1,391,719
Sub-total of cash outflows from operating activities	12,107,888	3,488,780
Net cash flows from operating activities	1,338,195	505,815
II. Cash flows from investing activities:		
Cash received from disposal of investments	1,241,636	–
Cash received from return on investments	7,021	9,112
Net cash received from disposal of property plant and equipment, intangible assets and other long-term assets	16,229	6,887,024
Sub-total of cash inflows from investing activities	1,264,886	6,896,136
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	14,281	–
Cash paid for acquisition of investments	620,000	650,000
Sub-total of cash outflows from investing activities	634,281	650,000
Net cash flows from investing activities	630,605	6,246,136

Items	Year ended 31 December 2018	Year ended 31 December 2017
III. Cash flows from financing activities:		
Cash received from borrowings	185,500	5,317,740
Other cash received relating to financing activities	<u>1,181,576</u>	<u>594,952</u>
Sub-total of cash inflows from financing activities	<u>1,367,076</u>	<u>5,912,692</u>
Cash repayments of borrowings	400,000	10,021,909
Cash paid for distribution of dividends or profits, and for interests expenses	247,845	172,257
Other cash paid relating to financing activities	<u>1,587,450</u>	<u>2,343,765</u>
Sub-total of cash outflows from financing activities	<u>2,235,295</u>	<u>12,537,931</u>
Net cash flows from financing activities	<u>(868,219)</u>	<u>(6,625,239)</u>
IV. Effect of changes in exchange rate on cash and cash equivalents	<u>–</u>	<u>(3,197)</u>
V. Net increase in cash and cash equivalents	1,100,581	123,515
Add: Cash and cash equivalents at the beginning of the period	<u>868,962</u>	<u>745,447</u>
VI. Cash and cash equivalents at the end of the period	<u>1,969,543</u>	<u>868,962</u>

Statement of Cash Flows of the Parent Company
For the Year ended 31 December 2018

Unit: RMB'000

Items	Year ended 31 December 2018	Year ended 31 December 2017
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	13,269,131	1,072,973
Other cash received relating to operating activities	173,919	2,850,182
Sub-total of cash inflows from operating activities	13,443,050	3,923,155
Cash paid for purchase of goods and services	9,306,899	1,058,376
Cash paid to and on behalf of employees	1,536,290	897,689
Cash paid for all types of taxes	262,516	79,366
Other cash paid relating to operating activities	994,972	1,377,270
Sub-total of cash outflows from operating activities	12,100,677	3,412,701
Net cash flows from operating activities	1,342,373	510,454
II. Cash flows from investing activities:		
Cash received from disposal of investments	591,636	—
Net cash received from disposal of property plant and equipment, intangible assets and other long-term assets	16,229	6,887,024
Net cash received from disposal of subsidiaries and other business units	2,289	—
Sub-total of cash inflows from investing activities	610,154	6,887,024
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	14,256	—
Cash paid for acquisition of investments	620,000	—
Sub-total of cash outflows from investing activities	634,256	—
Net cash flows from investing activities	(24,102)	6,887,024

Items	Year ended 31 December 2018	Year ended 31 December 2017
III. Cash flows from financing activities:		
Cash received from borrowings	185,500	5,317,740
Other cash received relating to financing activities	<u>1,181,576</u>	<u>594,952</u>
Sub-total of cash inflows from financing activities	<u>1,367,076</u>	<u>5,912,692</u>
Cash repayments of borrowings	400,000	10,021,909
Cash paid for distribution of dividends or profits, and for interests expenses	247,382	172,257
Other cash paid relating to financing activities	<u>850,438</u>	<u>2,341,518</u>
Sub-total of cash outflows from financing activities	<u>1,497,820</u>	<u>12,535,684</u>
Net cash flows from financing activities	<u>(130,744)</u>	<u>(6,622,992)</u>
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	<u>–</u>	<u>203</u>
V. Net increase in cash and cash equivalents	1,187,527	774,689
Add: Cash and cash equivalents at the beginning of the period	<u>779,827</u>	<u>5,138</u>
VI. Cash and cash equivalents at the end of the period	<u>1,967,354</u>	<u>779,827</u>

The annual report of the Company for the year ended 31 December 2018 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.cqgt.cn) respectively on or before 29 March 2019.

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

Chongqing, the PRC, 29 March 2019

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