



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)

2020

INTERIM REPORT

Section I	Definitions	2
Section II	Company Profile and Major Financial Indicator	3
Section III	Company Business Summary	8
Section IV	Management Discussion and Analysis.	11
Section V	Significant Events	23
Section VI	Movement of Ordinary Shares and the Particulars of Shareholders	57
Section VII	Related Information on Preference Shares.	61
Section VIII	Directors, Supervisors and Senior Management	62
Section IX	Relevant Information on Corporate Bond	66
Section X	Financial Report	67
Section XI	Documents Available for Inspection	212

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. Zhang Jingang, head of the Company, and Mr. Zou An, the Chief Financial Officer and Ms. Lei Xiaodan, 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
Baowu Group	China Baowu Steel Group Corporation Limited
Siyuanhe Investment	Siyuanhe Equity Investment Management Co., Ltd.
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
Securities Law	the Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Reporting Period	From 1 January 2020 to 30 June 2020
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	Liu Jianrong

II. CONTACT INFORMATION

	Secretary to the Board	Securities Representative
Name	Meng Xiangyun	Peng Guoju
Correspondence address	No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC	No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC
Telephone	86-23-6898 3482	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.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC
Postal code of registered address	401258
Office address	No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, 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	Announcement on Completion of the Change of Industrial and Commercial Registration and Renewal of Business License (Announcement No.: 2020-036) published on the website of Shanghai Stock Exchange (http://www.sse.com.cn)

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)		Change from the same period of last year to this Reporting Period (%)
	Same period last year		
Revenue	10,927,367	11,483,560	-4.84
Net profit attributable to shareholders of the Company	121,355	615,728	-80.29
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	107,793	589,097	-81.70
Net cash flow from operating activities	82,586	88,417	-6.59

	At the end of the Reporting Period		Change from the end of last year to the end of the Reporting Period (%)
	At the end of last year		
Net assets attributable to shareholders of the Company	19,520,184	19,396,003	0.64
Total assets	28,611,251	26,975,726	6.06

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>)	0.01	0.07	-85.71
Diluted earnings per share (<i>RMB per share</i>)	0.01	0.07	-85.71
Basic earnings per share after non-recurring profit or loss (<i>RMB per share</i>)	0.01	0.07	-85.71
Weighted average return on net assets (%)	0.62	3.27	Decreased by 2.65 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	0.55	3.13	Decreased by 2.58 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. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB'000 Currency: RMB

Non-recurring profit or loss	Amount
Gains/(losses) from disposal of non-current assets	-197
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)	6,515
Capital occupied income from non-financial entities recognized through profit or loss	319
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	6,791
Non-operating income and expenses other than the above items	134
Total	13,562

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 and 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 follows the production and operation policy of "expanding scale, adjusting structure and reducing costs" and the working keynotes of "conducting comprehensive benchmarking to identify areas for improvement, increasing efforts in cost reduction and efficiency enhancement, refining management and minimizing resource consumption", and strives to build itself into a 10 million-tonne-level iron and steel enterprise, shape "Chongqing Iron & Steel to be beautiful and picturesque" and become a leader in the steel industry in Southwest China.

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

In the first half of 2020, the iron and steel industry has gradually shrugged off the impact of the pandemic, resumed work and production in an orderly manner, and maintained a stable operation of production.

First, the operation of production maintained at a high level. In June, the production of pig iron, crude steel and steel products in China reached 77.64 million tonnes, 91.58 million tonnes and 115.85 million tonnes, respectively, representing year-on-year increases of 4.1%, 4.5% and 7.5%, respectively; from January to June, the production of pig iron, crude steel and steel products in China reached 433 million tonnes, 499 million tonnes and 606 million tonnes, respectively, representing year-on-year increases of 2.2%, 1.4% and 2.7%, respectively.

Second, steel prices hovered at a low level. According to the monitoring of China Iron and Steel Industry Association, in June, the average steel price index of China was 103.1 points, representing a year-on-year decrease of 5.4%; from January to June, the average steel price index of China was 101.0 points, representing a year-on-year decrease of 7.7%, of which, an average decline of 8.2% for long products and 7.5% for plates.

Third, the pressure on steel exports increased. According to data from the General Administration of Customs, in June, the country exported 3.701 million tonnes of steel, representing a year-on-year decrease of 30.2%; from January to June, the cumulative export volume of steel was 28.704 million tonnes, representing a year-on-year decrease of 16.5%.

Fourth, the import volume and price of ore both increased. According to data from the General Administration of Customs, in June, the import volume of iron ore was 101.68 million tonnes, representing an increase of 16.8% month-on-month and 35.3% year-on-year; the average import price was US\$100.8/tonne, representing a month-on-month increase of 10.0%. From January to June, the cumulative import volume of iron ore was 546.91 million tonnes, representing a year-on-year increase of 9.6%; the average import price was US\$90.2/tonne, representing an increase of 0.9% year-on-year and 1.8% from the first quarter.

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

(I) Advantage regarding the system and mechanism.

As a mixed ownership enterprise, the Company gave full play to the advantage in relation to the system and mechanism, established a streamlined and efficient production and 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, risks and responsibilities with the Company, and injected vitality and momentum to the future sustainable development of the Company.

(II) Advantage regarding product market and logistics

Chongqing and the southwestern regions have a net inflow of steel. The Company is the only iron and steel conglomerate meeting national production policies. With its proximity to the Yangtze River, the Company enjoys favourable logistic conditions of the port for self-owned raw material and finished products transportation with its products mainly sold in Chongqing and southwestern regions. It boasts logistics advantages of waterway transportation and enjoys bright development prospects.

(III) Advantage regarding product production line

With rich production lines, the Company is able to provide a diversified portfolio of products. The product structure includes medium plates, hot coil and long products, which meets the development demands in northwestern regional markets and the products are highly recognized in southwestern regional markets.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

In first half of 2020, under the influence of the rapid release of production capacity in the iron and steel industry and the COVID-19 pandemic, the Company followed the production and operation policy of “expanding scale, adjusting structure and reducing costs”, and stuck to the working keynotes of “conducting comprehensive benchmarking to identify areas for improvement, increasing efforts in cost reduction and efficiency enhancement, refining management and minimizing resource consumption”. With a focus on “scale + cost” and “efficiency + benefit”, the Company carried out various tasks such as comprehensive benchmarking to identify areas for improvement. Accordingly, the Company maintained stable production and operation, and promoted the technical renovation plan in an efficient way, thus cementing a solid foundation for the further development of the Company.

In the first half of 2020, in response to the rising temperature of the blast furnace wall, the Company suspended the operation of No.1 blast furnace for a quick revamping, and enabled the blast furnace to achieve the expected production and efficiency in a short period, with its utilization factor reaching the advanced level of the industry. Meanwhile, the Company strengthened the daily maintenance of the other two blast furnaces, achieving a cumulative iron output of 2.86 million tonnes. In addition, the Company adopted appropriate refined material policies and optimized coal and ore blending plans. As a result, the fuel ratio reached 515kg/t iron, representing a year-on-year decrease of 13kg/t iron. As for steel making, the Company adopted measures such as saving iron to increase steel and using more scrap steel to increase production. The ratio of iron to steel reached the best level of 822kg/t steel in June and the cumulative steel output amounted to 3.28 million tonnes, representing a year-on-year increase of 2.96%. Meanwhile, the consumption of steel and iron materials was 1,063kg/t steel, representing a year-on-year decrease of 13kg/t steel. As for rolled steel, the Company optimized the structure to increase production according to the market demand and production line performance. The Company produced 3.14 million tonnes of steel products, representing a year-on-year increase of 4.25%, and sold 3.14 million tonnes of steel products, achieving a balance between production and sales.

In the first half of 2020, the Company’s profit was reduced by RMB612 million due to lower steel price and higher raw material price. However, the Company vigorously conducted comprehensive benchmarking to identify areas for improvement and adopted proactive measures for cost reduction and efficiency enhancement, resulting in significant improvement of the main technical and economic indicators and a year-on-year decrease of RMB146 million in process costs. After defusing the adverse factors impacting the profit in the external market, the Company achieved a profit of RMB121 million.

In the future, the Company will strive to build itself into a 10 million tonne-level iron and steel enterprise, shape “Chongqing Iron & Steel to be beautiful and picturesque”, and take “becoming a leader in the steel industry in Southwest China” as its vision and goal. Meanwhile, it will make every effort to promote its production and operation, project construction and various reform and development initiatives, and continuously enhance the competitiveness of the Company. In 2020, the Company plans to produce 6.12 million tonnes of pig iron, 6.80 million tonnes of steel and 6.38 million tonnes of steel products, and realize sales volume of 6.38 million tonnes of steel products and sales revenue of RMB22.0 billion (tax exclusive).

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD

(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 (%)
Operating income	10,927,367	11,483,560	-4.84
Operating cost	10,342,993	10,342,032	0.01
Selling expenses	53,355	45,161	18.14
Administrative expenses	244,093	330,030	-26.04
Financial expenses	90,148	75,985	18.64
R&D expenses	–	–	–
Net cash flow from operating activities	82,586	88,417	-6.59
Net cash flow from investing activities	251,153	-214,233	N/A
Net cash flow from financing activities	1,039,510	370,217	180.78

Reasons for changes in selling expenses: The increase in selling expenses was mainly due to the fact that higher steel inventory as a result of the pandemic led to an increase in freight transportation and freight charge.

Reasons for changes in administrative expenses: The decrease in administrative expenses was mainly due to the decrease in provision for the incentive fund and the apportionment according to the nature of the expenses.

Reasons for change in financial expenses: The increase in financial expenses was mainly due to the increase in interest expenses as a result of increased financing.

Reasons for changes in net cash flow from investing activities: The increase in net cash flow from investing activities was mainly due to the decrease in investment in wealth management products.

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 in financing.

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) 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 2020, the Group realized a total profit of RMB121 million, representing a year-on-year decrease of 80.33%, which was mainly due to the following reasons: the overall selling price of steel products amounted to RMB3,348/tonne, representing a year-on-year decrease of 4.62% and resulting in a decrease of RMB485 million in profit; the rising prices of raw materials, such as ore, coal, alloy, scrap steel, etc., resulted in a decrease of RMB127 million in profit; the Company vigorously conducted comprehensive benchmarking to identify areas for improvement and adopted proactive measures for cost reduction and efficiency enhancement, resulting in significant improvement of the main technical and economic indicators and remarked decrease in consumption of various resources, and thus achieving a year-on-year decrease of RMB146 million in process costs.

In the first half of 2020, the Group's revenue from principal operations amounted to RMB10,876 million, representing a year-on-year decrease of 4.94%. Among this, the average sales price of steel products was RMB3,348/tonne, representing a year-on-year decrease of 4.62%, leading to a decrease of RMB485 million in sales income.

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (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 2020		First half of 2019		Year-on-year growth (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plates	3,456,117	31.78	3,542,337	30.96	-2.43
Hot rolling	5,313,138	48.85	5,158,288	45.08	3.00
Bars	958,786	8.82	1,142,570	9.99	-16.09
Wire rods	773,514	7.11	1,151,350	10.06	-32.82
Sub-total of steel products	10,501,555	96.56	10,994,545	96.09	-4.48
Other	374,200	3.44	446,743	3.91	-16.24
Total	10,875,755	100.00	11,441,288	100.00	-4.94

Sales prices of steel products:

Item	Sales price in the first half of 2020 (RMB/tonne)	Sales price in the first half of 2019 (RMB/tonne)	Year-on-year Growth (%)	Income increase (RMB'000)
Plates	3,508	3,622	-3.15	-113,023
Hot rolling	3,252	3,389	-4.04	-223,701
Bars	3,337	3,659	-8.80	-92,675
Wire rods	3,356	3,599	-6.75	-56,085
Total	3,348	3,510	-4.62	-485,484

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (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)

Sales volumes of steel products:

Item	Sales volume for the first half of 2020 (Ten thousand tonnes)	Sales volume for the first half of 2019 (Ten thousand tonnes)	Year-on-year Growth (%)	Income increase (RMB'000)
Plates	98.53	97.79	0.76	26,803
Hot rolling	163.39	152.22	7.34	378,551
Bars	28.73	31.22	-7.98	-91,109
Wire rods	23.05	31.99	-27.95	-321,751
Total	313.70	313.22	0.15	-7,506

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (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	10,875,755	10,316,945	5.14	-4.94	0.09	-4.77

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	10,501,555	9,934,475	5.40	-4.48	0.70	-4.87
Other	374,200	382,470	-2.21	-16.24	-13.47	-3.27

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) 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	10,281,370	9,767,107	5.00	-5.44	-0.39	-4.82
Other regions	594,385	549,838	7.49	4.60	9.63	-4.25
Total	10,875,755	10,316,945	5.14	-4.94	0.09	-4.77

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

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities

Applicable Not applicable

1. Assets and liabilities

Unit: RMB'000

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Cash and bank balances	3,208,632	11.21	1,783,747	6.61	79.88	Increase in financing
Financial assets held for trading	-	-	400,000	1.48	-100.00	Redemption of wealth management products
Trade receivables	11,747	0.04	5,610	0.02	109.39	Discrepancy in time for settlement of energy receivables outstanding
Receivables financing	2,528,817	8.84	861,373	3.19	193.58	Decrease in endorsement amount of notes receivable and discount
Other receivables	7,203	0.03	78,132	0.29	-90.78	Receipt of special fund for industrial development for 2019
Other current assets	5,055	0.02	43,410	0.16	-88.36	Decrease in taxes to be verified
Other equity investments	15,000	0.05	5,000	0.02	200.00	Acquisition of 10% equity interest in Luyang Chemical
Construction in progress	637,162	2.23	171,858	0.64	270.75	Increase in investments in fixed assets projects
Short-term borrowings	695,273	2.43	384,528	1.43	80.81	New borrowings amounting to RMB0.5 billion from Baosteel Finance Co., Ltd
Employee benefits payable	125,703	0.44	257,143	0.95	-51.12	Transfer to employee incentive funds for 2019
Taxes payable	146,648	0.51	70,867	0.26	106.93	Value added tax payable for June
Other payables	555,798	1.94	421,768	1.56	31.78	Increase in construction payables
Non-current liabilities due within one year	456,526	1.60	841,576	3.12	-45.75	Repayment of borrowings amounting to RMB0.5 billion from Changshou Iron & Steel
Bonds payable	993,347	3.47	-	-	N/A	Issuance of 2020 First Tranche of Medium-term Notes
Long-term payables	333,333	1.17	-	-	N/A	New finance lease

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

2. Major restricted assets at the end of the Reporting Period

Applicable Not applicable

Unit: RMB'000

Item	30 June 2020	31 December 2019	Notes
Cash and bank balances	240,060	188,424	Note 1
Notes receivables	–	190,000	Note 2
Property, plant and equipment – houses and buildings	1,903,716	1,928,087	Note 3
Property, plant and equipment – machinery and equipment	562,447	–	Note 4
Intangible assets	2,361,008	2,392,114	Note 5
Total	5,067,231	4,698,625	

Note 1: As at 30 June 2020, the Group's ownership of cash and bank balances with carrying value of RMB240,060,000 (31 December 2019: RMB188,424,000) was restricted for issuing bank acceptances and letters of credit.

Note 2: As at 30 June 2020, the Group's notes receivables with carrying value of RMB0 (31 December 2019: RMB190,000,000) were pledged for issuing bank acceptances.

Note 3: As at 30 June 2020, the Group's houses and buildings with a net carrying amount of RMB1,903,716,000 (31 December 2019: RMB1,928,087,000) were pledged to banks to secure the bank loans and working capital loan facilities granted to the Group.

Note 4: As at 30 June 2020, the Group's machinery and equipment with carrying amount of RMB562,447,000 (31 December 2019: Nil) were used for acquisition of assets under finance lease.

Note 5: As at 30 June 2020, the Group's land use right with a carrying amount of RMB2,361,008,000 (31 December 2019: RMB2,392,114,000) was pledged to banks to secure the bank loans and working capital loan 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

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Investment Analysis

1. General analysis of external equity investment

Applicable Not applicable

In the first half of 2020, the Company completed equity investment projects of RMB10,000,000, representing an increase of RMB10,000,000 as compared to the same period last year. In the eighteenth meeting of the eighth session of the Board, the acquisition of 10% equity interests in Luyang Chemical out of the Company's self owned funds at a consideration of RMB 11,237,000 was duly approved by a passing a resolution in relation to the acquisition of 10% equity interests in Luyang Chemical. On 30 April 2020, the Company paid the first installment of the equity interest transfer payments amounting to RMB10,000,000 (excluding transaction service charges). On 20 May 2020, Luyang Chemical completed its ownership change registration procedures for the equity interest transferred. According to the articles of association of Luyang Chemical, the Company is entitled to the voting rights corresponding to its equity interest in Luyang Chemical.

(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	400,000	–	-400,000	6,791
Receivables financing	861,373	2,528,817	1,667,444	–
Other equity investments	5,000	15,000	10,000	–
Total	1,266,373	2,543,817	1,277,444	6,791

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (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. (重慶市重鋼建材銷售有限責任公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Trading	100%	-	Establishment by capital contribution
Chongqing Jian Wei Intelligent Technology Co.,Ltd* (重慶鑒微智能科技有限公司)	Changshou Area, Chongqing	Changshou Area, Chongqing	Software and information technology services	50%	-	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

III. 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

- (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
2019 Annual General Meeting	16 June 2020	Announcement of Resolutions Passed at the 2019 Annual General Meeting (Ann. No.: 2020-029) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn)	17 June 2020
2020 First Extraordinary General Meeting	9 July 2020	Announcement of Resolutions Passed at the 2020 First Extraordinary General Meeting (Ann. No.: 2020-038) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn)	10 July 2020

Explanation on shareholders' meeting

Applicable Not applicable

Section V Significant Events (Continued)

I. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

(I) 2019 Annual General Meeting

The 2019 Annual General Meeting (“AGM”) of the Company was convened by the Board of the Company and presided by the chairman Mr. Zhou Zhuping. The convening of and the procedures for holding the meetings and the voting procedures at the AGM 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 2019 at the AGM. The following resolutions were considered and approved at the AGM:

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

Resolutions adopting non-cumulative voting

- | | |
|----|--|
| 1 | The final financial accounts report for the year 2019 |
| 2 | The 2019 annual report (full text and summary) |
| 3 | The profit distribution plan for the year 2019 |
| 4 | The report of the Board for the year 2019 |
| 5 | The report of the supervisory committee for the year 2019 |
| 6 | The proposal for the re-appointment of the financial and internal control auditor of the Company for the year 2020 |
| 7 | The proposal for the proposed budget for the year 2020 |
| 8 | The proposal for the related investment in relation to joint establishment of special fund for acquisition of Chonggang Group through capital contribution |
| 9 | The proposal for the grant of general mandate to the board of directors to issue corporate bonds |
| 10 | The proposal for the amendments to the Article of Association of Chongqing Iron & Steel Company Limited |
| 11 | The proposal for the amendments to the Rules of Procedures of General Meeting of Chongqing Iron & Steel Company Limited |
| 12 | The proposal for the issuance of Medium-term Notes |

Section V Significant Events (Continued)

I. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

(II) 2020 First Extraordinary General Meeting

The 2020 First Extraordinary General Meeting (“EGM”) of the Company was convened by the Board of the Company and presided by the chairman Mr. Zhou Zhuping. The convening of and the procedures for holding the meetings and the voting procedures at the EGM were in compliance with the relevant requirements of the Company Law and other laws and regulations as well as the Articles of Association of the Company. The following resolutions were considered and approved at the EGM:

No.	Resolutions
	Resolutions adopting cumulative voting
1.00	The proposal for the election of directors for the eighth session of the board of directors of the Company
1.01	To elect Mr. Zhang Jingang as a director of the eighth session of the board of directors of the Company
1.02	To elect Mr. Liu Jianrong as a director of the eighth session of the board of directors of the Company
1.03	To elect Mr. Zou An as a director of the eighth session of the board of directors of the Company
1.04	To elect Mr. Zhou Ping as a director of the eighth session of the board of directors of the Company
2.00	The proposal for the election of supervisors for the eighth session of the supervisory committee of the Company
2.01	To elect Mr. Wu Xiaoping as a supervisor of the eighth session of the supervisory committee of the Company
2.02	To elect Mr. Wang Cunlin as a supervisor of the eighth session of the supervisory committee of the Company
2.03	To elect Mr. Xu Xudong as a supervisor of the eighth session of the supervisory committee 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	Not applicable

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 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

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Explanation for appointment and removal of accounting firms

Applicable Not applicable

The 20th meeting of the eighth session of the Board and 13th meeting of the eighth session of the Supervisory Committee were held on 27 March 2020, and the 2019 annual general meeting was held on 16 June 2020, where the Resolution on Reappointment of the Company's Auditor for Financial and Internal Control for the Year of 2020 was considered and approved, whereby Ernst & Young Hua Ming LLP was re-appointed as the Company's auditor for financial and internal control in 2020 for a term from the date of consideration and approval at the 2019 annual general meeting till the convening of the 2020 annual general meeting. The remuneration for the year of 2020 is RMB2.25 million for financial auditing services and RMB0.7 million for internal control, totaling RMB2.95 million (tax exclusive). The remuneration for the period was determined in accordance with the fair and reasonable pricing principles in the market after negotiation with the accounting firm, and was the same as that for the year of 2019.

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 FOR THE REPORTING PERIOD

Applicable Not applicable

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

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

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

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)

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

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

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

As at 27 June 2019, the Company repurchased a total of 31,500,000 shares through centralized bidding trading, representing approximately 0.3532% of its total share capital. The highest, lowest and average price transacted for such shares were RMB2.13 per share, RMB1.88 per share and RMB1.975 per share, respectively. The total amount paid for such shares was RMB62,223,734 (excluding transaction costs). The shares repurchased are deposited in the Company's securities account designated for share repurchase and will be used for the employee share ownership plans of the Company.

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)

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

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

As authorized at the 2017 annual general meeting of the Company, the Company convened the 16th meeting of the eighth session of the Board and the 12th meeting of the eighth session of the supervisory committee have been signed and issued in writing on 27 December 2019, by which the Proposal in relation to the Third Phase of the Employee Share Ownership Plan of the Company(《關於公司第三期員工持股計劃的議案》) was considered and approved.

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 18th meeting of the eighth session of the Board of the Company convened and circulated in writing on 26 February 2020.

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)

As at close time on 12 March 2020, the Company repurchased a total of 50,000,000 shares through centralized bidding trading, representing approximately 0.56% of its total share capital. The highest, lowest and average price transacted for such shares were RMB1.71 per share, RMB1.65 per share and RMB1.69 per share, respectively. The total amount paid for such shares was RMB84,333,550.00 (excluding transaction costs). The shares repurchased are deposited in the Company's securities account designated for share repurchase and will be used for the employee share ownership plans of the Company. So far, the Company has repurchased a total of 81,500,000 shares accumulatively, representing approximately 0.91% of its total share capital.

On 11 June 2020, the Company received the Confirmation of Transfer Registration (《過戶登記確認書》) issued by China Securities Depository and Clearing Corporation Limited. The number of A shares of the Company deposited in the Company's securities account designated for share repurchase was 44,837,800, representing approximately 0.50% of the Company's total share capital, which were transferred into the securities account designated for the Third Phase of the Employee Share Ownership Plan through a non-transaction way on 9 June 2020, at a transfer price of RMB1.80 per share. The shares purchased for the share ownership plan shall be subject to a lock-up period commencing from 9 June 2020 to 8 June 2021 according to 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 16th meeting of the eighth session of the Board of the Company, the Resolution in relation to Leasing of Assets from Related Companies in 2020 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 2020, and the Announcement on Related Party Transaction of Leasing of Assets from Related Companies in 2020 (Announcement No.: 2019-045) was disclosed on 28 December 2019. 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	94,912

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	-	13,304	1.98	-	-	-
Chongqing Xingang Changlong Logistics Co., Ltd.	Associate	Sale of products	Sale of energy, rendering of services	With reference to market price	-	622	0.24	-	-	-
Total				/	/	13,926	/	/	/	/

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 or 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

Event	Website designated for publication of resolutions
<p>At the 23rd meeting of the eighth session of the Board of the Company held on 16 June 2020, the Resolution in Relation to the Provision of the Facilities by Chongqing Changshou Iron & Steel Company Limited to the Company was considered and approved. Chongqing Changshou Iron & Steel Company Limited intended to offer the credit facilities to the Company in an amount of not more than RMB1,000,000,000 for a term of 3 years, bearing interest calculated at the Loan Prime Rate (LPR). For a loan with a term of one year or less, the interest was calculated at LPR for one-year loan; and for a loan with a term of more than one year, the interest was calculated at the average of LPR for one-year loan and LPR for five-year loan, applicable at the time of application for the facilities. The Company was not required to provide any guarantee for such facilities. As at 30 June 2020, the Company borrowed RMB0.</p>	<p>Announcement of Resolutions Passed at the 23rd Meeting of the Eighth Session of the Board (Ann. No.: 2020-030) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn)</p>

Section V Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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. As at 30 June 2020, an amount of RMB80 million had been repaid.

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. Changshou Iron & Steel 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. On 30 June 2020, such loan had been repaid in full.

Related party	Amount borrowed <i>(Unit: RMB'000)</i>	Interest in the current period <i>(Unit: RMB'000)</i>
Chongqing Changshou Iron & Steel Company Limited	2,320,000	67,633

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	Basis of Gain on lease	Effect of gain on the Company	Whether a related party transaction	Connected relations
Chongqing Iron & Steel Company (Group) Limited	Chongqing Iron & Steel Company Limited		-	2020.01.01	2020.12.31	73,009 Contract	Affecting the production costs	No	
Chongqing Changshou Iron & Steel Company Limited	Chongqing Iron & Steel Company Limited		-	2020.01.01	2020.12.31	94,912 Contract	Affecting the production costs	Yes	Controlling shareholder
Chongqing Iron & Steel Company Limited	Chongqing Xin Gang Chang Long Logistics Company Limited	Buildings	-	2020.01.01	2020.12.31	24 Contract	Affecting the profit	Yes	Associate

2 Guarantee

Applicable Not applicable

3 Other significant contracts

Applicable Not applicable

XII. POVERTY ALLEVIATION BY THE LISTED COMPANY

Applicable Not applicable

Section V Significant Events (Continued)

XIII. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

Applicable Not applicable

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

In 2020, the Company has strictly implemented the permit management system for pollutant discharging, and fully carried out the enterprise self-monitoring and information disclosure, achieving pollutant discharging according to the law and regulations and with permit. The Company has strictly implemented pollutant reduction and discharging control by strengthening the operation and management of environmental protection facilities. In the first half of 2020, the total amount of pollutant discharging did not exceed the total permitted index. During the Reporting Period, there was no accident caused by the Company which was subject to environmental penalty. The major pollutants discharged by the Company are as follows:

Major No.	pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm ³)	Total emissions	Pollutant emission standards implemented	Approved total emissions	Are there excessive emissions
1	Particulate matter	Continuous	10	Goods transportation	Less than Emission Standard of Air Pollutants for Ironmaking Industry (GB28663-2012)	48	Emission Standard of Air Pollutants for Ironmaking Industry (GB28663-2012)	Nil	No
2	Particulate matter	Continuous	30	Coking	Less than Emission Standard of Pollutants for Coking Chemical Industry (GB16171-2012)	378	Emission Standard for Pollutants for Coking Chemical Industry (GB16171-2012)	Nil	No
3	Sulfur dioxide	Continuous				345		Nil	No
4	Nitrogen oxides	Continuous				502		Nil	No
5	Particulate matter	Continuous	17	Sintering	Less than Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry (GB28663-2012)	1683	Emission Standard of Air Pollutants for Iron and Steel Sintering and Pelletizing Industry (GB28663-2012)	Nil	No
6	Sulfur dioxide	Continuous				898		Nil	No
7	Nitrogen oxides	Continuous				1482		Nil	No

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)

1. *Pollutant discharging (Continued)*

No.	Major pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm ³)	Total emissions (tonnes)	Pollutant emission standards implemented	Approved total emissions	Are there excessive emissions
8	Particulate matter	Continuous	27	Ironmaking	Less than Emission Standard of Air	1241	Emission Standard of Air Pollutants	Nil	No
9	Sulfur dioxide	Continuous			Pollutants for Ironmaking Industry	216	for Ironmaking Industry	Nil	No
10	Nitrogen oxides	Continuous			(GB28663-2012)	371	(GB28663-2012)	Nil	No
11	Particulate matter	Continuous	18	Steelmaking	Less than Emission Standard of Air	397	Emission Standard of Air Pollutants	Nil	No
					Pollutants for Steelmaking Industry		for Steelmaking Industry		
					(GB28664-2012)		(GB28664-2012)		
12	Particulate matter	Continuous	13	Steel Rolling	Less than Emission Standard of Air	45	Emission Standard of Air Pollutants	Nil	No
13	Sulfur dioxide	Continuous			Pollutants for Steel Rolling Industry	212	for Steel Rolling Industry	Nil	No
14	Nitrogen oxides	Continuous			(GB28665-2012)	347	(GB28665-2012)	Nil	No
15	COD	Continuous	1	Central wastewater	Less than Emission Standard of	45.58	Emission Standard of Water	Nil	No
16	Nitrox	Continuous		treatment station	Water Pollutant for Iron and Steel	3.65	Pollutant for Iron and Steel	Nil	No
					Industry (GB13456-2012		Industry (GB13456-2012 in		
							place of GB13456-1992)		
17	Total	Particulate matter	3792	Sulfur dioxide	1671	Nitrogen	2702	Cod	45.58
						oxides		Nitrox	3.65
18	Permitted emissions under the pollutant discharging permit	Particulate matter	11635	Sulfur dioxide	6137	Nitrogen	11155	Cod	472
						oxides		Nitrox	47.2

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)

2. *Construction and operation of pollution control facilities*

Applicable Not applicable

The Company has completed the transformation of the pollution control facilities for desulfurization of flue gas from 2# and 3# sintering machines. The facilities have achieved ultra-low emission and have been put into operation. After operation, the emission concentration of particulate matter, sulfur dioxide and nitrogen oxides among flue gas pollutant has fulfilled the emission requirement. All of the existing pollution control facilities are under sound operating condition with a stable emission up to the standard.

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

Applicable Not applicable

4. *Environmental emergency plan*

Applicable Not applicable

In order to implement the requirements of the laws and regulations on strengthening the environmental protection of enterprises promulgated by the central and local government, the Company has established a sound environmental risk prevention system, formulated the Environmental Emergency Plan of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司突發環境事件應急預案》) and carried out environmental protection filing with a period of validity until 16 January 2021 and filling No. of 500115-2018-001-HT.

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 and filed with the ecology and environment bureau in order to regulate the self-monitoring and information disclosure of the Company and ensure the conscious fulfillment of its legal obligations and social responsibilities. The Company has carried out its self-monitoring work in accordance with such program in the first half of 2020.

6. *Other environmental information required to be disclosed*

Applicable Not applicable

According to the Public Participation Measures to Environmental Impact Assessment, three public participation disclosures were completed for environmental impact assessment of the Capacity Expansion of the Company's Newly-built Wastewater Treatment System through the Internet and on-site posting.

On 9 May 2020, the Ministry of Ecological Environment published The Feedback of the Supervision from the Fourth Ecological and Environmental Protection Supervision Team of the Central Government to Chongqing City, in which, the illegal pile and storage of steel slag of the Company has been reported. In order to effectively rectify the illegal pile and storage of steel slag, the Company has formulated a special rectification plan and carried out material removal and sale. During the Reporting Period, the materials previously piled and stored have been removed and disposed of, and a standardized pile and storage yard for steel slag has been completed and put into operation.

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

Applicable Not applicable

Section V Significant Events (Continued)

XIV. ENVIRONMENTAL INFORMATION (CONTINUED)

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

Applicable Not applicable

(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

(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 2020.

(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 2020 pursuant to the provision of Article 250 of the Articles of Association.

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

From 6 March 2020 to 12 March 2020, the Company accumulatively repurchased a total of 50,000,000 A shares through centralized bidding trading, representing approximately 0.56% of its total share capital. The highest, lowest and average price transacted for such shares were RMB1.71 per share, RMB1.65 per share and RMB1.69 per share, respectively. The total amount paid for such shares was RMB84,333,550.00 (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 Zhou Ping 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 2020 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 2020, 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. *The Third Phase of Employee Share Ownership Plan*

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

The Company convened the first holders' meeting of the Third Phase of the Employee Share Ownership Plan on 22 January 2020, at which the Constitution of the Meeting of the Holders of the Third Phase of the Employee Share Ownership Plan (《第三期員工持股計劃持有人會議章程》), the Resolution in relation to the Establishment of the Management Committee of the Third Phase of Employee Share Ownership Plan and Authorization to the Management Committee to be Responsible for Matters Relevant to the Employee Share Ownership Plan (《關於設立第三期員工持股計劃管理委員會並授權管理委員會負責員工持股計劃管理事宜的議案》) and the Resolution for the Election of the Candidates for the Members of the Management Committee of the Third Phase of the Employee Share Ownership Plan (《關於選舉第三期員工持股計劃管理委員會候選委員的議案》) were considered and approved.

The source of shares of this phase of the employee share ownership plan is as follows:

- (1) 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 0.35% of its total share capital. The highest, lowest and average prices 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 RMB62,223,734.00 (excluding transaction fees).
- (2) From 6 March 2020 to 12 March 2020, the Company accumulatively repurchased a total of 50,000,000 A shares through centralized bidding trading, representing approximately 0.56% of its total share capital. The highest, lowest and average prices transacted for such shares were RMB1.71 per share, RMB1.65 per share and RMB1.69 per share, respectively. The total amount paid for such shares was RMB84,333,550.00 (excluding transaction fees).

As of 12 March 2020, the Company accumulatively repurchased a total of 81,500,000 A shares, representing approximately 0.91% of its total share capital.

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

2. *The Third Phase of Employee Share Ownership Plan (Continued)*

On 11 June 2020, the Company received the Transfer Registration Confirmation from China Securities Depository and Clearing Corporation Limited, and 44,837,800 A shares of the Company held by its securities account designated for share repurchase, representing approximately 0.50% of its total share capital, were transferred to the respective securities account designated for the Third Phase of Employee Share Ownership Plan of the Company by non-transaction transfer on 9 June 2020, at a transfer price of RMB1.80 per share. The shares obtained for the employee share ownership plan shall be subject to a lock-up period commencing from 9 June 2020 to 8 June 2021 according to regulations.

3. *Repurchase of A shares of the Company*

As authorized at the 2018 annual general meeting, the 2019 first class meeting of A shareholders and the 2019 first class meeting of H shareholders, the Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading was considered and approved at the 18th meeting of the eighth session of the Board of the Company. For specific details of the repurchase of A shares of the Company, please refer to the Report on the Repurchase of Shares of the Company through Centralized Bidding Trading (Announcement No.: 2020-002) and the Announcement on the Resolutions approved at the 18th Meeting of the Eighth Session of the Board of the Company (Announcement No.: 2020-003) disclosed by the Company on 3 March 2020.

As at the closing date of 6 March 2020, the Company repurchased 10,000,000 A shares through centralized bidding trading under the first repurchase, representing 0.11% of the total share capital of the Company. The highest price and the lowest price transacted for such shares were RMB1.71 per share and RMB1.68 per share, respectively. The total amount paid for such shares was RMB16,967,061.00 (excluding transaction costs). For details, please refer to the Announcement on the First Repurchase of Shares of the Company through Centralized Bidding Trading (Announcement No.: 2020-006) disclosed by the Company on 7 March 2020.

As at the closing date of 12 March 2020, the Company repurchased a total of 50,000,000 A shares through centralized bidding trading, representing approximately 0.56% of its total share capital. The highest, lowest and average price transacted for such shares were RMB1.71 per share, RMB1.65 per share and RMB1.69 per share, respectively. The total amount paid for such shares was RMB84,333,550.00 (excluding transaction costs). As such, the total amount of the repurchase of the Company has reached the cap, and the repurchase plan was fully implemented. For details, please refer to the Announcement on the Result of Repurchase of Shares and Changes in Shareholding Structure (Announcement No.: 2020-007) on disclosed by the Company on 13 March 2020.

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

4. *The issuance of medium-term notes*

On 21 May 2019, the Company held the 2018 annual general meeting, at which the Proposal for the Grant of General Mandate to the Board of Directors to Issue Debt Financing Instruments was considered and approved. The Company was approved to apply to the National Association of Financial Market Institutional Investors (the “NAFMII”) for new registration and issuance of debt financing instruments of non-financial enterprises in the inter-bank market (the “Debt Financing Instruments”), including but not limited to medium-term notes and short-term financing bonds, etc. For relevant details, please refer to the Announcement of Resolutions Passed at the 8th Meeting of the Eighth Session of the Board (Announcement No.: 2019-006), the Announcement on Grant of General Mandate to the Board to Issue Debt Financing Instruments (Announcement No.: 2019-009) disclosed by the Company on 29 March 2019 and the 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 (Announcement No.: 2019-017) disclosed on 22 May 2019.

On 2 March 2020, the Company has received the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2020] No. MTN106) issued by the NAFMII stating that the registration of medium-term notes of the Company has been accepted. The registered amount was RMB1 billion and such registered amount will be effective for 2 years commencing from the date of issue of the notice. Please refer to the Announcement on the Acceptance of Registration of Medium-Term Notes (Announcement No.: 2020-004) disclosed by the Company on 3 March 2020 for details.

From 17 to 18 March 2020, the Company issued the 2020 first tranche of medium-term notes with a principal amount of RMB1 billion and the proceeds raised were fully received on 19 March 2020. Please refer to the Announcement on the Issuance Results of 2020 First Tranche of Medium-Term Notes (Announcement No.: 2020-008) disclosed by the Company on 20 March 2020 for details.

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

4. *The issuance of medium-term notes (Continued)*

On 16 June 2020, the Company held the 2019 annual general meeting, at which the Proposal for the Issuance of Medium-Term Notes by the Company was considered and approved. The Company was approved to apply to the National Association of Financial Market Institutional Investors (the “NAFMII”) and relevant competent regulatory authorities for new registration and issuance of the medium-term notes. On the same day, the Company held the 23rd meeting of the eighth session of the board of directors, at which the Proposal for the Application for the Issuance of Medium-Term Notes and the Grant of Mandate to the Management by the Board to Handle Matters in Relation to the Issuance of Medium-Term Notes was considered and approved. According to the mandate obtained at the general meeting of the Company, the Board authorized the management to determine matters including the issue size, specific terms and conditions of medium-term notes of the Company, subject to a maximum amount of not exceeding RMB2 billion and within 24 months from the date of the approval of the proposal at the general meeting. For relevant details, please refer to the Announcement on Issuance of Medium-Term Notes by the Company (Announcement No.: 2020-026) disclosed by the Company on 23 May 2020, the Announcement of Resolutions Passed at the 2019 Annual General Meeting (Announcement No.: 2020-029) and the Announcement of Resolutions Passed at the 23rd Meeting of the Eighth Session of the Board (Announcement No.: 2020-030) disclosed on 17 June 2020.

Currently, the Company has received the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2020] No. MTN736) issued by the NAFMII stating that the registration of medium-term notes of the Company has been accepted. The registered amount was RMB2 billion and such registered amount will be effective for 2 years commencing from the date of issue of the notice. Please refer to the Announcement on the Acceptance of Registration of Medium-Term Notes (Announcement No.: 2020-037) disclosed by the Company on 9 July 2020 for details.

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

5. *Joint establishment of special fund for acquisition of Chonggang Group through capital contribution*

On 27 March 2020, the Resolution on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution was considered and approved at the 20th meeting of the eighth session of the board of directors of the Company. The Company was approved to participate, as a limited partner, in the joint establishment of a partnership for the bidding of 100% equity interest in Chongqing Iron & Steel (Group) Co., Ltd. (“Chonggang Group”) through capital contribution. Such issue has been submitted to the general meeting for consideration. Please refer to the Announcement of Resolutions Passed at the 20th Meeting of the Eighth Session of the Board (Announcement No.: 2020-010) and the Announcement on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution disclosed by the Company on 30 March 2020 for details.

On 29 April 2020, the Resolution on Supplemental Matters of Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution was considered and approved at the 21st meeting of the eighth session of the board of directors of the Company. On the basis of the principles and matters determined in the Resolution on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution, it further clarified, among other things, the specific plans and methods of the Company to secure the assets it intended to acquire as a limited partner, other parties participating in the joint establishment of the partnership through capital contribution and the terms of agreements.

Since the subject assets listed for sale were the entire equity interest in Chonggang Group, and the Company only intended to purchase some of its assets and the equity of some of its subsidiaries, the Company intended to jointly establish the partnership with Siyuanhe Investment and Sichuan Desheng Group Vanadium & Titanium Co., Ltd. or their designated entities to obtain the total equity interest in Chonggang Group in accordance with the bidding process, and subsequently obtain the target assets it intended to acquire by means of dissolution and distribution of assets of the partnership. Please refer to the Further Announcement on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution (Announcement No.: 2020-024) disclosed by the Company on 30 April 2020 for details.

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

5. *Joint establishment of special fund for acquisition of Chonggang Group through capital contribution (Continued)*

On 16 June 2020, the Resolution on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution was considered and approved at the 2019 annual general meeting of the Company.

In terms of the Company's joint establishment of a partnership for acquisition of Chonggang Group through capital contribution, the uncertainty lies in the chance of successful public bidding and the bidding price subsequently.

The Company will pay sufficient attention to and guard against the risks, and implement strict risk control as per requirements of laws and regulations in the establishment of the partnership; during the process, it will devote greater efforts to feasibility demonstration and value analysis over the project, and reduce investment risks through reasonable transaction structure design and rigid project risk evaluation and control system.

The Company will fulfil its information disclosure obligation based on subsequent business progress in strict accordance with relevant laws and regulations in a timely manner.

6. *Establishment of joint venture through capital contribution*

On 27 March 2020, the Company held the 20th meeting of the eighth session of the board of directors, at which the Resolution in relation to the Related Party Transaction on Establishment of Baowu Raw Materials Procurement Service Company Limited through Joint Contribution was considered and approved. Considering the business development needs of the Company, the Company proposed to establish Baowu Raw Materials Procurement Service Company Limited (寶武原料採購服務有限公司) ("Baowu Raw Materials" or "JV Company", a preliminary name subject to industrial and commercial registration) with its internal funds of RMB40 million in cooperation with Baowu Group, Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), Magang (Group) Holding Co., Ltd. (馬鋼(集團)控股有限公司), WISCO Echeng Steel Company Limited (武漢鋼鐵集團鄂城鋼鐵有限責任公司) and SGIS Songshan Co., Ltd. (廣東韶鋼松山股份有限公司) through joint contribution. Please refer to the Announcement on Connected Transaction in relation to Establishment of Joint Venture through Capital Contribution (Announcement No.: 2020-014) disclosed by the Company on 30 March 2020 for details.

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

6. *Establishment of joint venture through capital contribution (Continued)*

So far, the industrial and commercial registration of such joint venture has been completed. The relevant registration information is set out below:

Enterprise name: Baowu Raw Materials Procurement Service Company Limited

Unified social credit code: 91310000MA1H34T49Q

Enterprise type: other limited liability company

Registered address: Room 1108, No. 188A, Ye Sheng Road, Lingang New City Area, Pilot Free Trade Zone, Shanghai, the PRC

Legal representative: Zhang Dianbo

Registered capital: RMB500 million

Scope of business: general items: engaged in import and export of merchandise (mainly bulk raw materials and fuels) and technologies, domestic trade (except for items otherwise stipulated), international trade; freight forwarding, shipping agency, trading of coal, wholesale and retail of coal, third party logistics services (involving no carriage), oceangoing, offshore and riparian chartering, E-commerce (except for value-added telecommunication services and financial engagements). (Except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business license(s) in accordance with the laws)

7. *Proposed change of the de facto controller*

On 27 December 2019, the Company was informed by Siyuanhe Investment, the de facto controller of the Company, that Siyuanhe Investment and Baowu Group had signed a Letter of Intent, pursuant to which Baowu Group intends to become the de facto controller of the Company. Please refer to the Indicative Announcement on Execution of the Letter of Intent by the De Facto Controller of the Company and Proposed Change of Control (2019-047) disclosed by the Company on 28 December 2019 for details..

As agreed by Siyuanhe Investment and Baowu Group, the term for the proposed transaction commenced from 27 December 2019 and will mature on 30 June 2020. In case of failing to fulfil necessary procedures within the term, the parties can extend the term for the proposed transaction through agreement.

XV. EXPLANATIONS ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(III) Other significant events (Continued)

7. *Proposed change of the de facto controller (Continued)*

On 29 June 2020, the Company received Letter on Matters in Relation to the Letter of Intent from Siyuanhe Investment. The Company noted that, following the entering into of the Letter of Intent, Siyuanhe Investment and Baowu Group had been working closely on implementing works on the proposed transaction. As of 29 June 2020, Baowu Group was performing internal decision-making and approval procedures. Siyuanhe Investment and Baowu Group as well as other parties involved in the proposed transaction will strive to accomplish the decision-making and approval procedures for the proposed transaction as soon as possible despite of the impact of COVID-19 on the progress, so as to complete the proposed transaction as early as possible and procure Baowu Group to be the de facto controller of the Company.

Certain terms in the original Letter of Intent may change but the relevant changes will not affect Baowu Group's becoming of the de facto controller of the Company. The Company will pay continuous attention to the subsequent progress. After Siyuanhe Investment and Baowu Group have entered into a formal transaction agreement, the Company will fulfill its information disclosure obligations in a timely manner in strict compliance with relevant laws and regulations.

8. Online bidding for acquisition of equity interest

On 27 March 2020, the Company held the 20th meeting of the eighth session of the board of directors, at which The Resolution in Relation to Participation in Online Bidding for Acquisition of 100% Equity Interest in Chongqing Qianxin Energy Environmental Protection Company Limited (重慶千信能源環保有限公司) was considered and approved. The Company was approved to participate in the online bidding for 100% equity interest in Chongqing Qianxin Energy Environmental Protection Company Limited ("Qianxin Energy") held by Chongqing Qianxin Group Co., Ltd. ("Qianxin Group") based on its needs for business development, and the management was authorized to sign relevant agreements, documents and handle other related specific matters in accordance with relevant procedures and laws and regulations. Please refer to the Announcement of Resolutions Passed at the 20th Meeting of the Eighth Session of the Board (Announcement No.: 2020-010) disclosed by the Company on 30 March 2020 for details.

On 15 July 2020, the Company and Qianxin Group signed the Equity Transaction Contract in Changshou District, Chongqing. The price of the equity transfer was RMB836,623,600. The Equity Transaction Contract shall come into effect from the date of signing and sealing by the Company and Qianxin Group, i.e., 15 July 2020. Please refer to the Further Announcement on Participation in Online Bidding for Acquisition of 100% Equity Interest in Chongqing Qianxin Energy Environmental Protection Company Limited (Announcement No.: 2020-042) disclosed by the Company on 16 July 2020 for details.

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	145,157
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		
					Status of shares	Number	Type of shareholder
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Pledged	2,096,981,600	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	-400	531,217,021	5.96	0	Unknown	-	Foreign legal person
Chongqing Qianxin Energy Environmental Protection Company Limited	0	427,195,760	4.79	0	Pledged	427,190,070	Unknown
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.24	0	Nil	0	Unknown
Chongqing Guochuang Investment and Management Co., Ltd.	0	278,288,059	3.12	0	Nil	0	Unknown
Sinosteel Equipment & Engineering Co., Ltd.	0	252,411,692	2.83	0	Nil	0	Unknown
Bank of Chongqing Co., Ltd.	0	226,042,920	2.53	0	Nil	0	Unknown
Industrial Bank Co., Ltd. Chongqing Branch	0	219,633,096	2.46	0	Nil	0	Unknown
Agricultural Bank of China Limited Chongqing Branch	0	216,403,628	2.43	0	Nil	0	Unknown
China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司)	0	211,461,370	2.37	0	Nil	0	Unknown

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	531,217,021	Overseas listed foreign shares	531,217,021
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.

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

Unit: share

Name	Title	Shareholding		Increase/ Decrease in shareholding during the Reporting Period	Reason for changes in shareholding
		at the beginning of the Reporting Period	Shareholding at the end of the Reporting Period		
Wang Li	Director	113,800	113,800	0	No change Other explanations

Other Information

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
Zhang Jingang	Chairman	Election
Liu Jianrong	Director	Election
Zou An	Director	Election
Zhou Ping	Director	Election
Wu Xiaoping	Chairman of the Supervisory Committee	Election
Wang Cunlin	Supervisor	Election
Xu Xudong	Supervisor	Election
Zhao Wei	Staff Representative Supervisor	Election
Zou An	Chief Financial Officer	Appointment
Zhou Zhuping	Chairman	Resigned
Li Yongxiang	Director	Resigned
Wang Li	Director	Resigned
Zhang Shuogong	Director	Resigned
Zhang Wenxue	Chairman of the Supervisory Committee	Resigned
Lu Junyong	Supervisor	Resigned
Yin Dong	Supervisor	Resigned
Xiao Yuxin	Staff Representative Supervisor	Resigned
Lv Feng	Chief Financial Officer	Resigned
Wang Bulin	Deputy General Manager	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 of the Company

1. On 15 June 2020, the Company received written resignation letters from Mr. Zhou Zhuping, the chairman of the Company; and Mr. Li Yongxiang, Mr. Wang Li and Mr. Zhang Shuogong, directors of the Company. Due to work adjustments, Mr. Zhou Zhuping resigned from the position as the chairman, a director and other positions of the eighth session of the Board; and Mr. Li Yongxiang, Mr. Wang Li and Mr. Zhang Shuogong resigned, respectively, from the position as a director and other positions of the eighth session of the Board. Their resignations shall be subject to the election of new directors at the general meeting of the Company.
2. On 9 July 2020, the Company convened the 2020 first extraordinary general meeting, at which Mr. Zhang Jingang, Mr. Liu Jianrong, Mr. Zou An and Mr. Zhou Ping were elected as directors of the eighth session of the Board of the Company.

On the same date, the Company convened the 24th meeting of the eighth session of the Board, at which Mr. Zhang Jingang was elected as the chairman of the Company.

(II) Details on changes in supervisors of the Company

1. On 15 June 2020, the Company received written resignation letters from Mr. Zhang Wenxue, the Chairman of the Supervisory Committee, and Mr. Lu Junyong and Mr. Yin Dong, supervisors of the Company. Due to work adjustments, Mr. Zhang Wenxue resigned from the position as the Chairman and a supervisor of the Supervisory Committee, and Mr. Lu Junyong and Mr. Yin Dong resigned, respectively, from the position as a supervisor of the Company. Their resignations shall be subject to the election of new supervisors at the general meeting of the Company.
2. On 9 July 2020, the Company convened the 2020 first extraordinary general meeting, at which Mr. Wu Xiaoping, Mr. Wang Cunlin and Mr. Xu Xudong were elected as supervisors of the eighth session of the Supervisory Committee.

On the same date, the Company convened the 16th meeting of the eighth session of the Supervisory Committee, at which Mr. Wu Xiaoping was elected as the chairman of the Supervisory Committee of the Company.

3. Due to work adjustments, Mr. Xiao Yuxin resigned from the position as a staff representative supervisor of the Supervisory Committee with effect from 12 August 2020.

On 12 August 2020, the Company convened the 4th joint meeting of the first session of staff congress, at which Mr. Zhao Wei was elected as a staff representative supervisor of the eighth session of the Supervisory Committee of the Company.

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

(III) Details on changes in senior management of the Company

1. On 27 March 2020, Mr. Lv Feng requested to resign from the position as the chief financial officer (the financial controller). Upon his resignation from such position, Mr. Lv Feng still holds the position as a deputy general manager of the Company.

On the same date, the Company convened the 20th meeting of the eighth session of the Board, at which Mr. Zou An was elected as the chief financial officer (the financial controller) of the Company.

2. On 9 July 2020, the Company received a written resignation letter from Mr. Wang Bulin, a deputy general manager of the Company. Due to work adjustments, Mr. Wang Bu Lin resigned from the position as a deputy general manager of the Company.

III. OTHER EXPLANATIONS

Applicable Not applicable

Section IX Relevant Information on Corporate Bond

Applicable

Not applicable

Section X Financial Report

Consolidated Statement of Financial Position

As at 30 June 2020

I. AUDITOR'S REPORT

Applicable Not applicable

II. FINANCIAL STATEMENTS

Unit: RMB '000 Currency: RMB

Items	Note VII	30 June 2020	31 December 2019
Current assets:			
Cash and bank balances	1	3,208,632	1,783,747
Financial assets held for trading	2	–	400,000
Trade receivables	3	11,747	5,610
Receivables financing	4	2,528,817	861,373
Prepayments	5	647,644	751,498
Other receivables	6	7,203	78,132
Inventories	7	2,979,319	3,931,513
Other current assets	8	5,055	43,410
Total current assets		9,388,417	7,855,283
Non-current assets:			
Long-term equity investments	10	28,258	28,258
Other equity investments	9	15,000	5,000
Property, plant and equipment	11	16,112,970	16,442,264
Construction in progress	12	637,162	171,858
Intangible assets	13	2,361,008	2,392,114
Deferred tax assets	14	68,436	68,436
Other non-current assets	15	–	12,513
Total non-current assets		19,222,834	19,120,443
Total assets		28,611,251	26,975,726

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Financial Position (Continued)

As at 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Items	Note VII	30 June 2020	31 December 2019
Current liabilities:			
Short-term borrowings	17	695,273	384,528
Notes payable	18	88,805	91,127
Trade payables	19	2,104,786	1,726,883
Contract liabilities	20	1,175,270	1,145,615
Employee benefits payable	21	125,703	257,143
Taxes payable	22	146,648	70,867
Other payables	23	555,798	421,768
Non-current liabilities due within one year	24	456,526	841,576
Other current liabilities		152,785	150,208
Total current liabilities		5,501,594	5,089,715
Non-current liabilities:			
Bonds payable	25	993,347	–
Long-term payables	26	333,333	–
Long-term employee benefits payable	27	175,707	201,737
Deferred income	28	37,086	38,271
Other non-current liabilities	29	2,050,000	2,250,000
Total non-current liabilities		3,589,473	2,490,008
Total liabilities		9,091,067	7,579,723

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Financial Position (Continued)

As at 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Items	<i>Note VII</i>	30 June 2020	31 December 2019
Owners' equity:			
Share capital	30	8,918,602	8,918,602
Capital reserves	31	19,282,147	19,282,147
Less: Treasury shares	32	65,940	62,314
Special reserves	33	21,025	14,573
Surplus reserves	34	606,991	606,991
Accumulated losses	35	(9,242,641)	(9,363,996)
Total owners' equity		19,520,184	19,396,003
Total liabilities and owners' equity		28,611,251	26,975,726

The accompanying notes form an integral part of these financial statements

The financial statements have been signed by:

Legal Representative:
Liu Jianrong

Chief accountant:
Zou An

Head of the accounting department:
Lei Xiaodan

Section X Financial Report

Statement of Financial Position of the Parent Company

As at 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000 Currency: RMB

Items	Note XV	30 June 2020	31 December 2019
Current assets:			
Cash and bank balances		3,202,852	1,779,736
Financial assets held for trading		–	400,000
Trade receivables	1	11,774	5,610
Receivables financing		2,528,817	861,373
Prepayments		609,907	707,289
Other receivables	2	7,098	78,027
Inventories		2,971,875	3,931,513
Other current assets		4,087	43,410
Total current assets		9,336,410	7,806,958
Non-current assets:			
Long-term equity investments	3	28,258	28,258
Other equity investments		15,000	5,000
Property, plant and equipment		16,112,806	16,442,087
Construction in progress		637,162	171,858
Intangible assets		2,361,008	2,392,114
Deferred tax assets		68,192	68,192
Other non-current assets		–	12,513
Total non-current assets		19,222,426	19,120,022
Total assets		28,558,836	26,926,980

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Statement of Financial Position of the Parent Company (Continued)

As at 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Items	Note XV	30 June 2020	31 December 2019
Current liabilities:			
Short-term borrowings		695,273	384,528
Notes payable		88,805	91,127
Trade payables		2,104,540	1,726,883
Contract liabilities		1,133,379	1,105,972
Employee benefits payable		125,703	257,143
Taxes payable		146,538	70,398
Other payables		555,628	421,590
Non-current liabilities due within one year		456,526	841,576
Other current liabilities		147,339	144,958
Total current liabilities		5,453,731	5,044,175
Non-current liabilities:			
Bonds payable		993,347	–
Long-term payables		333,333	–
Long-term employee benefits payable		175,707	201,737
Deferred income		37,086	38,271
Other non-current liabilities		2,050,000	2,250,000
Total non-current liabilities		3,589,473	2,490,008
Total liabilities		9,043,204	7,534,183
Shareholders' equity:			
Share capital		8,918,602	8,918,602
Capital reserves		19,313,090	19,313,090
Less: Treasury shares		65,940	62,314
Special reserves		21,025	14,573
Surplus reserves		577,012	577,012
Accumulated losses		(9,248,157)	(9,368,166)
Total shareholders' equity		19,515,632	19,392,797
Total liabilities and owners' equity		28,558,836	26,926,980

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Income Statement

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000 Currency: RMB

Items	<i>Note VII</i>	For the six months ended 30 June 2020	For the six months ended 30 June 2019
I. Revenue	36	10,927,367	11,483,560
Less: Cost of sales	36	10,342,993	10,342,032
Taxes and surcharges	37	88,595	92,194
Distribution and selling expenses	38	53,355	45,161
General and administrative expenses	39	244,093	330,030
Finance expenses	40	90,148	75,985
Including: Interest expenses		110,693	106,499
Interest income		23,202	33,469
Add: Other income	41	6,515	1,227
Investment income	42	6,791	5,351
II. Operating profit		121,489	604,736
Add: Non-operating income	43	684	13,252
Less: Non-operating expenses	44	747	665
III. Total profit		121,426	617,323
Less: Income tax expenses	45	71	1,595

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Income Statement (Continued)

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Items	<i>Note VII</i>	For the six months ended 30 June 2020	For the six months ended 30 June 2019
IV. Net Profit		121,355	615,728
(1) Breakdown by continuity of operations			
1. Net profit from continuing operations		121,355	615,728
(2) Breakdown by attributable interests			
1. Net profit attributable to shareholders of the parent		121,355	615,728
2. Non-controlling interests		–	–
V. Other comprehensive income after tax		121,355	615,728
VI. Total comprehensive income		121,355	615,728
Total comprehensive income attributable to shareholders of the parent		121,355	615,728
Total comprehensive income attributable to non-controlling interests		–	–
VII. Earnings per share :	46		
(1) Basic earnings per share <i>(RMB/share)</i>		0.01	0.07
(2) Diluted earnings per share <i>(RMB/share)</i>		0.01	0.07

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Income Statement of the Parent Company

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB '000 Currency: RMB

Items	Note XVI	For the six months ended 30 June 2020	For the six months ended 30 June 2019
I. Revenue	4	10,933,097	11,486,217
Less: Cost of sales	4	10,350,437	10,350,441
Taxes and surcharges		88,528	91,997
Distribution and selling expenses		53,116	44,950
General and administrative expenses		244,093	330,030
Finance expenses		90,157	75,989
Including: Interest expenses		110,693	106,499
Interest income		23,193	33,463
Add: Other income		6,515	1,227
Investment income	5	6,791	9,571
II. Operating profit		120,072	603,608
Add: Non-operating income		684	13,252
Less: Non-operating expenses		747	665
III. Total profit		120,009	616,195
Less: Income tax expenses		–	–
IV. Net Profit		120,009	616,195
Breakdown by continuity of operations			
1. Net profit from continuing operations		120,009	616,195
V. Other comprehensive income after tax		120,009	616,195
VI. Total comprehensive income		120,009	616,195

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000 Currency: RMB

Items	Six months ended 30 June 2020								
	Total equity attributable to shareholders of the parent company							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 period	8,918,602	19,282,147	62,314	-	14,573	606,991	(9,363,996)	-	19,396,003
II. Changes in the current period (decrease is represented by "-")	-	-	3,626	-	6,452	-	121,355	-	124,181
(I) Total comprehensive income	-	-	-	-	-	-	121,355	-	121,355
(II) Shareholders' contribution and decrease in share capital	-	-	3,626	-	-	-	-	-	(3,626)
1. Others	-	-	3,626	-	-	-	-	-	(3,626)
(III) Special reserves	-	-	-	-	6,452	-	-	-	6,452
1. Amount established during the period	-	-	-	-	12,954	-	-	-	12,954
2. Amount utilized during the period	-	-	-	-	6,502	-	-	-	6,502
III. Closing balance for the period	8,918,602	19,282,147	65,940	-	21,025	606,991	(9,242,641)	-	19,520,184

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Items	Six months ended 30 June 2019									
	Total equity attributable to shareholders of the parent company								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 period	8,918,602	19,282,147	-	-	13,644	606,991	(10,289,719)	-	18,531,665	
II. Changes in the current period (decrease is represented by "-")	-	-	62,314	-	8,604	-	615,728	-	562,018	
(I) Total comprehensive income	-	-	-	-	-	-	615,728	-	615,728	
(II) Shareholders' 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

Section X Financial Report

Statement of Changes in Equity of the Parent Company

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000 Currency: RMB

Items	Six months ended 30 June 2020							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 period	8,918,602	19,313,090	62,314	-	14,573	577,012	(9,368,166)	19,392,797
II. Changes in the current period (decrease is represented by "-")	-	-	3,626	-	6,452	-	120,009	122,835
(I) Total comprehensive income	-	-	-	-	-	-	120,009	120,009
(II) Shareholders' contribution and decrease in share capital	-	-	3,626	-	-	-	-	(3,626)
1. Others	-	-	3,626	-	-	-	-	(3,626)
(III) Special reserves	-	-	-	-	6,452	-	-	6,452
1. Amount established during the period	-	-	-	-	12,954	-	-	12,954
2. Amount utilized during the period	-	-	-	-	6,502	-	-	6,502
III. Closing balance for the period	8,918,602	19,313,090	65,940	-	21,025	577,012	(9,248,157)	19,515,632

Items	Six months ended 30 June 2019							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 period	8,918,602	19,313,090	-	-	13,644	577,012	(10,292,036)	18,530,312
II. Changes in the current period (decrease is represented by "-")	-	-	62,314	-	8,604	-	616,195	562,485
(I) Total comprehensive income	-	-	-	-	-	-	616,195	616,195
(II) Shareholders' 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

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000 Currency: RMB

Items	Note VII	Six months ended 30 June 2020	Six months ended 30 June 2019
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		9,248,203	10,334,249
Other cash received relating to operating activities	47	188,980	61,079
Sub-total of cash inflows from operating activities		9,437,183	10,395,328
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Cash paid for purchase of goods and services		8,155,684	9,030,724
Cash paid to and on behalf of employees		650,980	743,222
Cash paid for all types of taxes		279,479	365,205
Other cash paid relating to operating activities	47	268,454	167,760
Sub-total of cash outflows from operating activities		9,354,597	10,306,911
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Net cash flows from operating activities	48	82,586	88,417

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Items	<i>Note VII</i>	Six months ended 30 June 2020	Six months ended 30 June 2019
II. Cash flows from investing activities:			
Cash received from disposal of investments		433,000	404,400
Cash received from return on investments		6,791	5,351
<hr/>			
Sub-total of cash inflows from investing activities		439,791	409,751
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Cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets		145,638	36,926
Cash paid for acquisition of investments		43,000	587,058
<hr/>			
Sub-total of cash outflows from investing activities		188,638	623,984
<hr style="border-top: 1px dashed #000;"/>			
Net cash flows from investing activities		251,153	(214,233)
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The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Items	<i>Note VII</i>	Six months ended 30 June 2020	Six months ended 30 June 2019
III. Cash flows from financing activities:			
Cash received from borrowings		2,004,500	105,000
Other cash received relating to financing activities	47	–	795,088
Sub-total of cash inflows from financing activities		2,004,500	900,088
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Cash repayments of borrowings		870,000	200,000
Cash paid for distribution of dividends or profits, and for interest expenses		85,445	79,446
Other cash paid relating to financing activities	47	9,545	250,425
Sub-total of cash outflows from financing activities		964,990	529,871
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Net cash flows from financing activities		1,039,510	370,217
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IV. Effect of changes in exchange rate on cash and cash equivalents		–	–
<hr/>			
V. Net increase in cash and cash equivalents		1,373,249	244,401
Add: Cash and cash equivalents at the beginning of the period		1,595,323	1,969,543
<hr/>			
VI. Cash and cash equivalents at the end of the period		2,968,572	2,213,944
	48		

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Statement of Cash Flows of the Parent Company

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB'000 Currency: RMB

Items	Six months ended 30 June 2020	Six months ended 30 June 2019
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	8,975,505	10,328,057
Other cash received relating to operating activities	187,118	61,079
Sub-total of cash inflows from operating activities	9,162,623	10,389,136
Cash paid for purchase of goods and services	7,885,766	9,030,724
Cash paid to and on behalf of employees	650,980	743,222
Cash paid for all types of taxes	278,758	363,825
Other cash paid relating to operating activities	266,302	167,564
Sub-total of cash outflows from operating activities	9,081,806	10,305,335
Net cash flows from operating activities	80,817	83,801

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Statement of Cash Flows of the Parent Company (Continued)

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Items	Six months ended 30 June 2020	Six months ended 30 June 2019
II. Cash flows from investing activities:		
Cash received from disposal of investments	433,000	404,400
Cash received from return on investments	6,791	9,571
Sub-total of cash inflows from investing activities	439,791	413,971
Cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets	145,638	36,926
Cash paid for acquisition of investments	43,000	587,058
Sub-total of cash outflows from investing activities	188,638	623,984
Net cash flows from investing activities	251,153	(210,013)

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Statement of Cash Flows of the Parent Company (Continued)

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

Items	Six months ended 30 June 2020	Six months ended 30 June 2019
III. Cash flows from financing activities:		
Cash received from borrowings	2,004,500	105,000
Other cash received relating to financing activities	–	795,088
Sub-total of cash inflows from financing activities	2,004,500	900,088
Cash repayments of borrowings	870,000	200,000
Cash paid for distribution of dividends or profits, and for interest expenses	85,445	79,446
Other cash paid relating to financing activities	9,545	250,425
Sub-total of cash outflows from financing activities	964,990	529,871
Net cash flows from financing activities	1,039,510	370,217
IV. Effect of changes in exchange rate on cash and cash equivalents	–	–
V. Net increase in cash and cash equivalents	1,371,480	244,005
Add: Cash and cash equivalents at the beginning of the period	1,591,312	1,967,354
VI. Cash and cash equivalents at the end of the period	2,962,792	2,211,359

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Notes to Financial Statements

January-June 2020

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 81,500,000 A shares with restricted condition, 8,298,975,000 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 25 August 2020.

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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 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 Ministry of Finance 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 2019. Accordingly, these interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Group has determined the specific 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 2020 and the results of their operations and cash flows for the six months ended 30 June 2020.

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 2020 and ends on 30 June 2020.

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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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.

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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Business combination (Continued)

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 fair value of the sum of the consideration paid (or the fair value of 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 the fair value of 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Classification of joint arrangement and joint operation

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

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

7. Cash and cash equivalents

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

8. Foreign currency translation and translation of foreign currency statements

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 acquisition and construction 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

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

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:

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.

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

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.

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 the subsequent 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.

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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

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.

Impairment of financial instruments

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.

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 instruments 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 at amortized cost and by effective interest rate. For these financial instruments with lower credit risk on the balance sheet date, the Group assumes the related credit risk has not increased significantly since initial recognition.

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Impairment of financial instruments (Continued)

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

The disclosure of the criteria for judging significant increase in credit risk, the definition of credit-impaired assets, and the assumption of ECLs measurement, please refer to Note 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 impairment losses are charged to the profit or loss.

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 financial assets and settle the financial liabilities simultaneously.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

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: the amount of the ECLs settled at the balance sheet date, and the amount initially recognized less the cumulative amortization recognized in accordance with the guidance for revenue recognition.

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: if the Group has not retained control, it derecognizes the financial asset and recognizes any resulting assets or liabilities; 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.

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Inventories

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

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

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

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

The Group adopts the perpetual inventory system.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments

Long-term equity investments consist of equity investments in subsidiaries, joint ventures 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 consideration for combination 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 before combination date 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 a long-term equity investment acquired through a business combination involving entities not under common control, the initial investment cost should be the cost of acquisition (for a business combination through 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 securities 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. 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. 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.

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

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

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

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

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

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

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Property, plant and equipment

PPE are recognized in situations when it is probable that their related future economic benefits will flow into the Group, and their cost can be measured reliably. The subsequent expenditure related to PPE 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 useful lives, estimated residual values, and the annual depreciation rates of each category of PPE are as follows:

Items	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.

13. Construction in progress

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

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Borrowing costs

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

All the borrowing costs that are directly attributable to construction or production of all qualifying assets are capitalized and other borrowing costs are charged in profit or loss. A qualifying asset is defined as a PPE, inventory and other assets 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;
- (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 or produced 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 interest expenses 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 multiplying the weighted average of capital expenditure that exceeds the specific borrowings and weighted average interest rate of the general borrowings.

Capitalization of borrowing costs is suspended during extended periods in which the acquisition or construction or production 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Intangible assets

Intangible assets are recognized 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 as intangible assets and is measured at its fair value.

The useful lives of intangible assets are assessed based on 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 then if appropriate, at least at the end of each 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: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; 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; the availability of adequate technical, financial and other resources aids to complete the development and the ability to use or sell the intangible asset; and 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Impairment of assets

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

The Group assesses whether an indication of impairment exists at the balance sheet date, 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 the net amount of 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 of assets is provided accordingly.

Impairment losses of assets cannot be reversed in subsequent accounting periods upon recognition.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Payroll and employee benefits payable

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

Short-term employee benefits payable

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

Post-employment benefits (defined contribution plans)

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

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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Payroll and employee benefits payable (Continued)

Termination benefits

Termination benefits provided by the Group to its 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 two dates: when the entity cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or when the entity recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

Other long-term employee benefits

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

18. Provisions for liabilities

Except for contingent considerations or contingent liabilities assumed for business combination not under common control, a provision for liabilities 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;
- (3) A reliable estimate can be made of the amount of the obligation.

Provisions for liabilities are initially measured at the best estimate of the expenditure required to settle the present obligation, after considering risks, uncertainties, time value of currency, etc. related to the contingencies. Book value of provisions for liabilities shall be reviewed at each balance sheet date. If there is a conclusive evidence indicating that the book value does not reflect the current best estimate, then adjustment shall be made accordingly to the book value based on the current best estimate..

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Revenue from contracts with customers

The revenue is recognized when the Group has fulfilled its performance obligations of the contract, i.e. 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.

Contracts for the 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.

Royalty income

According to terms of relevant contracts or agreements, 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Contract liabilities

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

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

21. Government grants

Government grants are recognized, when all the conditions attached are fulfilled and they are highly probable to be received. 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 grants. 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 through other methods other than constructing. 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: 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 or losses are recognized; 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 undistributed deferred income should be recognized in profit or loss of assets disposal immediately for the period.

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Income tax

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

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

Based on the differences between the carrying amount of an asset or liability on the balance sheet date and its tax base, and the differences between the carrying amounts of some items that have a tax base according to the taxation laws and regulations. but are not recognized as assets and liabilities and their tax base, the Group adopts the balance sheet 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, taxable profit nor deductible losses; and
- (2) as to temporary differences associated with investments in subsidiaries, joint ventures and associates: the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Income tax (Continued)

As to deductible temporary differences, deductible losses that can be carried forward for future years and tax credits, the deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except:

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

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 in future periods to allow the related tax benefit to be utilized. At each balance sheet date, the Group reassesses the unrecognized deferred tax assets and recognizes deferred tax assets to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be reversed.

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

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Leases

Identification of lease

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 one or more 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 during the period of the use.

Identification of a separate lease

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

The lessee can benefit from use of the underlying asset either on its own or together other resources that are readily available to the lessee;

The underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Leases (Continued)

Assessment of lease term

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

As a lessee

Short-term leases

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

As a lessor

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

As lessor of an operating lease

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

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Leases (Continued)

Leaseback transactions

The Group determines whether the transfer of assets in a leaseback transaction should be classified as sales in accordance with Note V.19.

As lessee

If the transfer of assets in a leaseback transaction is classified as sales, the Group, as lessee, measures the right-of-use assets formed by the leaseback based on the portion of the original book value of the assets relating to the right-of-use acquired in the leaseback and recognises profit or loss only to the extent of the rights transferred to the lessor. If the transfer of assets in a leaseback transaction is not classified as sales, the Group, as lessee, continues to recognise the transferred assets and at the same time also recognises financial liabilities equivalent in amount to the transfer income. Such financial liabilities are accounted for in accordance with Note V.19.

24. Share repurchase

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

25. Safety reserve fund

The safety reserve fund extracted by the Group in accordance with the provisions shall be recognized as the cost of the related products or included in profit or loss for the period, while be recognized as special reserves. When using safety reserve fund, it shall be distinguished whether it will form PPE or not and shall be treated separately. 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. 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 inputs – Quoted (unadjusted) market prices in active markets that are available at the measurement date for identical assets or liabilities; Level 2 inputs – Inputs other than Level 1 inputs that are either directly or indirectly observable for the assets or liabilities; Level 3 inputs — Inputs that are unobservable for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group reassesses them and determines whether transfers have occurred between levels in the hierarchy at each balance sheet date.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. 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 balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

Business model

The classification of financial assets 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.

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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are discussed below.

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. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

Deferred tax assets

Deferred tax assets are recognized 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.

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

V SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

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

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

Net realisable values of inventories

At the balance sheet date, 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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. Other tax rate: 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%
Environmental protection tax	The actual emission of air pollutants	RMB2.4–3.5 per pollution equivalent

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

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 2020	31 December 2019
Cash on hand	2	–
Bank deposits	2,968,570	1,595,323
Other monetary funds	240,060	188,424
Total	3,208,632	1,783,747

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 2020	31 December 2019
Deposits for notes and letter of credit	240,060	188,424

As at 30 June 2020, the Group had restricted cash and bank balances for notes and letter of credit. For details please refer to Note VII.49. 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 2020	31 December 2019
Financial assets at fair value through profit or loss		
Debt instrument investments	–	400,000

As at 31 December 2019, debt instrument investments the Group held are non-guaranteed trust products.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

3. Trade receivables

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

(1) *Ageing Analysis of trade receivables is as follows:*

Ageing	30 June 2020	31 December 2019
Within 3 months (third month inclusive)	9,610	5,414
4–12 months (first year inclusive)	1,944	3
1–2 year	101	101
2–3 year	–	–
Above 3 year	1,092	1,092
Sub-total	12,747	6,610
Less: Provision for bad debts	1,000	1,000
Total	11,747	5,610

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

3. Trade receivables (Continued)

(1) *Ageing Analysis of trade receivables is as follows: (Continued)*

Trade receivables disclosed on categories are as follows:

Items	30 June 2020				31 December 2019			
	Book value		Bad debt provision		Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision proportion (%)	Amount	Proportion (%)	Amount	Provision proportion (%)
Receivables that are subject to provision by group with similar credit risk characteristics	12,747	100	1,000	8	6,610	100	1,000	15

As at 30 June 2020 and at 31 December 2019, the group have no individually trade receivables to separate provision for bad debts.

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

Aging	30 June 2020			31 December 2019		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 3 months (third month inclusive)	9,610	-	-	5,414	-	-
4-12 months (first year inclusive)	1,944	-	-	3	-	-
1-2 years	101	25	25	101	25	25
2-3 years	-	-	-	-	-	-
Over 3 years	1,092	89	975	1,092	89	975
Total	12,747		1,000	6,610		1,000

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

3. Trade receivables (Continued)

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

	Opening balance	Provision	Reversal	Written- off	Closing balance
30 June 2020	1,000	–	–	–	1,000
31 December 2019	152,855	3,383	(2,930)	(152,308)	1,000

(3) *Top five trade receivables balances*

As at 30 June 2020, the top five balances in respect of trade receivables aggregating RMB9,875,000, accounting for 77% of the total of closing balance of trade receivables. The closing balance in respect of the provision for bad debts made for the top five balances amounted to RMB0.

4. Receivables financing

Items	30 June 2020	31 December 2019
Notes receivable	2,528,817	861,373

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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

4. Receivables financing (Continued)

(1) *Notes receivable*

1) *Details*

Items	30 June 2020	31 December 2019
Commercial acceptance notes	200	200
Bank acceptance notes	2,528,617	861,173
Less: Bad debt provision for notes receivable	–	–
Total	2,528,817	861,373

2) *Notes receivable of the Group endorsed or discounted but not yet due at the balance sheet date are as follows:*

Items	30 June 2020		31 December 2019	
	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 period	Amount remained to be recognized at the end of the period
Bank acceptance notes	1,597,359	–	3,937,197	280,000

As at 30 June 2020, there was no transfer of notes receivable into trade receivables due to default on the part of the drawer of the Group (31 December 2019: Nil).

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

5. Prepayments

(1) *Ageing analysis*

Ageing	30 June 2020		31 December 2019	
	Book value	Proportion (%)	Book value	Proportion (%)
Within 1 year	642,931	99	747,905	100
1-2 years	4,308	1	3,188	–
2-3 years	405	–	405	–
Total	647,644	100	751,498	100

(2) *Top five prepayments balances*

As at 30 June 2020, the closing balances of the top five prepayments balances in aggregate to RMB354,867,000, representing 55% of the total closing balances of prepayments at the end of reporting period.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

6. Other receivables

	30 June 2020	31 December 2019
Other receivables	7,203	78,132

(1) Ageing analysis

Ageing	30 June 2020	31 December 2019
Within 3 months (third month inclusive)	2,342	74,603
4–12 months (first year inclusive)	3,713	1,712
1–2 year	794	2,132
2–3 year	1,727	115
Above 3 year	2,135	3,078
Sub-total	10,711	81,640
Less: Provision for bad debts	3,508	3,508
Total	7,203	78,132

(2) Other receivables presented by nature

Nature	30 June 2020	31 December 2019
Guarantee deposits, staff advances, etc.	8,659	6,467
Prepayments for trading	841	975
Government grant receivables	–	73,821
Others	1,211	377
Total	10,711	81,640

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

6. Other receivables (Continued)

(2) *Other receivables presented by nature (Continued)*

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

For the six months ended 30 June 2020	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	Total
Balances on 1 January 2020	-	430	3,078	3,508
Balances on 1 January 2020 among current period				
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Turn back Stage 2	-	-	-	-
- Turn back Stage 1	-	-	-	-
Provided	-	1,062	-	1,062
Reversal	-	119	943	1,062
Transfer	-	-	-	-
Written-off	-	-	-	-
Balances on 30 June 2020	-	1,373	2,135	3,508

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

6. Other receivables (Continued)

(2) *Other receivables presented by nature (Continued)*

2019	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	Total
Balances on 1 January 2019	522	380	36,965	37,867
Balances on 1 January 2019 among current year				
– Transfer to Stage 2	(50)	50	–	–
– Transfer to Stage 3	(472)	–	472	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Provision	–	–	78	78
Reversal	–	–	–	–
Transfer	–	–	–	–
Write-off	–	–	34,437	34,437
Balances on 31 December 2019	–	430	3,078	3,508

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

6. Other receivables (Continued)

(2) *Other receivables presented by nature (Continued)*

the book value of other receivables movement:

For the six months ended 30 June 2020	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	Total
Balances on 1 January 2020	76,315	2,247	3,078	81,640
Balances on 1 January 2020 among current period				
– Transfer to Stage 2	(393)	393	–	–
– Transfer to Stage 3	–	–	–	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Increase	3,954	–	–	3,954
Termination	73,821	119	943	74,883
Written-off	–	–	–	–
Balances on 30 June 2020	6,055	2,521	2,135	10,711

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

6. Other receivables (Continued)

(2) *Other receivables presented by nature (Continued)*

the book value of other receivables movement: (Continued)

2019	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	Total
Balances on 1 January 2019	10,085	1,323	36,965	48,373
Balances on 1 January 2019 among current year				
- Transfer to Stage 2	(924)	924	-	-
- Transfer to Stage 3	(550)	-	550	-
- Turn back stage 2	-	-	-	-
- Turn back stage 1	-	-	-	-
Increase	76,316	-	-	76,316
Termination	8,612	-	-	8,612
Written-off	-	-	34,437	34,437
Balances on 31 December 2019	76,315	2,247	3,078	81,640

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

6. Other receivables (Continued)

(3) *As at 30 June 2020, the five largest other receivables are as follows:*

Company	Book value	Nature	Ageing	Ratio in other receivables (%)	Provision for bad debts Closing balance
First	1,500	Guarantee deposits	2-3 years	14	750
Second	1,026	Staff advances	Within 1 year	10	–
Third	750	Guarantee deposits	Within 1 year	7	–
Fourth	598	Guarantee deposits	Within 1 year	6	–
Fifth	500	Guarantee deposits	1-2 years	5	250
Total			4,374	42	1,000

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

7. Inventories

(1) Details

Items	30 June 2020			31 December 2019		
	Book value	Provision for decline in value	Carrying amount	Book value	Provision for decline in value	Carrying amount
Raw materials	1,712,341	136,616	1,575,725	2,744,960	136,616	2,608,344
Work in progress	611,906	–	611,906	451,017	–	451,017
Finished goods	364,025	–	364,025	309,756	–	309,756
Low value consumables and maintenance and spare parts	562,180	134,517	427,663	698,380	135,984	562,396
Total	3,250,452	271,133	2,979,319	4,204,113	272,600	3,931,513

(2) Provision for inventories

1) Details

For the six months ended 30 June 2020	Opening balance	Provision	Closing balance	Decrease Reversal or Written-off	Others
Raw materials	136,616	–	–	–	136,616
Low value consumables and maintenance and spare parts	135,984	–	1,467	–	134,517
Total	272,600	–	1,467	–	271,133

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 of inventories	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	Nil
Work in progress	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges	Nil
Finish goods	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Nil
Low value consumables and maintenance and spare parts	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Relevant inventories sold

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

8. Other current assets

Item	30 June 2020	31 December 2019
Input VAT to be deducted	5,055	43,410

9. Other equity investments

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

30 June 2020

	Accumulated FVOCI	Fair Value	Dividend Income during the period Derecognized equity instrument during the period	Held equity instrument	Reason for designated as FVOCI
Xiamen Shipbuilding Industry Co., Ltd. (廈門船舶重工股份有限公司)	-	5,000	-	-	Intention to long-term holding to obtain investment income
Chongqing Luyang Chemical Co., Ltd.* (重慶路洋化工有限公司) ("Luyang Chemical") (Note 1)	-	10,000	-	-	Intention to long-term holding to obtain investment income

Note 1: At the 18th meeting of the eighth session of the Board the Company, the Resolution in Relation to the Acquisition of 10% Equity Interest in Luyang Chemical was approved, pursuant to which, the acquisition 10% equity interest in Luyang Chemical out of the Company's self-owned funds at a consideration of RMB11,237,000 was approved. On 30 April 2020, the Company paid the first installment of the equity transfer payments amounting to RMB10,000,000 (excluding transaction service charges). On 20 May 2020, Luyang Chemical completed its ownership change registration procedures for the equity interest transferred. According to the articles of association of Luyang Chemical, the Company is entitled to the voting rights corresponding to its equity interest in the company.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

9. Other equity investments (Continued)

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

31 December 2019

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

10. Long-term equity investments

Items	30 June 2020			31 December 2019		
	Book value	Provision for impairments	Carrying amount	Book value	Provision for impairments	Carrying amount
Investments in joint ventures	-	-	-	-	-	-
Investments in associates	28,258	-	28,258	28,258	-	28,258

For the six months ended 30 June 2020

Investees	Opening balance	Increase/(decrease)			Closing balance
		Investments increased	Investment income recognized under equity method		
Joint ventures:	-	-	-	-	-
Chongqing Jian Wei Intelligent Technology Co., Ltd* (重慶鑒微智能科技有限公司) ("Jian Wei Intelligent")	-	-	-	-	-
Associates:	-	-	-	-	-
Chongqing Xingang Changlong Logistics Co., Ltd. (重慶新港長龍物流有限責任公司)	28,258	-	-	-	28,258

As at 30 June 2020, the Company had not paid capital contribution to Jian Wei Intelligent.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

11. Property, plant and equipment

(1) Details

For the six months ended 30 June 2020	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
Original carrying amount				
Opening balance	13,630,917	7,917,445	10,911	21,559,273
Increase during the period	–	4,141	–	4,141
1) Purchase	–	1,882	–	1,882
2) Transfer from construction in progress	–	2,259	–	2,259
Decrease during the period	285	26	37	348
1) Disposal or retirements	285	26	37	348
Closing balance	13,630,632	7,921,560	10,874	21,563,066
Accumulated depreciation				
Opening balance	2,343,907	2,768,312	4,790	5,117,009
Increase during the period	156,259	176,554	425	333,238
1) Provided	156,259	176,554	425	333,238
Decrease during the period	105	10	36	151
1) Disposal or retirements	105	10	36	151
Closing balance	2,500,061	2,944,856	5,179	5,450,096
Provision for impairment				
Opening balance and closing balance	–	–	–	–
Carrying amount				
Carrying amount at the end of the period	11,130,571	4,976,704	5,695	16,112,970
Carrying amount at the beginning of the period	11,287,010	5,149,133	6,121	16,442,264

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 2020

Items	Plants and buildings
Cost	
Opening balance	18,985
Increase	148
Decrease	–
Closing balance	19,133
Accumulated depreciation	
Opening balance	3,314
Increase	219
Decrease	–
Closing balance	3,533
Provision for impairment	
Opening and closing balance	–
Carrying amount	
Carrying amount at the end of the period	15,600
Carrying amount at the beginning of the period	15,671

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

Item	Carrying amount	Reason for lacking certificates of ownership
Workshop in Changshou district	1,046,755	Application materials in the approval process

(4) For details of PPE with ownership restricted as at the end of the period, please refer to Note VII.49.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

12. Construction in progress

(1) Details

Projects	30 June 2020			31 December 2019		
	Book value	Provision for impairments	Carrying amount	Book value	Provision for impairments	Carrying amount
2#&3# sintering flue gas desulfurization upgrading and transformation project	163,554	-	163,554	104,208	-	104,208
2# bars project	83,510	-	83,510	-	-	-
Blast furnace 4 upgrading and transformation project	40,798	-	40,798	-	-	-
Blast furnace 1 upgrading and transformation project	35,390	-	35,390	-	-	-
Upgrading and transformation project of raw material terminal equipment for logistics transportation	24,400	-	24,400	15,539	-	15,539
Transformation of high-efficiency for system 2 through the use of converter	21,316	-	21,316	-	-	-
Improvement of the capacity of raw material yard system and transformation of environment-friendly material yard	20,975	-	20,975	-	-	-
Transformation of the sintering machine tail and sorting & dedusting function	15,907	-	15,907	-	-	-
Transformation project of 7# continuous caster of the steelmaking plant	13,228	-	13,228	-	-	-
Upgrading and transformation of the waste water treatment system of the ironmaking plant	12,885	-	12,885	-	-	-
Upgrading and transformation of blast furnace 3 in the blast furnace process of the ironmaking plant	12,676	-	12,676	-	-	-
Upgrading and transformation of blast furnace 2 in the blast furnace process of the ironmaking plant	12,232	-	12,232	-	-	-
Upgrading and transformation project of electric dust removal at 2# head of sintering plant of the ironmaking plant	11,562	-	11,562	7,866	-	7,866
Transformation of the main pumping frequency conversion system of the third sintering plant	6,058	-	6,058	5,928	-	5,928
Plant road function improvement project	3,914	-	3,914	3,040	-	3,040
Transformation of pellet desulfurization and denitrification	3,778	-	3,778	3,705	-	3,705
Upgrading and reconstruction of continuous caster breakout detection system	3,147	-	3,147	3,147	-	3,147
Others	151,832	-	151,832	28,425	-	28,425
Total	637,162	-	637,162	171,858	-	171,858

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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	Increase	Transferred to PPE	Closing balance	Source of funds	Invest proportion of budget (%)
2#&3# sintering flue gas desulfurization upgrading and transformation project	210,000	104,208	59,346	-	163,554	Self-owned funds	78
2# bars project	440,000	-	83,510	-	83,510	Self-owned funds	19
Blast furnace 4 upgrading and transformation project	250,000	-	40,798	-	40,798	Self-owned funds	16
Blast furnace 1 upgrading and transformation project	67,050	-	35,390	-	35,390	Self-owned funds	53
Upgrading and transformation project of raw material terminal equipment for logistics transportation	126,000	15,539	8,861	-	24,400	Self-owned funds	19
Transformation of high-efficiency for system 2 through the use of converter	85,000	-	21,316	-	21,316	Self-owned funds	25
Improvement of the capacity of raw material yard system and transformation of environment-friendly material yard	614,530	-	20,975	-	20,975	Self-owned funds	3
Transformation of the sintering machine tail and sorting & dedusting function	55,700	-	15,907	-	15,907	Self-owned funds	29
Transformation project of 7# continuous caster of the steelmaking plant	70,000	-	13,228	-	13,228	Self-owned funds	19
Upgrading and transformation of the waste water treatment system of the ironmaking plant	44,250	-	12,885	-	12,885	Self-owned funds	29
Upgrading and transformation of blast furnace 3 in the blast furnace process of the ironmaking plant	100,000	-	12,676	-	12,676	Self-owned funds	13
Upgrading and transformation of blast furnace 2 in the blast furnace process of the ironmaking plant	69,000	-	12,232	-	12,232	Self-owned funds	18
Upgrading and transformation project of electric dust removal at 2# head of sintering plant of the ironmaking plant	12,361	7,866	3,696	-	11,562	Self-owned funds	94
Transformation of the main pumping frequency conversion system of the third sintering plant	6,474	5,928	130	-	6,058	Self-owned funds	94
Plant road function improvement project	8,324	3,040	874	-	3,914	Self-owned funds	47
Transformation of pellet desulfurization and denitrification	100,000	3,705	73	-	3,778	Self-owned funds	4
Upgrading and reconstruction of continuous caster breakout detection system	3,650	3,147	-	-	3,147	Self-owned funds	86
Others		28,425	125,666	2,259	151,832	Self-owned funds	
Sub-total		171,858	467,563	2,259	637,162		

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

13. Intangible assets

	For the six months ended 30 June 2020 Land use rights
Cost	
Opening balance and closing balance	2,871,067
Accumulated amortization	
Opening balance	478,953
Provided	31,106
Closing balance	510,059
Provision for impairment	
Opening balance and closing balance	–
Carrying amount	
Carrying amount at the end of the period	2,361,008
Carrying amount at the beginning of the period	2,392,114

As at 30 June 2020, there was no land use right for which the Group had not obtained title certificates (31 December 2019: Nil). For details of intangible assets with ownership restricted as at the end of the period, please refer to Note VII.49.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deductible losses	186,664	28,000	186,664	28,000
Provision for assets impairment	268,923	40,436	268,923	40,436
Total	455,587	68,436	455,587	68,436

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

Items	30 June 2020	31 December 2019
Deductible losses	4,220,490	4,221,108
Deductible temporary differences	446,693	588,531
Sub-total	4,667,183	4,809,639

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.

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

Year	30 June 2020	31 December 2019
2020	568,322	568,940
2021	3,650,870	3,650,870
2022	1,298	1,298
Sub-total	4,220,490	4,221,108

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

15. Other non-current assets

	30 June 2020	31 December 2019
Advances of project payments	–	12,513

16. Provision for impairment for assets

Items	Opening balance	Provided	Decrease		Closing balance
			Reversal	Transfer/ Written-off	
Provision for bad debts	4,508	–	–	–	4,508
Provision for inventories	272,600	–	–	1,467	271,133
Total	277,108	–	–	1,467	275,641

17. Short-term borrowings

	30 June 2020	31 December 2019
Guarantee and mortgage loan (<i>Note 1</i>)	695,273	194,528
Pledged loan (<i>Note 2</i>)	–	190,000
Total	695,273	384,528

Note 1 : As of 30 June 2020, the short-term borrowings amounting to RMB194,500,000 was a bank loan and guaranteed in full by Chongqing Changshou Iron & Steel Company Limited, with an interest rate of 5.22% per annum (31 December 2019: 5.22%); the short-term borrowings amounting to RMB500,000,000 was a credit loan obtained from Baosteel Finance Co., Ltd., with an interest rate of 4.15% per annum.

Note 2 : As of 31 December 2019, the company discounted bank acceptance notes amounting to RMB190,000,000 to obtained short-term borrowings. The aforesaid short-term borrowings have been fully repaid in the current period.

As at 30 June 2020, none of the short-term borrowings were overdue (31 December 2019: Nil).

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

18. Notes payable

Item	30 June 2020	31 December 2019
Bank acceptance notes	88,805	91,127

As at 30 June 2020 and 31 December 2019, the age of notes payable of the Group was all within 6 months and none of the notes payable were overdue.

19. Trade payables

Trade payables are non-interest bearing and shall generally be paid within one month.

Trade payables ageing analysis

Ageing	30 June 2020	31 December 2019
Within 1 year	2,102,916	1,724,323
1-2 years	1,448	2,138
2-3 years	422	422
Total	2,104,786	1,726,883

As at 30 June 2020, there is no significant trade payables aging over 1 year.

20. Contract liabilities

Item	30 June 2020	31 December 2019
Advances from customers	1,175,270	1,145,615

As at 30 June 2020, VAT of advances were disclosed as other current liabilities with an amount of RMB152,785,000 (31 December 2019: RMB150,208,000)

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

21. Employee benefits payable

(1) *Details*

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	206,046	460,430	593,233	73,243
Post-employment benefits – defined contribution plans	27	43,650	42,287	1,390
Termination benefits	51,070	26,523	26,523	51,070
Total	257,143	530,603	662,043	125,703

(2) *Details of short-term employee benefits*

Items	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	–	336,907	336,649	258
Staff welfare	–	2,350	2,350	–
Social security contributions Including:	–	29,308	28,798	510
Medical insurance	–	25,473	25,052	421
Work injury insurance	–	3,835	3,746	89
Housing fund	–	35,784	35,595	189
Labor union funds and employee education funds	25,701	15,607	9,496	31,812
Incentive fund (<i>Note</i>)	180,345	40,474	180,345	40,474
Sub-total	206,046	460,430	593,233	73,243

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 to deal with relevant matters regarding employee share ownership plan. In the current period, the Company has transferred incentive fund for 2019 amounted to RMB180,345,000 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 RMB40,474,000 based on 25% of the unaudited consolidated profit before taxes for the six months ended 30 June 2020 (before picking up incentive fund).

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

21. Employee benefits payable (Continued)

(3) Details of defined contribution plans

Items	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27	42,326	41,017	1,336
Unemployment insurance	–	1,324	1,270	54
Sub-total	27	43,650	42,287	1,390

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.

22. Taxes payable

Items	30 June 2020	31 December 2019
VAT	119,316	49,897
Environmental protection tax	7,445	7,500
Stamp duty	3,156	5,671
City maintenance and construction tax	8,352	1,909
CIT	50	373
Others	8,329	5,517
Total	146,648	70,867

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

23. Other payables

Item	30 June 2020	31 December 2019
Other payables	555,798	421,768

Items	30 June 2020	31 December 2019
Reserve funds for the reorganization	148,361	150,406
Guarantee and deposits	111,342	95,590
Rural network loan repayment	103,062	83,070
Large and medium-sized reservoir resettlement support fund	32,575	25,853
Project payment payable	142,363	56,177
Payment for trading and interest	961	383
Others	17,134	10,289
Total	555,798	421,768

24. Non-current liabilities due within one year

Items	30 June 2020	31 December 2019
Long-term loan due within one year	–	300,297
Long-term payables due within one year	167,278	–
Bonds payable due within one year	13,785	–
Other non-current liabilities due within one year	275,463	541,279
Including: loan of judicial reorganization financial loan	275,463 –	145,177 396,102
Total	456,526	841,576

On 31 December 2019, long term loan due within one year was mortgage and guaranteed loan, which was guaranteed by Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司) free of charge, with an interest rate of 4.75% per annum (31 December 2019: 4.75%). The above loan was repaid in full on 20 May 2020.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

24. Non-current liabilities due within one year (Continued)

On 30 June 2020, other non-current liabilities due within one year were the loan of judicial reorganization and financial loans from Changshou Iron & Steel, among which the loan of judicial reorganization bears interest at the rate of 4.9% per annum (31 December 2019: 4.9%). 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 4.35% (31 December 2019: 4.75%) per annum. As at 30 June 2019, the Company had repaid the loans in full.

CMB Financial Leasing Co., Ltd. provided financing facilities of RMB500 million to the Company for 3 years, from 18 June 2020 to 18 June 2022, with interest rate of 4 % per annum. On 30 June 2020, the finance lease due within one year was RMB167.278 million.

The bonds payable due within one year was the interest expense on bonds payable due within one year, details refer to Note VII.25.

25. Bonds payable

(1) Details

Item	30 June 2020	31 December 2019
Bonds payable (Note)	993,347	–

Note: In February 2020, the Company obtained the approval from National Association of Financial Market Institutional Investors with respect to the issuance of medium-term notes in the PRC with a registration amount of RMB1 billion, the registered amount of which would be valid for two years.

The Company issued the first tranche of the medium-term notes of 2020 of RMB1 billion on 19 March 2020, which was referred to as 20 Chongqing Iron & Steel MTN001, and the issue price was RMB100 par value. The medium-term notes shall be classified into two types.

Type 1 medium-term notes was referred to as 20 Chongqing Iron & Steel MTN001A, the initial issuance scale of which was RMB500 million, with a term of 2 plus 1 years, i.e., the issuer has an option to adjust the coupon rate and the investors have an option to demand redemption of the bonds at the end of the second interest-bearing year of the duration, with a coupon rate of 4.64%.

Type 2 medium-term notes was referred to as 20 Chongqing Iron & Steel MTN001 B, the initial issuance scale of which was RMB500 million, with a term of 3 year, and the coupon rate was 5.13%.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

25. Bonds payable (Continued)

(1) *Details (Continued)*

The introduction of reallocation option between types means that the issuer and the lead underwriter have the right to adjust the final issue size of each type according to the bookkeeping, i.e., reducing the basic issue size of one type while increasing the basic issue size of the other type accordingly, and there is no limit on the reallocation proportion.

As at 30 June 2020, the total accrued interest of the above bonds was RMB13,785,000 which was stated in the non-current liabilities due within one year.

26. Long-term payables

Item	30 June 2020	31 December 2019
Long-term payables (<i>note</i>)	333,333	–

Note: CMB Financial Leasing Co., Ltd. provided financing facilities of RMB500 million to the Company for 3 years, from 18 June 2020 to 18 June 2022, with interest rate of 4% per annum. Among which, RMB167,278,000 will be due on 30 June 2021 and was stated in the non-current liabilities due within one year.

27. Long-term employee benefits payable

Items	30 June 2020	31 December 2019
Long-term termination benefits	136,416	162,807
Net liabilities of the defined benefit plan	39,291	38,930
Total	175,707	201,737

1) *Long-term 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 Group 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 contributions to social insurance and housing fund are determined on the basis of the contributions, and the proportion of contributions payable by the Group in accordance with local social security requirement.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

27. Long-term employee benefits payable (Continued)

1) Long-term termination benefits (Continued)

As at the balance sheet date, key actuarial assumptions used are as follows:

Items	30 June 2020	31 December 2019
Discount rate	2.75%	2.75%
Retirement age		
Male	60	60
Female	50/55	50/55
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 2020 and accounted in profit or loss. As at 30 June 2020, 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 2020
Discount rate	3.50%
Turnover rate	1.50%

The Company adjusted the payment responsibility based on average mortality of Chinese people from “China Life Insurance Mortality Table (2010 to 2013)”. The adjusted payment responsibility was discounted by the treasure bond rate of 30 June 2020 and accounted in profit or loss.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

28. Deferred income

(1) *Details of deferred income*

Item	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants	38,271	–	1,185	37,086	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	5,833	–	60	5,773	Related to assets
Grants for recycle heat power station	32,438	–	1,125	31,313	Related to assets
Sub-total	38,271	–	1,185	37,086	

Note: For details of government grants credited to the current profit or loss or offset against the related cost in the current period, please refer to explanation of government grants in Note VII.41.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

29. Other non-current liabilities

(1) *Details*

Item	30 June 2020	31 December 2019
Borrowings from non-financial institutions		
– loan of judicial reorganization	2,050,000	2,250,000

According to the reorganization plan, Changshou Iron & Steel provided a 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 2019: 4.9%) per annum. Among the loan, an amount of RMB270,000,000 will mature on 30 June 2021, presented as non-current liabilities due within one year.

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

Items	30 June 2020	31 December 2019
Spot or due within 1 year	275,463	541,279
1 to 2 year	200,000	400,000
2 to 5 year	1,850,000	1,850,000
Sub-total	2,325,463	2,791,279

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

30. Share capital

Items	Opening balance	New shares issued	Increase/(decrease) during the current period (decrease is represented by "-")					Sub-total	Closing balance
			Bonus shares	Reserve transferred to shares	Restricted share unlocked	Others			
Restricted shares	31,500	-	-	-	-	50,000	50,000	81,500	
A shares	31,500	-	-	-	-	50,000	50,000	81,500	
Non-restricted shares	8,887,102	-	-	-	-	(50,000)	(50,000)	8,837,102	
A shares	8,348,975	-	-	-	-	(50,000)	(50,000)	8,298,975	
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 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. In June 2019, the Company repurchased a total of 31,500,000 A shares from A share market, representing approximately 0.35% of its total share capital. The Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading was considered and approved at the 18th meeting of the eighth session of the Board of the Company. In March 2020, the Company repurchased a total of 50,000,000 A shares, representing approximately 0.56% of its total share capital. As of March 2020, the Company has repurchased a total of 81,500,000 A shares, representing approximately 0.91% 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

30. Share capital (Continued)

On 11 June 2020, the Company received the Confirmation of Transfer Registration issued by China Securities Depository and Clearing Corporation Limited. The 44,837,800 A shares of the Company deposited in the Company's securities account designated for share repurchase, representing 0.50% of the total share capital of the Company, were transferred to the relevant securities account designated for the Third Employee Share Ownership Plan of the Company by way of non-trading transfer on 9 June 2020. The transfer price was RMB1.80 per share. The shares obtained for the employee share ownership plan shall be subject to a lock-up period commencing from 9 June 2020 to 8 June 2021 according to regulations.

31. 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

32. Treasury shares

Item	Opening balance	Increase	Decrease	Closing balance
Treasury shares (Note)	62,314	84,334	80,708	65,940

The Company repurchased 50,000,000 A shares from A share market in March 2020, and transferred 44,837,800 A shares of the Company deposited in the Company's securities account designated for share repurchase to the relevant securities account designated for the Third Employee Share Ownership Plan of the Company by way of non-trading transfer in June 2020. As of 30 June 2020, the Company had 36,662,000 treasury shares, representing 0.41% of its total share capital.

The above treasury shares will be used for the subsequent employee share ownership plans of the Company, details refer to Note V.30.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

33. Special reserves

Item	Opening balance	Increase	Decrease	Closing balance
Safety fund	14,573	12,954	6,502	21,025

Special reserves was the safety fund accrued according to article of “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.

34. Surplus reserves

Item	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.

35. Accumulated losses

Items	For the six months ended 30 June 2020	2019
Opening balance	(9,363,996)	(10,289,719)
Add: Net profit attributable to the shareholders	121,355	925,723
Closing balance	(9,242,641)	(9,363,996)

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

36. Revenue and cost of sales

Items	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	10,875,755	10,316,945	11,441,288	10,307,160
Revenue from other operations	51,612	26,048	42,272	34,872
	10,927,367	10,342,993	11,483,560	10,342,032

Details of revenue as follows:

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Revenue from contracts with customers	10,927,319	11,483,324
Rentals	48	236
	10,927,367	11,483,560

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2020

Main Product	Sale of steel products	Others	Total
Hot rolling	5,313,138	–	5,313,138
Medium plate	3,456,117	–	3,456,117
Bars	958,786	–	958,786
Wire rods	773,514	–	773,514
Others	–	425,812	425,812
	10,501,555	425,812	10,927,367

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

36. Revenue and cost of sales (Continued)

Disaggregation of revenue from contracts with customers (Continued)

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
Wire rods	1,151,350	–	1,151,350
Others	–	489,015	489,015
	10,994,545	489,015	11,483,560

All the Group's revenue was recognized at a certain point.

The details of revenue recognized in the opening carrying amount of contract obligation for the period:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Sale of goods	1,145,615	1,004,280

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

37. Taxes and surcharges

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Land use right tax	20,952	21,249
Housing property tax	16,744	16,738
Environmental protection tax	12,000	14,199
Stamp duty	6,781	4,829
City maintenance and construction tax	18,732	20,502
Education surcharge	8,028	8,813
Local education surcharge	5,352	5,858
Others	6	6
Total	88,595	92,194

38. Distribution and selling expenses

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Transportation expenses	39,969	32,752
Labor costs	9,175	8,784
Incentive fund	431	–
Depreciation expenses	191	258
Others	3,589	3,367
Total	53,355	45,161

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

39. General and administrative expenses

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Labor costs	86,086	81,356
Incentive funds	2,586	89,201
Depreciation and amortization	60,187	58,029
Termination benefits	–	10,600
Loss on suspension of production	34,381	34,999
Consulting fee	10,861	16,257
Safety expense	9,623	10,562
Environmental protection cost	6,128	3,574
Repair cost	5,858	4,258
Others	28,383	21,194
Total	244,093	330,030

40. Finance Expenses

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Bank interest and other in kind	110,693	106,499
Less: Interest income	23,202	33,469
Exchange loss/(gain)	(575)	–
Others	3,232	2,955
Total	90,148	75,985

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

41. Other income

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Amount included in non-recurring profit or loss
Government grants	6,515	1,227	6,515

Government grants related to daily operating activities are as follows:

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Relate to assets or income
Grants for recycle heat power project	1,125	1,125	Relate to assets
Others	60	102	Relate to assets
Position stability subsidies	3,257	–	Relate to income
Hong Kong construction subsidies	1,329	–	Relate to income
Subsidies for product R & D	150	–	Relate to income
Others	594	–	Relate to income
Total	6,515	1,227	

42. Investment Income

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Investment income from financial assets held for trading	6,791	5,351

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

43. Non-operating income

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Amount included in non-recurring profit or loss
Incomes from default	–	10,176	–
Others	684	3,076	684
Total	684	13,252	684

44. Non-operating expenses

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019	Amount included in non-recurring profit or loss
Losses from fines	510	–	510
Losses from the retirement of non-current assets	197	532	196
Others	40	133	41
Total	747	665	747

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

45. Income tax expenses

(1) *Details*

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Current income tax	71	1,595
Deferred tax	–	–
Total	71	1,595

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

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Profit before tax	121,426	617,323
Tax rate	15%	15%
Income tax expenses calculated at the applicable tax rate	18,214	92,598
Effect of different tax rate applicable to subsidiaries	(141)	540
Expenses not deductible for tax purposes	3,367	2,882
Adjustment of income tax in the prior year	–	882
Utilization of deductible losses from prior years	(93)	(70,408)
Effect of unrecognized deductible temporary differences	(21,276)	(24,899)
Income tax expenses	71	1,595

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

46. 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.

Basic earnings per share	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Continuing operations	0.01	0.07

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Earnings		
Profit attributable to ordinary shareholders of the Company (RMB)	121,355,000	615,728,000
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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

47. 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 2020	For the six months ended 30 June 2019
Interest income	22,882	26,003
Guarantees and deposit	8,313	19,831
Others	157,785	15,245
Total	188,980	61,079

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

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Distribution and selling expenses	43,557	36,122
General and administrative expenses	98,310	94,086
Others	126,587	37,552
Total	268,454	167,760

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

47. 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 2020	For the six months ended 30 June 2019
Notes and letter of credit deposit	–	795,088

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

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Notes and letter of credit deposit	–	183,029
Repurchase of shares	–	62,314
Repayment of operating ordinary obligations from the reorganization	2,045	5,082
Others	7,500	–
Total	9,545	250,425

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

48. 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 2020	For the six months ended 30 June 2019
1) Reconciliation from net profit to cash flows from operating activities:		
Net profit	121,355	615,728
Add: Depreciation of property plant and equipment	333,238	332,710
Amortization of intangible assets	31,106	31,106
Amortization of deferred income	(1,185)	(1,227)
Losses on retirement of PPE	197	532
Financial expenses	100,819	78,902
Investment income	(6,791)	(5,351)
Decrease/(increase) in inventories	952,194	(202,895)
Decrease/(increase) in operating receivables	(1,460,443)	135,821
Increase/(decrease) in operating payables	5,644	(905,513)
Others	6,452	8,604
Net cash flow from operating activities	82,586	88,417
2) Net changes in cash and cash equivalents:		
Cash at the end of the period	2,968,572	2,213,944
Less: cash at the beginning of the period	1,595,323	1,969,543
Net increase/(decrease) in cash and cash equivalents	1,373,249	244,401

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

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

(2) *Components of cash and cash equivalents*

Items	30 June 2020	31 December 2019
1) Cash	2,968,572	1,595,323
Wherein: Cash on hand	2	-
Bank deposit available on demand for payment	2,968,570	1,595,323
2) Cash and cash equivalents at the end of the period	2,968,572	1,595,323

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

Items	January to June 2020
Endorsement amount of notes receivable	1,715,029
Including: Payment for goods and labor	1,321,978
Payment for others	393,051

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

49. Assets with ownership or use right restricted

Items	30 June 2020	31 December 2019	Remarks
Cash and bank balances	240,060	188,424	Note 1
Receivables financing	–	190,000	Note 2
PPE–Plants and buildings	1,903,716	1,928,087	Note 3
PPE–Machinery and equipment	562,447	–	Note 4
Intangible assets	2,361,008	2,392,114	Note 5
Total	5,067,231	4,698,625	

Note 1: As at 30 June 2020, the Group had cash and bank balances amounting to RMB240,060,000 (31 December 2019: RMB188,424,000) restricted for bank acceptance notes and letter of credit.

Note 2: As at 30 June 2020, the Group had notes receivable pledged amounting to RMB0 (31 December 2019: RMB190,000,000) for bank acceptance notes.

Note 3: As at 30 June 2020, the plant and buildings with a net carrying amount of RMB1,903,716,000 (31 December 2019: RMB1,928,087,000) were pledged to banks to secure the bank loans and facilities granted to the Group.

Note 4: As at 30 June 2020, the Group had machinery and equipment amounting to RMB562,447,000 (31 December 2019: nil) for finance leases acquisition.

Note 5: As at 30 June 2020, the land use right with a net carrying amount of RMB2,361,008,000 (31 December 2019: RMB2,392,114,000) 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.

50. Foreign currency monetary items

Items	Original currency	Exchange rate	RMB equivalent
Cash and bank balances			
Wherein: USD	10,009	7.0798	70,862
HKD	6	0.9108	5

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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	Registered capital	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	10,000	100%	-	Incorporation

On 30 June 2020, there were no subsidiaries with material interests of non-controlling shareholders.

2. Equity in joint venture and associate

Name of the joint venture	Main operating place	Place of registration	Business nature	Registered capital	Shareholding proportion		Accounting method
					Direct	Indirect	
Chongqing Jianwei (Note 1)	Changshou District, Chongqing	Changshou District, Chongqing	Software and information technology services	5,000	50%	-	Equity method

Name of the 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

Note 1: The total amount of subscribed capital contribution of the Company was RMB5,000,000. As at the balance sheet date, the Company has not paid such contributions, and Chongqing Jianwei has not begun to operate.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

Carrying amounts of each category of financial instruments at the balance sheet date are as follows:

financial assets

30 June 2020	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	–	–	3,208,632	3,208,632
Trade receivables	–	–	11,747	11,747
Receivables financing (required by standards)	2,528,817	–	–	2,528,817
Other receivables	–	–	7,203	7,203
Other equity investment (designated)	15,000	–	–	15,000
Total	2,543,817	–	3,227,582	5,771,399

31 December 2019	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and bank balances	–	–	1,783,747	1,783,747
Financial assets held for trading (required by standards)	–	400,000	–	400,000
Trade receivables	–	–	5,610	5,610
Receivables financing (required by standards)	861,373	–	–	861,373
Other receivables	–	–	78,132	78,132
Other equity investment (designated)	5,000	–	–	5,000
Total	866,373	400,000	1,867,489	3,133,862

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Classification of financial instruments (Continued)

financial liabilities

Items	Financial liabilities at amortized cost	
	30 June 2020	31 December 2019
Short-term borrowings	695,273	384,528
Notes payable	88,805	91,127
Trade payables	2,104,786	1,726,883
Other payables	555,798	421,768
Non-current liabilities due within one year	456,526	841,576
Bonds payable	993,347	–
Long-term payables	333,333	–
Other non-current liabilities	2,050,000	2,250,000
Total	7,277,868	5,715,882

2. Transfer of financial assets

Financial assets transferred but fully derecognized

As at 30 June 2020, the Group endorsed bank acceptance notes to the suppliers with a carrying amount of RMB0 for settlement of trade payables (31 December 2019: RMB90,000,000) and discounted bank acceptance notes to banks with a carry amount of RMB0 (31 December 2019: RMB190,000,000) to the bank. As the Group was of the opinion that the Group had retained substantially all their risks and rewards, including the default risk associated, the Group continues to recognize them and the settled trade payables or short-term borrowings associated therewith in full. After the endorsement or discount, the Group no longer reserved the rights to use these financial assets, including the rights to sell, transfer or pledge to any other third parties. As at 30 June 2020, the carrying amounts of trade payables settled or short-term borrowings obtained by the Group through these financial assets amounted to RMB0 and RMB0, respectively (31 December 2019: RMB90,000,000 and RMB190,000,000, respectively).

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Transfer of financial assets (Continued)

Financial assets fully derecognized and transferred but still continuing involved

As at 30 June 2020, the Group endorsed bank acceptance notes to the suppliers to settle the payables and discounted to obtain consideration of the bank acceptance notes with a carrying amount of RMB1,597,359,000 (31 December 2019: RMB3,937,197,000). As at 30 June 2020, 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 2020, 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:

The Board is responsible for planning and establishing the risk management structure of the Group, designating the risk management policies and the related guidance for the Group, and monitoring the implementation of risk management measures. The Group has risk management policies in place to identify and analyze the risk exposure of the Group. These risk management policies have defined particular risks, covering the aspects of the management of market risk, credit risk and liquidity risk. The Group will decide whether it is necessary to update the risk management policies and system by regularly evaluating changes in market environment and the operating activities of the Group. Risk management of the Group is carried out by the Board. The Board identifies, evaluates and mitigates the relevant risks by closely working with other business departments. Internal audit department of the Group will conduct audit regularly on risk management control and procedures and submit the audit results to the audit committee of the Group.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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.

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 trade receivables, other receivables and other equity investments arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum credit risk exposure the Group faced at each balance sheet date is the total amount received from customer less impairment.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note 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 77% (31 December 2019: 66%) 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (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 or qualitative 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (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.

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Parameters of ECLs measurement (Continued)

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 2020, 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	3,208,632	–	–	–	3,208,632
Trade receivables	–	–	–	12,747	12,747
Receivables financing	2,528,817	–	–	–	2,528,817
Other receivables	6,055	2,521	2,135	–	10,711
Total	5,743,504	2,521	2,135	12,747	5,760,907

As at 31 December 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	1,783,747	–	–	–	1,783,747
Trade receivables	–	–	–	6,610	6,610
Receivables financing	861,373	–	–	–	861,373
Other receivables	76,315	2,247	3,078	–	81,640
Total	2,721,435	2,247	3,078	6,610	2,733,370

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

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 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 2020, the Group's current assets already exceeded current liabilities by RMB3,886,823,000 (31 December 2019: RMB2,765,568,000).

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Liquidity risk (Continued)

The rest maturity date analysis of financial liabilities measured at undiscounted contract cash flows is as follows:

Classification of financial liabilities based on the rest maturity date

Items	Carrying amount	Undiscounted contract amount	30 June 2020		
			Within 1 year	1-2 years	2 to 5 years
Short-term borrowings	695,273	713,870	713,870	-	-
Notes payable	88,805	88,805	88,805	-	-
Trade payables	2,104,786	2,104,786	2,104,786	-	-
Other payables	555,798	555,798	555,798	-	-
Non-current liabilities due within one year	456,526	449,686	449,686	-	-
Bonds payables	993,347	1,109,432	48,850	542,240	518,342
Long-term payables	333,333	365,681	17,134	177,653	170,894
Other non-current liabilities	2,050,000	2,709,546	115,364	757,778	1,836,404
Total	7,277,868	8,097,604	4,094,293	1,477,671	2,525,640

Items	Carrying amount	Undiscounted contract amount	31 December 2019		
			Within 1 year	1-2 years	2 to 5 years
Short-term borrowings	384,528	394,653	394,653	-	-
Notes payable	91,127	91,127	91,127	-	-
Trade payables	1,726,883	1,726,883	1,726,883	-	-
Other payables	421,768	421,768	421,768	-	-
Non-current liabilities due within one year	841,576	867,487	867,487	-	-
Other non-current liabilities	2,250,000	2,611,667	112,087	502,880	1,996,700
Total	5,715,882	6,113,585	3,614,005	502,880	1,996,700

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Market risk

Market risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market price variation. Market risk mainly includes interest risk and foreign exchange risk.

Interest risk

Interest risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market interest variation. The market interest rate variation risk faced by the Group mainly correlated with its loans with the interest measured by the floating interest rate.

The Group's revenue and operating cash flows are largely unaffected by fluctuation in market interest rate. As at 30 June 2020, all the Group's bank loans were calculated by stable interest rate.

Foreign exchange risk

The Group has currency exposures arising from purchases by operating units in currencies other than the units' functional currencies.

During 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 15.45% (Six months ended 30 June 2019: 9%) 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.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 development 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 2019, there had been no change in the objectives, policies or procedures of capital management of the Group.

	30 June 2020	31 December 2019
Debt-to-asset ratio	31.77%	28.10%

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

X. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

As at 30 June 2020

Item	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	–	–	15,000	15,000
Receivables financing	–	2,528,817	–	2,528,817
	–	2,528,817	15,000	2,543,817

As at 31 December 2019

Item	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	–	861,373	–	861,373
Financial assets held for trading	–	–	400,000	400,000
	–	861,373	405,000	1,266,373

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Assets and liabilities disclosed at fair value

As at 30 June 2020

Item	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Bond payable	–	1,001,532	–	1,001,532
Long-term payables	–	333,019	–	333,019
Other non-current liabilities	–	2,048,343	–	2,048,343
	–	3,382,894	–	3,382,894

As at 31 December 2019

Item	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other non-current liabilities	–	2,247,820	–	2,247,820

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 2020		31 December 2019	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial liabilities	–	–	–	–
Bonds payable	993,347	1,001,532	–	–
Long-term payables	333,333	333,019	–	–
Other non-current liabilities	2,050,050	2,048,343	2,250,000	2,247,820
	3,376,730	3,382,894	2,250,000	2,247,820

Management has assessed that the fair values of Cash and bank balances, financial assets held for trading, trade receivables, receivables financing, other receivables, short-term borrowings, notes payable, trade payables, other payables, non-current liabilities due within one year, etc., approximate to their carrying amounts due to short remaining period.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the bonds payable, long-term payables 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 2020, non-performance risks underlying other non-current liabilities were appraised as immaterial.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

4. Unobservable input value

Below is a summary of significant unobservable inputs of fair value measurements within Level 3:

Fair value at end of period	Valuation technique	Unobservable inputs	Weighted average	Fair value
Trust products classified as financial assets held for trading	30 June 2020: – 31 December 2019: 400,000	Discounted cash flow method	Yield of similar products in private market	For the six months ended 30 June 2020: 6.2% 2019 : 6.2%

5. Adjustment of fair value measurement

Reconciliation of recurring fair value measurements within Level 3 is as follows:

30 June 2020

	Transfer into		Transfer out		Total gains or losses				Change in unrealized gains or losses included in profit or loss for assets held at end of year	
	Opening balance	Stage 3	Stage 3	Through profit or loss	Through other comprehensive income	Purchase	Issue	Sale Settlements		Closing balance
Financial assets held for trading	400,000	-	-	6,791	-	33,000	-	-	(439,791)	-

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

X. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Adjustment of fair value measurement (Continued)

2019

	Opening balance	Transfer into Stage 3	Transfer out Stage 3	Total gains or losses Through profit or loss	Through other comprehensive income	Purchase	Issue	Sale	Settlements	Closing balance	Changes in unrealized gains or losses included in profit or loss for assets held at end of year
Financial assets held for trading	30,000	-	-	15,894	-	1,378,800	-	-	(1,024,694)	400,000	612

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

XI. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Controlling shareholder

Unit: RMB'000 Currency: RMB

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 &Chongqing Steel Company Limited		Technology development, technology transfer, technology service and management consultancy services of the fields of iron and steel, metallurgy and mining, coal, chemical industry, electricity and transportation; sales of raw materials, namely steel; operation of terminals; warehouse services; leases of owned property and equipment; import and export of goods and technology; corporate management and consultancy services	4,000,000	23.51	23.51

Changshou Iron & Steel is the controlling shareholders of the Company, and Siyuanhe Equity Investment Management Co., Ltd is the substantial controller of Changshou Iron & Steel.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 Group

Name of the other related parties	Relationship between the Company and the other related parties
Xingang Changlong (新港長龍)	Associate (Note 1)
Chongqing Jianwei (鑒微智能)	Joint venture (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

Purchase of goods and receiving of services from related parties

Related party	Content of transaction	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Xingang Changlong (新港長龍)	receiving of services	13,304	11,536

Sale of goods and rendering of services to related parties

Related party	Content of transaction	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Xingang Changlong (新港長龍)	Sale of energy, rendering of services	622	643

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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)

Other descriptions

For the purchase price of commodities from the related party, refer to the price or cost plus profit premium for similar transactions between the related party and other third parties, or the suppliers' bidding price.

The price of products sold to related parties are determined with reference to the prices charged by the Company to other third parties or as stipulated by the competent authorities of the Chongqing municipal government.

(2) Leases

As a lessor

Name of Lessee	Type of assets leased	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Xingang Changlong (新港長龍)	Plant and buildings	24	13

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

XI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about related party transactions (Continued)

(2) Leases (Continued)

As a lessee

Name of lessor	Types of asset leased	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Changshou Iron & Steel (長壽鋼鐵) (Note)	Machinery and equipment	94,912	93,684

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.

In December 2019, the Proposal on Leasing the Relevant Assets of Related Companies by the Company in 2020 was considered and approved by the 16th Session of the eighth Board Meeting. On 27 December 2019, the Group entered into an asset leasing contract with Changshou Iron & Steel to lease the aforesaid pre-ironmaking assets, with a monthly rent of RMB17,875,000 and a lease term from 1 January 2020 to 31 December 2020.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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. <i>(Note 1)</i>	300,000	2017/12/27	2020/12/26	Yes
Changshou Iron & Steel <i>(Note 2)</i>	1,000,000	2019/10/08	2020/10/08	No

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 2020, the Company had payback RMB1100 million to China Development Bank, and in the current Reporting Period, the guarantee has been fulfilled.

Note 2: On 8 October 2019, the Company obtained banking facilities of RMB1 billion from China Minsheng Bank Chongqing Branch. Changshou Iron & Steel provided guarantee, free of charge, the guarantee period was 1 year.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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 (長壽鋼鐵) (Note)	2,320,000	67,633

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 2019: 4.9%) per annum. As at 30 June 2020, the Company has repaid RMB80 million to Changshou Iron & Steel, and the remaining amount of the loan was RMB2.32 billion. In 2018, 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 4.35% (31 December 2019:4.75%). As at 30 June 2020, the company has been fully repaid.

(5) Remuneration of key management personnel

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Remuneration of key management personnel	18,331	14,905

5. Balance due to or from related parties

(1) Balance due from related parties

Items	Related party	30 June 2020		31 December 2019	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Trade receivables	Xingang	1,130	–	806	–
	Changlong (新港長龍)				
Other receivables	Changshou Iron & Steel (長壽鋼鐵)	500	–	–	–

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

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 2020	31 December 2019
Trade payables			
	Changshou Iron & Steel (長壽鋼鐵)	17,875	17,875
	Xingang Changlong (新港長龍)	328	1,822
Non-current liabilities due within one year	Changshou Iron & Steel (長壽鋼鐵)	275,463	541,279
Other non-current liabilities	Changshou Iron & Steel (長壽鋼鐵)	2,050,000	2,250,000

6. Commitments of related parties

On 9 August 2019, as approved at the 12th meeting of the eighth session of the board of directors of the Company, the company together with Jianwei Digital Technology (Chongqing) Co., Ltd planned to contribute RMB2,500,000 to establish Chongqing Jianwei (鑒微智能) and possesses 50% equity respectively. As at 30 June 2020, the company has not paid the contribution yet.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Significant capital commitment:

Item	30 June 2020
Contracted, but not provided for – capital commitment	1,121,917

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).

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

XIII. EVENTS AFTER BALANCE SHEET DATE

1. The Resolution in relation to Participation in Online Bidding for Acquisition of 100% Equity Interest in Qianxin Energy Environmental Co., Ltd., was approved at the 20th meeting of the eighth session of the board of directors of the Company by voting. It approved of the Company's participating in the bidding for 100% equity interest in Chongqing Qianxin Energy Environmental Co., Ltd. held by Chongqing Qianxin Group Co., Ltd. On 15 July 2020, the Company and Qianxin Group signed the "Property Right Transaction Contract" in Changshou District, Chongqing. The transfer price of the property right was RMB836,623,600. The Industrial and commercial registration of changes was completed in the same month.
2. The Resolution in relation to Related Party Transaction of Participation in Establishment of Baowu Raw Materials Procurement Service Company Limited was approved at the 20th meeting of the eighth board of directors of the Company. It approved the Company's proposal to establish Baowu Raw Materials Procurement Service Company Limited (寶武原料採購服務有限公司) ("Baowu Raw Materials" or "JV Company", a preliminary name subject to industrial and commercial registration) with its internal funds of RMB40 million in cooperation with China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司) ("China Baowu"), Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司) ("Baosteel"), Magang (Group) Holding Co., Ltd. (馬鋼集團控股有限公司) ("Masteel Group"), WISCO Echeng Steel Company Limited (武漢鋼鐵集團鄂城鋼鐵有限責任公司) ("Echeng Steel") and SGIS Songshan Co., Ltd. (廣東韶鋼松山股份有限公司) ("Songshan Company") through joint contribution., holding 8% of shares in JV Company. On July 7, 2020, the industrial and commercial registration for JV Company was completed, with the name of Baowu Raw Material Supply Co., Ltd. * (寶武原料供應有限公司). On 10 August 2020, the contribution to Baowu Raw Material Supply Co., Ltd. was completed.
3. On 1 July 2020, Changshou Iron & Steel provided financing facilities of RMB1 billion to the Company for 3 years, from 1 July 2020 to 30 June 2023, with interest rate of 4.25% per annum.
4. On 3 August 2020, China Merchants Bank provided a loan of RMB500 million for merger and acquisition of Qianxin Energy to the Company for 5 years, from 3 August 2020 to 2 August 2025, with benchmark interest rate being the loan prime rate (LPR) for loans with a term of over 5 years.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

XIV. OTHER SIGNIFICANT EVENTS

1. Segment report

(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 2019: one) that reached or exceeded 10% of the Group's revenue, which accounting for 19% of the Group's revenue (For the six months ended 30 June 2019: 22%).

The information of this customer which contributed 10% or more of the Group's revenue is 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)	2,121,252	19

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease

As a lessor

The Group rent partial of plants and buildings with lease term of 1 to 5 years, which develops into operating lease. According to the lease contracts, the yearly rental required to adjust based on market rental. The revenue related to plants and buildings lease for the six months ended 30 June 2020 was RMB48,000. Please refer to Note VII.36. for more details.

Operating lease

The profit/loss relating to operating lease is as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Lease income	48	236

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	30 June 2020	31 December 2019
Within 1 year (first year inclusive)	160	305
1 – 2 year (second year inclusive)	125	81
2 – 3 year (third year inclusive)	89	81
3 – 4 year (fourth year inclusive)	81	81
4 – 5 year (fifth year inclusive)	67	68
Total	522	616

Please refer to Note VII.11 for more details about PPE leased out under operating lease.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease (Continued)

As a lessee

Items	For the six months ended 30 June 2020
Short-term lease expenses through profit or loss subject to simplified treatment	167,920
Total cash outflows related to lease	167,920

The Group has lease contracts for various items of machineries and motor vehicles used in its operations. Leases of machineries and motor vehicles generally have lease terms of 1 years. Generally, the Group is restricted from subleasing the underlying assets. The Group simplifies the short-term lease and does not recognize right-of-use assets and lease liabilities. Recognize short-term lease expenses through profits or losses.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

1. Trade receivables

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

(1) *Ageing Analysis of trade receivables is as follows:*

Ageing	30 June 2020	31 December 2019
Within 3 months (third month inclusive)	9,635	5,414
4 to 12 months (first year inclusive)	1,946	3
1-2 year	101	101
2-3 year	-	-
Above 3 year	117	117
Sub-total	11,799	5,635
Less: Provision for bad debts of trade receivables	25	25
Total	11,774	5,610

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

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

1. Trade receivables (Continued)

(1) Ageing analysis is as follows: (Continued)

Trade receivables disclosed on categories are as follows:

Item	30 June 2020				31 December 2019			
	Book value		Bad debt provision		Book value		Bad debt provision	
	Amount	Proportion	Amount	Provision	Amount	Proportion	Amount	Provision
Receivables that are subject to provision by group with similar credit risk characteristics	11,799	100	25	–	5,635	100	25	–

As at 30 June 2020 and at 31 December 2019, the Company had no trade receivables with separate provision for bad debts.

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

Ageing	30 June 2020			31 December 2019		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 3 months (third month inclusive)	9,635	–	–	5,414	–	–
4–12 months (first year inclusive)	1,946	–	–	3	–	–
1–2 years	101	25	25	101	25	25
2–3 years	–	–	–	–	–	–
Over 3 years	117	–	–	117	–	–
Total	11,799		25	5,635		25

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

1. Trade receivables (Continued)

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

	Opening balance	Provision	Reversal	Written-off	Closing balance
30 June 2020	25	–	–	–	25
31 December 2019	152,411	2,852	(2,930)	(152,308)	25

(3) *Top five trade receivables balances*

As at 30 June 2020, the top five balances in respect of trade receivables amounted to RMB9,875,000 in aggregate, accounting for 84% 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 RMB0.

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

2. Other receivables

(1) Ageing analysis is as follows:

Ageing	30 June 2020	31 December 2019
Within 3 months (third month inclusive)	2,347	74,603
4 to 12 months (first year inclusive)	3,603	1,607
1-2 years	794	2,132
2-3 years	1,727	115
Above 3 years	2,135	3,078
Sub-total	10,606	81,535
Less: Provision for bad debts	3,508	3,508
Total	7,098	78,027

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

2. Other receivables (Continued)

(2) *Other receivables presented by nature*

Nature	30 June 2020	31 December 2019
Guarantee deposits, staff advances, etc.	8,659	6,362
Prepayments for trading	841	975
Government grant receivables	–	73,821
Others	1,106	377
Total	10,606	81,535

The movement of bad debt provision of other receivables based on 12-month and lifetime ECLs are as follows:

For the six months ended June 2020	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	Total
Amount on 1 January 2020	–	430	3,078	3,508
Amount on 1 January 2020 among current period				
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	–	–	–	–
– Turn back stage 2	–	–	–	–
– Turn back stage 1	–	–	–	–
Provision	–	1,062	–	1,062
Reversal	–	119	943	1,062
Transfer	–	–	–	–
Write-off	–	–	–	–
Amount on 30 June 2020	1,373	2,135	3,508	

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

2. Other receivables (Continued)

(2) *Other receivables presented by nature (Continued)*

2019	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	Total
Amount on 1 January 2019	522	380	36,965	37,867
Amount on 1 January 2019 among current year				
– Transfer to stage 2	(50)	50		
– Transfer to stage 3	(472)		472	
– Turn back stage 2				
– Turn back stage 1				
Provision			78	78
Reversal				
Transfer				
Write-off			34,437	34,437
Amount on 31 December 2019		430	3,078	3,508

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

2. Other receivables (Continued)

(3) *The movement of book value of other receivables:*

For the six months ended June 2020	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	Total
Amount on 1 January 2020	76,212	2,245	3,078	81,535
Amount on 1 January 2020 among current period				
- Transfer to Stage 2	-393	393	-	-
- Transfer to Stage 3	-	-	-	-
- Turn back stage 2	-	-	-	-
- Turn back stage 1	-	-	-	-
Addition	3,954	-	-	3,954
Derecognition	73,821	119	943	74,883
Write-off	-	-	-	-
Other movement	-	-	-	-
Amount on 30 June 2020	5,952	2,519	2,135	10,606

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

2. Other receivables (Continued)

(3) *The movement of book value of other receivables: (Continued)*

2019	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Credit- impaired financial assets (Lifetime ECLs)	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	(923)	923	-	-
- Transfer to stage 3	(550)	550	-	-
- Turn back stage 2	-	-	-	-
- Turn back stage 1	-	-	-	-
Addition	76,217	-	-	76,217
Derecognition	8,612	-	-	8,612
Write-off	-	-	34,437	34,437
Other movement	-	-	-	-
Amount on 31 December 2019	76,212	2,245	3,078	81,535

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

2. Other receivables (Continued)

(4) *As at 30 June 2020, the top five other receivables are as follows:*

Company	30 June 2020	Nature	Ageing	Ratio in other receivables (%)	Provision for bad debts
First	1,500	Guarantee deposits	2–3 years	14	750
Second	1,026	Staff advances	Within 1 year	10	–
Third	750	Guarantee deposits	Within 1 year	7	–
Fourth	598	Guarantee deposits	Within 1 year	6	–
Fifth	500	Guarantee deposits	1–2 years	5	250
Total	4,374			42	1,000

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

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

3. Long-term equity investments

Item	30 June 2020			31 December 2019		
	Book value	Provision for impairments	Carrying amount	Book value	Provision for impairments	Carrying amount
Subsidiary	-	-	-	-	-	-
Joint ventures	-	-	-	-	-	-
Associate	28,258	-	28,258	28,258	-	28,258
Total	28,258	-	28,258	28,258	-	28,258

Investees	Opening balance	Closing balance	Increase/(decrease)		Investment income recognized through equity method
			Investments increased	Investments decreased	
<i>Subsidiary</i>					
Chongqing CIS Building Materials Sales Co., Ltd. (Note 1)	-	-	-	-	-
<i>Joint venture</i>					
Chongqing Jianwei (Note 2)	-	-	-	-	-
<i>Associate</i>					
Xingang Changlong (Note 2)	28,258	-	-	-	28,258
	28,258	-	-	-	28,258

Note 1: The Company incorporated Chongqing CIS Building Materials Sales Co., Ltd., and the amount of the subscribed contribution is RMB10 million. As at the balance sheet date, the Company has not yet paid the above contribution.

Note 2: For details please refer to Note VII. 10 of the financial statements.

Section X Financial Report Notes to Financial Statements (Continued)

January-June 2020

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

4. Revenue and cost of sales

Item	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	10,881,485	10,324,389	11,443,945	10,315,569
Revenue from other operations	51,612	26,048	42,272	34,872
	10,933,097	10,350,437	11,486,217	10,350,441

Details of revenue are as follows:

Item	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Revenue from contracts with customers	10,933,049	11,485,981
Revenue from lease	48	236
	10,933,097	11,486,217

Disaggregation of revenue from contracts with customers are as follows:

For the six months ended 30 June 2020

Main Product	Steel products	Others	Total
Hot roll	5,313,435	–	5,313,435
Medium plate	3,461,606	–	3,461,606
Bars	958,852	–	958,852
Wire rods	773,392	–	773,392
Others	–	425,812	425,812
Total	10,507,285	425,812	10,933,097

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

XV. 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 are as follows: (Continued)

For the six months ended 30 June 2019

Main Product	Steel products	Others	Total
Hot roll	5,162,100	–	5,162,100
Medium plate	3,546,994	–	3,546,994
Bars	1,136,758	–	1,136,758
Wire rods	1,151,350	–	1,151,350
Others	–	489,015	489,015
Total	10,997,202	489,015	11,486,217

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

The details of revenue recognized from the opening carrying amount of contract obligation for the period:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Sale of goods	1,105,972	1,004,220

5. Investment income

Items	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Investment income of financial assets held for trading	6,791	5,351
Investment income from long-term equity investments under cost method	–	4,220
Total	6,791	9,571

Section X Financial Report

Notes to Financial Statements (Continued)

January-June 2020

XVI. 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	(197)
Government grants charged in profit or loss, except for those closely related to the ordinary operation of the Company and gained constantly at a fixed amount or quantity according to certain standard based on state policies	6,515
Capital occupied income from non-financial entities charged in profit or loss	319
Income from disposal of financial assets held for trading	6,791
Non-operating income and expenses other than the above items	134
Sub-total	13,562
Less: Impact of corporate income tax (decreases represented by "-")	-
Net non-recurring profit or loss attributable to shareholders	13,562

Note: The items of non-recurring profit or loss were stated at the pre-tax amount. The Group recognized non-recurring 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).

2. Return on net assets and earnings per share

Profit of the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB per share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	0.62	0.01	0.01
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	0.55	0.01	0.01

Section XI Documents Available for Inspection

Documents Available for Inspection

A copy of interim report, containing the signature of the current 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

Originals 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: Zhang Jingang

The date of approval of the Board for submission: 25 August 2020

REVISION

Applicable

Not applicable