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

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

(Stock Code: 1053)

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2020**

#### **I IMPORTANT NOTICE**

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

According to the auditing by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company for 2020 amounted to RMB582 million, and the unappropriated profit as at the end of 2020 amounted to RMB-8.786 billion. As the Company recorded a negative unappropriated profit as at the end of 2020, the directors of the Company suggested not to make profit distribution or transfer capital reserve to share capital pursuant to the Article 250 of the Articles of Association for 2020.

- 6 The annual results of the Company for the year ended 31 December 2020 have been reviewed by the audit committee of the Company.

## II BASIC INFORMATION ON THE COMPANY

### 1 Company Information

#### *Stock Profile*

Stock type	Place of listing	Abbreviated name	Stock code	Stock abbreviation before adjustment
A share	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	N/A
H share	The Stock Exchange of Hong Kong Limited	Chongqing Iron	01053	N/A

Contact information	Secretary to the Board	Securities affairs representative
Name	Liu Jianrong (Acting)	Peng Guoju
Correspondence address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
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### 2 Main Business Profile during the Reporting Period

#### *2.1 Explanation on the Company's Main Business and Business Model*

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

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

Chongqing Iron & Steel, which has integrated into China Baowu, is marching forward with a new attitude towards the goal of high-quality development, striving to build itself into a 10-million-tonne-level iron and steel enterprise, shaping “Chongqing Iron & Steel to be beautiful and picturesque”, and becoming a leader in the steel industry in Southwest China. The Company actively implemented the annual production and operation policy of “expanding scale, adjusting structure, and reducing costs” and the working keynotes of “refining management, minimizing resource consumption, conducting comprehensive benchmarking to identify areas for improvement, and increasing efforts in cost reduction and efficiency enhancement”, and adhered to the philosophy of “all costs can be lowered”, while focusing on “scale + cost” and “efficiency + benefit” by means of maximizing the efficiency and minimizing the costs, so as to promote the Company’s production and operation and the implementation of construction projects and various reforms and development, strengthen the foundation for development, push forward the construction of a 10-million-tonne-level iron and steel enterprise, and move steadily towards the goal of development.

## ***2.2 Explanation on the Industry***

In 2020, under the severe impact of COVID-19 pandemic and the complex domestic and international environment, and in the face of high costs of raw materials such as iron ore, huge environmental pressure, intensified international competition and market volatility, the domestic iron and steel market witnessed upward fluctuations within a wide range.

According to the National Bureau of Statistics, the General Administration of Customs and the China Iron and Steel Association, in 2020, the domestic production of pig iron and crude steel reached 887.52 million tonnes and 1,064.77 million tonnes, representing a year-on-year increase of 4.3% and 7.0%, respectively; the production of steel products reached 1,324.89 million tonnes, representing a year-on-year increase of 10.0%; the cumulative exports of steel products reached 53.67 million tonnes, representing a year-on-year decrease of 16.5%; the cumulative imports of steel products reached 20.23 million tonnes, representing a year-on-year increase of 64.4%; the monthly average of China’s steel price index was 105.57 points, representing a year-on-year decrease of 2.2%; the national cumulative imports of iron ore and its concentrates reached 1,170.1 million tonnes, representing a year-on-year increase of 9.5%; according to the statistics of China Iron and Steel Association, the key iron and steel enterprises realized sales revenue of RMB4.7 trillion, representing a year-on-year increase of 10.9%; and profits of RMB207.4 billion, representing a year-on-year increase of 6.6%.

### 3 Major Financial Data and Financial Indicators of the Company

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

*Unit: RMB'000*

	2020	2019	Increase/ decrease from last year (%)	2018
Total assets	<b>39,949,856</b>	26,975,726	48.10	26,933,351
Operating income	<b>24,489,935</b>	23,477,597	4.31	22,638,957
Net profit attributable to shareholders of listed company	<b>638,479</b>	925,723	-31.03	1,787,906
Net profit attributable to shareholders of listed company, netting non-recurring gains and losses	<b>491,082</b>	726,508	-32.41	1,677,588
Net assets attributable to shareholders of listed company	<b>20,038,467</b>	19,396,003	3.31	18,531,665
Net cash flow from operating activities	<b>1,337,765</b>	-405,326		1,338,195
Basic earnings per share (RMB/share)	<b>0.07</b>	0.10	-30.00	0.20
Diluted earnings per share (RMB/share)	<b>0.07</b>	0.10	-30.00	0.20
Weighted average return on net assets (%)	<b>3.24</b>	4.88	Decrease by 1.64 percentage points	10.14

### 3.2 Major financial data by quarter during the reporting period

Unit: RMB'000

	1st Quarter (January– March)	2nd Quarter (April– June)	3rd Quarter (July– September)	4th Quarter (October– December)
Operating income	5,178,323	5,749,044	6,998,527	6,564,041
Net profit attributable to shareholders of listed company	4,173	117,182	248,977	268,147
Net profit attributable to shareholders of listed company, netting non- recurring gains and losses	253	107,540	246,030	137,259
Net cash flow from operating activities	-213,075	295,661	403,001	852,178

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

Applicable  Not applicable

## 4 Share Capital and Shareholders

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

Unit: share

As of the end of the reporting period, the total number of ordinary shareholders ( <i>accounts</i> )	133,960
At the end of the month before the annual report disclosure, the total number of ordinary shareholders ( <i>accounts</i> )	133,736
As of the end of the reporting period, the total number of preferred shareholders with restored voting rights ( <i>accounts</i> )	0
At the end of the month before the annual report disclosure, the total number of preferred shareholders with restored voting rights ( <i>accounts</i> )	0

## The top 10 shareholders

Name of shareholder (Full name)	Changes during the reporting period	Period-end number of stock	Ratio (%)	Number of restricted stock held	Pledged or frozen		Nature of shareholders
					Stock Status	Quantity	
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Pledged	2,096,981,600	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	23,200	531,240,621	5.96	0	Unknown		Foreign legal person
Chongqing Qianxin Group Co., Ltd.	427,195,760	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

The above shareholders' connected relationship or acting in concert

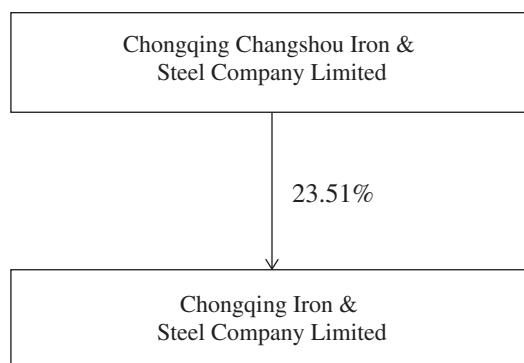
There is no connection between Chongqing Changshou Iron & Steel Company Limited, the controlling shareholder of the Company, and the other 9 shareholders, nor are they persons acting in concert regulated in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Companies' Shareholders. The Company is also not aware of any connected relationship among the other 9 shareholders or whether they are acting in concert

Preferred shareholders with restored voting rights and their shareholding

Not applicable

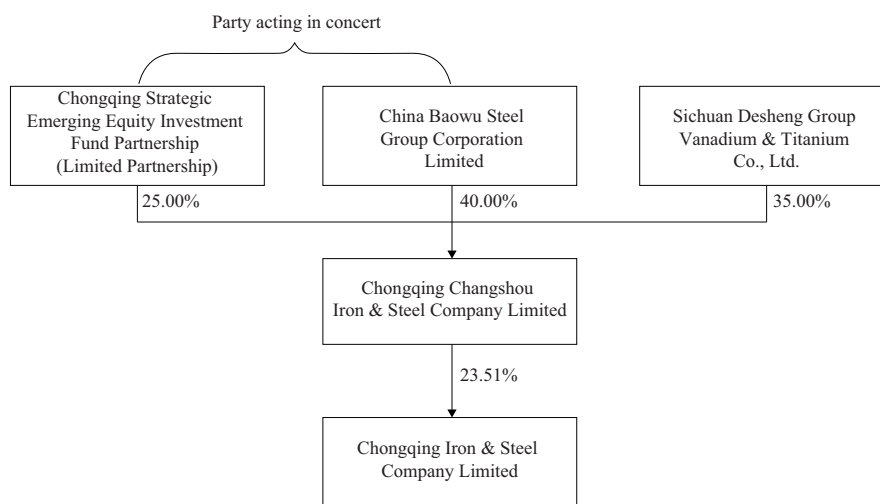
**4.2 Chart of equity and the controlling relationship between the Company and the controlling shareholder**

Applicable       Not applicable



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

Applicable       Not applicable



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

Applicable       Not applicable

**5 Information on Corporate Bond**

Applicable       Not applicable

### III MANAGEMENT DISCUSSION AND ANALYSIS

#### 1 Major Operations During the Reporting Period

During the reporting period, the Group produced 6.3784 million tonnes of iron, 7.1155 million tonnes of steel and 6.7775 million tonnes of commodity billet, representing year-on-year growth of 4.39%, 5.83%, and 5.45% respectively, which exceeded the annual planned goals and reached the highest level in history. The sales volume of commodity billet was 6.8256 million tonnes, representing a year-on-year growth of 4.89%. The operating income was RMB24.49 billion, representing a year-on-year increase of 4.31%, while the total profit was RMB624 million, representing a year-on-year decrease of 29.88%.

##### 1.1 Main business analysis

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

Unit: RMB'000

Item	Current period	Corresponding period of last year	Change (%)
Operating income	<b>24,489,935</b>	23,477,597	4.31
Operating cost	<b>22,658,292</b>	21,718,957	4.32
Selling expenses	<b>91,929</b>	121,521	-24.35
Administrative expenses	<b>591,920</b>	597,612	-0.95
R&D expenses	–	–	–
Financial expenses	<b>132,514</b>	170,887	-22.46
Net cash flow from operating activities	<b>1,337,765</b>	-405,326	Not applicable
Net cash flow from investing activities	<b>-711,113</b>	-718,828	Not applicable
Net cash flow from financing activities	<b>2,476,115</b>	749,934	230.18

- 1) Reasons for change in distribution and selling expenses: The decrease in distribution and selling expenses was mainly due to the decrease in sales transportation fee as a result of the change of sales model of the Company.



- 2) Reasons for change in financial expenses: The decrease in financial expenses was mainly due to the increase in foreign exchange gains.
- 3) Reasons for change in net cash flow from operating activities: The increase in net cash flow from operating activities was mainly due to the increase in advances from customers.
- 4) Reasons for change in net cash flow from financing activities: The increase in net cash flow from financing activities was mainly due to the increase in financing for the period.

(2) *Revenue and cost analysis*

Applicable       Not applicable

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

In 2020, the Group realized a total profit of RMB624 million, representing a year-on-year decrease of 29.88%, which was mainly due to the following reasons: the selling price of steel products amounted to s RMB3,464/tonne, representing a year-on-year increase of 0.20%, and commodity billet achieved an increase of RMB133 million in profit affected by products structure; the sales volume of commodity billet reached 6.8256 million tonnes, representing a year-on-year increase of 4.89%, and achieving an increase of RMB44 million in profit; the Company continuously promoted cost reduction plan, thus key technical and economic indicators improved significantly, all consumption obviously reduced, thus resulting in an increase of RMB277 million in profit from cost reduction in the aspect of process; the increase in prices of ore and scrap steel, offset by the decrease in price of coal, resulted in a decrease of RMB337 million in profit; the upgrading and transformation of production line and the impairment of fixed assets resulted in a decrease of RMB385 million in profit.

In 2020, the Group's revenue from main business amounted to RMB24.349 billion, representing a year-on-year increase of 4.19%. In particular, the income from sales of commodity billet amounted to RMB23.569 billion, representing an increase of RMB1.0750 billion as compared with the corresponding period of last year. Firstly, the sales volume of commodity billet was 6.8256 million tonnes, representing a year-on-year increase of 4.89%, resulting in an increase in the sales income of RMB942 million; secondly, the sales price of steel products was RMB3,464/tonne, representing a year-on-year increase of 0.20%, resulting in an increase in the sales income of RMB133 million affected by products structure.

Composition of income from main businesses:

Type	2020		2019		Year-on-year increase in amount (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plate	7,394,107	30.37	6,894,166	29.50	7.25
Hot rolling	12,385,118	50.85	10,792,992	46.18	14.75
Bars	1,464,818	6.02	2,480,253	10.61	-40.94
Profiles	1,133,878	4.66	2,326,636	9.96	-51.27
Billet	1,190,733	4.89	-	-	-
Subtotal	<u>23,568,654</u>	<u>96.79</u>	<u>22,494,047</u>	<u>96.25</u>	<u>4.78</u>
Other	<u>780,503</u>	<u>3.21</u>	<u>875,587</u>	<u>3.75</u>	<u>-10.86</u>
Total	<u>24,349,157</u>	<u>100.00</u>	<u>23,369,634</u>	<u>100.00</u>	<u>4.19</u>

Sales prices of commodity billet:

<b>Item</b>	<b>2020 Sales price (RMB/tonne)</b>	<b>2019 Sales price (RMB/tonne)</b>	<b>Year- on-year growth (%)</b>	<b>Income increase (RMB'000)</b>
Plate	<b>3,603</b>	3,587	0.45	31,479
Hot rolling	<b>3,423</b>	3,338	2.55	305,327
Bars	<b>3,293</b>	3,554	-7.34	-116,628
Profiles	<b>3,299</b>	3,554	-7.18	-87,819
Sub-total of steel products	<u><b>3,464</b></u>	<u>3,457</u>	<u>0.20</u>	<u>132,359</u>
Billet	<b>3,254</b>	–	–	–
Total of commodity billet	<u><b>3,453</b></u>	<u>3,457</u>	<u>-0.12</u>	<u>132,359</u>

Sales volumes of commodity billet:

<b>Item</b>	<b>Sales volume for 2020 (Ten thousand tonnes)</b>	<b>Sales volume for 2019 (Ten thousand tonnes)</b>	<b>Year- on-year growth (%)</b>	<b>Income increase (RMB'000)</b>
Plate	<b>205.25</b>	192.19	6.80	468,462
Hot rolling	<b>361.86</b>	323.31	11.92	1,286,799
Bars	<b>44.49</b>	69.78	-36.24	-898,807
Profiles	<b>34.37</b>	65.46	-47.49	-1,104,939
Sub-total of steel products	<u><b>645.97</b></u>	<u>650.74</u>	<u>-0.73</u>	<u>-248,485</u>
Billet	<b>36.59</b>	–	–	1,190,733
Total of commodity billet	<u><b>682.56</b></u>	<u>650.74</u>	<u>4.89</u>	<u>942,248</u>

1) Main business by sectors, products and regions

*Unit: RMB'000*

**Main business by sectors**

By sectors	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Iron and steel	24,349,157	22,554,529	7.37	4.19	4.19	Decrease by 0.00 percentage points

**Main business by products**

By products	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Commodity billet	23,568,654	21,749,854	7.72	4.78	4.61	Decrease by 0.15 percentage points
Other	780,503	804,675	-3.10	-10.86	-6.04	Decrease by 5.29 percentage points

## Main business by regions

By regions	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Southwest	22,638,697	20,968,609	7.38	18.54	18.62	Decrease by 0.06 percentage points
Other regions	1,710,460	1,585,920	7.28	-59.95	-60.06	Decrease by 0.25 percentage points
<b>Total</b>	<b>24,349,157</b>	<b>22,554,529</b>	<b>7.37</b>	<b>4.19</b>	<b>4.19</b>	<b>Decrease by 0.00 percentage points</b>

## 2) Table of production and sales volume analysis

Applicable       Not applicable

Main products	Unit	Production volume	Sales volume	Inventory	Year-on-year increase/decrease in production volume (%)	Year-on-year increase/decrease in sales volume (%)	Year-on-year increase/decrease in inventory (%)
Plate	Ten thousand tonnes	201.90	205.25	3.23	5.75	6.80	-32.29
Hot rolling	Ten thousand tonnes	360.64	361.86	3.50	13.21	11.92	26.81
Bars	Ten thousand tonnes	42.68	44.49	0.01	-38.27	-36.24	-99.46
Profiles	Ten thousand tonnes	34.30	34.37	-	-46.51	-47.49	-100.00
Billet	Ten thousand tonnes	38.23	36.59	1.64	-	-	-

### 3) Cost analysis table

Unit: RMB'000

#### By sectors

By sectors	Cost component	Amount for the period	Percentage	Amount for the corresponding period of last year	Percentage	Year- on-year change (%)
			of the amount for the period in total costs (%)		of the amount for the corresponding period of last year in total costs (%)	
Iron and steel	Raw material	17,393,884	77.12	16,364,965	75.59	6.29
Iron and steel	Energy	1,043,748	4.63	1,120,692	5.18	-6.87
Iron and steel	Labor and other costs	4,116,898	18.25	4,162,412	19.23	-1.09

#### By products

By products	Cost component	Amount for the period	Percentage	Amount for the corresponding period of last year	Percentage	Year- on-year change (%)
			of the amount for the period in total costs (%)		of the amount for the corresponding period of last year in total costs (%)	
Commodity billet	Raw material and energy costs	21,749,854	96.43	20,791,682	96.04	4.61
Other	Raw material and energy costs	804,675	3.57	856,387	3.96	-6.04

4) Major buyers and major suppliers

Applicable       Not applicable

The sales attributable to the five largest buyers amounted to RMB7,710,296,000, representing 31.48% of the total sales for the year, of which the sales attributable to related parties amounted to RMB1,535,082,000, representing 6.27% of the total sales for the year.

The purchase amount attributable to the five largest suppliers amounted to RMB7,622,376,000, representing 33.64% of the total purchase amount for the year, of which the purchase amount attributable to related parties amounted to RMB1,685,747,000, representing 7.44% of the total purchase amount for the year.

(3) Expenses

Applicable       Not applicable

*Unit: RMB'000*

<b>Item</b>	<b>Amount for the period</b>	<b>Amount for the previous period</b>	<b>Year- on-year change (%)</b>
Selling expenses	<b>91,929</b>	121,521	-24.35
Administrative expenses	<b>591,920</b>	597,612	-0.95
Financial expenses	<b>132,514</b>	170,887	-22.46

(4) *R&D investment*

Table of R&D investment

Applicable       Not applicable

*Unit: RMB'000*

Expensed R&D investment for the period	889,617
Capitalized R&D investment for the period	–
Total R&D investment	889,617
Percentage of the total R&D investment in operating income (%)	3.63
Number of R&D personnel of the Company	1,224
Percentage of R&D personnel in total number of employees of the Company (%)	16.57
Percentage of capitalized R&D investment in total R&D investment (%)	–

(5) *Cash flow*

Applicable       Not applicable

*Unit: RMB'000*

<b>Item</b>	<b>2020</b>	2019	Main reasons for changes
Net cash flow from operating activities	<b>1,337,765</b>	-405,326	Increase in advances from customers
Net cash flow from investing activities	<b>-711,113</b>	-718,828	–
Net cash flow from financing activities	<b>2,476,115</b>	749,934	Increase in financing
Net increase in cash and cash equivalents	<b>3,102,767</b>	-374,220	–



## 1.2 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 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	4,943,231	12.37	1,783,747	6.61	177.13	Increase in advances from customers and financing
Financial assets held for trading	-	-	400,000	1.48	-100.00	Redemption of wealth management products
Trade receivables	35,041	0.09	5,610	0.02	524.62	Spread settlement
Receivables financing	2,068,546	5.18	861,373	3.19	140.15	Increase in pledged billing
Prepayments	534,516	1.34	751,498	2.79	-28.87	
Other receivables	18,013	0.05	78,132	0.29	-76.95	Recovery of government grants for the prior period
Inventories	5,054,908	12.65	3,931,513	14.57	28.57	Scale expansion and increase in inventory of materials

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year- on-year change (%)	Explanation
Other current assets	394,153	0.99	43,410	0.16	807.98	Increase in excess VAT paid
Long-term equity investments	79,494	0.20	28,258	0.10	181.32	Purchase of equity interest in Baocheng Charcoal (寶丞炭材) and Baowu Raw Materials
Other equity investments	5,000	0.01	5,000	0.02	–	
Property, plant and equipment	16,630,788	41.63	16,442,264	60.95	1.15	
Construction in process	2,844,665	7.12	171,858	0.64	1,555.24	Increase in fixed asset investments
Right-of-use assets	4,095,211	10.25	–	–	Not applicable	Change in the method of leasing equipment
Intangible assets	2,394,593	5.99	2,392,114	8.87	0.10	
Goodwill	295,407	0.74	–	–	Not applicable	Goodwill arising from the acquisition of Chongqing Iron & Steel Energy
Long-term deferred expenditures	299,730	0.75	–	–	Not applicable	Leasehold improvements
Deferred tax assets	131,468	0.33	68,436	0.25	92.10	Increase in deductible temporary differences such as provision for asset impairment

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year- on-year change (%)	Explanation
Other non-current assets	125,092	0.31	12,513	0.05	899.70	Increase in prepayments for fixed investment projects
Short-term borrowings	700,788	1.75	384,528	1.43	82.25	New borrowings
Notes payable	1,272,291	3.18	91,127	0.34	1,296.17	Increase in bills payment
Trade payables	2,652,728	6.64	1,726,883	6.40	53.61	Increase in purchase of mine and coal and changes of settlement method
Contract liabilities	2,554,165	6.39	1,145,615	4.25	122.95	Increase in advance receipts due to enhancement of sales policy
Employee benefits payable	283,969	0.71	257,143	0.95	10.43	
Taxes payable	9,177	0.02	70,867	0.26	-87.05	No VAT payable due to excess VAT paid at the end of the period
Other payables	1,567,619	3.92	421,768	1.56	271.68	Increase in construction payables
Non-current liabilities due within one year	4,056,471	10.15	841,576	3.12	382.01	Reclassification of judicial reorganization loan and lease liabilities into that due within one year

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year- on-year change (%)	Explanation
Other current liabilities	332,041	0.83	150,208	0.56	121.05	Increase in advance receipts and increase in taxation involved
Long-term borrowings	450,000	1.13	-	-	Not applicable	New merger and acquisition loan from China Merchants Bank
Bonds payables	995,150	2.49	-	-	Not applicable	Issuance of medium- term notes in 2020
Lease liabilities	3,022,612	7.57	-	-	Not applicable	Change of method of leasing equipment
Long-term payables	1,352,264	3.38	-	-	Not applicable	New financing leases
Long-term employee benefits payable	179,557	0.45	201,737	0.75	-10.99	
Deferred income	35,902	0.09	38,271	0.14	-6.19	
Deferred tax liabilities	1,176	0.00	-	-	Not applicable	Increase in taxable temporary differences in the period
Other non-current liabilities	445,480	1.12	2,250,000	8.34	-80.20	Reclassification of judicial reorganization loan into that due within one year

(2) Major restricted assets at the end of the reporting period

Applicable       Not applicable

Unit: RMB'000

Item	Carrying amount at the end of the period	Carrying amount at the beginning of the period	Reason for restrictions
Cash and bank balances	245,141	188,424	Note 1
Notes receivables	1,343,223	190,000	Note 2
Property, plant and equipment – houses and buildings	3,529,913	1,928,087	Note 3
Intangible assets	1,027,708	2,392,114	Note 4
Total	6,145,985	4,698,625	

*Note 1:* As at 31 December 2020, the Group's ownership of cash and bank deposits with carrying amount of RMB245,141,000 (31 December 2019: RMB188,424,000) was restricted for issuing bank acceptances and letters of credit.

*Note 2:* As at 31 December 2020, the Group's bank acceptances with carrying amount of RMB1,343,233,000 were pledged for issuing bank acceptances (31 December 2019: the Group obtained short-term borrowings by discounting bank acceptances with carrying amount of RMB190,000,000).

*Note 3:* As at 31 December 2020, the Group's houses and buildings with carrying amount of RMB987,609,000 (31 December 2019: RMB1,928,087,000) and machinery and other equipment with carrying amount of RMB2,542,304,000 (31 December 2019: nil) were pledged for obtaining bank borrowing and working capital loan facilities.

*Note 4:* As at 31 December 2020, the Group's land use right with carrying amount of RMB1,027,708,000 (31 December 2019: RMB2,392,114,000) was pledged for obtaining bank borrowing and working capital loan facilities, and the amortised amount of the land use right was RMB27,459,000 (2019: RMB62,213,000) during the current year.

## 2. Management Discussion and Analysis on Future Development of the Company

### 2.1 Industry competition pattern and development trend

Applicable       Not applicable

2020 was the final year of China's 13th Five-Year Plan. Under the favourable policies, China's economy continued to recover steadily. The abundant supply in the steel industry satisfied the new demand in the new development period, but the steel industry was still exposed to certain risks such as the high costs of raw materials such as iron ore, huge environmental pressure, intensified international competition and market volatility.

2021 is the first year of China's 14th Five-Year Plan. Due to the rebound of global economy overlapping with the adjustments to import tariffs, both imports and exports of steel may see a boom. The tightening standards on capacity replacement will effectively regulate the industry layout, and the market support from rising raw material costs will be significantly enhanced. The steel market may continue to fluctuate within a wide range, and the average price of steel will increase.

In 2021, the in-depth promotion of ultra-low emission transformation will enable more steel enterprises to effectively control their pollutant emissions, and help the steel industry to achieve green development. On 16 December 2020, the Ministry of Industry and Information Technology publicly solicited opinions on the revised draft of the Implementation Measures of Capacity Replacement in the Steel Industry (《鋼鐵行業產能置換實施辦法》). The new version of the capacity replacement measures improved and perfected the original one. It will help resolve excess capacity in the industry, optimize the regional capacity layout, and effectively regulate the capacity development of the steel industry through strict execution of the Implementation Measures of Capacity Replacement. In the future, the steel industry will break the current "small, scattered and weak" status through mergers and reorganizations to create predominant enterprises groups at different levels, build an innovative pattern of industry collaboration, effective competition and common development, increase the industrial concentration, so as to promote the rationalization of the industrial structure and layout, and promote the realization of high-quality development of the steel industry.

## 2.2 Corporate development strategy

Applicable       Not applicable

As the Company has integrated into the big family of China Baowu, it embarks on a new development journey. Standing at the new historic starting point, the Company begins the layout of green manufacturing and smart manufacturing, launches a new round of development planning, to create a high-quality green and smart steel manufacturing enterprise with the capacity of over 10 million tonnes, and shape “Chongqing Iron & Steel to be beautiful and picturesque”. The Company is committed to becoming a leader in the steel industry in Southwest China, and moving forward firmly towards the goal of high-quality development.

The Company is strategically located in Southwest China, close to the Yangtze River, and owns unique advantages in geographical location. Relying on Chongqing, it integrates into the construction of the Chengdu-Chongqing Double City Economic Circle, boosts the development of the Yangtze River Economic Belt, and contributes to the western development strategy. The Company strives to become an over 10-million-tonne-level iron and steel enterprise with the first comprehensive strength and dominant market position in Southwest China, possessing sound governance structure, efficient management system, advanced production technology, significant scale efficiency, leading cost, low carbon and environmental protection, and strong ability to cope with changes in the external environment. On the occasion of the implementation of the 14th Five-Year Plan, the Company will seek for the ultimate efficiency with scale enhancement, firmly follow the path of green development, build a smart factory with technological innovation, seize the opportunities and ride on the momentum, embarking on a new journey of high-quality development, and striving to achieve the development goal of building itself into an over 10-million-tonne-level iron and steel enterprise.

### 2.3 Operating plans

Applicable       Not applicable

In 2021, the Company will focus on the goal of the annual production capacity of steel totaling 10 million tonnes, in accordance with the production and operation policy of “expanding scale, adjusting structure, and reducing costs” and the basic work of “finding differences from excellent enterprises comprehensively, paying close attention to reducing costs and increasing efficiency, promoting the implementation of plans and achieving the scale benefits”, and focusing on “scale + cost” and pursuing “perfection + efficiency”, so as to give full play to the advantages of system and mechanism and building a “green and intelligent manufacturing steel enterprise in high quality with a production capacity over 10 million tonnes” by accurately motivating the vitality of all employees.

The Company plans to produce 8.50 million tonnes of pig iron, 10 million tonnes of steel and 9.58 million tonnes of commodity billets, and realize sales volume of 9.58 million tonnes of commodity billets and revenue of RMB34.5 billion (tax exclusive) in the year of 2021.

Centering on the operating goal in the year of 2021, the Company will focus on promoting the following works:

1. Comprehensively deepening reform and improving management efficiency.
2. Elaborately organizing the production and forging ahead to build itself a steel and iron enterprise with the production capacity of 10 million tonnes.
3. Promoting marketing capacity and building the leading force in regional market.
4. Improving the purchase competitiveness and establishing a highly effective supply chain.
5. Strengthening the safety environmental protection management and constructing green plant.
6. Effectively advancing the intelligent manufacturing, providing supports for high quality development.
7. Focusing on talent project construction and releasing the vitality of employees.



## **2.4 Potential risks**

Applicable       Not applicable

- (1) There is still a great challenge for controlling the COVID-19 pandemic around the world. The uncertainties for the global economy at the macro level are increasing, China-U.S. relations are still bewildering, the repeated outbreak of COVID-19 in China and other uncertain factors always exist and the development of steel and iron industry is also with large variables.
- (2) The iron and steel industry is a strong cyclical industry. Domestic and international situation, macro-economic and industrial policies may have certain effects on the operation of the Company.
- (3) The implementation of new environmental law, pollutant emission standards and other relevant laws poses further pressure on the environmental protection of the steel and iron industry.
- (4) The steel price still presents a wide shock pattern, which may have certain effects on the profitability of the Company.
- (5) The Company may suffer increasing cost pressures as a result of the possible fluctuations of raw material price at a high level.

### **3 Reasons for the Suspension of Listing**

Applicable       Not applicable

### **4 The Circumstances and Reasons for the Termination of the Listing**

Applicable       Not applicable

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

Applicable       Not applicable

**(1) *Scope of disclosure of related parties***

According to the requirements of the Accounting Standards for Business Enterprises – Interpretation No. 13, since 1 January 2020, the associates of investment parties which pose material impact on the Company shall no longer to be disclosed as the related parties. Such change in accounting policies has affected the determination of related parties and disclosure of related party transactions, and no retrospective adjustment to comparative data is required according to the transitional provisions.

**(2) *Whether it constitutes judgement on business***

According to the requirements of the Accounting Standards for Business Enterprises – Interpretation No. 13, since 1 January 2020, “a portfolio obtained shall have at least one investment and one substantial processing procedure, and the combination of both shall contribute significantly to the production capacity” shall be taken as the judgement condition for whether the portfolio constitutes a business, and “a portfolio with two elements of investment and processing procedures” shall no longer be the judgement condition. Such change in accounting policies has affected the determination of whether a transaction constitutes a business merger, and no retrospective adjustment to comparative data is required according to the transitional provisions.

The implementation of such standard has no impact on the mergers and balance sheets of the Company on 1 January 2021 as well as the mergers and financial statements of the Company in 2020.

**(3) *Accounting treatment on carbon emission rights trading***

On 16 December 2019, the Ministry of Finance issued the Notice on the Issuance of Interim Provisions on Accounting Treatment of Carbon Emission Rights Trading (《關於印發《碳排放權交易有關會計處理暫行規定》的通知》) (Cai Kuai [2019] No. 22) (財會[2019]22號), which stipulates that if the relevant enterprises in the key emission units that conduct carbon emission rights trading business acquire carbon emission quota through purchase, they should recognize the carbon emission quota acquired as carbon emission rights assets on the date of purchase, and measure it at cost, debit it under the item of “carbon emission rights assets” and credit it under the items of “bank deposits” or “other payables”; if the carbon emission quota is acquired through allocation by the government for free, no accounting treatment will be made. If the carbon emission quota is purchased to fulfill the contract

(to fulfill the emission reduction obligation), the carrying amount of the quota used shall be debited under the item of “non-operating expense” and credited under the item of “carbon emission rights assets”; if the carbon emission quota is acquired for free and is used to fulfill the contract, no accounting treatment will be made.

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

Applicable  Not applicable

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

Applicable  Not applicable

In the year, the Company acquired 100% equity interests in Chongqing Iron & Steel Energy Environmental Protection Company Limited (重慶鋼鐵能源環保有限公司) (former name: Chongqing Qianxin Energy Environmental Protection Company Limited (重慶千信能源環保有限公司)) from Chongqing Qianxin Group Co., Ltd. (former name: Chongqing Qianxin International Trade Co., Ltd.\* (重慶千信國際貿易有限公司)), an independent third party, with a cash consideration of RMB837,610,000. The acquisition date was 30 July 2020, which the Group determined as the acquisition date for this transaction and from which, Chongqing Iron & Steel Energy Environmental Protection Company Limited (重慶鋼鐵能源環保有限公司) has been consolidated into the Company’s account.

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

**1 Compliance of Corporate Governance Code**

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

## **2 Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code for trading of the Company’s securities by directors. All directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2020.

## **3 Purchase, Sale or Redemption of Listed Securities 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 of the Company, the Resolution on Repurchase of the Shares of the Company through Centralized Bidding Trading was considered and approved at the eighteenth meeting of the eighth session of the Board of the Company. For details of the repurchase of A shares of the Company, please refer to the Report on the Repurchase of A Shares of the Company through Centralized Bidding Trading (Announcement No.: 2020-002) and the Announcement on Resolution Passed at the Eighteenth Meeting of the Eighth Session of the Board (Announcement No.: 2020-003) disclosed on 3 March 2020 by the Company.

As at the close of trading on 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 on 7 March 2020 by the Company.

As at the close of trading on 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 of the Company. 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 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) disclosed on 13 March 2020 by the Company.

#### 4 Major Acquisition and Disposal of Subsidiaries and Affiliates

On 27 March 2020, the Company held the 20th meeting of the eighth session of the Board, 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 granted approval 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 the relevant procedures and laws and regulations. For details, 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.

On 15 July 2020, the Company and Qianxin Group signed the Equity Transaction Contract in Changshou District, Chongqing, which shall come into effect from the date of signing and sealing by the Company and Qianxin Group, i.e., 15 July 2020. For details, 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.

On 30 July 2020, Qianxin Energy completed the change of industrial and commercial registration and become a wholly-owned subsidiary of the Company. On 3 December 2020, Qianxin Energy changed its name to Chongqing Iron & Steel Energy Environmental Protection Company Limited. The goodwill of the Company arising from this transaction at consolidation level was RMB295 million.

## 5 Audit Committee

The Audit Committee of the Company is comprised of three independent non-executive directors and one non-executive director, namely, Xin Qingquan, Xu Yixiang, Wong Chunwa and Zhang Shuogong with Mr. Xin Qingquan acting as the chairman of the Audit Committee.

The annual results for the year ended 31 December 2020 of the Company had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

## 6 Interests or Short Positions

As at 31 December 2020, the interests or short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the SFO) of the directors, supervisors or senior management members of the Company 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 Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

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

## 7 Pre-emptive Rights

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

## **8 Public Float of H Shares**

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

## **9 Circulating Market Capitalisation**

Based on the available information to the Company, as at 31 December 2020, the circulating market capitalisation of H Shares of the Company [circulating H Share capital  $\times$  closing price of H Shares (HK\$0.79)] was approximately HK\$425 million and the circulating market capitalisation of A Shares [circulating A Share capital  $\times$  closing price of A Shares (RMB1.48)] was approximately RMB12.403 billion.

## **10 Final Dividend**

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

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

According to the auditing by Ernst & Young Hua Ming LLP, the net profit attributable to shareholders of the Company for 2020 amounted to RMB582 million, and the unappropriated profit as at the end of 2020 amounted to RMB-8.786 billion. As the Company recorded a negative unappropriated profit as at the end of 2020, the Board suggested not to make profit distribution or transfer capital reserve to share capital in 2020 pursuant to Article 250 of the Articles of Association.



## CONSOLIDATED BALANCE SHEET

As at 31 December 2020

RMB'000

Assets	31 December 2020	31 December 2019
<b>Current assets</b>		
Cash and bank balances	4,943,231	1,783,747
Financial assets held for trading	–	400,000
Trade receivables	35,041	5,610
Receivables financing	2,068,546	861,373
Prepayments	534,516	751,498
Other receivables	18,013	78,132
Inventories	5,054,908	3,931,513
Other current assets	394,153	43,410
Total current assets	<u>13,048,408</u>	<u>7,855,283</u>
<b>Non-current assets</b>		
Long-term equity investments	79,494	28,258
Other equity investments	5,000	5,000
Property, plant and equipment	16,630,788	16,442,264
Construction in progress	2,844,665	171,858
Right-of-use assets	4,095,211	–
Intangible assets	2,394,593	2,392,114
Goodwill	295,407	–
Long-term prepaid expenses	299,730	–
Deferred tax assets	131,468	68,436
Other non-current assets	125,092	12,513
Total non-current assets	<u>26,901,448</u>	<u>19,120,443</u>
Total assets	<u><u>39,949,856</u></u>	<u><u>26,975,726</u></u>



<b>Liabilities and shareholders' equity</b>	<b>31 December 2020</b>	31 December 2019
<b>Current liabilities</b>		
Short-term borrowings	<b>700,788</b>	384,528
Notes payable	<b>1,272,291</b>	91,127
Trade payables	<b>2,652,728</b>	1,726,883
Contract liabilities	<b>2,554,165</b>	1,145,615
Employee benefits payable	<b>283,969</b>	257,143
Taxes payable	<b>9,177</b>	70,867
Other payables	<b>1,567,618</b>	421,768
Non-current liabilities due within one year	<b>4,056,471</b>	841,576
Other current liabilities	<b>332,041</b>	150,208
	<hr/>	<hr/>
Total current liabilities	<b>13,429,248</b>	5,089,715
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Long-term borrowings	<b>450,000</b>	–
Bonds payable	<b>995,150</b>	–
Lease liabilities	<b>3,022,612</b>	–
Long-term payables	<b>1,352,264</b>	–
Long-term employee benefits payable	<b>179,557</b>	201,737
Deferred income	<b>35,902</b>	38,271
Deferred tax liabilities	<b>1,176</b>	–
Other non-current liabilities	<b>445,480</b>	2,250,000
	<hr/>	<hr/>
Total non-current liabilities	<b>6,482,141</b>	2,490,008
	<hr/>	<hr/>
Total liabilities	<b>19,911,389</b>	7,579,723
	<hr/>	<hr/>
<b>Shareholders' equity</b>		
Share capital	<b>8,918,602</b>	8,918,602
Capital reserves	<b>19,282,147</b>	19,282,147
Less: Treasury shares	<b>65,940</b>	62,314
Special reserves	<b>22,184</b>	14,573
Surplus reserves	<b>606,991</b>	606,991
Unappropriated profit	<b>(8,725,517)</b>	(9,363,996)
	<hr/>	<hr/>
Total shareholders' equity	<b>20,038,467</b>	19,396,003
	<hr/>	<hr/>
Total liabilities and shareholders' equity	<b>39,949,856</b>	26,975,726
	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

RMB'000

	2020	2019
Revenue	24,489,935	23,477,597
Less: Cost of sales	22,658,292	21,718,957
Taxes and surcharges	172,493	168,336
Distribution and selling expenses	91,929	121,521
General and administrative expenses	591,920	597,612
Finance expenses	132,514	170,887
Including: Interest expenses	271,072	216,278
Interest income	69,528	52,977
Add: Other income	196,430	144,872
Investment income	6,803	15,894
Impairment losses on credit	(23)	(531)
Impairment losses on assets	(364,917)	–
Operating profit	681,080	860,519
Add: Non-operating income	2,703	39,638
Less: Non-operating expenses	59,396	9,648
Total profit	624,387	890,509
Less: Income tax expenses/(credit)	(14,092)	(35,214)
Net Profit	<u>638,479</u>	<u>925,723</u>
Breakdown by continuity of operations		
Net profit from continuing operations	<u>638,479</u>	<u>925,723</u>

	2020	2019
Breakdown by attributable interests		
Net profit attributable to		
shareholders of the parent	<b>638,479</b>	925,723
Non-controlling interests	—	—
	<hr/>	<hr/>
Other comprehensive income after tax	—	—
	<hr/>	<hr/>
Total comprehensive income	<b>638,479</b>	925,723
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to		
shareholders of the parent	<b>638,479</b>	925,723
Total comprehensive income attributable to non-		
controlling interests	—	—
	<hr/>	<hr/>
Earnings per share:		
Basic earnings per share ( <i>RMB/share</i> )	<b>0.07</b>	0.10
	<hr/> <hr/>	<hr/> <hr/>
Diluted earnings per share ( <i>RMB/share</i> )	<b>0.07</b>	0.10
	<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

RMB '000

## 2020

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated losses	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,282,147	62,314	-	14,573	606,991	(9,363,996)	19,396,003
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	638,479	638,479
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	84,334	-	-	-	-	(84,334)
2. Amount decreased during the year	-	-	(80,708)	-	-	-	-	80,708
(III) Special reserve								
1. Amount established during the year	-	-	-	-	29,564	-	-	29,564
2. Amount utilized during the year	-	-	-	-	(21,953)	-	-	(21,953)
III. Closing balance for the year	<u>8,918,602</u>	<u>19,282,147</u>	<u>65,940</u>	<u>-</u>	<u>22,184</u>	<u>606,991</u>	<u>(8,725,517)</u>	<u>20,038,467</u>

## 2019

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated losses	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,282,147	-	-	13,644	606,991	(10,289,719)	18,531,665
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	925,723	925,723
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	62,314	-	-	-	-	(62,314)
(III) Special reserve								
1. Amount established during the year	-	-	-	-	25,680	-	-	25,680
2. Amount utilized during the year	-	-	-	-	(24,751)	-	-	(24,751)
III. Closing balance for the year	<u>8,918,602</u>	<u>19,282,147</u>	<u>62,314</u>	<u>-</u>	<u>14,573</u>	<u>606,991</u>	<u>(9,363,996)</u>	<u>19,396,003</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

RMB'000

	2020	2019
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	23,942,238	22,376,737
Receipts of taxes refunds	19,761	–
Other cash received relating to operating activities	387,232	149,412
	<u>24,349,231</u>	<u>22,526,149</u>
Sub-total of cash inflows from operating activities		
	<u>24,349,231</u>	<u>22,526,149</u>
Cash paid for purchase of goods and services	20,923,245	20,843,771
Cash paid to and on behalf of employees	1,206,760	1,205,096
Cash paid for all types of taxes	605,904	553,961
Other cash paid relating to operating activities	275,557	328,647
	<u>23,011,466</u>	<u>22,931,475</u>
Sub-total of cash outflows from operating activities		
	<u>23,011,466</u>	<u>22,931,475</u>
Net cash flows from operating activities	<u>1,337,765</u>	<u>(405,326)</u>
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments	433,000	1,008,800
Cash received from return on investments	6,803	15,894
Other cash received relating to investing activities	–	980
	<u>439,803</u>	<u>1,025,674</u>
Sub-total of cash inflows from investing activities		
	<u>439,803</u>	<u>1,025,674</u>

	2020	2019
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	223,158	337,444
Cash paid for acquisition of investments	84,236	1,407,058
Net cash payments for acquisition of subsidiaries and other business units	<u>843,522</u>	<u>–</u>
Sub-total of cash outflows from investing activities	<u>1,150,916</u>	<u>1,744,502</u>
Net cash flows from investing activities	<u>(711,113)</u>	<u>(718,828)</u>
<b>III. Cash flows from financing activities:</b>		
Cash received from borrowings	2,742,480	591,545
Other cash received relating to financing activities	<u>1,478,358</u>	<u>795,088</u>
Sub-total of cash inflows from financing activities	<u>4,220,838</u>	<u>1,386,633</u>
Cash repayments of borrowings	1,251,050	410,000
Cash paid for distribution of dividends or profits, and for interest expenses	203,007	157,441
Other cash paid relating to financing activities	<u>290,666</u>	<u>69,258</u>
Sub-total of cash outflows from financing activities	<u>1,744,723</u>	<u>636,699</u>
Net cash flows from financing activities	<u>2,476,115</u>	<u>749,934</u>
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>		
	<u>–</u>	<u>–</u>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>		
	3,102,767	(374,220)
Add: Cash and cash equivalents at the beginning of the year	<u>1,595,323</u>	<u>1,969,543</u>
<b>VI. Cash and cash equivalents at the end of the year</b>		
	<u><u>4,698,090</u></u>	<u><u>1,595,323</u></u>

## STATEMENT OF BALANCE SHEET

As at 31 December 2020

RMB'000

Assets	31 December 2020	31 December 2019
<b>Current assets</b>		
Cash and bank balances	4,925,021	1,779,736
Financial assets held for trading	–	400,000
Trade receivables	39,503	5,610
Receivables financing	2,062,046	861,373
Prepayments	516,190	707,289
Other receivables	17,181	78,027
Inventories	5,015,067	3,931,513
Other current assets	383,123	43,410
Total current assets	<u>12,958,131</u>	<u>7,806,958</u>
<b>Non-current assets</b>		
Long-term equity investments	917,104	28,258
Other equity investments	5,000	5,000
Property, plant and equipment	15,705,686	16,442,087
Construction in progress	2,844,665	171,858
Right-of-use assets	4,095,211	–
Intangible assets	2,329,901	2,392,114
Long-term prepaid expenses	299,730	–
Deferred tax assets	87,653	68,192
Other non-current assets	87,173	12,513
Total non-current assets	<u>26,372,123</u>	<u>19,120,022</u>
Total assets	<u><u>39,330,254</u></u>	<u><u>26,926,980</u></u>

<b>Liabilities and shareholders' equity</b>	<b>31 December 2020</b>	31 December 2019
<b>Current liabilities</b>		
Short-term borrowings	<b>700,788</b>	384,528
Notes payable	<b>1,256,400</b>	91,127
Trade payables	<b>2,692,577</b>	1,726,883
Contract liabilities	<b>2,554,123</b>	1,105,972
Employee benefits payable	<b>280,322</b>	257,143
Taxes payable	<b>6,822</b>	70,398
Other payables	<b>1,565,471</b>	421,590
Non-current liabilities due within one year	<b>3,711,113</b>	841,576
Other current liabilities	<b>332,036</b>	144,958
	<hr/>	<hr/>
Total current liabilities	<b>13,099,652</b>	5,044,175
<b>Non-current liabilities</b>		
Long-term borrowings	<b>450,000</b>	–
Bonds payable	<b>995,150</b>	–
Lease liabilities	<b>3,022,612</b>	–
Long-term payables	<b>1,125,491</b>	–
Long-term employee benefits payable	<b>179,557</b>	201,737
Deferred income	<b>35,902</b>	38,271
Other non-current liabilities	<b>445,480</b>	2,250,000
	<hr/>	<hr/>
Total non-current liabilities	<b>6,254,192</b>	2,490,008
	<hr/>	<hr/>
Total liabilities	<b>19,353,844</b>	7,534,183
<b>Shareholders' equity</b>		
Share capital	<b>8,918,602</b>	8,918,602
Capital reserves	<b>19,313,090</b>	19,313,090
Less: Treasury shares	<b>65,940</b>	62,314
Special reserves	<b>19,398</b>	14,573
Surplus reserves	<b>577,012</b>	577,012
Unappropriated profit	<b>(8,785,752)</b>	(9,368,166)
	<hr/>	<hr/>
Total shareholders' equity	<b>19,976,410</b>	19,392,797
	<hr/>	<hr/>
Total liabilities and shareholders' equity	<b>39,330,254</b>	26,926,980
	<hr/> <hr/>	<hr/> <hr/>



## INCOME STATEMENT

For the year ended 31 December 2020

RMB'000

	2020	2019
<b>Revenue</b>	<b>24,486,676</b>	23,467,962
Less: Cost of sales	<b>22,731,657</b>	21,718,485
Taxes and surcharges	<b>168,062</b>	168,087
Distribution and selling expenses	<b>91,572</b>	121,111
General and administrative expenses	<b>580,949</b>	597,612
Finance expenses	<b>112,667</b>	170,898
Including: Interest expenses	<b>251,069</b>	216,278
Interest income	<b>69,371</b>	52,966
Add: Other income	<b>175,565</b>	144,872
Investment income	<b>6,791</b>	20,114
Impairment losses on assets	<b>(364,474)</b>	–
Operating profit	<b>619,651</b>	856,755
Add: Non-operating income	<b>2,697</b>	39,638
Less: Non-operating expenses	<b>59,396</b>	9,648
Total profit	<b>562,952</b>	886,745
Less: Income tax expenses/(credit)	<b>(19,462)</b>	(37,125)
Net Profit	<b>582,414</b>	923,870
Including: Net profit from continuing operations	<b>582,414</b>	923,870
Other comprehensive income after tax	–	–
Total comprehensive income	<b>582,414</b>	923,870

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

RMB '000

## 2020

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,313,090	62,314	-	14,573	577,012	(9,368,166)	19,392,797
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	582,414	582,414
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	84,334	-	-	-	-	(84,334)
2. Amount decreased during the year	-	-	(80,708)	-	-	-	-	80,708
(III) Special reserves								
1. Amount established during the year	-	-	-	-	25,908	-	-	25,908
2. Amount utilized during the year	-	-	-	-	(21,083)	-	-	(21,083)
III. Closing balance for the year	<u>8,918,602</u>	<u>19,313,090</u>	<u>65,940</u>	<u>-</u>	<u>19,398</u>	<u>577,012</u>	<u>(8,785,752)</u>	<u>19,976,410</u>

## 2019

	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602	19,313,090	-	-	13,644	577,012	(10,292,036)	18,530,312
II. Changes in the current year								
(I) Total comprehensive income	-	-	-	-	-	-	923,870	923,870
(II) shareholders' contribution and decrease in share capital								
1. Amount increased during the year	-	-	62,314	-	-	-	-	(62,314)
(III) Special reserves								
1. Amount established during the year	-	-	-	-	25,680	-	-	25,680
2. Amount utilized during the year	-	-	-	-	(24,751)	-	-	(24,751)
III. Closing balance for the year	<u>8,918,602</u>	<u>19,313,090</u>	<u>62,314</u>	<u>-</u>	<u>14,573</u>	<u>577,012</u>	<u>(9,368,166)</u>	<u>19,392,797</u>

**STATEMENT OF CASH FLOWS**  
*For the year ended 31 December 2020*

*RMB'000*

	2020	2019
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	23,939,650	22,365,668
Other cash received relating to operating activities	384,574	149,135
	<u>24,324,224</u>	<u>22,514,803</u>
Sub-total of cash inflows from operating activities		
Cash paid for purchase of goods and services	21,174,171	20,843,237
Cash paid to and on behalf of employees	1,190,067	1,205,096
Cash paid for all types of taxes	581,329	549,662
Other cash paid relating to operating activities	269,804	328,176
	<u>23,215,371</u>	<u>22,926,171</u>
Sub-total of cash outflows from operating activities		
Net cash flows from operating activities	<u>1,108,853</u>	<u>(411,368)</u>
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments	433,000	1,008,800
Cash received from return on investments	6,791	20,114
Other cash received relating to investing activities	–	980
	<u>439,791</u>	<u>1,029,894</u>
Sub-total of cash inflows from investing activities		
Cash paid for acquisition of property plant and equipment, intangible assets and other long-term assets	223,078	337,444
Cash paid for investments	84,236	1,407,058
Net cash payments for acquisition of subsidiaries and other business units	<u>849,610</u>	<u>–</u>

	2020	2019
Sub-total of cash outflows from investing activities	<u>1,156,924</u>	<u>1,744,502</u>
Net cash flows from investing activities	<u>(717,133)</u>	<u>(714,608)</u>
<b>III. Cash flows from financing activities:</b>		
Cash received from borrowings	2,742,480	591,545
Other cash received relating to financing activities	<u>1,478,358</u>	<u>795,088</u>
Sub-total of cash inflows from financing activities	<u>4,220,838</u>	<u>1,386,633</u>
Cash repayments of borrowings	1,134,500	410,000
Cash paid for distribution of dividends or profits, and for interest expenses	185,858	157,441
Other cash paid relating to financing activities	<u>194,051</u>	<u>69,258</u>
Sub-total of cash outflows from financing activities	<u>1,514,409</u>	<u>636,699</u>
Net cash flows from financing activities	<u>2,706,429</u>	<u>749,934</u>
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<u>—</u>	<u>—</u>
<b>V. Net increase in cash and cash equivalents</b>	<b>3,098,149</b>	<b>(376,042)</b>
Add: Cash and cash equivalents at the beginning of the year	<u>1,591,312</u>	<u>1,967,354</u>
<b>VI. Cash and cash equivalents at the end of the year</b>	<u><u>4,689,461</u></u>	<u><u>1,591,312</u></u>

The annual report of the Company for the year ended 31 December 2020 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.cqgt.cn) respectively on or before 20 March 2021.

By order of the Board  
**Chongqing Iron & Steel Company Limited**  
**Liu Jianrong**  
*Chairman*

Chongqing, the PRC, 20 March 2021

*As at the date of this announcement, the Directors of the Company are: Mr. Liu Jianrong (Executive Director), Mr. Zhang Wenxue (Executive Director), Mr. Tu Deling (Executive Director), Mr. Zou An (Executive Director), Mr. Song De An (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Xin Qingquan (Independent Non-executive Director), Mr. Xu Yixiang (Independent Non-executive Director) and Mr. Wong Chunwa (Independent Non-executive Director).*