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 IN RELATION TO THE CHANGE IN ACCOUNTING POLICIES

IMPORTANT NOTE:

The change in accounting policies affects the presentation of the items in the financial statements of Chongqing Iron & Steel Company Limited (the "**Company**") only, and does not materially affect the financial position, operating results and cash flows of the Company.

I. Introduction

The Ministry of Finance revised the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments on 31 March 2017, then revised the Accounting Standards for Business Enterprises No. 14 – Revenue on 5 July 2017. The two revised standards require enterprises that are both listed domestically and overseas, and enterprises that are listed overseas adopting the International Financial Reporting Standards or the Accounting Standards for Business Enterprises for preparation of financial statements to adopt the new accounting standards with effect from 1 January 2018.

The Ministry of Finance issued four interpretations including the Interpretation of Accounting Standards for Business Enterprises No. 9 – Accounting Treatment of Net Loss of Investment under Equity Method, the Interpretation of Accounting Standards for Business Enterprises No. 10 – Depreciation Method based on Revenue Generated from Use of Fixed Assets, the Interpretation of Accounting Standards for Business Enterprises No. 11 – Amortisation Method based on Revenue Generated from Use of Intangible Assets and the Interpretation of Accounting Standards for Business Enterprises No. 12 – Whether the Provider and the Recipient of the Key Management Personnel Service are Related Parties on 12 June 2017, requiring implementation by all enterprises adopting the Accounting Standards for Business Enterprises in the preparation of financial reports with effect from 1 January 2018. Retrospective adjustment is required for the Interpretation of Accounting Standards for Business Enterprises No. 9 – Accounting Treatment of Net Loss of Investment under Equity Method, but not for the other three interpretations.

The Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the Year 2018 on 15 June 2018, which amended the format of the financial statements of general enterprises in light of the four new financial standards and the one new revenue standard to be adopted phase by phase from 1 January 2018 and certain circumstances during the implementation of the Accounting Standards for Business Enterprises.

Due to the abovementioned requirements of the Ministry of Finance, the Company has made corresponding changes to the original accounting policies and implemented the said accounting treatments from the effective date as required by the aforesaid provisions.

II. Particulars and the impacts on the Company

The impacts of the changes to the accounting standards and the interpretations issued by the Ministry of Finance during 2017 and 2018 on the Company are as follows:

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

Particulars of and reasons for the changes in accounting policies	Names and amounts of report items materially affected
From 1 January 2018, the Company implemented the Accounting Standards for Business Enterprises No. 14 – Revenue (the “**New Revenue Standard**”) revised by the Ministry of Finance on 5 July 2017. The standards stipulate that enterprises implementing the standards for the first time shall adjust the amount of retained earnings and other items in the financial statements at the beginning of the year in accordance with the cumulative effect and no adjustment shall be made to the comparable period. The change of the accounting policy did not involve the restatement of comparative information and have no effect on 2017 financial statements. The retained earnings at the beginning of 2018 and the amount of other items in the financial statements shall be adjusted.	Based on the Company’s assessment, the Company’s implementation of the New Revenue Standard did not have significant impacts on the recognition of revenue under the existing contracts. No adjustment was required for the retained earnings at the beginning of the year.

Particulars of and reasons for the changes in accounting policies	Names and amounts of report items materially affected
In the preparation of the 2018 interim statements in accordance with the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2018 (Cai Kuai [2018] No.15), the Company presented the receivables and commercial bills received from the sale of goods and the provision of services and other operating activities of the enterprise measured at amortised cost on the balance sheet date under "notes receivable and accounts receivable" instead of the previous "notes receivable" and "accounts receivable"; the payables and commercial bills issued and accepted for the purchase of materials, goods and the acceptance of services measured at amortised cost on the balance sheet date under "notes payable and accounts payable" instead of the previous "notes payable" and "accounts payable"; and the "interests payable" separately reported previously under "other payables".	The Company retrospectively restated the items relating to the comparative balance sheet. The change of the accounting policy had no effect on the consolidation and the interests of the shareholders of the Company.

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

The above items cover all the changes and interpretations of the accounting policies in the current period. Given that the impact of changes and interpretations of accounting policies on the items and amounts shown in the financial statements was reflected in the financial statements, no other adjustment was required.

III. Consideration process

At the 3rd meeting of the eighth session of the board of directors and the 2nd meeting of the eighth session of the supervisory committee held by the Company on 16 August 2018, the Proposal in Relation to the Change in Accounting Policies of the Company was considered and approved, under which corresponding changes to the accounting policies were approved to be made by the Company pursuant to relevant requirements of the Ministry of Finance.

IV. Opinions of the independent directors and the supervisory committee

The independent directors are of the view that: the change in accounting policies of the Company was reasonably made pursuant to the revised accounting policies as promulgated by the Ministry of Finance. The amended accounting policies have strictly complied with the accounting standards and relevant regulatory requirements. The decision-making process of the change in accounting policies was in compliance with the requirements of the relevant laws, regulations and the Articles of Association of Chongqing Iron & Steel Company Limited and without prejudice to the interests of the Company and its minority shareholders. Therefore, the changes in accounting policies were approved.

The supervisory committee is of the view that: as a result of the implementation of the relevant accounting standards and the amendments thereto lately promulgated by the Ministry of Finance, the Company made changes to the accounting policies by making corresponding adjustments. The decision-making process was in compliance with the requirements of the relevant laws, regulations and the Articles of Association of the Company. The changes in accounting policies will not have effect on the financial position, operating results and cash flows of the Company, and will not harm the interests of the Company and its shareholders. Therefore, the supervisory committee approved the changes in accounting policies.

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

Chongqing, the PRC, 17 August 2018

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