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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 THE YEAR ENDED 31 DECEMBER 2017**

#### **I. IMPORTANT NOTICE**

- 1 This summary of annual report is extracted from the annual report of the Company. To fully understand the Company's operating results, financial condition and future development plans, investors should carefully read the annual report at Shanghai Stock Exchange website and other media designated by China Securities Regulatory Commission.
- 2 The Board, supervisory committee and directors, supervisors and senior executives ensure the contents of the annual report are real, accurate and complete, without false records, misleading statements or material omissions, and assume individual and joint liabilities.
- 3 All directors of the Company attended the Board meeting.
- 4 Pan-China Certified Public Accountants (special general partnership) 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.

During the reporting period, there was no proposal for profit distribution or the transfer of capital reserve to share capital for the reporting period that was approved by the Board.

- 6 The annual results of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee.

## II. BASIC INFORMATION ON THE COMPANY

### 1 Company Information

#### Stock Profile

Stock type	Place of listing	Abbreviated name	Stock code	Abbreviation before adjustment
A share	Shanghai Stock Exchange	*ST Chongqing Iron & Steel	601005	Chongqing Iron & Steel
H share	The Stock Exchange of Hong Kong Limited	Chongqing Iron & Steel	1053	/

#### Contact information

	Secretary to the Board	Securities representative
Name	Yu Hong	Peng Guoju
Correspondence address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC	No.1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Tel	86-23-6887 3311	86-23-6898 3482
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### 2 Main Business Profile During the Reporting Period

The Company is mainly engaged in the production, processing and sale of steel plates, steel sections, wire rods, bar materials, billets and thin plates; production and sale of coking and coal chemical products, pig iron & grain slag, steel slag, and steel scrap.

The quality, environment and occupational health and safety management system of the Company built according to ISO9001-2015, ISO14001-2015 and GB/T28001 : 2011 standards obtained the certification of China Classification Society, and it was the first to obtain the safety quality exemption certification of the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (Boiler and Pressure Vessel Safety Supervision Bureau) for 16MnR, 20g and 20R steel plates; some of its products such as the steel plates for ship plate, boiler and pressure vessel won national golden quality awards and the "Golden Cup Award" for the physical quality of metallurgical products for many times; and its steel plates for ship structures and hot-rolled steel plates of low-alloy structural steel were also honored as the Products of Outstanding Quality in Metallurgical Industry. Furthermore, six types of its products won the honor of Products of Top Brands in Chongqing. Its steel plates for ship plates of normal and high strength and ship structures of ultra-high strength have passed the certification of ship classification societies in nine countries, namely China, the United States, the United Kingdom, Germany, France, Norway, Japan, South Korea and Italy, and its marine ball flat steel products No. 10–40 developed according to European standards have filled the gap in China. On 24 July 2017, the management system of the Company with the high level of and deep integration of informationization and industrialization (the "I-I Integration") passed the examination of China Service Platform for Integration of Informationization and Industrialization under the MIIT, indicating that the "I-I Integration" management system of the Company passed the supervisory review for the first time.

For the product sale of the Company, the purchase orders were mainly secured through sales department of the Company's commercial trading company docking close market in Southwest region. Upon signing of the sale contracts, the Company formulated production plans and conducted product marketing activities based on sale-driven production. Forward sale was generally adopted for the main products by way of the scheduled contracts and the pricing policies were based on pre-determined price or after-settlement. The non-planned products, utilized products, scrap materials and other by-products derived from the production were mainly sold through auction or as a package.

### 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

	2017	2016	Increase/ decrease from last year (%)	2015
Total assets	<b>25,012,459</b>	36,438,454	-31.36	39,228,079
Operating income	<b>13,236,840</b>	4,414,902	199.82	8,350,022
Net profit attributable to shareholders of listed company	<b>320,086</b>	-4,685,956	–	-5,987,248
Net profit attributable to shareholders of listed company deducting non-recurring gains and losses	<b>-1,870,066</b>	-5,392,375	65.32	-9,302,935
Net assets attributable to shareholders of listed company	<b>16,730,115</b>	-200,494	–	3,988,873
Net cash flow from operating activities	<b>505,815</b>	-449,021	–	-1,678,179
Basic earnings per share (Yuan/share)	<b>0.04</b>	-0.53	–	-0.67
Diluted earnings per share (Yuan/share)	<b>0.04</b>	-0.53	–	-0.67
Weighted average return on net assets (%)	<b>-1,290.51</b>	-284.59	Reduction by 1005.92 percentage points	-85.76

### 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	1,654,922	2,866,805	3,661,397	5,053,716
Net profit attributable to shareholders of listed company	-593,874	-404,608	116,407	1,202,161
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-595,254	-409,083	68,150	-933,879
Net cash flow from operating activities	-148,645	66,622	400	587,438

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

Applicable       Not applicable

The loss of net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses was mainly due to the centralized accounting of equipment remediation costs used for the Company to resume the shutdown production line and provision for impairment of inventories.

## 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 reporting period, the total number of ordinary shareholders ( <i>accounts</i> )	161,340
At the end of the month before the annual report disclosure, the total number of ordinary shareholders ( <i>accounts</i> )	154,232
As of the reporting period end, 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 in the reporting period	Period-end number of stock	Ratio (%)	Number of restricted stock	Pledged or frozen Stock Status	Quantity	Nature of shareholders
Chongqing Changshou Iron & Steel Company Limited	2,096,981,600	2,096,981,600	23.51	0	Nil	0	Domestic non-state-owned legal person
HKSCC NOMINEES LIMITED	285,600	530,999,140	5.95	0	Nil	0	Foreign legal person
Chongqing Qianxin Energy Environmental Protection Company Limited	427,195,760	427,195,760	4.79	0	Nil	0	Unknown
Chongqing Rural Commercial Bank Co., Ltd.	289,268,939	289,268,939	3.24	0	Nil	0	Unknown
Chongqing Guochuang Investment and Management Co., Ltd.	278,288,059	278,288,059	3.12	0	Nil	0	Unknown
Sinosteel Equipment & Engineering Co., Ltd.	252,411,692	252,411,692	2.83	0	Nil	0	Unknown
Bank of Chongqing Co., Ltd.	226,042,920	226,042,920	2.53	0	Nil	0	Unknown
Chongqing Iron & Steel Co., Ltd. Bankruptcy Enterprise Property Disposal Special Account	222,433,743	222,433,743	2.49	0	Nil	0	Unknown
Industrial Bank Co., Ltd. Chongqing Branch	219,633,096	219,633,096	2.46	0	Nil	0	Unknown
Agricultural Bank of China Limited Chongqing Branch	216,403,628	216,403,628	2.43	0	Nil	0	Unknown

The above shareholders' connected relationship or concerned action

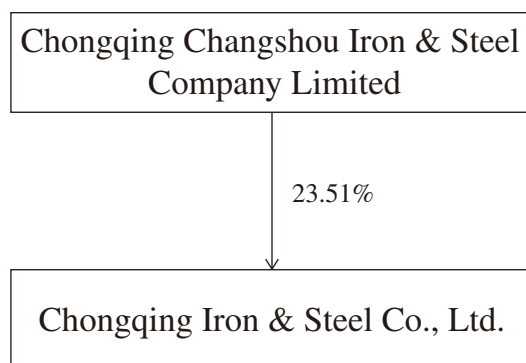
There is no connection between Chongqing Changshou Iron & Steel Company Limited, the controlling shareholder of the Company, and the other 9 shareholders, nor are they persons acting in concert regulated in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Companies'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

Preferred shareholders with restored voting rights and their shareholding

No

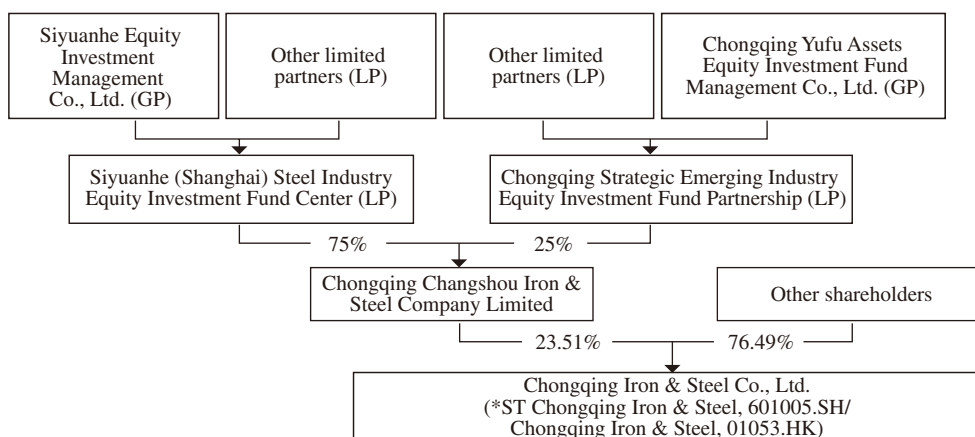
**4.2 Chart of equity and the controlling relationship between the Company and the controlling shareholder**

Applicable       Not applicable



**4.3 Chart of equity and 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

### 5.1 Overview of corporate bonds

*Unit: RMB100 million*

Bonds name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate	Repayment method of the principal and the interest thereon	Place of transaction
Corporate bonds of Chongqing Iron & Steel Company limited of 2010	Chong Zhai Suspended	122059	9 December 2010	9 December 2017	0	6.20	Interest is payable annually in arrears, and principal will be repaid upon maturity	Shanghai Stock Exchange

### 5.2 Cashing of interest for corporate bonds

Applicable  Not applicable

In order to protect the interest of relevant bondholders, Chongqing Guochuang Investment and Management Co., Ltd. (重慶國創投資管理有限公司) fully settled the outstanding principal of the bonds and interests accrued for the period in advance on 26 June 2017 in accordance with the resolution passed at the first bondholder meeting in respect of “Chong Zhai Suspended” in 2017. On the same day, such corporate bonds were delisted from the Shanghai Stock Exchange.

For details, please refer to the Announcement on the Delisting of the Company’s “Chong Zhai Suspended” issued by the Company on 23 June 2017.

### 5.3 Information of the credit rating of the corporate bonds

Applicable  Not applicable

China Chengxin Securities Ratings Co., Ltd. conducted a credit rating at the issuance of the bonds and came to the conclusion that the main long-term credit rating of the Company was AA and the bonds credit rating of the Company was AA+ with a stable outlook; on May 26 2017, China Chengxin Securities Ratings Co., Ltd. conducted a follow-up credit rating and came to the conclusion that the credit rating of the liability part of bonds of the Company was AAA and the main long-term credit rating was BBB with incorporation into the credit watch list.



#### **5.4 Accounting data and financial indicator for the recent two years**

Applicable       Not applicable

<b>Major indicator</b>	<b>2017</b>	<b>2016</b>	<b>Increase or decrease over the same period of the previous year (%)</b>
Gearing Ratio (%)	<u><b>32.82</b></u>	<u>100.29</u>	<u>-67.27</u>

### **III. MANAGEMENT DISCUSSION AND ANALYSIS**

#### **1 Major Operations During the Reporting Period**

During the reporting period, the Group adjusted its production and operation mode from processing on order to self-producing and self-selling in line with the recovery of the steel market, and recorded significant increases in the production and sales volume and the selling prices of the steel products, with an operating income of RMB13,236,840,000 for the year, representing a year-on-year increase of 199.82%, gross profit of RMB425,682,000, representing an increase from a negative value of the same period of the previous year to a positive value of 3.22%.

## 1.1 Main business analysis

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

Unit: RMB'000

Subject	For the period	For the corresponding period last year	Change (%)
Operating income	<b>13,236,840</b>	4,414,902	199.82
Operating cost	<b>12,811,158</b>	6,162,610	107.89
Selling expenses	<b>60,628</b>	109,062	-44.41
Administrative expenses	<b>1,294,951</b>	1,680,799	-22.96
Financial expenses	<b>512,281</b>	1,187,573	-56.86
Net cash flow from operating activities	<b>505,815</b>	-449,021	212.65
Net cash flow from investing activities	<b>6,246,136</b>	-263,645	2,469.15
Net cash flow from financing activities	<b>-6,625,239</b>	1,422,844	-565.63
R&D spending	<b>326,637</b>	187,953	73.79

#### (1) Income and cost analysis

Applicable       Not applicable

##### ① Analysis on the factors driving the change of business income

In 2017, benefiting from the recovery of the steel market, the Group recorded significant increases in the production and sales volume and the selling prices of the steel products, and thus recorded a great increase in the sales income.

② Analysis of decisive factors of product income mainly from in-kind sales

In 2017, the Group has realized income arising from the sale of rolled steel (billet) of RMB12,180,748,000, representing an increase of RMB9,995,574,000 over the previous year. First, sales price increased. The average sales price of rolled steel billet of the Group for the year amounted to RMB3,296/ton, representing an increase of 72.2% over the previous year and an increase of RMB5,537,018,000 in revenue. Second, sales volume increased. The Group sold 3,695,400 tons of rolled steel billet for the year, representing a year-on-year increase of 223.68% and an increase of sales revenue of RMB4,458,556,000.

Item	2017 RMB/ton	2016 RMB/ton	Year-on-year growth rate (%)	Income increase (RMB'000)
Plate	3,275	2,080	57.45	859,973
Hot rolling	3,255	1,842	76.71	3,520,859
Bars	3,512	1,612	117.87	596,313
Wires	3,678		Not comparable	516,508
Billet	3,142	1,720	82.67	43,365
Subtotal	<u>3,296</u>	<u>1,914</u>	<u>72.20</u>	<u>5,537,018</u>
OEM business	766	776	-1.29	-1,809
Item	2017 (Ton 0'000)	2016 (Ton 0'000)	Year-on-year growth rate (%)	Income increase (RMB'000)
Plate	71.94	35.86	100.61	750,464
Hot rolling	249.14	75.95	228.03	3,190,160
Bars	31.38	0.03		505,362
Wires	14.04		Not comparable	
Profiles	0.00	0.21	-100.00	-3,254
Billet	3.04	2.12	43.40	15,824
Subtotal	<u>369.54</u>	<u>114.17</u>	<u>223.68</u>	<u>4,458,556</u>
OEM business	21.43	125.21	-82.88	-805,333

1) Main business by sectors, products and regions

*Unit: RMB'000*

**Main operations by sectors**

By sectors	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year gross profit (%)
Iron and steel	13,211,356	12,788,683	3.20	200.98	107.89	Increasing by 43.35 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 gross profit (%)
Rolled steel billet	12,180,748	11,832,102	2.86	457.43	291.98	Increasing by 41.00 percentage points
By-products	702,116	522,642	25.56	24.59	-1.53	Increasing by 19.75 percentage points
OEM business	164,340	270,274	-64.46	-83.08	-86.06	Increasing by 35.05 percentage points
Other	164,152	163,665	0.30	-75.47	-75.36	Reduction by 0.45 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 gross profit (%)
Southwest	12,464,713	12,707,330	3.06	332.33		
Other regions	746,643	81,353	21.05	-50.43		
Total	<u>13,211,356</u>	<u>12,788,683</u>	<u>3.20</u>	<u>200.98</u>		

## 2) Table of production and sales analysis

Applicable       Not applicable

*Unit: 0'000 tons*

Main products	Production	Sales amount	Inventory	Year on- year production (%)	Year on- year sales (%)	Year on- year inventory (%)
Plates	72.930	71.940	1.535	120.73	100.61	326.53
Hot rolling	250.720	249.140	1.521	238.31	228.03	-
Bars	31.970	31.380	0.575	-	-	-
Wires	14.530	14.040	0.493	-	-	-
OEM business	21.430	21.430	-	-82.98	-82.88	-

### 3) Cost analysis table

*Unit: RMB'000*

#### By sectors

By industry	Costs component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Iron and steel	Raw material	7,380,111	57.71	3,445,488	56.01	114.20
Iron and steel	Energy	1,330,279	10.40	940,296	15.28	41.47
Iron and steel	Labor and other costs	4,078,293	31.89	1,765,980	28.71	130.94

#### By products

By industry	Cost Component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Rolled steel	Raw material and energy costs	11,832,102	92.52	3,018,577	49.07	291.98
By-products	Raw material and energy costs	522,642	4.09	530,779	8.63	-1.53
OEM business	Raw material and energy costs	270,274	2.11	1,938,182	31.51	-86.06
Other		163,665	1.28	664,226	10.79	-75.36

4) Major buyers and major suppliers

Applicable       Not applicable

The sales attributable to the five largest buyers amounted to RMB12,754,638,000, representing 96.36% of the total sales for the year, among which the sales attributable to the five largest buyers from related party amounted to RMB281,485,000, representing 2.13% of the total sales for the year.

The purchase amount attributable to the five largest suppliers amounted to RMB11,121,156,000, representing 93.16% of the total purchase amount for the year, among which the purchase amount to the five largest suppliers from related party amounted to RMB889,036,000, representing 7.45% of the total purchase amount for the year.

(2) Fees

Applicable       Not applicable

*Unit: RMB'000*

Item	Amount for the period	Amount for the corresponding period of last year	Year-on-year change (%)
Selling expenses	<b>60,628</b>	109,062	-44.41
Administrative expenses	<b>1,294,951</b>	1,680,799	-22.96
Finance expenses	<b>512,281</b>	1,187,573	-56.86

(3) *R&D investment*

**Table of R&D investment**

Applicable       Not applicable

*Unit: RMB'000*

Expensed research and development expenses for the period	326,637
Capitalized research and development expenses for the period	0
Total R&D investment	326,637
Percentage of the total R&D investment in operating income	2.47
Number of R&D personnel of the Company	395
Percentage of R&D Personnel in total number of employees (%)	6.00
Percentage of capitalized research and development expenses in total R&D investment (%)	0

(4) *Cash flow*

Applicable       Not applicable

In 2017, the Group strengthened its management of fund planning and controlled the expenditures; its net cash inflow from operating activities in 2017 amounted to RMB505,815,000; during the judicial reorganisation, the Company repaid the loans due to China Development Bank (CDB) and recorded a net cash outflow from financing activities of RMB6,625,239,000; during the judicial reorganisation, the Company disposed of certain assets and recorded an increase in the net cash flow from investing activities of RMB6,246,136,000; the net increase in cash and cash equivalents for the current period of the Company was RMB123,515,000.



*Cash flow table**Unit: RMB'000*

<b>Items</b>	<b>January to December 2017</b>	January to December 2016	Main reasons for changes
Net cash flow from operating activities	<b>505,815</b>	-449,021	Enhancement of fund planning and management, appropriate payment of payables to suppliers resulted in decrease of net outflow from operating activities
Net cash flows from investing activities	<b>6,246,136</b>	-263,645	Disposal of assets during judicial reorganisation increased the net cash flow from investing activities
Net cash flow from financing activities	<b>-6,625,239</b>	1,422,844	Repayment of CDB loans during judicial reorganisation decreased the net cash flow from investing activities
Net increase of cash and cash equivalents	<b>123,515</b>	713,071	/

**1.2 Explanation on material change in profit due to non-principal business**

Applicable       Not applicable

On 3 July 2017, the First Intermediate People's Court of Chongqing (hereinafter referred to as "FIPCC") ruled that the application of Chongqing Laiquyuan Commerce & Trade Co., Ltd. (重慶來去源商貿有限公司) for reorganisation of the Company was accepted. On 20 November 2017, FIPCC issued the Civil Ruling II ([2017] Yu 01 Po No.3), and ruled that the "Reorganisation Plan of Chongqing Iron & Steel Company Limited" (hereinafter referred to as the "**Reorganisation Plan**") was approved. After the execution of the Reorganisation Plan according to the judicial ruling, the Company, by means of disposal of assets, repaying part of the debts in cash, compensating part by share capital transferred from capital reserve, and exempting part by law, recorded RMB2.09 billion revenue from judicial reorganisation, resulting in a total annual profit of RMB320 million in 2017 for the Company in accordance with accounting standards.

### 1.3 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 increase/decrease (%)
Cash and bank deposits	2,050,538	8.20	1,102,694	3.03	85.96
Bills receivable	123,096	0.49	19,435	0.05	533.37
Accounts receivable	44,038	0.18	256,258	0.70	-82.81
Prepayments	70,022	0.28	37,191	0.10	88.28
Other receivables	10,355	0.04	58,099	0.16	-82.18
Inventories	1,330,469	5.32	972,960	2.67	36.74
Other current assets	1,128,655	4.51	509	0.00	N/A
Available-for-sale financial assets	5,000	0.02	5,000	0.01	0.00
Long-term equity investments	124,158	0.50	131,015	0.36	-5.23
Fixed assets	17,595,699	70.35	29,491,264	80.93	-40.34
Construction in progress	8,695	0.03	43,131	0.12	-79.84
Construction materials			15,126	0.04	N/A
Intangible assets	2,521,734	10.08	2,648,584	7.27	-4.79
Other non-current assets			1,657,188	4.55	N/A
Short-term borrowings			5,700,587	15.64	N/A
Bills payable	80,700	0.32	1,632,710	4.48	-95.06
Accounts payable	2,074,594	8.29	9,385,026	25.76	-77.89
Advance from customers	187,099	0.75	1,014,762	2.78	-81.56
Employee benefits payable	563,547	2.25	561,255	1.54	0.41
Taxes payable	13,095	0.05	235	0.00	N/A
Interest payable	7,174	0.03	117,013	0.32	-93.87
Other payables	1,484,738	5.94	4,202,381	11.53	-64.67
Other current liability			12,231	0.03	N/A

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 increase/decrease (%)
Non-current liabilities due within one year	400,000	1.60	3,504,533	9.62	-88.59
Long-term loans	700,000	2.80	9,073,456	24.90	-92.29
Long-term payables			61,944	0.17	N/A
Long-term employee benefits payable	243,190	0.97	276,634	0.76	-12.09
Other non-current liabilities	2,454,358	9.81	1,003,121	2.75	144.67

### Other explanations

- 1) The increase in the balance of cash and bank deposits was mainly due to the fund raised by the Group for debt repayment during the judicial reorganisation in 2017.
- 2) The increase in the balance of bills receivable was mainly due to the fact that more than 50% of the Group's payments of goods were obtained by bills in 2017.
- 3) The increase of other current assets was mainly due to the increase in bank short-term wealth management products of the Group and the amount of input VAT to be deductible, which is estimated to be able to offset the transfer of other non-current assets within one year in 2017.
- 4) The decrease in the balance of fixed assets was mainly due to the disposal of part of the fixed assets by the Group in 2017 to raise the fund for debt repayment.
- 5) The decrease in the balances of short-term borrowings, bills payable, advance from customers, interest payable, other payables, non-current liabilities due within one year, long-term loans, long-term payable was mainly due to the implementation of the Reorganisation Plan for judicial reorganisation in 2017.

- 6) The increase in the balance of other non-current liabilities was mainly due to the fact that Changshou Iron & Steel provided RMB2.4 billion loan to the Company according to the Reorganisation Plan for the implementation thereof. The term of the loan is 7 years from 24 November 2017 until 23 November 2024. Both parties agreed that the loan interest rate shall be subject to the benchmark interest rate for RMB loans over five years as announced by the People's Bank of China.

(2) *Others*

Applicable       Not applicable

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

In 2017, the Company had a net profit of RMB319,808,000 with a year-on-year increase of RMB5,005,492,000 from that of the previous year of RMB-4,685,684,000, with the following main reasons:

- ① The Group had a gross profit of operating business of RMB425,682,000 with a year-on-year increase of RMB2,173,390,000. This was mainly due to the increase of sales volume of steel products (billets) and sales price in this year, making a year-on-year increase of 200.98% for sales income, and a year-on-year increase of 107.89% for the cost of main business of steel products (billet), which was caused by factors such as the cessation of processing raw materials. However, the increase of main business cost was less than that of the main business income, which led to a significant increase in the gross profit of main business in the current period.
- ② The Group had an operating expense of RMB1,867,860,000 with a year-on-year decrease of RMB1,109,574,000. This was mainly due to the following causes: 1. The decrease in transportation expenses and ship inspection expenses, resulting in a year-on-year decrease of RMB48,434,000 for selling expenses. 2. The production lines under the second system resumed production and the losses on production stoppage were reduced, resulting in a decrease of administrative expenses of RMB385,848,000. 3. The financial expenses were decreased by RMB675,292,000 as compared to the same period of last year.

- ③ The Group had a non-operating income of RMB7,226,586,000 with a year-on-year increase of RMB6,475,151,000. This was mainly due to the fact that the Company carried out the Reorganisation Plan. With part of the debts settled in cash, part compensated by share capital transferred from capital reserve, and part exempted by law, the Company recorded a gain of RMB7,226,377,000 from the debt liquidation and restructure in the bankruptcy reorganisation.
- ④ The Group had an asset impairment loss of RMB292,599,000, with a year-on-year decrease of RMB315,708,000, mainly due to the fact that provision for impairment of inventory for the current year is less than that of the previous year.

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

Applicable       Not applicable

### 2.1 Industry Competition Pattern and Development Trend

Applicable       Not applicable

In 2017, the supply side structure reform was deeply promoted within the steel industry. Thanks to the significant achievements in reducing overcapacity and the comprehensively-banned “ground steel strip” operations, the performance of enterprises was improved and the industry operated steadily with improvement. However, since there remains the risk of recurrence of the “ground steel strip” phenomenon, the benefits of newly-added production capacities show themselves, and the pressure of optimization and structuring upon the industry has become increasingly evident, the industry still has to face myriad difficulties.

In 2018, the State will unswervingly promote the work of reducing overcapacity across the steel industry, take strict precautions against new production capacity, and energetically advance the layout optimization, transformation and upgrading and regulated operation of the steel industry, in a bid to achieve the sustainable and healthy development. Main measures include:

- (1) Accurately implement the policy and unswervingly reduce overcapacity. The State aims to accomplish the target of reducing a maximum of 150 million tons of steel as stated in the “13th-Year Plan” in advance. The State will strictly control new production capacities, guide local departments in conducting a comprehensive self-examination and self-correction of new production capacities, increase the supervising and examining efforts, strictly regulate the replacement of production capacity, and prohibit any addition of steel production capacity under any name.
- (2) Take multiple measures simultaneously to strictly prevent the recurrence of the “ground steel strip” phenomenon. The State will establish and improve a long effective mechanism to prevent the recurrence of the “ground steel strip”, and any such phenomenon must be combatted while at its early occurrence. Investigation and accountability efforts must be increased to investigate the behaviors suspected of illegal production and sales of “ground steel strips” and a notice thereon must be circulated on a case-by-case basis once spotted.
- (3) Local conditions should be considered and differential policies should be applied to encourage the existing long-process BF-BOF enterprises to transform into electric furnace ones.
- (4) The dynamic restructuring work should be carried out to regulate the steel, coking and iron alloy sectors so as to achieve a “comply-or-quit” dynamic management. The monitoring and analysis of the industry should be strengthened together with the reduction of steel overcapacity, the replacement of production capacity and the staggered heating production to avoid peak seasons. The investigation and survey should be further intensified and more guidance should be given to local departments in their work. Sharp fluctuations in steel prices should be avoided, so as to maintain the smooth operation of the industry.
- (5) The standard lead should be strengthened, the classification and management of steel products should be explored, and the consistency and stability of steel products should be improved towards the middle and high levels. A sound upstream-downstream cooperation mechanism should be established to quicken the industrial application of new steel materials. Smart manufacturing should be proactively progressed, the demonstration pilot projects should be emphasized, replicable experience and practice should be explored, and the industrywide promotion efforts should be increased.

## **2.2 Corporate Development Strategy**

Applicable       Not applicable

The Company will strive to become the most competitive steel enterprise in Southwest China, the leading green-friendly, transforming and upgrading inland steel factory, becoming the model for the mutual development of the staff and enterprises. It will create its “capable heavy steelmaking”, “beautiful heavy steelmaking” and “charming heavy steelmaking”.

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

## **2.3 Operating Plans**

Applicable       Not applicable

With the countermeasures such “accurate planning, comprehensive budget-based guiding, flexible response to market and intensified in-process management and control”, the Company will optimize its product portfolio, production line configuration and production process under the goal of “full-scale production and sell-through rates”. After taking into account the market demand in the region, it will fully exert the production capacity of its existing production lines, organize its production under the principle of efficiency first and flexibly adjust the arrangement of its production lines according to the market conditions.

The Company plans to produce 5.37 million tons of iron, 6 million tons of steel, and 5.72 million tons of commodity billets in the full year of 2018.

## **2.4 Potential risks**

Applicable       Not applicable

Firstly, the scenario of steel overcapacity has not completely changed. In 2018, the steel industry should continue to unswervingly reduce the overcapacity. Thus, the situation the steel market faces is still tough.

Secondly, the national differentiation in credit policy for industries with overcapacity increased the difficulty in fund raising and financing.

Thirdly, the heightening environmental protection standards and the official implementation of environmental tariffs imposed greater environmental pressure on steelmakers and resulted in higher environmental costs.

### **3 Causes of termination of listing**

Applicable       Not applicable

### **4 Conditions and reasons of possible termination of listing**

Applicable       Not applicable

### **5 Company's analysis on the cause and impact of changes in accounting policies and accounting estimation**

Applicable       Not applicable

- (1) The Company has adopted the "Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operation" formulated by the Ministry of Finance from 28 May 2017 and the revised "Accounting Standards for Business Enterprises No. 16 – Government Grants" from 12 June 2017. The changes in such accounting policies have been dealt with using the prospective application method.



- (2) The Company has prepared the 2017 statements to implement the “Notice from the Ministry of Finance on the Revision of the Format for Issuing General Enterprise Financial Statements” (Cai Kuai [2017] No. 30) to change the gains and losses on disposal of non-current assets and the gains and losses from exchange of non-monetary assets under the “non-operating income” and the “non-operating expense” as the “gains on disposal of assets”. The changes in such accounting policy have been dealt with using the retrospective adjustment method. The non-operating income and the non-operating expense for 2016 decreased by RMB12,000 and RMB6,000, respectively, and the gains on disposal of assets increased by RMB6,000.

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

Applicable  Not applicable

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

Applicable  Not applicable

***Scope of combination narrowed***

Company name	Method for disposal of equity interests	Time of disposal of equity interests	Net assets at the date of disposal	Net profits from the beginning of the period to the date of disposal
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd (靖江三峰鋼材加工配送有限公司)	Disposal	2017.11	69,754	-1,229
Guizhou CIS Iron and Steel Sales Co., Ltd (貴州重鋼鋼鐵銷售有限責任公司)	Cancellation	2017.9	525	-344
Xi’an CIS Sales Co., Ltd (西安重鋼銷售有限責任公司)	Cancellation	2017.2	-2,636	

#### **IV. 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”, Appendix 14 of the Rules Governing the Listing of Shares of the Hong Kong Stock Exchange during the reporting period, and no deviation from the Code has been identified.

##### **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 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 2017.

##### **3 Purchase, Sale and Redemption of Listed Shares**

As at the reporting period, the Company did not redeem any of its issued securities, nor purchase or sell any of its listed securities.

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

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

##### **5 Interests or Short Positions**

As at 31 December 2017, the Board was not aware of any person or its associates whose interests or short positions in the shares or underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (“SFO”).

##### **6 Pre-emptive Rights**

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

## **7 Public Float of H Shares**

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

## **8 Circulating Market Capitalisation**

Based on the publicly available information, as at 29 December 2017 (the last trading day of 2017), the circulating market capitalisation of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$1.96)) was approximately HK\$1.055 billion and the circulating market capitalization of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB2.15)) was approximately RMB18.018 billion.

## **9 Final Dividend**

Given that in 2017 the Company suffered losses after deducting non-operating profit and loss, and subsequent capital needs are still huge, the Board proposed that the Company should not make any distribution of profits, or transfer capital reserve into equity for the year of 2017.

## Consolidated Balance Sheet

As at 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

*Expressed in RMB thousand yuan*

	As at 31 December 2017	As at 31 December 2016
<b>Assets</b>		
<b>Current assets:</b>		
Cash and bank deposits	2,050,538	1,102,694
Clearing provision		
Funds for lending		
Financial assets at fair value with its changes through profit or loss for the period		
Derivative financial assets		
Bills receivable	123,096	19,435
Accounts receivable	44,038	256,258
Prepayments	70,022	37,191
Premium receivable		
Reinsurance accounts receivable		
Provision for reinsurance contract receivable		
Interests receivable		
Dividends receivable		
Other receivables	10,355	58,099
Financial assets purchased with agreement to re-sell		
Inventories	1,330,469	972,960
Assets classified as held-for-sale		
Non-current assets due within one year		
Other current assets	1,128,655	509
<b>Total current assets</b>	<u>4,757,173</u>	<u>2,447,146</u>

<b>Assets</b>	<b>As at 31 December 2017</b>	As at 31 December 2016
<b>Non-current assets:</b>		
Issued loans and advances		
Available-for-sale financial assets	<b>5,000</b>	5,000
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	<b>124,158</b>	131,015
Investment properties		
Fixed assets	<b>17,595,699</b>	29,491,264
Construction in progress	<b>8,695</b>	43,131
Construction materials		15,126
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	<b>2,521,734</b>	2,648,584
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred tax assets		
Other non-current assets		1,657,188
	-----	-----
<b>Total non-current assets</b>	<b>20,255,286</b>	33,991,308
	-----	-----
<b>Total assets</b>	<b>25,012,459</b>	36,438,454
	=====	=====

<b>Liabilities and owner's equity (or shareholders' equities)</b>	<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>
<b>Current liabilities:</b>		
Short-term borrowings		5,700,587
Borrowings from central bank		
Absorbed deposits and interbank deposits		
Borrowed interbank money		
Financial liabilities at fair value with its changes through profit or loss for the period		
Derivative financial liabilities		
Bills payable	<b>80,700</b>	1,632,710
Accounts payable	<b>2,074,594</b>	9,385,026
Receipts in advance	<b>187,099</b>	1,014,762
Financial assets sold for repurchase		
Handling fees and commission payable		
Employee benefits payable	<b>563,547</b>	561,255
Tax payable	<b>13,095</b>	235
Interests payable	<b>7,174</b>	117,013
Dividends payable		
Other payables	<b>1,484,738</b>	4,202,381
Reinsurance accounts payable		
Provision for insurance contract		
Funds arising from acting trading of securities		
Funds arising from acting underwriting of securities		
Liabilities classified as held-for-sale		
Non-current liabilities due within one year	<b>400,000</b>	3,504,533
Other current liabilities		12,231
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>4,810,947</b>	26,130,733
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<b>Liabilities and owner's equity (or shareholders' equities)</b>	<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	700,000	9,073,456
Debtures payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payable		61,944
Long-term employee benefits payable	243,190	276,634
Special payable		
Provisions	11,204	52,177
Deferred income	43,154	174,326
Deferred income tax liabilities		
Other non-current liabilities	<u>2,400,000</u>	<u>776,618</u>
<b>Total non-current liabilities</b>	<u><u>3,397,548</u></u>	<u><u>10,415,155</u></u>
<b>Total liabilities</b>	<u><u>8,208,495</u></u>	<u><u>36,545,888</u></u>
<b>Owner's equity(or shareholders' equities):</b>		
Paid-in capital (or share capital)	8,918,602	4,436,023
Other equity instrument		
Including: Preference shares		
Perpetual bonds		
Capital reserves	19,282,147	7,154,203
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	606,991	606,991
Provision for general risk		
Retained earnings	-12,077,625	-12,397,711
Total equity attributable to the owners of the parent company	<u>16,730,115</u>	<u>-200,494</u>
Minority interests	<u>73,849</u>	<u>93,060</u>
<b>Total shareholders' equity</b>	<u><u>16,803,964</u></u>	<u><u>-107,434</u></u>
<b>Total liabilities and shareholders' equity</b>	<u><u>25,012,459</u></u>	<u><u>36,438,454</u></u>

*Legal Representative:*

*The person in charge of  
accounting body:*

*The head of the  
accounting department:*

## Balance Sheet of the Parent Company

As at 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

*Expressed in RMB thousand yuan*

	As at 31 December 2017	As at 31 December 2016
<b>Assets</b>		
<b>Current assets:</b>		
Cash and bank deposits	1,961,403	362,385
Financial assets at fair value with its changes through profit or loss for the period		
Derivative financial assets		
Bills receivable	123,096	19,435
Accounts receivable	46,853	258,568
Prepayments	69,581	22,535
Interests receivable		
Dividends receivable		
Other receivables	10,355	58,084
Inventories	1,330,469	972,960
Assets classified as held-for-sale		
Non-current assets due within one year		
Other current assets	478,510	87
<b>Total current assets</b>	<u>4,020,267</u>	<u>1,694,054</u>



<b>Assets</b>	<b>As at 31 December 2017</b>	As at 31 December 2016
<b>Non-current assets:</b>		
Available-for-sale financial assets	<b>5,000</b>	5,000
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	<b>835,780</b>	893,637
Investment properties		
Fixed assets	<b>17,595,699</b>	29,481,983
Construction in progress	<b>8,695</b>	42,829
Construction materials		15,126
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	<b>2,521,734</b>	2,648,584
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred tax assets		
Other non-current assets		1,657,188
<b>Total non-current assets</b>	<b>20,966,908</b>	34,744,347
<b>Total assets</b>	<b>24,987,175</b>	36,438,401

<b>Liabilities and owner's equity</b>	<b>As at 31 December 2017</b>	As at 31 December 2016
<b>Current liabilities :</b>		
Short-term borrowings		5,700,587
Financial assets at fair value with its changes through profit or loss for the period		
Derivative financial liabilities		
Bills payable	<b>80,700</b>	1,632,710
Accounts payable	<b>2,123,370</b>	9,429,515
Receipts in advance	<b>185,905</b>	1,006,106
Employee benefits payable	<b>563,518</b>	560,810
Tax payable	<b>13,113</b>	18
Interests payable	<b>7,174</b>	117,013
Dividends payable		
Other payables	<b>1,479,009</b>	4,259,548
Liabilities classified as held-for-sale		
Non-current liabilities due within one year	<b>400,000</b>	3,504,533
Other current liabilities		12,231
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>4,852,789</b>	26,223,071
	<hr/>	<hr/>
<b>Non-current liabilities:</b>		
Long-term borrowings	<b>700,000</b>	9,073,456
Debentures payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payable		61,944
Long-term employee benefits payable	<b>243,190</b>	276,634
Special payable		
Provisions	<b>11,204</b>	52,177
Deferred income	<b>43,154</b>	174,326
Deferred income tax liabilities		
Other non-current liabilities	<b>2,400,000</b>	776,618
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>3,397,548</b>	10,415,155
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>8,250,337</b>	36,638,226
	<hr/>	<hr/>

	As at 31 December 2017	As at 31 December 2016
<b>Liabilities and owner's equity</b>		
<b>Owner's equity (or shareholders' equities):</b>		
Paid-in capital (or share capital)	8,918,602	4,436,023
Other equity instrument		
Including: Preference shares		
Perpetual bonds		
Capital reserves	19,313,090	7,185,146
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	577,012	577,012
Retained earnings	<u>-12,071,866</u>	<u>-12,398,006</u>
<b>Total shareholders' equity</b>	<u><u>16,736,838</u></u>	<u><u>-199,825</u></u>
<b>Total liabilities and shareholders' equities</b>	<u><u>24,987,175</u></u>	<u><u>36,438,401</u></u>

*Legal Representative:*

*The person in charge of  
accounting body:*

*The head of the accounting  
department:*

**Consolidated Income Statement**  
for the year ended 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

*Expressed in RMB thousand yuan*

Items	Current period cumulative	Preceding period comparative
<b>I. Total operating revenue</b>	<b>13,236,840</b>	4,414,902
Including: Operating revenue	13,236,840	4,414,902
Interest income		
Premium earned		
Fee and commission income		
<b>II. Total operating costs</b>	<b>15,053,981</b>	9,799,664
Including: Operating costs	12,811,158	6,162,610
Interest expenses		
Fee and commission expenses		
Surrender charge fee		
Net payments for insurance claims		
Withdrawal of provision for insurance contracts, net		
Expenditures dividend policy		
Reinsurance expenses		
Taxes and surcharges	82,364	51,313
Selling expenses	60,628	109,062
Administrative expenses	1,294,951	1,680,799
Financial expenses	512,281	1,187,573
Impairment losses on assets	292,599	608,307
Add: Gains from changes in fair value (losses are represented by "-")		
Profit or loss for net exposure to hedging (losses are represented by "-")		
Investment income		
(losses are represented by "-")	2,255	599
Including: Gains from investment in associates and joint ventures	-6,857	599
Gains from disposal of assets		
(losses are represented by "-")	-5,009,485	6
Gains on foreign exchange		
(losses are represented by "-")		
Other income	47,198	

Items	Current period cumulative	Preceding period comparative
<b>III. Operating profit (losses are represented by “-”)</b>	<b>-6,777,173</b>	<b>-5,384,157</b>
Add: Non-operating income	7,226,586	751,435
Less: Non-operating expenses	<u>129,603</u>	<u>52,945</u>
<b>IV. Profit before income tax (losses are represented by “-”)</b>	<b>319,810</b>	<b>-4,685,667</b>
Less: Income tax expenses	<u>2</u>	<u>17</u>
<b>V. Net profit (net losses are represented by “-”)</b>	<b>319,808</b>	<b>-4,685,684</b>
(I) Categorized by operation persistence:		
1. Net profit from continuing operations (net losses are represented by “-”)	319,808	-4,685,684
2. Net profit from discontinued operations (net losses are represented by “-”)		
(II) Categorized by ownership:		
1. Net profit attributable to the shareholders of the parent company (net losses are represented by “-”)	320,086	-4,685,956
2. Non-controlling interests (net losses are represented by “-”)	<u>-278</u>	<u>272</u>
<b>VI. Other comprehensive income after tax</b>		
Other comprehensive income after tax attributable to the shareholders of the parent company		
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in remeasurement on the net defined benefit liability/asset		
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
(II) Other comprehensive income that will be reclassified to profit or loss		
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
2. Profit or loss arising from changes in fair value of available-for-sale financial assets		
3. Profit or loss from reclassification of held to-maturity investments as available-for-sale assets		

Items	Current period cumulative	Preceding period comparative
4. Effective hedging portion of profit or loss arising from cash flow hedging instruments		
5. Translation difference arising on translation of foreign currency financial statements		
6. Others		
Other comprehensive income after tax attributable to non-controlling interests		
<b>VII. Total comprehensive income</b>	<b>319,808</b>	<b>-4,685,684</b>
Total comprehensive income attributable to shareholders of the parent company	<b>320,086</b>	-4,685,956
Total comprehensive income attributable to non-controlling interests	<b>-278</b>	272
<b>VIII. Earnings per share:</b>		
(1) Basic earnings per share ( <i>yuan/share</i> )	<b>0.04</b>	-0.53
(2) Diluted earnings per share ( <i>yuan/share</i> )	<b>0.04</b>	-0.53

*Legal Representative:*

*The person in charge of  
accounting body:*

*The head of the accounting  
department:*

## Income Statement of the Parent Company

For the year ended 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

*Expressed in RMB thousand yuan*

Items	Current period cumulative	Preceding period comparative
<b>I. Operating revenue</b>	<b>13,142,240</b>	3,889,025
Less: Operating costs	<b>12,717,070</b>	5,640,968
Taxes and surcharges	<b>81,967</b>	51,251
Selling expenses	<b>58,029</b>	102,832
Administrative expenses	<b>1,278,585</b>	1,674,737
Financial expenses	<b>515,593</b>	1,194,710
Impairment losses on assets	<b>292,447</b>	608,015
Add: Gains from changes in fair value (losses are represented by “-”)		
Profit or loss for net exposure to hedging (losses are represented by “-”)		
Investment income (losses are represented by “-”)	<b>-8,969</b>	599
Including: Gains from investment in associates and joint ventures	<b>-6,857</b>	599
Gains from disposal of assets (losses are represented by “-”)	<b>-5,009,485</b>	6
Other income	<b>47,198</b>	
<b>II. Operating profit (losses are represented by “-”)</b>	<b>-6,772,707</b>	-5,382,883
Add: Non-operating income	<b>7,226,405</b>	751,435
Less: Non-operating expenses	<b>127,558</b>	52,941
<b>III. Profit before income tax (losses are represented by “-”)</b>	<b>326,140</b>	-4,684,389
Less: income tax expenses		
<b>IV. Net profit (net losses are represented by “-”)</b>	<b>326,140</b>	-4,684,389
(I) Net profit from continuing operations (net losses are represented by “-”)	<b>326,140</b>	-4,684,389
(II) Net profit from discontinued operations (net losses are represented by “-”)		

Items	Current period cumulative	Preceding period comparative
<b>V. Other comprehensive income after tax</b>		
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in remeasurement on the net defined benefit liability/asset		
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
(II) Other comprehensive income that will be reclassified to profit or loss		
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
2. Profit or loss arising from changes in fair value of available-for-sale financial assets		
3. Profit or loss from reclassification of held to-maturity investments as available-for-sale assets		
4. Effective hedging portion of profit or loss arising from cash flow hedging instruments		
5. Translation difference arising on translation of foreign currency financial statements		
6. Others		
	_____	_____
<b>VI. Total comprehensive income</b>	<b>326,140</b>	<b>-4,684,389</b>
	<b>=====</b>	<b>=====</b>

**VII. Earnings per share:**

- (I) Basic earnings per share (*yuan/share*)  
(II) Diluted earnings per share (*yuan/share*)

*Legal Representative:*

*The person in charge of  
accounting body:*

*The head of the  
accounting department:*



## Consolidated Cash Flow Statement

For the year ended 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

*Expressed in RMB thousand yuan*

Items	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	1,127,997	2,714,747
Net increases in deposit from customers and inter banks		
Net increases in borrowings from Central Bank		
Net increases in borrowed interbank money from other financial institutions		
Cash received from the premium of original insurances		
Net cash received from reinsurance business		
Net increases in deposits and investment funds from the insured		
Net increases in disposal of financial assets at fair value with its changes through profit or loss for the period		
Cash received from interest, fee and commission		
Net increases in borrowed interbank money		
Net increases in funds from repurchase operation		
Receipts of tax refund		
Other cash receipts related to operating activities	<u>2,866,598</u>	<u>13,694,582</u>
Sub-total of cash inflows from operating activities	<u>3,994,595</u>	<u>16,409,329</u>

<b>Items</b>	<b>Current period cumulative</b>	Preceding period comparative
Cash payments for goods purchased and services rendered	<b>389,505</b>	2,858,421
Net increases in loans and advances to customers		
Net increases in deposit in Central Bank and inter banks		
Cash payment of claims on original insurances		
Cash payment of interest, fee and commission		
Cash payment of policy dividends		
Cash payments to and on behalf of employees	<b>907,211</b>	463,004
Payments of various types of taxes	<b>79,896</b>	81,339
Other cash payments related to operating activities	<b>2,112,168</b>	13,455,586
	<hr/>	<hr/>
Sub-total of cash outflows from operating activities	<b>3,488,780</b>	16,858,350
	<hr/>	<hr/>
<b>Net cash flows from operating activities</b>	<b>505,815</b>	-449,021
	<hr/>	<hr/>
<b>II. Cash flows from investing activities:</b>		
Return of cash received from investment		
Cash received from investment income	<b>9,112</b>	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	<b>6,887,024</b>	
Net cash receipts from disposal of subsidiaries and other operating entities		
Other cash receipts related to investing activities	<hr/>	<hr/>
	<hr/>	<hr/>
Sub-total of cash inflows from investing activities	<b>6,896,136</b>	<hr/>

Items	Current period cumulative	Preceding period comparative
Cash payments for acquisition and construction of fixed assets, intangible assets and other long-term assets		133,229
Cash payments for investments	<b>650,000</b>	130,416
Net increase of mortgaged loans		
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities		
	<hr/>	<hr/>
Sub-total of cash outflows from investing activities	<b>650,000</b>	263,645
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net cash flows from investing activities</b>	<b>6,246,136</b>	-263,645
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>III. Cash flows from financing activities:</b>		
Cash receipts form absorbing investments		73,514
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		73,514
Cash received from borrowings	<b>5,317,740</b>	7,910,151
Cash received from issuing bonds		
Other cash receipts related to financing activities	<b>594,952</b>	2,459,226
	<hr/>	<hr/>
Sub-total of cash inflows from financing activities	<b>5,912,692</b>	10,442,891
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash paid for repayment of debt	<b>10,021,909</b>	5,109,289
Cash payments for distribution of dividends or profits, or interests	<b>172,257</b>	645,769
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash payments related to financing activities	<b>2,343,765</b>	3,264,989
	<hr/>	<hr/>
Sub-total of cash outflows from financing activities	<b>12,537,931</b>	9,020,047
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net cash flows from financing activities</b>	<b>-6,625,239</b>	1,422,844
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

Items	Current period cumulative	Preceding period comparative
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<u>-3,197</u>	<u>2,893</u>
<b>V. Net increase in cash and cash equivalents</b>	<b>123,515</b>	713,071
Add: Cash and cash equivalents at the beginning of the period	<u>745,447</u>	<u>32,376</u>
<b>VI. Cash and cash equivalents at the end of the period</b>	<b><u>868,962</u></b>	<b><u>745,447</u></b>

*Legal Representative:*

*The person in charge of  
accounting body:*

*The head of the  
accounting department:*

## Cash Flow Statement of the Parent Company

For the year ended 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

*Expressed in RMB thousand yuan*

Items	For the period	For the corresponding period of last year
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	1,072,973	2,179,482
Receipts of tax refund		
Other cash payments related to operating activities	<u>2,850,182</u>	<u>13,681,499</u>
Sub-total of cash inflows from operating activities	<u>3,923,155</u>	<u>15,860,981</u>
Cash payments for goods purchased and services rendered	337,927	2,331,217
Cash payments to and on behalf of employees	897,689	457,713
Payments of various types of taxes	79,366	79,057
Other cash payments related to operating activities	<u>2,097,719</u>	<u>13,440,933</u>
Sub-total of cash outflows from operating activities	<u>3,412,701</u>	<u>16,308,920</u>
<b>Net cash flows from operating activities</b>	<u>510,454</u>	<u>-447,939</u>

Items	For the period	For the corresponding period of last year
<b>II. Cash flows from investing activities:</b>		
Return of cash received from investment		
Cash received from investment income		
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	<b>6,887,024</b>	
Net cash receipts from disposal of subsidiaries and other operating entities		
Other cash receipts related to investing activities		
Sub-total of cash inflows from investing activities	<b>6,887,024</b>	
Cash payments for acquisition and construction of fixed assets, intangible assets and other long-term assets		132,909
Cash payments for investments		130,416
Net cash payments for the acquisition of subsidiaries & other business units		661,622
Other cash payments related to investing activities		
Sub-total of cash outflows from investing activities		924,947
<b>Net cash flows from investing activities</b>	<b>6,887,024</b>	-924,947

<b>Items</b>	<b>For the period</b>	For the corresponding period of last year
<b>III. Cash flows from financing activities:</b>		
Cash receipts from absorbing investments		
Cash received from borrowings	<b>5,317,740</b>	7,910,151
Other cash receipts related to financing activities	<b>594,952</b>	2,459,226
	<hr/>	<hr/>
Sub-total of cash inflows from financing activities	<b>5,912,692</b>	10,369,377
	<hr/>	<hr/>
Cash paid for repayment of debt	<b>10,021,909</b>	5,109,289
Cash payments for distribution of dividends or profits, or interests	<b>172,257</b>	645,769
Other cash payments related to financing activities	<b>2,341,518</b>	3,264,989
	<hr/>	<hr/>
Sub-total of cash outflows from financing activities	<b>12,535,684</b>	9,020,047
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	<b>-6,622,992</b>	1,349,330
	<hr/>	<hr/>
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>203</b>	86
	<hr/>	<hr/>
<b>V. Net increase in cash and cash equivalents</b>	<b>774,689</b>	-23,470
Add: Cash and cash equivalents at the beginning of the period	<b>5,138</b>	28,608
	<hr/>	<hr/>
<b>VI. Cash and cash equivalents at the end of the period</b>	<b>779,827</b>	5,138
	<hr/>	<hr/>

*Legal Representative:*

*The person in charge of  
accounting body:*

*The head of the  
accounting department:*

# Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Item	Total equity attributable to shareholders of the parent company											Non-controlling interest	Total shareholders' equity	
	Paid-in capital (or share capital)	Other equity instrument			Capital reserve	Deduct Stock equity	Current period cumulative				Retained earnings			
		preferred shares	Perpetual bonds	Others			Other comprehensive income	Special reserve	Surplus reserve	General risk provisions				
<b>I. Closing balance of the preceding year</b>	4,436,023				7,154,203					606,991		-12,397,711	93,060	-107,434
Plus: Changes in accounting policies														
Correction of previous errors														
Business combination under the same control														
Others														
<b>II. Opening balance of the current year</b>	4,436,023				7,154,203					606,991		-12,397,711	93,060	-107,434
<b>III. Changes in the current period (decrease are represented by "-")</b>	4,482,579				12,127,944							320,086	-19,211	16,911,398
(I) Total comprehensive income												320,086	-278	319,808
(II) Shareholders' contribution and reduction					16,610,523								-18,933	16,591,590
1. Ordinary shares invested by shareholders														
2. Other equity instrument holders' invested capital														
3. Amount of share payment included in the amount of owner's equity														
4. Others					16,610,523								-18,933	16,591,590
(III) Profit distribution														
1. Extraction of surplus reserve														
2. Extraction of general risk provisions														
3. Distribution to owners (or shareholders)														
4. Others													-18,933	16,591,590
(IV) Transfers within shareholders' equity	4,482,579				-4,482,579									
1. Capital reserve transferred to capital (or share capital)	4,482,579				-4,482,579									
2. Surplus reserve transferred to capital (or share capital)														
3. Surplus reserve for compensating losses														
4. Others														
(V) Special reserve														
1. Accrued in the current period									13,619					13,619
2. Utilized in the current period									13,619					13,619
(VI) Others														
<b>IV. Closing balance of the current period</b>	<b>8,918,602</b>				<b>19,282,147</b>					<b>606,991</b>		<b>-12,077,625</b>	<b>73,849</b>	<b>16,803,964</b>



Item	Preceding period comparative											Non-controlling interest	Total shareholders' equity
	Total equity attributable to shareholders of the parent company												
	Paid-in capital (or share capital)	Other equity instrument			Capital reserve	Deduct Stock equity	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Retained earnings		
<b>I. Closing balance of the preceding year</b>	4,436,023				6,657,614				606,991		-7,711,755	19,274	4,008,147
Plus: Changes in accounting policies													
Correction of previous errors													
Business combination under the same control													
Others													
<b>II. Opening balance of the current year</b>	4,436,023				6,657,614				606,991		-7,711,755	19,274	4,008,147
<b>III. Changes in the current period (decrease are represented by "-")</b>					496,589						-4,685,956	73,786	-4,115,581
(I) Total comprehensive income											-4,685,956	272	-4,685,684
(II) Shareholders' contribution and reduction					496,589							73,514	570,103
1. Ordinary shares invested by shareholders												73,514	73,514
2. Other equity instrument holders' invested capital													
3. Amount of share payment included in the amount of owner's equity													
4. Others					496,589								496,589
(III) Profit distribution													
1. Extraction of surplus reserve													
2. Extraction of general risk provisions													
3. Distribution to owners (or shareholders)													
4. Others													

Item	Total equity attributable to shareholders of the parent company											Non-controlling interest	Total shareholders' equity
	Paid-in capital (or share capital)	Other equity instrument			Capital reserve	Deduct Stock equity	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Retained earnings		
		Preferred shares	Perpetual bonds	Others									
(IV) Transfers within shareholders' equity													
1. Capital reserve transferred to capital (or share capital)													
2. Surplus reserve transferred to capital (or share capital)													
3. Surplus reserve for compensating losses													
4. Others													
(V) Special reserve													
1. Accrued in the current period								19,511					19,511
2. Utilized in the current period								19,511					19,511
(VI) Others													
<b>IV. Closing balance of the current period</b>	<b>4,436,023</b>				<b>7,154,203</b>				<b>606,991</b>		<b>-12,397,711</b>	<b>93,060</b>	<b>-107,434</b>

*Legal Representative:*

*The person in charge of accounting body:*

*The head of the accounting department:*

# Statement of Changes in Shareholders' Equity of the Parent Company

## For the year ended 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

*Expressed in RMB thousand yuan*

Item	Current period cumulative										Total shareholders' equity
	Paid-in capital (or share capital)	Other equity instrument			Capital reserve	Deduct Stock equity	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
		Preferred shares	Perpetual bonds	Others							
I. Closing balance of the preceding year	4,436,023				7,185,146				577,012	-12,398,006	-199,825
Plus: Changes in accounting policies											
Correction of previous errors											
Others											
II. Opening balance of the current year	4,436,023				7,185,146				577,012	-12,398,006	-199,825
III. Changes in the current period (decrease are represented by "-")	4,482,579				12,127,944					326,140	16,936,663
(I) Total comprehensive income										326,140	326,140
(II) Shareholders' contribution and reduction					16,610,523						16,610,523
1. Ordinary shares invested by shareholders											
2. Other equity instrument holders' invested capital											
3. Amount of share payment included in the amount of owner's equity											
4. Others					16,610,523						16,610,523
(III) Profit distribution											
1. Extraction of surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Transfers within shareholders' equity	4,482,579				-4,482,579						
1. Capital reserve transferred to capital (or share capital)	4,482,579				-4,482,579						
2. Surplus reserve transferred to capital (or share capital)											
3. Surplus reserve for compensating losses											
4. Others											
(V) Special reserve											
1. Accrued in the current period								13,619			13,619
2. Utilized in the current period								13,619			13,619
(VI) Others											
IV. Closing balance of the current period	8,918,602				19,313,090				577,012	-12,071,866	16,736,838

Item	Preceding period comparative										
	Paid-in capital (or share capital)	Other equity instrument			Capital reserve	Deduct Stock equity	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
		Preferred shares	Perpetual bonds	Others							
<b>I. Closing balance of the preceding year</b>	4,436,023				6,688,557				577,012	-7,713,617	3,987,975
Plus: Changes in accounting policies											
Correction of previous errors											
Others											
<b>II. Opening balance of the current year</b>	4,436,023				6,688,557				577,012	-7,713,617	3,987,975
<b>III. Changes in the current period</b>											
(decrease are represented by "-")					496,589					-4,684,389	-4,187,800
(I) Total comprehensive income										-4,684,389	-4,684,389
(II) Shareholders' contribution and reduction					496,589						496,589
1. Ordinary shares invested by shareholders											
2. Other equity instrument holders' invested capital											
3. Amount of share payment included in the amount of owner's equity											
4. Others					496,589						496,589
(III) Profit distribution											
1. Extraction of surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Transfers within shareholders' equity											
1. Capital reserve transferred to capital (or share capital)											
2. Surplus reserve transferred to capital (or share capital)											
3. Surplus reserve for compensating losses											
4. Others											
(V) Special reserve											
1. Accrued in the current period								19,511			19,511
2. Utilized in the current period								19,511			19,511
(VI) Others											
<b>IV. Closing balance of the current period</b>	<u>4,436,023</u>	<u></u>	<u></u>	<u></u>	<u>7,185,146</u>	<u></u>	<u></u>	<u></u>	<u>577,012</u>	<u>-12,398,006</u>	<u>-199,825</u>

*Legal Representative:*

*The person in charge of  
accounting body:*

*The head of the  
accounting department:*

The annual report of the Company for the year ended 31 December 2017 will be published on the website of the Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.cqgt.cn](http://www.cqgt.cn)) respectively on or before 28 February 2018.

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

Chongqing, the PRC, 28 February 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. Hwang Yuhchang (Independent Non-executive Director), Mr. Xu Yixiang (Independent Non-executive Director), Mr. Xin Qingquan (Independent Non-executive Director) and Mr. Wong Chunwa (Independent Non-executive Director).*