



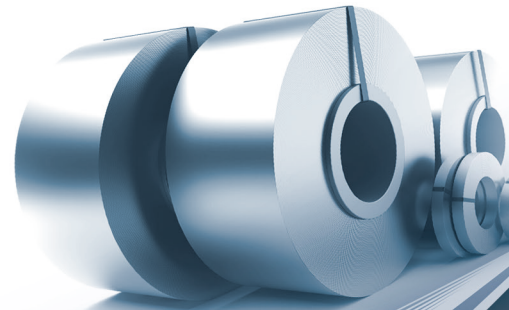
重慶鋼鐵股份有限公司

Chongqing Iron & Steel Company Limited

(H Share Stock Code: 1053) (A Share Stock Code: 601005)

2017

ANNUAL REPORT



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IMPORTANT NOTICE

- I. The board of directors, the supervisory committee and directors, supervisors and senior management of the Company warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.
- II. All directors of the Company attended Board meetings.
- III. Pan-China Certified Public Accountants (special general partnership) issued a standard unqualified audit report for the Company.
- IV. Mr. Zhou Zhu Ping, head of the Company, Mr. Lv Feng, the Chief Financial Officer and the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the annual report.
- V. 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, it did not involve the profit distribution proposal or proposal to transfer capital reserve to share capital for the reporting period as considered by the Board.
- VI. Risk warning in respect of forward-looking statements
 Applicable Not applicable
The forward-looking statements set out in this annual report such as future plans involve uncertainties and do not constitute the Company's substantial commitment to investors. Investors are advised to be aware of investment risks.
- VII. Is there any non-operational fund occupancy by the controlling shareholder or its related party?
No
- VIII. Is there any provision of external guarantee by the Company in violation of the stipulated decision making procedure?
No
- IX. Major Risk Warning
During the reporting period, there was no major risk warning.
- X. Others
 Applicable Not applicable

Section I Definitions

I DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this report:

Definitions of common terms

CSRC	China Securities Regulatory Commission
Chongqing Securities Regulatory Bureau	Chongqing Securities Regulatory Bureau of China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Siyuanhe Investment	Siyuanhe Equity Investment Management Co., Ltd.
Siyuanhe Fund	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund Center (Limited Partnership)
Changshou Iron & Steel	Chongqing Changshou Iron & Steel Company Limited
Chongqing Iron & Steel Group	Chongqing Iron & Steel Company (Group) Limited
Company, Group, Chongqing Iron & Steel, *ST Chonggang	Chongqing Iron & Steel Company Limited
Board	the board of directors of Chongqing Iron & Steel Company Limited
Supervisory Committee	the supervisory committee of Chongqing Iron & Steel Company Limited
General Meeting	the general meeting of Chongqing Iron & Steel Company Limited
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Companies Law	the Companies Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Reporting Period	2017
RMB, RMB'000, RMB0'000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan

Section II Company Profile and Major Financial Indicator

I. COMPANY INFORMATION

Chinese name	重慶鋼鐵股份有限公司
Abbreviation of Chinese name	重慶鋼鐵
English name	Chongqing Iron & Steel Company Limited
Abbreviation of English name	CISL
Legal representative	Zhou Zhu Ping

II. CONTACT INFORMATION

	Secretary to the Board	Securities representative
Name	Yu Hong	Peng Guo Ju
Correspondence address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Telephone	86-23-6887 3311	86-23-6898 3482
Fax	86-23-6887 3189	86-23-6887 3189
E-mail	041730@email.cqgt.com	clarapeng@email.cqgt.cn

III. BASIC INFORMATION

Registered address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Postal code of registered address	401258
Office address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Postal code of office address	401258
Website	http://www.cqgt.cn
E-mail	clarapeng@email.cqgt.cn

Section II Company Profile and Major Financial Indicator (Continued)

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media designated by the Company for information disclosure China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Website designated by CSRC for publishing annual reports <http://www.sse.com.cn>, <http://www.hkex.com.hk>

Place for inspection of annual reports Secretariat of the Board of the Company

V. BASIC INFORMATION ABOUT THE SHARES OF THE COMPANY

Basic Information about the Shares of the Company

Class of shares	Place of listing	Abbreviated name	Stock code	Abbreviated name before change
A shares	Shanghai Stock Exchange	*ST Chonggang	601005	Chongqing Iron & Steel
H shares	The Stock Exchange of Hong Kong Limited	Chongqing Iron & Steel	1053	No

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	Pan-China Certified Public Accountants (special general partnership)
	Office address	3F, Block B, Bld. 2, Fortune Park, Fortune Center, 13 Caifu Dadao, New North Zone, Chongqing
	Name of accountants signing-off the report	Zhang Kai, Huang Na

Section II Company Profile and Major Financial Indicator (Continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS

(I) Key Accounting Data

Unit: RMB'000

Major accounting data	2017	2016	Increase/ decrease from last year (%)	2015
Operating income	13,236,840	4,414,902	199.82	8,350,022
Net profit attributable to shareholders of the Company	320,086	-4,685,956	–	-5,987,248
Net profit attributable to shareholders of the Company after deducting non-recurring profit and loss	-1,870,066	-5,392,375	65.32	-9,302,935
Net cash flow generated from operating activities	505,815	-449,021	–	-1,678,179

	At the end of 2017	At the end of 2016	Increase/ decrease from last year (%)	At the end of 2015
Net assets attributable to shareholders of the Company	16,730,115	-200,494	–	3,988,873
Total assets	25,012,459	36,438,454	-31.36	39,228,079

Section II Company Profile and Major Financial Indicator (Continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS (CONTINUED)

(II) Major Financial Indicators

Major financial indicators	2017	2016	Increase/ decrease from last year (%)	2015
Basic earnings per share (Yuan/share)	0.04	-0.53	–	-0.67
Diluted earnings per share (Yuan/share)	0.04	-0.53	–	-0.67
Basic earnings per share after deducting non-recurring profit and loss (Yuan/share)	-0.21	-0.60	65.00 Reduction of 1005.92 percentage points	-1.04
Weighted average return on net assets (%)	-1,290.51	-284.59	Increase of 7867.17 percentage points	-85.76
Weighted average return on net assets after deducting non- recurring profit and loss (%)	7,539.68	-327.49		-133.25

As the value of the Company's weighted average net assets at the end of the Reporting Period was negative, the weighted average return on net assets is of no indicative significance.

Explanation on the key accounting data and financial indicators for the last three years at the end of the Reporting Period

Applicable Not applicable

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS (CONTINUED)

(II) Major Financial Indicators (Continued)

The significant increase in net assets attributable to shareholders of the Company was due to the completion of the Company's reorganization plan as of 31 December 2017. In accordance with the Accounting Standards for Business Enterprises and relevant requirements, the consideration paid by the reorganization party to the listed company for transferring the shares of Chongqing Iron & Steel Group to the listed company as an equity transaction was recognized as an addition of RMB100 million to the capital reserve. During the reorganization, the total share capital of A shares of Chongqing Iron & Steel was taken as a base for the capitalization of capital reserve into 4,483,000,000 shares at the ratio of 11.5 shares for every 10 shares, which shall be allocated by the manager to the creditors according to the Reorganization Plan to offset the debt of the Company and shall be directly transferred to the securities accounts designated by the creditors instead of being distributed to the shareholders. After the capitalization, the total share capital of Chongqing Iron & Steel shall increase from 4,436,000,000 shares to 8,918,600,000 shares. The fair value of the shares of the Company enjoyed by the creditors in lieu of the debt determined based on share price of RMB3.68 per share for debt repayment considered and approved at the meetings of the creditors and ruled by the court was recognized in capital reserve with an amount of RMB16.496 billion, thus making the net assets attributable to shareholders of company increase from a negative value of RMB200 million to a positive value of RMB16.73 billion.

The main reason for the decrease in total assets in 2017 is that in order to finance the repayment of debts, the manager conducted a public auction for pre-ironmaking assets (mainly including the machinery and equipment at the coking plant, the sintering plant and the smelting plant), and the second system and related assets (mainly including the machinery and equipment at the second steel making plant and for bar and wire rod and profile steel), among which:

- (1) The pre-ironmaking assets were evaluated by Chongqing Huakang Asset Appraisal & Land Real Estate Evaluation Co., Ltd. and an asset appraisal report (Chong Kang Ping Bao Zi (2017) No. 197-02) was issued thereon with 3 July 2017 as the base date. The net book value of such assets was RMB4.7 billion, and their market value as assessed and liquidation value was RMB4.9 billion and RMB2.4 billion respectively. On 20 November 2017, the managers of the Company conducted a public auction for the pre-ironmaking assets as a whole under current condition on <http://www.rmfszsc.gov.cn>, an online auction platform for litigation assets of people's courts. According to the explanation on the online judicial auction issued by Chongqing Assets and Equity Exchange Group, Changshou Iron & Steel obtained the aforesaid assets during the public auction. The Company and Changshou Iron & Steel completed the delivery of the relevant assets on 8 December 2017.

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS (CONTINUED)

(II) Major Financial Indicators (Continued)

- (2) Assets of the second system were appraised by Chongqing Huakang Asset Appraisal & Land Real Estate Evaluation Co., Ltd. and an asset appraisal report (Chong Kang Ping Bao Zi (2017) No. 197-03) was issued thereon with 3 July 2017 as the base date. The net book value of such assets was RMB6.5 billion, and their market value as assessed and liquidation value was RMB5.1 billion and RMB2.6 billion respectively. On 20 November 2017, managers of the Company conducted a public auction for the assets of the second system as a whole under current condition on <http://www.rmfysszc.gov.cn>, an online auction platform for litigation assets of people's courts. According to the explanation on the online judicial auction issued by Chongqing Assets and Equity Exchange Group, Chongqing Iron and Steel Group obtained the aforesaid assets during the public auction. The Company and Chongqing Iron and Steel Group completed the delivery of the relevant assets on 20 December 2017.

As of 31 December 2017, the delivery of all the relevant assets to be disposed of according to the reorganization plan had been completed, of which, the net book value of fixed assets was RMB10,916 billion, the net book value of intangible assets was RMB63 million, and the book value of long-term equity investment is RMB51 million.

VIII. DIFFERENCE IN ACCOUNTING DATA BETWEEN THE PRC ACCOUNTING STANDARDS AND OVERSEAS ACCOUNTING STANDARDS

- (I) Difference between the net profit and net assets attributable to shareholders of listed companies as disclosed in the financial statements under International Accounting Standards and those under PRC Accounting Standards

Applicable Not applicable

- (II) Difference between net profit and net assets attributable to shareholders of listed companies as disclosed in the financial statements under overseas accounting standards and those under PRC Accounting Standards

Applicable Not applicable

- (III) Explanation on the differences between the PRC accounting standards and overseas accounting standards:

Applicable Not applicable

Section II Company Profile and Major Financial Indicator (Continued)

IX. MAJOR FINANCIAL DATA OF EACH QUARTER OF 2016

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 the listed company	-593,874	-404,608	116,407	1,202,161
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	-595,254	-409,083	68,150	-933,879
Net cash flow generated 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 net loss attributable to the shareholders of the listed company after deducting non-recurring profit and loss in the fourth quarter was mainly due to the centralized recognition of the equipment remediation expenses incurred for the resumption of the production lines that stopped production and the provision for the impairment of inventories.

Section II Company Profile and Major Financial Indicator (Continued)

X. NON-RECURRING GAINS AND LOSSES ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB'000

Profit or loss for non-recurring items	Amount for 2017	Note (where applicable)	Amount for 2016	Amount for 2015
Profit or loss arising from disposal of non-current assets	-5,009,485		6	-3,490
Government subsidies (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to profits and losses for the period	94,248		300,228	969,206
Profit or loss from debt restructuring			450,000	2,350,000
Entity restructuring expenses, i.e. expenses for staff settlement, integration costs, etc	-126,937			
Gains on changes in fair value of financial assets and liabilities which are measured by the fair value and with the variation recognized into current profit and loss; and investment income from disposal of available-for-sale financial assets, financial assets and liabilities which are measured by the fair value and with the variation recognized into current profit and loss, excluding those arising from effective hedging business related to operating activities		9,112		
Reversal of impairment provision for receivables tested for impairment on individual basis			7,923	
		Mainly representing the gains of RMB7,226,377,000 recorded from the debt liquidation during the bankruptcy reorganization		
Other non-operating income and expenses except as listed above	7,223,920		-51,738	-36
Effect of minority interest	-706			3
Effect of income tax				4
Total	2,190,152		706,419	3,315,687

Section II Company Profile and Major Financial Indicator (Continued)

XI. ITEMS MEASURED AT FAIR VALUE

Applicable Not applicable

XII. OTHERS

Applicable Not applicable

XIII. FINANCIAL HIGHLIGHTS

Unit: RMB'000

	2013	2014	2015	2016	2017
Income and profit					
Income	17,563,446	12,245,057	8,350,022	4,414,902	13,236,840
Profit before tax	(2,495,891)	54,540	(5,969,213)	(4,685,667)	319,810
Taxation	3,127	2,897	17,973	17	2
Profit for the year	(2,499,018)	51,643	(5,987,186)	(4,685,684)	319,808
Attributable to					
Shareholders of the					
Company	(2,499,018)	51,431	(5,987,248)	(4,685,956)	320,086
Non-controlling interests	0	212	62	272	(278)
Earnings per share					
attributable to					
shareholders of the					
Company – Basic (RMB)	(1.252)	0.012	(1.35)	(0.53)	0.04
Assets and liabilities					
Non-current assets	34,694,420	34,470,161	34,896,884	33,991,308	20,255,286
Current assets	13,351,557	12,682,272	4,331,195	2,447,146	4,757,173
Current liabilities	27,537,765	26,858,739	23,206,904	26,130,733	4,810,947
Non-current liabilities	10,571,909	10,300,568	12,013,028	10,415,155	3,397,548
Net assets	9,936,303	9,993,126	4,008,147	(107,434)	16,803,964
Equity attributable to					
shareholders of the					
Company	9,917,303	9,973,914	3,988,873	(200,494)	16,730,115
Non-controlling interests	19,000	19,212	19,274	93,060	73,849

Section III Company Business Summary

I. MAIN BUSINESS, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION ON INDUSTRY SITUATION 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.

2017 marks the decisive year for structural reform of the iron and steel industry in respect of the supply side. This year, measures to reduce overcapacity were pressed ahead continuously while policies such as those banning “ground steel strip” and releasing high-quality production capacity were rolled out one after another, which exerted great impact on the healthy development of China's iron and steel industry. The industry saw a number of significant changes including: remarkable reduction of overcapacity, growth of iron and steel output, gradual rebound of consumption, upward fluctuation of iron and steel price and higher profitability of steel enterprises.

I. MAIN BUSINESS, OPERATIONAL MODE OF THE COMPANY AND EXPLANATION ON INDUSTRY SITUATION DURING THE REPORTING PERIOD (CONTINUED)

The Report of 19th CPC National Congress emphasizes on deepening structural reform of the supply side and specifies that, efforts should be made to persistently cut overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness, and to achieve a dynamic balance between supply and demand by improving the allocation of available resources and increasing high-quality supply. Going forward, works on structural reform of the supply side will be firmly pushed forward in the iron and steel industry; relation between supply and demand will be balanced; steel price will return to a reasonable level; and substantial progress in debt-to-equity swaps will be made for steel enterprises.

II. EXPLANATION ON SUBSTANTIAL CHANGES OF MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

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) ((2017)渝01破3號之二《民事裁定書》), and ruled that the "Reorganization Plan of Chongqing Iron & Steel Company Limited" (hereinafter referred to as the "Reorganisation Plan") was approved. Under the plan, the management conducted public auctions for the pre-iron production assets (mainly including machinery and equipment from coking plant, sintering plant and smelting plant) as well as the second system and related assets (mainly including machinery and equipment from the No. 2 smelting plant and plants of wires, rods and profiles) to fund debt repayment. As of 31 December 2017, delivery procedures had been completed for disposal of the assets under the plan, including fixed assets with a net book value of RMB10.916 billion, intangible assets with a net book value of RMB63 million and long-term equity investments with a book value of RMB51 million. Upon completion of the delivery, the total assets of the Company decreased by RMB11.03 billion.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

1. Its environmental relocation was officially approved by the National Development and Reform Commission and was included amongst the third batch of pilot enterprises recycling economy by the National Development and Reform Commission. It passed the environmental assessment and acceptance of the Ministry of Environmental Protection upon commencement of operation.
2. It owned innovative technical achievements with proprietary intellectual property rights such as the “one molten iron tank” in the steel making techno-interface method, dry-type vacuum metallurgical technology (“乾式真空冶金技術”) and the distributed residue heat power generation technology. Its innovation platforms and mechanisms were continuously improving, while the combination of the industry, University, Research and application was further pressed ahead. With product structure being continuously upgraded, progresses were made in market exploration, production and research and development of the high value-added products.
3. It basically achieved the conditions required for the modern steel plant, namely “modern process, cohesive procedure, large-scale equipment, recycling resources as well as efficient energy-saving and emission-reduction”. Its principal processes, technologies and equipment were domestically advanced.
4. It owned conspicuous brand advantages and its product quality was traditionally advanced, with brand value and cultural connotation continuously extended and customers’ recognition and brand loyalty continuously enhanced.
5. The Company was the only integrated iron and steel enterprise in Chongqing qualified for the national industrial policy. Situated closely to the Yangtze River, it boasted superior status in wharf-based logistics and obvious advantages in the regional market. It had strong geographical advantages, as most of its products were sold in the southwestern China and along the Yangtze River.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

The year 2017 marked a crucial turning point in the development history of the Company. In the first half of the year, confronted with multiple difficulties including the termination of asset reorganisation, the potential rupture of capital chain, the high risk of litigation and the great pressure for maintaining stability, the Company exerted joint efforts to actively capture market opportunities and continuously promote the implementation of various reform measures in line with the overall arrangements and requirements of the municipal party committee, the municipal government, the municipal state-owned assets supervision and administration commission and Chongqing Iron & Steel Group. Through the joint efforts of all parties, the Company maintained basically stable in terms of production and operation. In the second half of the year, the Company underwent judicial reorganisation, which had been smoothly completed by the end of the year. Through the reorganisation, Chongqing Iron & Steel not only consolidated the assets and free itself from the debt burden over the years, but also introduced experienced management and technical teams by taking advantage of the strengths and resources of the controlling shareholders to promote production and sales volume as well as optimize product portfolio, benefiting from which, the Company saw a gradual recovery in its production and operation and a remarkable improvement in corporate efficiency and comprehensive competitiveness.

In 2017, the Company produced 1.674 million tons of coke, 3.841 million tons of iron, 4.114 million tons of steel and 3.905 million tons of rolled steel, representing a year-on-year increase of 39.2%, 60.9%, 74.7% and 68.2% respectively. The Company recorded an operating income of RMB13.24 billion, representing a year-on-year increase of nearly 200%, and a total profit of RMB320 million.

In April 2017, Chongqing Laiquyuan Trading Co., Ltd. (referred to as “Laiquyuan Company”), a creditor, made an application to the First Intermediate People’s Court of Chongqing (referred to as the “FIPCC”) in accordance with the law for the judicial reorganisation of the Company, and the FIPCC formally accepted the application on 3 July 2017 and designated the liquidation team of Chongqing Iron & Steel Company Limited as the administrator of the Company. As of 26 October 2017, 1,456 creditors in total reported to the administrator with a total debt of RMB34.643 billion as determined through judicial procedure, of which RMB651 million was owed to 10,046 employees. On 16 November 2017, the Reorganisation Plan was approved unanimously at the meeting of the employee creditors. On 17 November 2017, the Reorganisation Plan was approved by 96.68% of the votes cast at the meeting of the ordinary creditors. On 17 November 2017, at the meeting of the capital contributors, 100% of the holders of H shares and 99.31% of the holders of A shares approved the Reorganisation Plan. On 27 November 2017, a meeting was held under the leadership of the FIPCC to transfer the administrative functions of the administrator, pursuant to which, the administrative functions of Chongqing Iron & Steel shall be transferred to the Company. As at the end of December 2017, the Company successfully completed the judicial reorganisation in all aspects. In the process of the judicial reorganisation, the Company carried out production as usual and maintained the stability of the staff team.

Section IV Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2017, the Company identified the following major problems in the process of production and operation: firstly, the fundamental and professional management was weak; secondly, the systematic strength was not strong; thirdly, the operating efficiency was not high; and fourthly, the cost was not competitive.

In 2018, the Company will take the 19th CPC National Congress, the Central Economic Work Conference and the spirit of the series of important speeches of General Secretary Xi Jinping as the guidance, to actively promote the corporate system and mechanism transformation, exert great efforts in implementing the strategies of “leading in costs” and “leading in manufacturing technologies”, adhere to the general principle of “achieving full production and sales, optimizing product portfolio and innovating in management to improve efficiency; implementing cost control, carrying out lean operations and achieving new developments by way of reform”, and put great efforts on the key work relating to market exploration, production stability and supply guarantee, to spare no effort to achieve a profit-making performance in 2018, significantly improve the cash flows from operations and step into a virtuous cycle for the development of the Company, thus having a good start and laying a foundation for Chongqing Iron & Steel to “Be Strong”, “Be Beautiful” and “Be Attractive”. The Company will focus on the following aspects:

1. To accomplish the objective of “full production and sales”, the Company will put great efforts in guaranteeing the supply of bulk raw materials and fuels and equipment support, and optimize the allocation of production lines as well as the process and flow to give full play to the capacity of existing production lines and achieve stable and high yield. Through full production and sales, the Company strives to identify and improve the bottlenecks and weak links in the whole-process operation and management to implement reforms on management and improve management. Through full production and sales, the Company also strives to improve the production efficiency of all the production processes, and identify and actively rectify the problems existing in each process in such aspects as equipment maintenance, formulation of production plan and fundamental management.
2. The Company will make use of the reversed transmission of market pressure and focus on meticulous product profitability management to optimize product portfolio, and will take comprehensive consideration of such factors as market changes, user needs, cost effectiveness and equipment status to allocate product resources in a reasonable and efficient manner, so as to provide a strong support for the making of production and operation-related decisions.

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. In accordance with the new system and mechanism requirements, the company will further improve the corporate governance structure, standardize the decision-making procedures of the Board, delegate the duties of the management and establish a stringent accountability system. The Company will also implement organizational reform by optimizing the business flow and management process, introduce the “three systems” of the market-oriented mechanism reform, and establish and improve the management system (including professional management and fundamental management) in line with the new mode of operation and requirements.
4. The Company will establish a cost management system and implement meticulous cost management. The Company will also perfect the cost composition system, accounting system, analysis system, index system and responsibility system, etc., and vigorously promote the reduction of purchase cost, technical cost, process cost and management cost.
5. The Company will focus on energy conservation and environmental protection, and reshape its corporate image. The Company will, on the premise of complying with the laws and regulations on environmental protection, strengthen environmental risk supervision, inspection and control, and ensure that the energy and environmental protection system can operate in a cost-efficient manner and without accident by taking the stable operation of equipment as a guarantee. The Company will greatly improve the recycling of gas, water and other resources to effectively reduce the waste of various energy mediums, and optimize the disposal methods for solid waste to maximize the benefits of comprehensive utilization.

Section IV Management Discussion and Analysis (Continued)

II. 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%.

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

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

1. Income and Cost Analysis

Applicable Not applicable

① Analysis on the factors driving the changes 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 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. Firstly, 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. Secondly, 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
Profiles	3,678	Not comparable	516,508	72,584
Billet	3,142	1,720	82.67	43,365
Subtotal	3,296	1,914	72.20	5,537,018
OEM business	766	776	-1.29	-1,809

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

1. Income and Cost Analysis (Continued)

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

Item	2017 (Ten thousand tons)	2016 (Ten thousand tons)	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	369.54	114.17	223.68	4,458,556
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 increase/decrease in gross margin (%)
Iron and steel	13,211,356	12,788,683	3.20	200.98	107.89	Increase by 43.35 percentage points

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

1. Income and Cost Analysis (Continued)

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

(1) Main business by sectors, products and regions (Continued)

Main operations by products

By products	Operating income	Operating cost	Gross margin (%)	Year-on-year	Year-on-year	Year-on-year
				increase/decrease in operating income (%)	increase/decrease in operating cost (%)	increase/decrease in gross margin (%)
Rolled steel billet	12,180,748	11,832,102	2.86	457.43	291.98	Increase by 41.00 percentage points
By-products	702,116	522,642	25.56	24.59	-1.53	Increase by 19.75 percentage points
OEM business	164,340	270,274	-64.46	-83.08	-86.06	Increase by 35.05 percentage points
Other	164,152	163,665	0.30	-75.47	-75.36	Decrease by 0.45 percentage points

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

1. *Income and Cost Analysis (Continued)*

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

(1) Main business by sectors, products and regions (Continued)

Main business by regions

By regions	Operating income	Operating cost	Gross margin (%)	Year-on-year	Year-on-year	Year-on-year
				increase/decrease in operating income (%)	increase/decrease in operating cost (%)	increase/decrease in gross margin (%)
Southwest	12,464,713	12,707,330	3.06	332.33		
Other regions	746,643	81,353	21.05	-50.43		
Total	13,211,356	12,788,683	3.20	200.98		

Explanations on main business by sectors, products and regions

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

1. Income and Cost Analysis (Continued)

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

(2) Table of production and sales volume analysis

Applicable Not applicable

Unit: Ten thousand tons.

Explanations on production and sales volume

Main products	Production volume	Sales volume	Inventory	Year-on-year increase/decrease in production volume (%)	Year-on-year increase/decrease in sales volume (%)	Year-on-year increase/decrease in inventory (%)
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	-

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

1. *Income and Cost Analysis (Continued)*

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

(3) Cost analysis table

Unit: RMB'000

By sectors

By sectors	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Iron and steel	Raw material	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

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

1. *Income and Cost Analysis (Continued)*

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

(3) Cost analysis table

By products

By products	Cost component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Rolled steel billet	Raw material and energy costs	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

Other explanations on cost analysis

Applicable Not applicable

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

1. Income and Cost Analysis (Continued)

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

(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, of which the sales attributable to related parties 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, of which the purchase amount attributable to related parties amounted to RMB889,036,000, representing 7.45% of the total purchase amount for the year.

2. Expenses

Applicable Not applicable

Unit: RMB'000

Item	Amount for the period	Amount for the previous period	Year-on-year change (%)
Selling expenses	60,628	109,062	-44.41
Administrative expenses	1,294,951	1,680,799	-22.96
Financial expenses	512,281	1,187,573	-56.86

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

3. R&D investment

Table of R&D investment

Applicable Not applicable

Unit: RMB'000

Expensed R&D investment for the period	326,637
Capitalized R&D investment 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 R&D investment in total R&D investment (%)	0

Explanation

Applicable Not applicable

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.

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

4. Cash flow (Continued)

Items from cash flow statement

Unit: RMB'000

Item	January to December 2017	January to December 2016	Main reasons for changes
Net cash flow from operating activities	505,815	-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 flow from investing activities	6,246,136	-263,645	Disposal of assets during judicial reorganisation increased the net cash flow from investing activities
Net cash flow from financing activities	-6,625,239	1,422,844	Repayment of CDB loans during judicial reorganisation decreased the net cash flow from financing activities
Net increase in cash and cash equivalents	123,515	713,071	/

(II) 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.

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities

Applicable Not applicable

1. Assets and liabilities

Unit: RMB'000

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)
Cash at bank and on hand	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 loans			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 compensation 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 liabilities			12,231	0.03	N/A

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

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 (%)
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 compensation 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 in other current assets was mainly due to the increase in the short-term bank wealth management products of the Group in 2017 and the fact that it was expected that the input VAT to be deducted could be deducted from the transfer from other non-current assets.
- (4) The decrease in the balance of fixed assets was mainly due to the disposal of certain assets by the Group to raise fund for debt repayment in 2017.

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

1. *Assets and liabilities (Continued)*

- (5) The decreases in the balances of short-term loans, bills payable, accounts payable, advance from customers, interest payable, other payables, non-current liabilities due within one year, long-term loans and long-term payables were mainly due to the implementation of the Reorganisation Plan by the Group during the judicial reorganisation in 2017.
- (6) The increase in the balance of other non-current liabilities was mainly due to the fact that, according to the Reorganisation Plan, Changshou Iron & Steel lent to the Company a loan of RMB2.4 billion for the implementation of the Reorganisation Plan, with a term of seven years commencing from 24 November 2017 and ending on 23 November 2024. Both parties agreed that the interest rates for the loan shall be the benchmark interest rates announced by the PBOC for the RMB loans with a term of over five years.

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

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

Applicable Not applicable

Unit: RMB'000

Item	Carrying amount at the end of the period	Reasons for restriction
Cash at bank and on hand	80,700	Deposit for bills
Cash at bank and on hand	876	Accounts frozen by court
Cash at bank and on hand	1,100,000	Amounts deposited at the reserve account for reorganisation purpose according to the progress of the Reorganisation Plan
Long-term equity investment		Chongqing Strategic Emerging Industry Equity Investment Fund Partnership (重慶戰略性新興產業股權投資基金合夥企業) set aside the reserve of RMB741,174,000 according to the Reorganisation Plan, and the Company took the equity interests it held in Chongqing CISL High Strength Cold Rolling Steel Co., Ltd and Chongqing POSCO CISL Automotive Steel Co., Ltd as the pledge
Fixed assets	962,898	Mortgage for bank loans
Intangible assets	1,405,002	Mortgage for bank loans
Total	3,549,476	

3. Other explanations

Applicable Not applicable

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

3. Other explanations (Continued)

Detailed explanation on the major changes in the Company's profit components or sources

In 2017, the Company had a net profit of RMB319,808,000, representing an increase of RMB5,005,492,000 as compared with that of the previous year of RMB-4,685,684,000, for 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.

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on industry operating information

Applicable Not applicable

- (1) The overcapacity reduction was overfulfilled and the “ground steel strip” was comprehensively banned. 2017 was a crucial year for reducing the overcapacity for iron and steel, during which a total capacity of more than 50 million tons of crude steel was reduced in the whole year, and the annual target was overfulfilled. The production capacity of 140 million tons of “ground steel strip” was fully cleared, which fundamentally changed the phenomenon of “Bad money drives out good”, effectively improved the market environment, remarkably standardized the order in import and export, significantly increased the quality of the steel products and greatly improved the economic performance across the industry.
- (2) Statistics showed that the production volume of crude steel hit a record high. As the production capacity of “ground steel strip” was eliminated, the production capacity covered by the statistics that were in compliance with regulations began to release rapidly. In 2017, China’s crude steel output hit a historical high with an amount of 832 million tons, up by 5.7% on a year-on-year basis. However, given that the output of “ground steel strip” was not included in the statistics, the actual output of crude steel in 2017 would not be higher than that of 2016.
- (3) Export of steel products decreased significantly. In 2017, China’s cumulative export of steel products was 75.43 million tons, representing a year-on-year decrease of 30.5%, and the cumulative import of steel products was 13.30 million tons, representing a year-on-year increase of 0.6%. The export price was obviously increased, and the annual amount of steel export was RMB370 billion, representing a year-on-year increase of 3.1%, while the average export price of steel products was RMB4,905/ton, representing a year-on-year increase of 48.4%.
- (4) Steel prices rose sharply. Affected by the factors such as the furtherance of the overcapacity reduction for iron and steel, the complete elimination of “ground steel strip”, the lower production arranged for the heating season and the rebound of the market demand, the steel prices rose significantly in 2017. As at the end of December, China’s steel price index was 121.8 points, which was 22.3 points or 22.4% higher than that of the beginning of the year, of which, the price index for long products rose by 32.2% from 97.6 points at the beginning of the year to 129.0 points, and the price index for steel plates rose by 12.2% from 104.6 points at the beginning of the year to 117.4 points. For the subdivided categories of products, the price of domestic thread steel was RMB3,268/ton at the beginning of the year, hit over RMB5,000/ton at the highest and dropped to RMB4,447/ton at the end of the year, representing a year-on-year increase of 36.1%.

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on industry operating information (Continued)

- (5) Enterprises recorded a remarkable improvement in their performance. In 2017, the main business income of the ferrous metal smelting and rolling processing industry in China was RMB6.74 trillion, representing a year-on-year increase of 22.4%, with a profit of RMB341.9 billion, representing an increase of RMB218.9 billion from the same period of last year and a year-on-year increase of 177.8%. In 2017, according to the statistics of China Iron and Steel Industry Association, the accumulated sales income of the key large and medium-sized enterprises was RMB3.69 trillion, representing a year-on-year increase of 34.1%, and a profit of RMB177.3 billion, representing a year-on-year increase of 613.6%.

Steel and Iron Industry Operational Information Analysis

- Manufacturing and Sales of Steel Material Based on Processing Techniques
 Applicable Not applicable
- Manufacturing and Sales of Steel Material Based on Forms of Finished Products
 Applicable Not applicable

Unit: RMB'000

Types based on forms of finished products	Production volume (ton)		Sales volume (ton)		Operating income		Operating cost		Gross profit margin (%)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Profiles	-	-	-	2,100	-	3,254	-	10,937	-	-236.11
Plates and strips	3,450,800	2,321,400	3,425,400	2,370,200	10,630,861	3,116,547	10,422,391	4,899,613	1.96	-57.21
Others	465,000	-	454,200	300	1,618,590.00	407	1,593,034.83	2,233	1.58	-448.65

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on industry operating information (Continued)

Steel and Iron Industry Operational Information Analysis (Continued)

3. Steel Material Sales Based on Sales Channels

Applicable Not applicable

4. Manufacturing and Sales of Special Steel Products

Applicable Not applicable

5. Supply of Iron Ore

Applicable Not applicable

6. Others

Applicable Not applicable

(V) Investment Analysis

1. *General analysis of external equity investment*

Applicable Not applicable

On 6 August 2015, the Company reached a primary consensus and signed a cooperation framework agreement with POSCO Korea Co., Ltd. (hereinafter referred to as POSCO) for the joint venture project for cold rolling and joint venture project for galvanized projects in Chongqing. On 6 April 2016, the Company and POSCO signed the Joint Venture Contract Between Chongqing Iron & Steel Company Limited and POSCO on Chongqing CISL High Strength Cold Rolling Steel Co., Ltd. and Joint Venture Contract Between Chongqing Iron & Steel Company Limited and POSCO on Chongqing POSCO CISL Automotive Steel Co., Ltd. respectively. Under the contracts, the parties thereto will establish joint venture companies in Chongqing for the joint venture project for cold rolling and galvanized projects respectively. The total amount of investment at all stages is RMB6,235.27 million, and the total amount of investment at the time of establishment is RMB3,230.77 million. The parties thereto agree to make capital contribution in cash, of which the Company will contribute 90% of the capital of Cold Rolling Company and 49% of the capital of POSCO CISL Automotive Steel. The above joint venture contract was adopted at the 41st meeting of the 7th session of the Board and the annual shareholders' meeting in 2015. As at 31 December 2016, the Company actually contributed RMB661,621,500 to the Cold Rolling Company and RMB130,416,000 to POSCO CISL Automotive Steel.

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(V) Investment Analysis (Continued)

1. *General analysis of external equity investment (Continued)*

Based on the decision made by the bankruptcy administrator of the Company for terminating the joint venture contract, the respective board of directors of Cold Rolling Company and POSCO CISL Automotive Steel decided in November 2017 to dissolve the joint venture and each of them would set up a liquidation team to liquidate the joint venture. As at 31 December 2017, Cold Rolling Company and POSCO CISL Automotive Steel had not completed the liquidation yet. The Company intends to complete the liquidation by 30 June 2018.

(1) Significant Equity Investment

Applicable Not applicable

(2) Significant Non-Equity Investment

Applicable Not applicable

(3) Financial Assets Measured at Fair Value

Applicable Not applicable

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(VI) Major Assets and Equity Disposal

Applicable Not applicable

In order to finance the repayment of debts, the manager conducted a public auction for pre-ironmaking assets (mainly including the machinery and equipment at the coking plant, the sintering plant and the smelting plant), and the second system and related assets (mainly including the machinery and equipment at the second steel making plant and for bar and wire rod and profile steel), among which:

1. The pre-ironmaking assets were evaluated by Chongqing Huakang Asset Appraisal & Land Real Estate Evaluation Co., Ltd. and an asset appraisal report (Chong Kang Ping Bao Zi (2017) No. 197-02) was issued thereon with 3 July 2017 as the base date. The net book value of such assets was RMB4.7 billion, and their market value as assessed and liquidation value was RMB4.9 billion and RMB2.4 billion, respectively. On 20 November 2017, the administrator of the Company conducted a public auction for the pre-ironmaking assets as a whole under current condition on <http://www.rmfysszc.gov.cn>, an online auction platform for litigation assets of people's courts. According to the explanation on the online judicial auction issued by Chongqing Assets and Equity Exchange Group, Changshou Iron & Steel obtained the aforesaid assets at a consideration of RMB3.9 billion during the public auction. The Company and Changshou Iron & Steel completed the delivery of the relevant assets on 8 December 2017.
2. Assets of the second system were appraised by Chongqing Huakang Asset Appraisal & Land Real Estate Evaluation Co., Ltd. and an asset appraisal report (Chong Kang Ping Bao Zi (2017) No. 197-03) was issued thereon with 3 July 2017 as the base date. The net book value of such assets was RMB6.5 billion, and their market value as assessed and liquidation value was RMB5.1 billion and RMB2.6 billion, respectively. On 20 November 2017, managers of the Company conducted a public auction for the assets of the second system as a whole under current condition on <http://www.rmfysszc.gov.cn>, an online auction platform for litigation assets of people's courts. According to the explanation on the online judicial auction issued by Chongqing Assets and Equity Exchange Group, Chongqing Iron and Steel Group obtained the aforesaid assets at a consideration of RMB3.0 billion during the public auction. The Company and Chongqing Iron and Steel Group completed the delivery of the relevant assets on 20 December 2017.

Section IV Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(VII) Analysis of principal controlled and investee companies

Applicable Not applicable

Name of subsidiary	Principal place of business	Place of registration	Business nature	Shareholdings (%)		Acquisition method
				Direct	Indirect	
Jingjiang Chongqing Iron & Steel East China Trading Co., Ltd.	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Trading	100%	/	Establishment by capital contribution
Chonggang Building Materials Sales Co., Ltd.	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Trading	100%	/	Establishment by capital contribution
CISL High-Strength Cold-Rolled Steel Plate Ltd.	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Steel production, research and development service	90%	/	Establishment by capital contribution
Chongqing POSCO CISL Automotive Steel Co., Ltd.	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Steel production, research and development service	49%	/	Establishment by capital contribution

(VIII) Structured entities under the control of the Company

Applicable Not applicable

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) 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 buds of newly-added production capacities emerge, 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 nipped in the bud. 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.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(I) Industry Competition Pattern and Development Trend (Continued)

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 industry-wide promotion efforts should be increased.

(II) Corporate Development Strategy

Applicable Not applicable

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

The Company will implement its cost leadership strategy and leading manufacturing technology strategy. In a market with competition from the homogenization of the steel industry, the cost leadership will 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.

Section IV Management Discussion and Analysis (Continued)

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(III) Operating Plans

Applicable Not applicable

With the countermeasures such as “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.

(IV) 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.

(V) Other

Applicable Not applicable

IV. FAILURE OF DISCLOSURE OF THE COMPANY AS PER RULES DUE TO INAPPLICABILITY OR SPECIAL REASONS

Applicable Not applicable

Section V Significant Events

I. SCHEME FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Formulation, implementation and adjustment of cash dividend distribution policies

Applicable Not applicable

The Medium- and Long-Term Dividend Distribution Plan of the Chongqing Iron & Steel Company Limited was considered and approved by the Company in 2012 and amendments to the corresponding articles of the “Articles of Association of Chongqing Iron & Steel Company Limited” (the “Articles of Association”) made in 2014 laid out detailed requirements on the basic principles, forms and conditions for profit distribution, the consideration and deliberation procedures, as well as decision-making mechanism in respect of the profit distribution plan and adjustment to profit distribution policies.

The net profit attributable to shareholders of the Company in 2017 was RMB320 million. As of the end of 2017, the Company’s undistributed profit was RMB -12.078 billion. Given that the Company’s operating profit reported a loss and the undistributed profit was negative in 2017, the Board proposed that the Company should not make any distribution of profits, or transfer capital reserve into share capital for the year of 2017 according to Article 250 of the Articles of Association.

In view of the above, the independent directors of the Company rendered their independent opinions regarding the “Proposal of the Company for Not Distributing the 2017 Annual Profits” in which they believed it was not against any law or regulation for the Company not to conduct profit distribution for 2017, agreed to the proposal made by the Board for not distributing any profit for 2017 and submitted the same to the 2017 Annual General Meeting of the Company for consideration.

Section V Significant Events (Continued)

I. SCHEME FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL (CONTINUED)

- (II) Profit distribution scheme or proposal and scheme or proposal for transfer of capital reserve to the share capital for the latest 3 years (including the Reporting Period)

Unit: RMB'000

Year	Number of bonus shares for every 10 shares (Share)	Dividends for every 10 shares (RMB) (tax inclusive)	Number of shares transferred for every 10 shares (Share)	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the listed Company in the consolidated statements for the year with dividend distribution	As a percentage of net profit attributable to shareholders of the listed Company in the consolidated statements (%)
2017	0	0	0	0	320,086	0
2016	0	0	0	0	-4,685,956	0
2015	0	0	0	0	-5,987,248	0

- (III) Repurchase of shares under cash offer included in cash dividend

Applicable Not applicable

- (IV) If the Company records profits and the parent company records a positive undistributed profit during the Reporting Period but there is no resolution for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in detail

Applicable Not applicable

Section V Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period

Applicable Not applicable

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment made in acquisition report or equity change report	Restriction on sale of shares	Changshou Iron & Steel	In 36 months after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, the shares of Chongqing Iron & Steel held by the company will not be transferred. In five years after the date of completion of the implementation of the bankruptcy reorganisation plan, the control over Chongqing Iron & Steel will not be transferred, except when the company transfers the controlling interests in Chongqing Iron & Steel to China Baowu Steel Group Corporation Limited or its holding subsidiaries.	From 29 December 2017 to 28 December 2020	Yes	Yes
Commitment made in acquisition report or equity change report	Restriction on sale of shares	Siyuanhe Fund	In five years after the date of completion of the implementation of the bankruptcy reorganisation plan, the controlling interests held by the company in Changshou Iron & Steel will not be lost by way of transferring or capital increase or by other means, except when the company transfers such controlling interests to China Baowu Steel Group Corporation Limited or its holding subsidiaries.	From 29 December 2017 to 28 December 2022	Yes	Yes
Commitment made in acquisition report or equity change report	Restriction on sale of shares	Siyuanhe Investment	In five years after the date of completion of the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, the company will precipitate Siyuanhe Fund to hold the controlling interests in Changshou Iron & Steel by way of transferring or capital increase or by other means, except when Siyuanhe Fund transfers such controlling interests to China Baowu Steel Group Corporation Limited or its holding subsidiaries.	From 29 December 2017 to 28 December 2022	Yes	Yes
Commitment made in acquisition report or equity change report	Others	Changshou Iron & Steel	During the period when the company holds the shares of Chongqing Iron & Steel, the company will, in strict compliance with the rules of CSRC, Stock Exchanges, as well as those of the management system of Chongqing Iron & Steel such as the Articles of Association, exercise the shareholders' rights and fulfill the shareholders' obligations in the same manner as other shareholders. The company will not seek improper interests by using the position of shareholders but respect the independence of Chongqing Iron & Steel in terms of its personnel, assets, business, finance, and organization.	1 December 2017	No	Yes
Commitment made in acquisition report or equity change report	To solve the horizontal Competition	Changshou Iron & Steel	<p>(1) As of the signing date hereof, the company has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron & Steel.</p> <p>(2) During the period when the company is the controlling shareholder of Chongqing Iron & Steel, if the company obtains a business opportunity of engaging in the same business as Chongqing Iron & Steel, the company shall concede the business opportunity to Chongqing Iron & Steel and can invest only after Chongqing Iron & Steel has given up such business opportunity.</p> <p>(3) For the purpose of this letter, "engaged/engaging in" refers to any situations in which the business is conducted directly or indirectly through a controlling entity, excluding minority equity investments that do not generate a controlling position.</p>	1 December 2017	No	Yes

Section V Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment made in acquisition report or equity change report	To solve the related party transactions	Changshou Iron & Steel	<p>(1) After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, the company will, in strict accordance with the requirements of laws and regulations such as the Company Law and the relevant provisions of the Articles of Association of Chongqing Iron & Steel, exercise the rights of shareholders, or urge the directors nominated by the company to exercise the rights of directors according to law and to fulfill the obligation to abstain from voting when the general meeting and the Board vote on the related party transactions involving Chongqing Steel and the company.</p> <p>(2) After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, for the possible related party transactions arising from various reasonable reasons, the company will, according to applicable laws and regulations and on the principles of justice and equity, sign agreements according to law, perform relevant procedures, and perform its obligation of information disclosure in a timely manner, so as to ensure that such transactions will not harm the legitimate rights and interests of Chongqing Iron & Steel and other shareholders.</p>	1 December 2017	No	Yes
Commitment in relation to material assets reorganisation	To solve the horizontal Competition	Chongqing Iron & Steel Group	<p>(1) The Parent Company and enterprises controlled or invested by the Parent Company do not have, and will not be engaged in by any means (including but not limited to investment, acquisition, joint venture, joint operation, contracting, operation under lease arrangement or any other ways of having stakes or interests) at any place in or outside China after the Reorganisation, any business that competes or may compete, directly or indirectly, with the principal activities of the Company.</p> <p>(2) If the Parent Company and enterprises controlled or invested by the Parent Company are engaged in, involved in or invest in any business or projects that compete or may compete, directly or indirectly, with the principal activities of the Company, the Company is entitled to require the Parent Company to terminate the competing business and stop investing in related enterprises or projects, and has the right of first refusal over the related business assets, investment return or project assets.</p> <p>(3) The above undertaking is effective as long as the Parent Company remains the controlling shareholder or de facto controller of the Company. The Parent Company will be willing to take responsibility for the damages should the Company suffer any loss of interests due to the Parent Company's violation of the aforesaid undertakings.</p>	3 May 2012	No	Yes

Section V Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, Shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment in relation to material assets reorganisation	To solve the related party transactions	Chongqing Iron & Steel Group	<p>(1) To ensure that the Company shall have independent business, complete assets, independent and complete production, supply and sales, and other auxiliary systems, to prevent and reduce unnecessary transactions between related parties ;</p> <p>(2) To determine the transaction price and sign transaction between related parties contracts according to law and in strict accordance with the principle of openness, fairness and impartiality and by reference to common prevailing market standards with respect to the unavoidable related party transactions;</p> <p>(3) To follow procedures of having the shareholders and related Directors to abstain from voting and the independent Directors to express opinions on related party transactions in strict accordance with the Articles of Association and relevant regulations of regulatory authorities, and to ensure that the procedures for related party transactions are legal and the results of related party transactions are fair and reasonable;</p> <p>(4) To strictly comply with the rules on information disclosure regarding related party transactions.</p>	3 May 2012	No	Yes
Commitment in relation to material assets reorganisation	Release of liabilities	Chongqing Iron & Steel Group	<p>(1) If creditors who have not returned their reply slips agreeing the relevant creditors' rights and liabilities to be generally assumed by the Company before the completion of the material assets reorganisation and would claim their rights against the Parent Company after the completion of the material assets reorganisation, the Parent Company will send the written notices to the Company within 2 days after receiving the notices from the creditors claiming their rights, and will refer the aforesaid claims to the Company. If the above creditors do not agree to transfer their rights and liabilities to the Company, the Parent Company will inform the Company by written notice and assist in handling the transfer. Under this premise, the Company can choose to settle its debts directly with creditors or through the Parent Company. If the above creditors request the Parent Company's guarantee, the Parent Company would provide guarantee to them.</p> <p>(2) If the Company faces any liabilities or loss in the course of generally assuming creditors' rights and liabilities during the material assets reorganisation, the Parent Company will make full compensation to the Company within 5 working days after receiving the Company's written notice and the proof for relevant liabilities.</p>	From 22 October 2012 to the date on which relevant creditors claim their rights	Yes	Yes

Section V Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment regarding the initial public issuance	To solve the related party transactions	Chongqing Iron & Steel Group	As long as the Company's shares remained listed on any stock exchange in PRC or Hong Kong, and the Parent Company held 30% or more in issued shares or be deemed to be a controlling shareholder under the requirements on relevant stock exchanges or laws, the Parent Company and its subsidiaries or companies directly or indirectly invested or controlled by the Parent Company will not participate in any business or activity that constituted or may constitute competition with reorganised business in PRC or overseas, or in any other ways (including but not limited to separate operation, joint venture or held shares or other interests in another company or corporate).	2 September 1997	No	Yes
Other commitment to minority shareholders	Dividend	The Company	<ol style="list-style-type: none"> The Company shall implement a proactive profit distribution mechanism to ensure that investors receive reasonable returns. The Company shall distribute dividends in cash or a combination of cash and shares, and may pay interim dividends based on the Company's capital needs. If there are no significant investment plan, large cash outlay or other events, the Company shall distribute no less than 10% of the distributable profit realised for the year in cash and the total profit distributed in cash in any given consecutive three years shall be no less than 30% of the average annual distributable profit realised in the recent three years provided that the capital needs of the Company for normal production and operation are satisfied. The Board of the Company shall put forth an annual profit distribution plan at the end of each financial year and submit the same to the general meeting for approval. If the Board of the Company does not propose a cash dividends distribution plan although profit is recorded, it shall explain in details in the annual report the specific reasons thereof and the purpose for the retained profit. Independent Directors shall express and publicly disclose their independent opinions thereon. Upon occurrence of any irregular appropriation of the Company's funds by shareholders, the Company shall deduct the cash dividend to be paid to such shareholders to make up for the appropriated funds. 	30 August 2012	No	Yes

(II) Explanation of whether the Company fulfilled its profits forecast in relation to assets or projects, if there is any profits forecast in relation to the Company's assets or projects, and if the reporting period is within the profits forecast period

Fulfilled
 Not Fulfilled
 Not Applicable

III. FUND OCCUPANCY AND PROGRESS OF THE COLLECTION DURING THE REPORTING PERIOD

Applicable Not applicable

IV. EXPLANATION FROM THE BOARD FOR THE “NON-STANDARD AUDIT OPINION REPORT” ISSUED BY THE ACCOUNTING FIRM

Applicable Not applicable

V. BOARD’S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS

(I) Board’s analysis and explanation about the reasons for and impact of changes in accounting policy and accounting estimates

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.

Section V Significant Events (Continued)

V. BOARD'S ANALYSIS AND EXPLANATION ABOUT THE REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS (CONTINUED)

(II) Board's analysis and explanation about the reasons for and impact of correction to material previous errors

Applicable Not applicable

(III) Communication with the previous accounting firm

Applicable Not applicable

(IV) Other explanations

Applicable Not applicable

VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Unit: RMB'000

	Current
Name of the domestic accounting firm	Pan-China Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	3,600
Term of service of the domestic accounting firm	3

	Name	Remuneration
Accounting firm for audit of internal control	Pan-China Certified Public Accountants (Special General Partnership)	1,000

VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS (CONTINUED)

Explanations for appointment and removal of accounting firms

Applicable Not applicable

The Board proposed to re-appoint Pan-China Certified Public Accountants (Special General Partnership) as the Company's auditor for financial and internal control in 2017 for a term of one year, with its remuneration for 2017 determined based on the actual remuneration in 2016, and to delegate one director to determine its remuneration for 2017 and to enter into the service contract. The above resolution was considered and approved at the ninth meeting of the seventh session of the Board and the 2016 Annual General Meeting. In 2017, the Company paid a total compensation of RMB4,600,000 to Pan-China Certified Public Accountants (Special General Partnership).

Explanations for change of the accounting firm during the auditing period

Applicable Not applicable

VII. RISK OF SUSPENSION OF LISTING

(I) Reason for suspension of listing

Applicable Not applicable

(II) Measures taken by the Company to cancel the suspension of listing

Applicable Not applicable

VIII. STATUSES AND CAUSES OF TERMINATION OF LISTING

Applicable Not applicable

Section V Significant Events (Continued)

IX. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable Not applicable

The First Intermediate People's Court of Chongqing ("FIPCC") issued the Civil Ruling Paper ((2017) Yu 01 Po Shen No. 5) to the Company on 3 July 2017. It was ruled that the FIPCC accepted the application of Chongqing Laiquyuan Trading Co., Ltd. for reorganisation of the Company and the liquidation team of Chongqing Iron & Steel was designated as the administrator of the Company.

According to Rule 13.2.12 of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (Revised in 2014), upon application to the Shanghai Stock Exchange, the trading of the shares of the Company was suspended from 1 August 2017 due to the reorganisation.

Chongqing Iron & Steel held its first creditors' meeting on 18 August 2017, at which the Plan for Management and Realisation of Property (財產管理及變價方案) and the Resolution on Matters regarding the Establishment of Creditors' Committee (成立債權人委員會相關事項的議案) were approved.

Chongqing Iron & Steel held its second creditors' meeting and capital contributors group meeting on 17 November 2017, at which the Reorganisation Plan of Chongqing Iron & Steel Company Limited (Draft) (《重慶鋼鐵股份有限公司重整計劃(草案)》) (the "Reorganisation Plan") and the Plan on Adjustment of the Rights and Interests of Capital Contributors (《出資人權益調整方案》) under the Reorganisation Plan were approved by way of voting.

The FIPCC issued the second Civil Ruling Paper ((2017) Yu 01 Po No. 3) on 20 November 2017, adjudicating the approval of the Reorganisation Plan and termination of the reorganisation procedures of Chongqing Iron & Steel. This marked the start of the implementation of the Reorganisation Plan.

For the Reorganisation Plan, please refer to the announcement published on the website of Shanghai Stock Exchange (www.sse.com.cn) by the Company on 21 November 2017.

IX. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING (CONTINUED)

Pursuant to the Plan on Adjustment of the Rights and Interests of Capital Contributors under the Reorganisation Plan, with the total share capital of A shares of Chongqing Iron & Steel as the base number, the conversion of capital reserve into share capital shall be implemented by way of issuance of 11.50 bonus shares for every 10 shares, and an aggregate of 4,482,579,687 A shares will be issued. The abovementioned shares issued will not be distributed to shareholders, and will be allocated by the administrator to the creditors according to the provisions of the Reorganisation Plan by way of directly transferring them to the securities accounts designated by the creditors to pay the debts of the Company. As the conversion of capital reserve into share capital is different from the increase in share capital by way of annual profit distribution, the calculation formula for the ex-right reference price is adjusted according to Article 4.3.2 of the Trading Rules of the Shanghai Stock Exchange (revised in 2015). Based on the adjusted calculation formula, after the conversion of capital reserve into share capital, the ex-right reference price for the shares of Chongqing Iron & Steel will be RMB2.15/share, and the total share capital of Chongqing Iron & Steel will increase from 4,436,022,580 shares to 8,918,602,267 shares.

The equity registration date for the conversion of capital reserve into share capital was 25 December 2017, and listing date of the share capital as converted was 27 December 2017.

On 28 December 2017, the Company submitted to the administrator the Report on the Completion of the Implementation of the Reorganisation Plan of Chongqing Iron & Steel Company Limited. On 28 December 2017, the administrator submitted to the FIPCC the Supervision Report on the Implementation of the Reorganisation Plan of Chongqing Iron & Steel Company Limited, reporting on the supervision of the administrator on the implementation of the Reorganisation Plan by the debtor and affirming the completion of the implementation of the Reorganisation Plan.

On 29 December 2017, the FIPCC ruled that the implementation of the Reorganisation Plan of Chongqing Iron & Steel had been completed.

According to relevant requirements, upon the application of the Company, the trading of the shares of the Company was resumed on 3 January 2018.

X. MATERIAL LITIGATION AND ARBITRATION

Material litigations and arbitrations occur during the year No material litigations and arbitrations occur during the year

(I) Litigation and arbitration which have been disclosed in provisional announcement without subsequent progress

Applicable Not applicable

Section V Significant Events (Continued)

X. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in provisional announcement or might have had subsequent progress

Applicable Not applicable

Unit: RMB0'000

During the reporting period:

Suitor (sue)	Defendant (being sued)	Jointly And severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount Subject to the litigation (arbitration)	Whether the litigation (arbitration) will cause unexpected liabilities and the amount	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)
Henan Wanbao Industrial Development Company Limited (河南萬寶實業發展有限公司)	Chongqing Iron & Steel Company Limited	Chongqing Industrial Co., Ltd (重慶馳原實業有限公司)	Litigation	Dispute over credit assignment	530	None	Being processed	The litigation outcome is unknown. The creditor has already declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the declared amount.
Sichuan Guotuo Property Management Limited (四川省國託物業管理有限責任公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over property fee	0.65274	None	Being processed	The litigation outcome is unknown. The creditor has already declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the declared amount.
Chongqing Guohao Construction Co., Ltd. (重慶國豪建設有限公司)	CCCC Third Harbor Engineering Co., Ltd. (中交第三航務工程局有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over engineering construction contract	1,500	None	Being processed	The litigation outcome is unknown. The creditor has already declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the declared amount.

Section V Significant Events (Continued)

X. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress (Continued)

Suitor (sue)	Defendant (being sued)	Jointly And severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount Subject to the litigation (arbitration)	Whether the litigation (arbitration) will cause unexpected liabilities and the amount	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)
Chongqing Qiaotai Shipping & Transportation Co., Ltd. (重慶市喬泰船務運輸有限公司)	Huangshi Tonghai Trading Company Limited (黃石通海貿易有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Note dispute	1,160	None	Being processed	The litigation outcome is unknown. The creditor has already declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the declared amount.
Jiangsu Xinyuan Machinery Manufacturing Co., Ltd. (江蘇新源機械製造有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over purchase and sale contract	50.195979	None	Being processed	The litigation outcome is unknown. The creditor has not declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the carrying amount.
Chongqing Linda Construction Services Limited (重慶市林達建築勞務有限公司)	Chongqing Qiaorun Construction Engineering Co., Ltd. (重慶橋潤建築工程有限公司)	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司) and Chongqing Iron & Steel Company Limited	Litigation	Dispute over engineering construction contract	88.454519	None	Being processed	The litigation outcome is unknown. The creditor has already declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the declared amount.

Section V Significant Events (Continued)

X. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress (Continued)

Suitor (sue)	Defendant (being sued)	Jointly And severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount Subject to the litigation (arbitration)	Whether the litigation (arbitration) will cause unexpected liabilities and the amount	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)
Chongqing Linda Construction Services Limited (重慶市林達建築勞務有限公司)	Chongqing Qiaorun Construction Engineering Co., Ltd. (重慶橋潤建築工程有限公司)	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司) and Chongqing Iron & Steel Company Limited	Litigation	Dispute over engineering construction contract	86.957873	None	Being processed	The litigation outcome is unknown. The creditor has already declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the declared amount.
Chongqing Linda Construction Services Limited (重慶市林達建築勞務有限公司)	Chongqing Qiaorun Construction Engineering Co., Ltd. (重慶橋潤建築工程有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over engineering construction contract	128.418256	None	Being processed	The litigation outcome is unknown. The creditor has already declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the declared amount.
Chongqing Linda Construction Services Limited (重慶市林達建築勞務有限公司)	Chongqing Qiaorun Construction Engineering Co., Ltd. (重慶橋潤建築工程有限公司)	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司) and Chongqing Iron & Steel Company Limited	Litigation	Dispute over engineering construction contract	169.022805	None	Being processed	The litigation outcome is unknown. The creditor has already declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the declared amount.

Section V Significant Events (Continued)

X. MATERIAL LITIGATION AND ARBITRATION (CONTINUED)

(II) Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress (Continued)

Suitor (sue)	Defendant (being sued)	Jointly And severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount Subject to the litigation (arbitration)	Whether the litigation (arbitration) will cause unexpected liabilities and the amount	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)
Hunan Changda Construction Group Co., Ltd. (湖南長大建設集團股份有限公司)	Chongqing Iron & Steel Company Limited		Litigation	Dispute over confirmation of creditor's rights	535.871554	None	Being processed	The litigation outcome is unknown. The creditor has already declared its rights. The Company has already set aside the amount payable under the Reorganisation Plan based on the declared amount.

(III) Other explanations

Applicable Not applicable

XI. PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND ACQUIRERS AND RECTIFICATION MEASURES

Applicable Not applicable

XII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS DURING THE REPORTING PERIOD

Applicable Not applicable

There existed neither court judgment in force remaining unimplemented nor big outstanding liabilities due with the Company, its controlling shareholder and de facto controller during the reporting period.

Section V Significant Events (Continued)

XIII. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

- (I) Relevant incentive events disclosed in provisional announcements but without subsequent development or changes during implementation

Applicable Not applicable

- (II) Incentive events not disclosed in provisional announcements or with subsequent development

Equity incentive

Applicable Not applicable

Other explanations

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

Other incentive measures

Applicable Not applicable

XIV. MATERIAL CONNECTED TRANSACTIONS

- (I) Connected transaction related to day-to-day operation

1. *Matters disclosed in provisional announcements but without developments or changes in subsequent implementation*

Applicable Not applicable

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transaction related to day-to-day operation (Continued)

2. *Matters disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

On 13 January 2017, the Company and Chongqing Iron & Steel Group entered into the Service and Supply Agreement between Chongqing Iron & Steel Company (Group) Limited and Chongqing Iron & Steel Company Limited with the term from 13 January 2017 to 31 December 2019. (Refer to the Announcement on Continuing Connected Transactions (No. 2017-008) of the Company dated 14 January 2017 for details).

Major services:

- I. the Company agreed to provide products and services to the Parent Group as summarized below:
 - (1) production materials such as water, electricity, natural gas, steel billets, steel products and ancillary products (including cement, hardware, timber, etc.).

- II. the Parent Group agreed to provide products and services to the Company in summary:
 - (1) raw materials such as iron ore, scrap steel, refractory materials and ancillary products (including dolomite and limestone);
 - (2) ship and automobile transportation, technical services (including construction and labor services etc.) and information services;
 - (3) production materials such as electricity, industrial gas, equipment and spare parts;
 - (4) social welfare services (mainly including medical insurance and pensions funds management services etc.), the fees in respect of which were paid by the Company through Parent Company but no fees was charged by the Parent Company for managing such social welfare services of the Company's employees.

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transaction related to day-to-day operation (Continued)

2. *Matters disclosed in provisional announcements with subsequent development or changes during implementation (Continued)*

- III. the Company and the Parent Group will allow each other to use and occupy their respective factory premises.

Pricing policies:

The terms of the agreement were entered into after arm's length negotiations under normal commercial terms, and the pricing or consideration of which will be determined on the following basis:

- I. according to the price set by the PRC Government (including the municipal government and other regulatory bodies which govern such transactions);
- II. if no such price is set by the PRC Government, the price should not be lower than the guide prices set by the PRC Government for such transactions;
- III. if there is no set price and no guide prices set by the PRC Government, the applicable methods as follows will be chosen according to the circumstances:
 - (1) for products and services provided by the Parent Company to the Company, not higher than such open market price of independent parties on normal commercial terms in the comparable market;
 - (2) for products and services provided to the Parent Company by the Company, not lower than such open market price of independent parties on normal commercial terms in the comparable market.
- IV. if there are no comparable market prices, the applicable methods as follows will be chosen according to the circumstances:
 - (1) for products and services provided by the Parent Company to the Company, not higher than such open market price of independent parties on normal commercial terms in the PRC generally;
 - (2) for products and services provided to the Parent Company by the Company, not lower than such open market price of independent parties on normal commercial terms in the PRC generally.

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transaction related to day-to-day operation (Continued)

2. *Matters disclosed in provisional announcements with subsequent development or changes during implementation (Continued)*

- V. if there is no set price and no guide prices set by the PRC Government and there is no open market price for such transactions, the parties are to negotiate on normal commercial terms for the supply of such transactions based on the actual or reasonable costs of such transactions (whichever is lower) together with a reasonable profit.

“Reasonable profit” means a profit margin no higher than

- (1) in respect of products and services provided by the Parent Company to the Company
 - a. the profit margin set by an independent provider providing similar type of products/materials/and/or services based on transactions with similar size and terms and in accordance with normal business practice in the industry;
 - b. a profit margin of 5% (whichever is lower).
- (2) in respect of products and services provided by the Company to the Parent Company
 - a. the profit margin set by an independent provider providing similar type of products/materials/and/or services based on transactions with similar size and terms and in accordance with normal business practice in the industry;
 - b. a profit margin of 5% (whichever is higher).

The Company’s independent non-executive Directors reviewed the above related party transactions, and confirmed that the transactions were:

- (1) entered into in the ordinary course of business of the Company;
- (2) carried out in accordance with normal commercial terms; and
- (3) carried out pursuant to the agreements of relevant transactions, the terms of which are fair and reasonable, and in the interests of shareholders of the Company as a whole.

Section V Significant Events (Continued)

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transaction related to day-to-day operation (Continued)

2. *Matters disclosed in provisional announcements with subsequent development or changes during implementation (Continued)*

- V. if there is no set price and no guide prices set by the PRC Government and there is no open market price for such transactions, the parties are to negotiate on normal commercial terms for the supply of such transactions based on the actual or reasonable costs of such transactions (whichever is lower) together with a reasonable profit. (Continued)

Pan-China Certified Public Accountants (Special General Partnership), the Company's auditor, sent a letter regarding the Disclosure of Continuing Connected Transactions, confirming the absence of the following circumstances:

- (1) The transactions were not approved by the Board of the Company;
- (2) In all material aspects, the pricing of such transactions failed to conform to the pricing policies of the Company and its subsidiaries;
- (3) In all material aspects, such transactions were not conducted in accordance with the terms of the agreements governing the transactions; and
- (4) The amount of such transactions exceeded the annual cap announced by the Company.

3. *Matters not disclosed in provisional announcements*

- Applicable Not applicable

Section V Significant Events (Continued)

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transaction related to day-to-day operation (Continued)

3. Matters not disclosed in provisional announcements (Continued)

Unit: RMB'000

The other party to connected transaction	Relationship between the connected parties	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Amount of connected transaction	As a percentage of the total amount of similar transactions (%)
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	396,662	3.59%
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Controlled subsidiary of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	378,974	3.43%
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	136,287	1.23%
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司) (now renamed as Chongqing Qianxin Energy & Environmental Protection Limited (重慶千信能源環保有限公司))	Controlled subsidiary of the Parent Company	Purchase of products	Procurement of goods	With reference to market price	113,400	1.03%
Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	90,378	0.78%
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	79,100	0.68%
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Controlled subsidiary of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price	75,720	0.66%

Section V Significant Events (Continued)

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transaction related to day-to-day operation (Continued)

3. Matters not disclosed in provisional announcements (Continued)

The other party to connected transaction	Relationship between the connected parties	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Amount of connected transaction	As a percentage of the total amount of similar transactions (%)
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Wholly-owned subsidiary	Purchase of products	Procurement of products and acceptance of services	With reference to market price	71,868	0.62%
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Controlled subsidiary of the Parent Company	Purchase of products	Acceptance of services	With reference to market price	17,855	0.15%
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Acceptance of services	With reference to market price	13,339	0.12%
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Acceptance of services	With reference to market price	7,991	1.62%
Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Acceptance of services	With reference to market price	4,872	0.04%
Others	Other related parties	Purchase of products			6,462	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Controlled subsidiary of the Parent Company	Sale of products	Sale of energy	With reference to market price	281,485	74.80%
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of products	Sale of energy and steel	With reference to market price	70,668	18.91%
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Controlled subsidiary of the Parent Company	Sale of products	Sale of steel and energy, etc.	With reference to market price	9,216	0.07%

Section V Significant Events (Continued)

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transaction related to day-to-day operation (Continued)

3. Matters not disclosed in provisional announcements (Continued)

The other party to connected transaction	Relationship between the connected parties	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Amount of connected transaction	As a percentage of the total amount of similar transactions (%)
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司) (now renamed as Chongqing Qianxin Energy & Environmental Protection Limited (重慶千信能源環保有限公司))	Controlled subsidiary of the Parent Company	Sale of products	Sale of energy	With reference to market price	4,671	1.25%
Chongqing Iron & Steel Group Sanfeng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of products	Sale of steel and energy, etc.	With reference to market price	2,194	0.59%
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of products	Sale of steel and energy	With reference to market price	562	0.00%
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Wholly-owned subsidiary of the Parent Company	Sale of products	Sale of energy	With reference to market price	423	0.00%
Others	Other related parties	Sale of products		With reference to market price	750	
Total				/	1,762,877	109.57

Particulars of substantial sales return Nil

Descriptions of the connected transactions They enabled the Company to obtain stable and reliable service supply at a reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output

Section V Significant Events (Continued)

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Connected transactions related to acquisition and disposal of assets and equity interests

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

Applicable Not applicable

Overview of events	Search Index
<p>The pre-ironmaking assets were evaluated by Chongqing Huakang Asset Appraisal & Land Real Estate Evaluation Co., Ltd. and an asset appraisal report (Chong Kang Ping Bao Zi (2017) No. 197-02) was issued thereon with 3 July 2017 as the base date. The net book value of such assets was RMB4.7 billion, and their market value as assessed and liquidation value was RMB4.9 billion and RMB2.4 billion respectively. On 20 November 2017, the administrator of the Company conducted a public auction for the pre-ironmaking assets as a whole under current condition on http://www.rmfysszc.gov.cn, an online auction platform for litigation assets of people's courts. According to the explanation on the online judicial auction issued by Chongqing Assets and Equity Exchange Group, Changshou Iron & Steel obtained the aforesaid assets at a consideration of RMB3.9 billion during the public auction. The Company and Changshou Iron & Steel completed the delivery of the relevant assets on 8 December 2017.</p>	<p>Announcement of the Administrator of Chongqing Iron & Steel Company Limited on the Progress of Reorganisation Plan (Ann. No.: 2017-111) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 25 November 2017</p>

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Connected transactions related to acquisition and disposal of assets and equity interests (Continued)

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation (Continued)*

Overview of events	Search Index
<p>Assets of the second system were appraised by Chongqing Huakang Asset Appraisal & Land Real Estate Evaluation Co., Ltd. and an asset appraisal report (Chong Kang Ping Bao Zi (2017) No. 197-03) was issued thereon with 3 July 2017 as the base date. The net book value of such assets was RMB6.5 billion, and their market value as assessed and liquidation value was RMB5.1 billion and RMB2.6 billion respectively. On 20 November 2017, managers of the Company conducted a public auction for the assets of the second system as a whole under current condition on http://www.rmfysszc.gov.cn, an online auction platform for litigation assets of people's courts. According to the explanation on the online judicial auction issued by Chongqing Assets and Equity Exchange Group, Chongqing Iron and Steel Group obtained the aforesaid assets at a consideration of RMB3.0 billion during the public auction. The Company and Chongqing Iron and Steel Group completed the delivery of the relevant assets on 20 December 2017.</p>	<p>Announcement of the Administrator of Chongqing Iron & Steel Company Limited on the Progress of Reorganisation Plan (Ann. No.: 2017-111) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 25 November 2017</p>

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

Section V Significant Events (Continued)

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Connected transactions related to acquisition and disposal of assets and equity interests
(Continued)

4. *Disclosure of the performance of the results relating to the results agreement during the reporting period*

Applicable Not applicable

(III) Material connected transactions related to joint external investment

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

Applicable Not applicable

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(IV) Amounts due to or from related parties

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

Applicable Not applicable

Overview of events	Search Index
<p>According to the provisions of the Reorganisation Plan of Chongqing Iron & Steel, during the implementation of the Reorganisation Plan, the reorganisation party shall provide loans to Chongqing Iron & Steel for the implementation of the Reorganisation Plan by Chongqing Iron & Steel. On 23 November 2017, Chongqing Iron & Steel entered into the RMB Fund Borrowing Contract with Changshou Iron & Steel, pursuant to which, Changshou Iron & Steel extended a loan of RMB2.4 billion to Chongqing Iron & Steel for the implementation of the Reorganisation Plan, with a term of seven years from 24 November 2017 to 23 November 2024, including a grace period of 2 years from 24 November 2017 to 23 November 2019, which shall bear interests at the benchmark interest rates announced by the PBOC for RMB loans with a term of over five years.</p>	<p>Announcement of the Administrator of Chongqing Iron & Steel Company Limited on the Progress of Reorganisation Plan (Ann. No.: 2017-111) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 25 November 2017</p>

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

Section V Significant Events (Continued)

XIV. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

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

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

Unit: RMB'000

Related parties	Relationship between the related parties	Provision of funds to connected parties			Provision of funds to the Company by related parties		
		Amount			Amount		
		Opening balance	of the transaction	Closing balance	Opening balance	of the transaction	Closing balance
Chongqing Iron & Steel Group	Parent Company	/	/	/	-	80,000	-
Total		/	/	/	-	80,000	-

Reason of formation of creditor's rights and debts between the related parties Financial aid

Influence of creditor's rights and debts between the related parties on the Company Supplement working capital for the Company and maintain capital turnover for normal production and operation

(V) Others

Applicable Not applicable

XV. MATERIAL CONTRACTS AND THE IMPLEMENTATION

(I) Trust, contracted businesses and leasing affairs

1. *Trust*

Applicable Not applicable

2. *Contracted businesses*

Applicable Not applicable

3. *Leasing affairs*

Applicable Not applicable

Section V Significant Events (Continued)

XV. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

(I) Trust, contracted businesses and leasing affairs (Continued)

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Whether a related party transaction	Connected relationship
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel (Group) Transportation Company Limited	Normal	797	2017.1.1	2017.12.31	70	Bank deposits records	Contributing to other business income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group San Feng Industrial Company Limited	Normal	426	2017.1.1	2017.9.30	21	Bank deposits records	Contributing to other business income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限公司)	Normal	533	2017.1.1	2017.12.31	48	Bank deposits records	Contributing to other business income	Yes	Controlled subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Mining Company Limited	Normal	710	2017.1.1	2017.12.31	63	Bank deposits records	Contributing to other business income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Qianxin Energy & Environmental Protection Limited (重慶千信能源環保有限公司) (previously known as Chongqing Saving Sanfeng Energy Limited (慶中節能三峰能源有限公司))	Normal	799	2017.1.1	2017.7.31	42	Bank deposits records	Contributing to other business income	Yes	Controlled subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Qianxin Energy & Environmental Protection Limited	Normal	799	2017.8.1	2017.12.31	30	Bank deposits records	Contributing to other business income	No	
Chongqing Iron & Steel Company Limited	Chongqing Qianxin Energy & Environmental Protection Limited	Normal	3,550	2017.1.1	2017.12.31	331	Bank deposits records	Contributing to other business income	Yes	Controlled subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Chaoyang Gas Company Limited Changshou Branch	Normal	1,420	2017.1.1	2017.12.31	127	Bank deposits records	Contributing to other business income	Yes	Controlled subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Electronic Company Limited	Normal	2,112	2017.1.1	2017.12.31	190	Bank deposits records	Contributing to other business income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Normal	4,548	2017.7.1	2047.12.31	50	Bank deposits records	Contributing to other business income	Yes	Wholly-owned subsidiary of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group General Hospital	Normal	89	2017.1.1	2017.05.30	17	Bank deposits records	Contributing to other business income	Yes	Others

Section V Significant Events (Continued)

XV. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

(II) Guarantee

Applicable Not applicable

(III) Entrusted cash assets management

1. *Entrusted wealth management*

(1) General information on entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(2) Specific information on individual entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(3) Impairment provision for entrusted wealth management

Applicable Not applicable

XV. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

(III) Entrusted cash assets management (Continued)

2. Entrusted loan

(1) General information on entrusted loan

Applicable Not applicable

Others

Applicable Not applicable

(2) Specific information on individual entrusted loan

Applicable Not applicable

Others

Applicable Not applicable

(3) Impairment provision for entrusted loan

Applicable Not applicable

3. Others

Applicable Not applicable

(IV) Other significant contracts

Applicable Not applicable

Section V Significant Events (Continued)

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable Not applicable

(1) Termination of material assets reorganisation:

Due to the plan for significant matters, trading of the shares of the Company had been suspended upon application since 2 June 2016. It then proceeded with the material assets reorganisation procedures on 4 June 2016.

Since the suspension of trading, the Company and Chongqing Iron & Steel Group had organised the relevant parties to proactively advance the work for the material assets reorganisation in accordance with the Administrative Measures on Significant Asset Restructuring of Listed Companies of China Securities Regulatory Commission and the relevant requirements of the Shanghai Stock Exchange.

1. During the suspension of trading, the Company and relevant parties completed the recruitment and appointment of intermediary organisations to conduct audit, evaluation and relevant due diligence investigation, continuously communicated and negotiated with underlying asset supervision department and main creditors about important matters in the asset purchase and asset disposal proposals, had in-depth discussions about matters related to the reorganisation plan and underlying assets, and continuously demonstrated the feasibility of the reorganisation plan;
2. On 31 August 2016, the Company entered into the Framework Agreement of Material Assets Reorganisation with Chongqing Iron & Steel Group and Yu Fu Holding;
3. The Proposal in relation to the Continuing Suspension of Trading of A shares for Material Assets Reorganisation of the Company was considered and approved by the 61st written resolution of the 7th session of the Board of the Company and the 2016 second extraordinary general meeting, announcing that the continuing suspension of trading would not last for more than two months as of 2 September 2016;
4. On 8 September 2016, the Company held the investor briefing session concerning the continuing suspension of trading of shares for material assets reorganisation on the online platform of the Shanghai Stock Exchange "SSE e Interaction" and by means of online interaction, communicating and exchanging the relevant situations of material assets reorganisation and intended resumption of trading of A shares with investors;
5. On 1 November 2016, the Company announced its continuing suspension of trading as of 2 November 2016 for no more than six months upon application to the Shanghai Stock Exchange;

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

(1) Termination of material assets reorganisation: (Continued)

6. According to relevant rules, the Company registered and declared the insiders in respect of the inside information involved in to the material assets reorganisation, and conducted self-inspection of the share trading of the Company;
7. Since the material assets reorganisation involves a large scale of the assets and complex demonstration, the main assets of Yufu Group which are intended to be acquired are difficult to meet the requirements of the relevant regulatory policies of Hong Kong and the mainland, and the Company has not reached an agreement on the reorganisation plan with the major creditors as the assets intended to be disposed involve large scale of debt and the circumstance is relatively complicated, it is expected that it is difficult to reach an agreement on the reorganisation plan with relevant counterparties and disclose the plan on material assets reorganisation in the specified period, resulting in termination of the material assets reorganisation. On 2 May 2017, the Proposal in relation to the Termination of the Material Assets Reorganisation of Chongqing Iron & Steel Company Limited was considered and approved by the 92th written resolution of the 7th session of the Board of the Company.
8. On 2 May 2017, the Company received from the Shanghai Stock Exchange the Letter of Enquiry in relation to the Termination of Material Assets Reorganisation of Chongqing Iron & Steel Company Limited (Shang Zheng Gong Han [2017] No. 0496) (the “Enquiry Letter”). The Company already replied the Enquiry Letter and made disclosure (for details, please refer to the Announcement on Reply of Chongqing Iron & Steel Company Limited to the Shanghai Stock Exchange in Respect of the Letter of Enquiry in Relation to the Termination of Material Assets Reorganisation of Chongqing Iron & Steel Company Limited (Announcement No. 2017-050). According to the regulations of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, upon application to Shanghai Stock Exchange, the trading of the shares of the Company was resumed on 26 May 2017.

Up to date, the Company had completed the termination of the relevant work of the material assets reorganisation.

XVI. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

(2) Cooperation in purchase and sales

At the end of 2016, affected by the continued depression of the iron and steel industry and other unfavorable factors, the Company recorded continuous loss and could not repay the debt that came due, and its main bank accounts were frozen by the court because of litigation. In order to protect the assets of the Company and maintain normal production and operation, in December 2016, the Company entered into a cooperation framework agreement with Chongqing Qianxin International Trade Co., Ltd. (重慶千信國際貿易有限公司) (hereinafter referred to as “Qianxin International”, whose largest shareholder and ultimate controlling party is Chongqing Yukang Asset Management Co., Ltd. and Chongqing State-owned Assets Supervision and Administration Commission respectively), agreeing that the parties thereto will cooperate in the purchase of main materials needed in the production and sales of steel products, and will determine the purchase prices and selling prices following the market pricing principle. The period of cooperation was temporarily determined to be three years commencing on 1 January 2017 and ending on 31 December 2019. During the period of cooperation, Qianxin International will provide supplies to the Company according to the purchase plan of the Company, while the Company agreed that it would provide Qianxin International with steel products under the same conditions in priority, and the payments therebetween would be settled on an annual basis. In March 2017 and July 2017, the parties entered into a supplemental agreement on the purchase and selling prices respectively, to set forth details on such major terms as the pricing principle, acceptance and settlement of the transactions relating to ores, coal and metallurgical materials as well as steel products.

In December 2017, the parties re-entered into a cooperative framework agreement with an agreed cooperation period of three years, agreeing to terminate the original cooperative framework agreement on 31 December 2017 and specifying the mode of cooperation for 2018 and afterwards. According to the agreement, the parties thereto agreed to negotiate and determine the prices for purchase settlement with reference to the interests on the fund utilized by Qianxin International, and to enter into specific supply and sales agreements separately to specify the rules of operations for supply and sales cooperation.

On 30 January 2018, the Company and Qianxin International settled the payments therebetween and entered into a statement of settlement for the supply and sales cooperation in 2017, including the quantity and amount of purchase and sales, etc. According to results of the settlement, the total amount of raw materials such as ores and coal purchased by the Company from Qianxin International in 2017 was RMB10.984 billion (tax included), and the total amount of steel products sold by the Company to Qianxin International was RMB14.160 billion (tax included). It has been confirmed by both parties that the balance payable by the Company to Qianxin International as at 31 December 2017 was RMB1.574 billion.

XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty Alleviation by the Listed Company

Applicable Not applicable

1. Targeted Poverty Alleviation Planning

The Company carried out targeted poverty alleviation under the guidance of government departments and Chongqing Iron & Steel Group with an aim to help registered poor employees with financial difficulties to cast off poverty step by step.

2. Summary of Annual Targeted Poverty Alleviation

According to the poverty alleviation work arranged by Chongqing Iron & Steel Group, the Company's targeted poverty alleviation mainly focused on poor employees of the Company registered in the list of the All-China Federation of Trade Unions and the poor employees in the corporate group.

3. Achievements in poverty alleviation

Unit: RMB0'000

Index	Number and implementation
I. General Information	The Company provided special hardship grants to 918 persons with an amount of RMB165,500; and carried out activities in the autumn to fund 160 children of the employees to go to universities with an amount of RMB74,100, with an extended grant of RMB110,000 from higher authority. Meanwhile, the Company raised RMB27,600 on its own to extend as allowance for holidays or for employees that encountered temporary difficulties.
Including: 1. Fund	54.62
2. Number of poor people who are assisted and removed from the administrative record for poverty registration (Person)	21
II. Itemized input	
4. Poverty alleviation through education	The Company carried out activities in the autumn to fund 160 children of the employees to go to universities with an amount of RMB74,100, with an extended grant of RMB110,000 from higher authority.
Including: 4.1 Amount invested in poor students	18.41
4.2 Number of poor students funded (Person)	160

Section V Significant Events (Continued)

XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

(I) Poverty Alleviation by the Listed Company (Continued)

4. *Follow-Up Targeted Poverty Alleviation Planning*

The Company will provide proper manpower support, financial assistance and other resources to 85 employees registered with the All-China Federation of Trade Unions.

(II) Social Responsibility

Applicable Not applicable

For details, please refer to “Section XII – II” in this report.

(III) Environmental Protection

1. *Explanation on the performance of environmental protection of companies and its key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department*

Applicable Not applicable

The Company strictly abided by environmental protection laws and regulations, optimized the accountability system of environmental protection, and further defined the principle of “One Post Responsible for Both Business Development and Party Conduct Construction”. The Company also stipulated annual target of environmental protection and implemented the same in each unit, signed a statement in regard to the responsibility of environmental protection to ensure the completion of the target, developed and strictly implemented a self-monitoring program to monitor the regular publication of relevant data. Major pollutants of the Company met national standards, and the Company ensured the synchronized operation of different environmental protection equipment, enhanced the safe disposal of dangerous wastes, and carried out drills for environment-related emergencies to effectively control various environmental risks. With all such efforts, the Company did not record any environment pollution event throughout the year.

2. *Companies other than key pollutant discharging entity*

Applicable Not applicable

XVII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Environmental Protection (Continued)

3. Others

Applicable Not applicable

(IV) Other Explanations

Applicable Not applicable

XVIII. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

(I) Issue of convertible bonds

Applicable Not applicable

(II) Convertible bondholders and guarantors during the Reporting Period

Applicable Not applicable

(III) Changes in convertible bonds during the Reporting Period

Applicable Not applicable

Accumulated conversion of Convertible Bonds during the Reporting Period

Applicable Not applicable

(IV) Previous adjustments of conversion price

Applicable Not applicable

(V) The Company's outstanding debts, creditworthiness and availability of cash for repayment of debts in future years

Applicable Not applicable

(VI) Other explanation of convertible bonds

Applicable Not applicable

Section VI Movement of Ordinary Shares and the Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

(I) Ordinary shares

1. Statements of movement of ordinary shares

Unit: Share

	Before Movement		Movement (+,-)		After Movement	
	Number	Percentage (%)	Transfer of capital reserve to share capital	Subtotal	Number	Percentage (%)
II. Shares without any restricted condition	4,436,022,580	100.00	+4,482,579,687	+4,482,579,687	8,918,602,267	100.00
1. RMB denominated ordinary shares	3,897,895,380	87.87	+4,482,579,687	+4,482,579,687	8,380,475,067	93.97
3. Overseas listed foreign shares	538,127,200	12.13			538,127,200	6.03
III. Total number of ordinary shares	4,436,022,580	100.00	+4,482,579,687	+4,482,579,687	8,918,602,267	100.00

Note: As the conversion of capital reserve into share capital is different from the increase in share capital by way of annual profit distribution, the former share capital will not be distributed to shareholders, and will be allocated by the administrator to the creditors according to the provisions of the Reorganisation Plan by way of directly transferring them to the securities accounts designated by the creditors to pay the debts of the Company.

2. Explanation on movement of ordinary shares

Applicable Not applicable

The First Intermediate People's Court of Chongqing ("FIPCC") issued the Civil Ruling Paper ((2017) Yu 01 Po Shen No. 5) to the Company on 3 July 2017. It was ruled that the FIPCC accepted the application of Chongqing Laiquyuan Trading Co., Ltd. for reorganisation of the Company.

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES (CONTINUED)

(I) Statements of movement of ordinary shares (Continued)

2. *Explanation on movement of ordinary shares (Continued)*

Chongqing Iron & Steel held its second creditors' meeting and capital contributors meeting on 17 November 2017, at which the Reorganisation Plan of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司重整計劃》) (the "Reorganisation Plan") and the Plan on Adjustment of the Rights and Interests of Capital Contributors under the Reorganisation Plan of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司重整計劃之出資人權益調整方案》) were approved by way of voting. The FIPCC issued the second Civil Ruling Paper ((2017) Yu 01 Po No. 3) on 20 November 2017, adjudicating the approval of the Reorganisation Plan and termination of the reorganisation procedures of the Company. In addition, the Plan on Adjustment of the Rights and Interests of Capital Contributors involves the plan for transferring capital reserve to share capital.

Pursuant to the Plan on Adjustment of the Rights and Interests of Capital Contributors under the Reorganisation Plan, with the total share capital of A shares of the Company as the base number, the conversion of capital reserve into share capital shall be implemented by way of issuance of 11.50 bonus shares for every 10 shares, and an aggregate of 4,482,579,687 A shares will be issued. The abovementioned shares issued will not be distributed to shareholders, and will be allocated by the administrator to the creditors according to the provisions of the Reorganisation Plan by way of directly transferring them to the securities accounts designated by the creditors to pay the debts of the Company. After conversion, the total share capital of the Company will increase from 4,436,022,580 shares to 8,918,602,267 shares.

The equity registration date for the conversion of capital reserve into share capital was 25 December 2017, and listing date of the share capital as converted was 27 December 2017.

For details, please refer to the Announcement on the Transfer of Capital Reserve to Share Capital under the Reorganization Plan (No. 2017-121) published by the Board of the Company on 23 December 2017.

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES (CONTINUED)

(I) Statements of movement of ordinary shares (Continued)

3. *Impact on financial indicators such as earnings per share and net assets per share from change in ordinary shares within the latest year and latest period (if applicable)*

Applicable Not applicable

The shares generated from the transfer of capital reserve to share capital were distributed by the administrator to creditors in accordance with the Reorganisation Plan to pay the debts of the Company, which enabled the Company to offset its debts and increase net assets per share while expanding the share capital, thus effectively improving the Company's financial position.

4. *Other information considered necessary by the Company or required by regulators to be disclosed*

Applicable Not applicable

Relevant disclosure made according to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

- (1) Compliance with the Corporate Governance Code

To the best knowledge of the Board, the Company had complied with the requirements of the "Corporate Governance Code", Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange during the Reporting Period, and no deviation from the Code has been identified.

- (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 or Redemption of Listed Securities of the Company

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

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES (CONTINUED)

(I) Statements of movement of ordinary shares (Continued)

4. *Other information considered necessary by the Company or required by regulators to be disclosed (Continued)*

(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.

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES (CONTINUED)

(I) Statements of movement of ordinary shares (Continued)

4. *Other information considered necessary by the Company or required by regulators to be disclosed (Continued)*

(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.

(II) Changes in Shares subject to trading moratorium

Applicable Not applicable

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the Reporting Period

Applicable Not applicable

Details for the issue of securities during the Reporting Period (details of bonds with different interest rates within the duration to be specified separately):

Applicable Not applicable

(II) Change in the total number of ordinary shares, shareholding structure and the structure of assets and liabilities of the Company

Applicable Not applicable

Pursuant to the Reorganisation Plan, with the total share capital of A shares of Chongqing Iron & Steel as the base number, the conversion of capital reserve into share capital shall be implemented by way of issuance of 11.50 bonus shares for every 10 shares, and an aggregate of 4,482,579,700 A shares will be issued. After conversion, the total share capital of Chongqing Iron & Steel will increase from 4,436,022,600 shares to 8,918,602,300 shares. The abovementioned shares issued will not be distributed to shareholders, and will be allocated by the administrator to the creditors according to the provisions of the Reorganisation Plan to pay related fees. The 2,096,981,600 shares held by Chongqing Iron & Steel Group in the listed company will be adjusted.

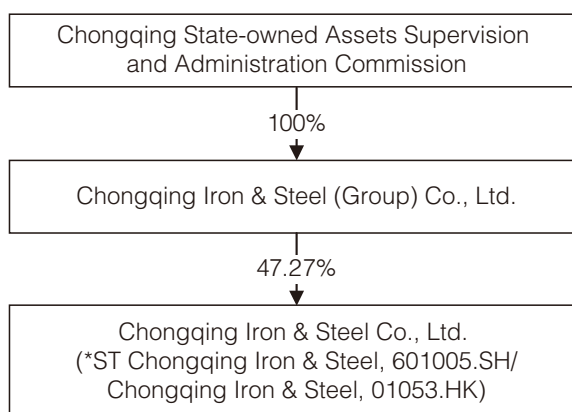
II. ISSUE AND LISTING OF SECURITIES (CONTINUED)

(II) Change in the total number of ordinary shares, shareholding structure and the structure of assets and liabilities of the Company (Continued)

The changes in the equity structure of Chongqing Iron & Steel before and after the equity change are as follows:

Name of shareholder	Before equity change		After equity change	
	Number of shares held	Shareholding percentage	Number of shares held	Shareholding percentage
Chongqing Iron & Steel Group	2,096,981,600	47.27%	–	–
Changshou Iron & Steel	–	–	2,096,981,600	23.51%
Other holders of A shares	1,800,913,780	40.60%	6,283,493,467	70.45%
Holder of H shares	538,127,200	12.13%	538,127,200	6.03%
Total shares	4,436,022,580	100.00%	8,918,602,267	100.00%

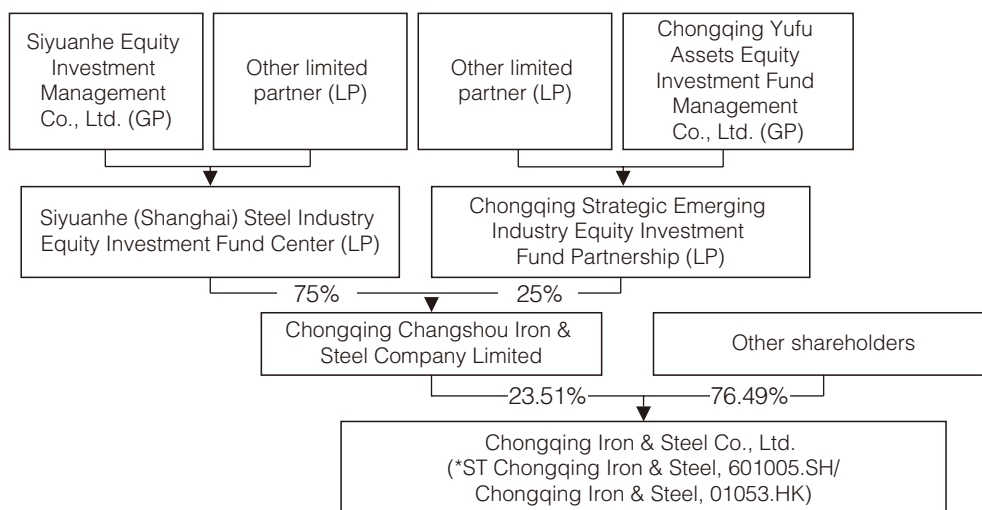
Prior to the equity change, Changshou Iron & Steel did not hold shares of Chongqing Iron & Steel, and Chongqing Iron & Steel Group held 2,096,981,600 shares of Chongqing Iron & Steel with a shareholding percentage of 47.27%. The equity structure and relationship are as follows:



II. ISSUE AND LISTING OF SECURITIES (CONTINUED)

(II) Change in the total number of ordinary shares, shareholding structure and the structure of assets and liabilities of the Company (Continued)

After the equity change, Changshou Iron & Steel holds 2,096,981,600 shares of Chongqing Iron & Steel, with a shareholding percentage of 23.51%, and became a controlling shareholder of Chongqing Iron & Steel. The equity structure and relationship are as follows:



The details of changes in the Company's asset and liability structures are described in Section IV (III) 1 of this report.

(III) Shareholdings held by employees

Applicable Not applicable

Section VI Movement of Ordinary Shares and the Particulars of Shareholders (Continued)

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period	161,340
Total number of ordinary shareholders on the close of the end of month before the disclosure of the Annual Report	154,232
Total number of holders of preference shares with restored voting rights as at the end of the Reporting Period	0
Total number of holders of preference shares with restored voting rights on the close of the end of month before the disclosure of annual report	0

(II) Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period

Unit: share

Shareholdings of the top ten shareholders

Name of shareholder (Full name)	Increase/ Decrease in the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Status of shares	Number of shares pledged or frozen Number	Type of shareholder
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	Others
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

Section VI Movement of Ordinary Shares and the Particulars of Shareholders (Continued)

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

- (II) Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period (Continued)

Shareholdings of Top Ten Shareholders Without Trading Limitations

Name of shareholder	Shareholdings of tradable shares without trading limitations	Type and number of shares	
		Type	Number
Chongqing Changshou Iron & Steel Company Limited	2,096,981,600	RMB denominated ordinary shares	2,096,981,600
HKSCC NOMINEES LIMITED	530,999,140	Overseas listed foreign shares	530,999,140
Chongqing Qianxin Energy Environmental Protection Company Limited	427,195,760	RMB denominated ordinary shares	427,195,760
Chongqing Rural Commercial Bank Co., Ltd.	289,268,939	RMB denominated ordinary shares	289,268,939
Chongqing Guochuang Investment and Management Co., Ltd.	278,288,059	RMB denominated ordinary shares	278,288,059
Sinosteel Equipment & Engineering Co., Ltd.	252,411,692	RMB denominated ordinary shares	252,411,692
Bank of Chongqing Co., Ltd.	226,042,920	RMB denominated ordinary shares	226,042,920
Chongqing Iron & Steel Co., Ltd. Bankruptcy Enterprise Property Disposal Special Account	222,433,743	RMB denominated ordinary shares	222,433,743
Industrial Bank Co., Ltd. Chongqing Branch	219,633,096	RMB denominated ordinary shares	219,633,096
Agricultural Bank of China Limited Chongqing Branch	216,403,628	RMB denominated ordinary shares	216,403,628

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

- (II) Table of shareholdings of the top ten shareholders and the top ten shareholders holding circulating shares (shares not subject to trading moratorium) as at the end of the Reporting Period (Continued)

The above shareholders' connected relationship or concerted action

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

Preferred shareholders with restored voting rights and their shareholding

No

Shareholdings and Trading Limitations of Top Ten Shareholders with Trading Limitations

Applicable Not applicable

- (III) Strategic investors or ordinary legal persons who became top ten shareholders due to placing of new shares

Applicable Not applicable

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling Shareholder

1 *Legal person*

Applicable Not applicable

Name	Chongqing Changshou Iron & Steel Company Limited
Principal or legal representative	Zhou Zhuping
Date of incorporation	12 October 2017
Principal operations	Engaged in technology development, technology transfer, technical services and technical management consultation in the fields of steel, metallurgical mineral, coal, chemical engineering, electric power and transportation; sale of steel raw materials; terminal operation; warehousing service (excluding storage of hazardous articles); leasing of proprietary property and equipment; import and export of goods and technology; and corporate management and consulting services. (The business activities subject to approval according to law in the above scope can be carried out only after being approved by relevant departments)
Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period	Controlling shareholder did not control or invest in domestic and foreign listed companies during the Reporting Period
Other explanation	Nil

2 *Natural persons*

Applicable Not applicable

3 *No special explanation regarding the controlling shareholder*

Applicable Not applicable

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(I) Controlling Shareholder (Continued)

4 Index and date of changes in controlling shareholder during the Reporting Period

Applicable Not applicable

Before the equity change, Chongqing Iron & Steel (Group) Co., Ltd. was the controlling shareholder of the Company; and after the equity change, Chongqing Changshou Iron & Steel Company Limited was the controlling shareholder of the Company. For details, please refer to:

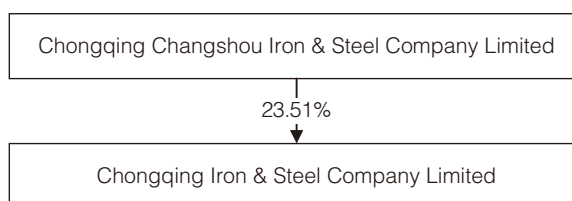
Related Announcement	Index and Date
Suggestive Announcement on Changes in Shareholders' Equity and Controlling Shareholder (2017-113)	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 5 December 2017
Shanghai Fangda Partners' Legal Opinion on the Detailed Equity Change Report of Chongqing Iron & Steel Company Limited	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn on 5 December 2017
The Financial Advisor Verification Opinion of HwaBao Securities Co., Ltd. on the Detailed Equity Change Report of Chongqing Iron & Steel Company Limited	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn on 5 December 2017
Simplified Equity Change Report	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn on 5 December 2017
Detailed Equity Change Report	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn on 5 December 2017
Announcement on Share Pledge Cancellation and Judicial Transfer Shareholders' Equity and Its Completion (2017-122)	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 29 December 2017

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(I) Controlling Shareholder (Continued)

5 *The ownership and control relationship between the Company and its controlling shareholder*

Applicable Not applicable



(II) De facto controller

1 *Legal person*

Applicable Not applicable

Name	Siyuanhe Equity Investment Management Co., Ltd. (GP)
Principal or Legal representative	Zhou Zhuping
Date of incorporation	14 July 2017
Principal operations	Sponsoring and establishing equity investment enterprises; managing the investment business of equity investment enterprises as trustee and providing related services; and engaging in equity investment consultation. (The business activities subject to approval according to law in the above scope can be carried out only after being approved by relevant departments)
Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period	Controlling shareholder did not control or invest in domestic and foreign listed companies during the Reporting Period.
Other explanation	Nil

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De facto controller (Continued)

2 *Natural persons*

Applicable Not applicable

3 *No special explanation regarding the controlling shareholder*

Applicable Not applicable

4 *Index and date of changes in de facto controller during the Reporting Period*

Applicable Not applicable

Before the equity change, Chongqing State-Owned Assets Supervision and Administration Commission was the actual controller of the Company; and after the equity change, Siyuanhe Equity Investment Management Co., Ltd. was the actual controller of the Company. For details, please refer to:

Related Announcement

Index and Date

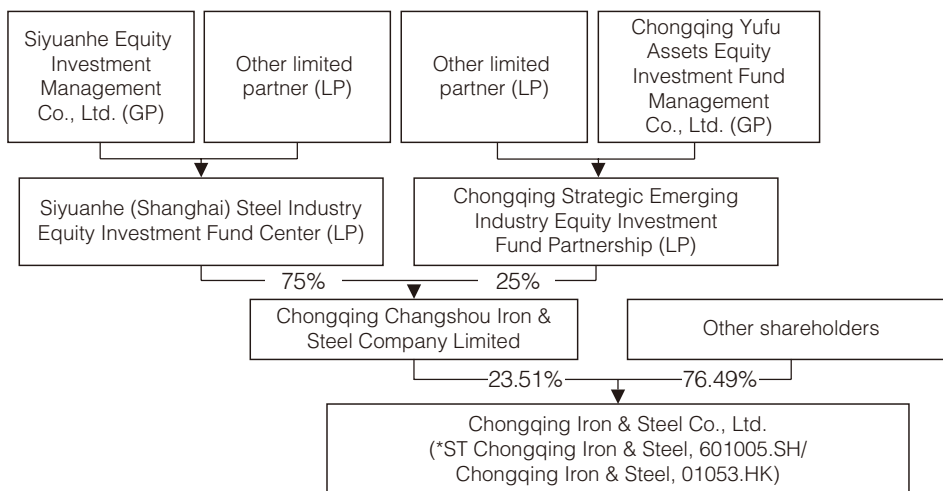
Suggestive Announcement on Changes in Shareholders' Equity and Controlling Shareholder (2017-113)	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 5 December 2017
Shanghai Fangda Partners' Legal Opinion on the Detailed Equity Change Report of Chongqing Iron & Steel Company Limited	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn on 5 December 2017
The Financial Advisor Verification Opinion of HwaBao Securities Co., Ltd. on the Detailed Equity Change Report of Chongqing Iron & Steel Company Limited	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn on 5 December 2017
Simplified Equity Change Report	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn on 5 December 2017
Detailed Equity Change Report	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn on 5 December 2017
Announcement on Share Pledge Cancellation and Judicial Transfer of Shareholders' Equity and Its Completion (2017-122)	Published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 29 December 2017

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De facto controller (Continued)

5 The ownership and control relationship between the Company and its de facto controller

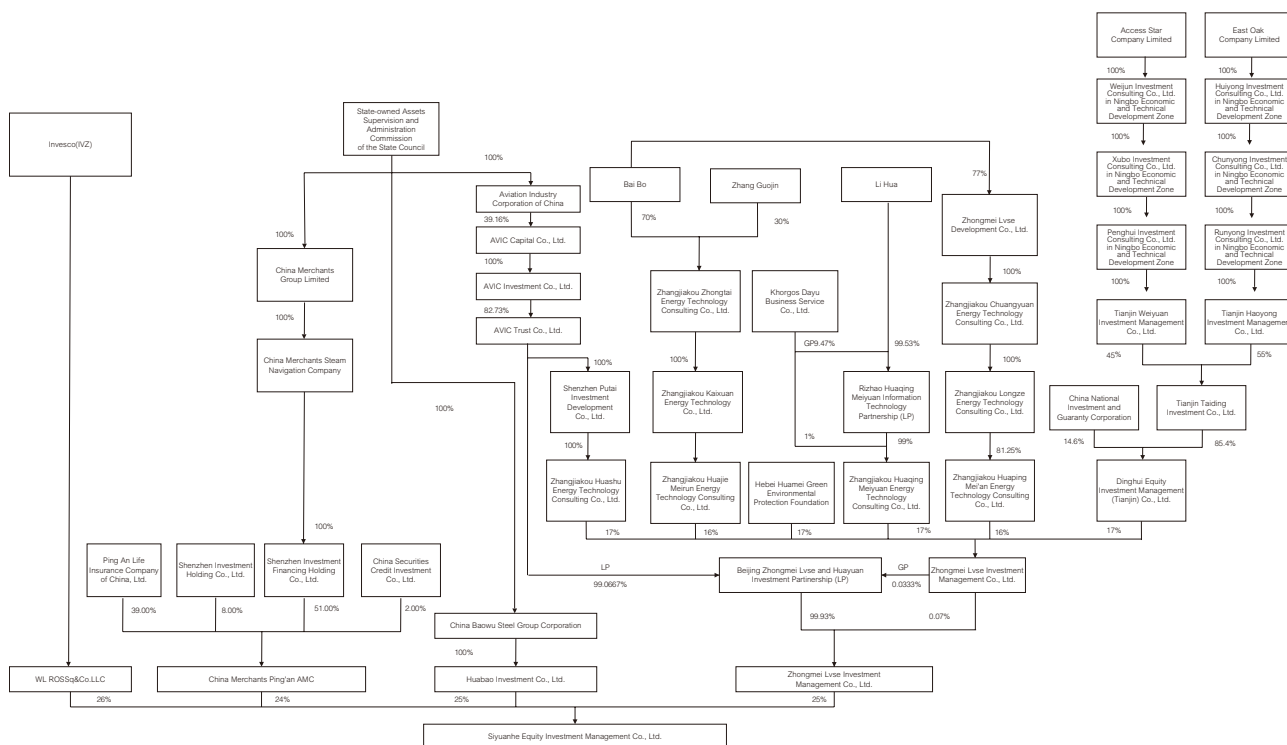
Applicable Not applicable



IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De facto controller (Continued)

5 The ownership and control relationship between the Company and its de facto controller (Continued)



IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De facto controller (Continued)

5 *The ownership and control relationship between the Company and its de facto controller (Continued)*

The controlling shareholder of the Company is Changshou Iron & Steel. Siyuanhe (Shanghai) Steel Industry Equity Investment Fund Center (LP) (hereinafter referred to as "Siyuanhe Fund") holds 75% equity of Changshou Iron & Steel and is the controlling shareholder of Changshou Iron & Steel. As the managing partner and fund manager of Siyuanhe Fund, Siyuanhe Equity Investment Management Co., Ltd. (hereinafter referred to as "Siyuanhe Investment") can actually control Siyuanhe Fund and Changshou Iron & Steel, and is thus the actual controller of Changshou Iron & Steel and the Company.

6 *Control of the Company by de facto controllers by way of trust or other means of asset management*

Applicable Not applicable

(III) Other explanation regarding the controlling shareholder and the de facto controller

Applicable Not applicable

V. OTHER CORPORATE SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR ABOVE

Applicable Not applicable

VI. EXPLANATION ON REDUCED SHAREHOLDING

Applicable Not applicable

Section VII Related Information of Preferred Shares

Applicable

Not applicable

Section VIII Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period

Applicable Not applicable

Unit: Share

Name	Title (Note)	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding			Reason for changes in shareholding	Total remuneration before tax received from the Company during the Reporting Period	Whether received remuneration from the related parties of the Company
						at the beginning of the year	Shareholding at the end of the year	Increase/Decrease in shareholding during the year			
Zhou Zhu Ping	Chairman Vice Chairman and	M	55	29 January 2018	May 2018	0	0	0 /		0	Yes
Li Yong Xiang	General Manager	M	58	29 January 2018	May 2018	0	0	0 /		0	No
Tu De Ling	Vice Chairman	M	55	23 December 2015	May 2018	0	0	0 /		48.51	No
Zheng Jie	Director	M	44	29 January 2018	May 2018	0	0	0 /		0	Yes
Zhang Shuo Gong	Director	M	61	29 January 2018	May 2018	0	0	0 /		0	No
Hwang Yuhchang	Director (Independent)	M	63	29 January 2018	May 2018	0	0	0 /		0	No
Xu Yi Xiang	Director (Independent)	M	44	4 December 2014	May 2018	0	0	0 /		7.36	No
Xin Qing Quan	Director (Independent)	M	43	4 December 2014	May 2018	0	0	0 /		7.36	No
Wong Chun Wa	Director (Independent)	M	44	4 June 2015	May 2018	0	0	0 /		7.36	No
Xiao Yu Xin	Chairman of the Supervisory Committee	M	56	29 January 2018	May 2018	0	0	0 /		0	Yes
Lu Jun Yong	Supervisor	M	45	29 January 2018	May 2018	0	0	0 /		0	Yes
Yin Dong	Supervisor	M	43	29 January 2018	May 2018	0	0	0 /		0	Yes
Xu Chun	Supervisor Representing Staff	M	45	1 November 2016	May 2018	0	0	0 /		38.38	No
Jia Zhi Gang	Supervisor Representing Staff	M	49	21 August 2017	May 2018	0	0	0 /		12.20	No
Li Ren Sheng	Deputy General Manager	M	54	30 November 2017	/	0	0	0 /		0	No
Lv Feng	Deputy General Manager	M	39	30 November 2017	/	0	0	0 /		0	No
Yu Hong	Secretary to the Board	F	51	30 November 2017	/	0	0	0 /		0	No
Liu Da Wei	Resigned Chairman	M	55	23 December 2015	29 January 2018	0	0	0 /		0	Yes
Zhou Hong	Resigned Director	M	56	16 May 2014	29 January 2018	0	0	0 /		0	Yes
Li Ren Sheng	Resigned Director and General Manager	M	52	1 June 2009	29 January 2018	0	0	0 /		54.89	No

Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

(I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Title <i>(Note)</i>	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding at the beginning of the year	Shareholding at the end of the year	Increase/ Decrease in shareholding during the year	Reason for changes in shareholding	Total remuneration before tax received from the Company during the Reporting Period	Whether received remuneration from the related parties of the Company
										(RMB'000)	
Zhang Li Quan	Resigned Director and Deputy General Manager	M	54	16 May 2014	29 January 2018	0	0	0 /	/	46.55	No
Yao Xiao Hu	Resigned Director and Deputy General Manager	M	51	4 December 2014	29 January 2018	0	0	0 /	/	45.25	No
Xiao Tong	Resigned Chairman of the Supervisory Committee	M	52	13 June 2013	29 January 2018	0	0	0 /	/	55.05	No
Li Zheng	Resigned Supervisor	M	56	18 August 2010	29 January 2018	0	0	0 /	/	0	Yes
Xie Chuan Xin	Resigned Supervisor	M	48	13 December 2015	5 September 2017	0	0	0 /	/	0	Yes
Chen Hong	Resigned Supervisor Representing staff	F	53	1 June 2009	21 August 2017	0	0	0 /	/	12.70	No
Zeng Jing	Resigned Deputy General Manager	M	55	19 March 2014	29 November 2017	0	0	0 /	/	41.47	No
You Xiao An	Resigned Secretary to the Board	M	53	23 January 2001	29 November 2017	0	0	0 /	/	41.63	No
Tu De Ling	Resigned Financial Controller	M	55	23 December 2015	13 February 2018	0	0	0 /	/	/	Yes
Total	/	/	/	/	/	0	0	0 /	/	418.71	/

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Zhou Zhu Ping	<p>born in March 1963, is a senior accountant. He currently serves as the chairman and secretary of the Party Committee of Chongqing Iron & Steel Company Limited, the chairman and general manager of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司), a director and CEO of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司) and the chairman of investment decision making committee of Siyuanhe (Shanghai) Steel Industry Equity Investment Fund (四源合(上海)鋼鐵產業股權投資基金). Mr. Zhou previously served as the secretary to the board of directors of Baoshan Iron & Steel Co., Ltd., general manager of Baosteel Group Enterprise Development Corporation, president of Baosteel Development Co. Ltd., the chairman of Baosteel Finance Co., Ltd., deputy general manager of Ouyeel Co., Ltd., deputy general manager of Baosteel Group Corporation and chairman of Baosteel Metal Co., Ltd., secretary of the Party Committee of the financial system of China Baowu Steel Group Corporation, the chairman of Fortune Investment Co., Ltd. and the chairman of the 8th session of the supervisory committee of China Pacific Insurance (Group) Co., Ltd. Mr. Zhou has extensive experience in corporate governance, corporate management, capital operation, corporate finance and accounting, funds management, cost management and capital budget management. Mr. Zhou graduated from Zhejiang College of Metallurgical Economics in 1982.</p>
Li Yong Xiang	<p>born in October 1960, is a senior engineer. Mr. Li currently serves as the vice chairman, general manager and deputy secretary to the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Li successively served as the deputy plant director, plant director and secretary of Party Committee of the smelting plant of Meishan Metallurgical Company; a director and the deputy general manager of Shanghai Meishan (Group) Company; a director, the deputy general manager and the general manager of Meishan Company of Baosteel Group; and a director, the general manager and the chairman of Meishan Iron & Steel Company of Baosteel. Mr. Li served as the deputy general manager of Baosteel and the chairman of Meishan Iron & Steel Company from 2008 to 2016. Since October 2016, he has served as a director and the chief executive officer of B.M. Holding (Group) Co., Ltd. Mr. Li has rich experience in production, operation and organization of iron and steel enterprises. Mr. Li graduated from Northeastern University in 1982. From August 1996 to February 1997, he studied at the Department of Business Administration at West Virginia State University, the United States, as a visiting scholar; in 2001, he was awarded the degree of EMBA by China Europe International Business School; in 2003, he obtained the master's degree in metallurgical engineering from Northeastern University.</p>

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Tu De Ling	<p>born in January 1963, is the vice chairman of Chongqing Iron & Steel Company Limited. Mr. Tu graduated from the Department of Accounting of the South-western University of Finance and Economics in 1984 with a bachelor's degree in economics. Mr. Tu joined Chongqing Iron & Steel Group in 1988 and successively served as the deputy head of the financial division of the Company, head of the Financial Division and chief accountant of the Company, chairman of Chongqing Iron & Steel Electronic Company (重鋼電子公司), the commander of the environmental relocation headquarters and a director of the finance department of Chongqing Iron & Steel Group, the chairman of Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司), and the financial controller of the Company.</p>
Zheng Jie	<p>born in October 1974, is a registered holder of CFA. He currently serves as the chairman of Chongqing Iron & Steel Company Limited, a director of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司), the managing director of Siyuanhe (Shanghai) Steel Industry Equity Investment Fund (四源合(上海)鋼鐵產業股權投資基金), and a principal of WL Ross & Co. LLC responsible for sourcing, structuring, evaluating and managing investments across a range of industries. Mr. Zheng joined WL Ross in 2009. Since then he has predominantly focused on investments in chemicals and industrials, energy, financial services, metals and mining, and transportation. He currently serves as the senior advisor of the Management Committee for Huaneng Invesco WLR Clean Energy Fund and Solar Industry Investment Fund. Mr. Zheng has more than 15 years of principal investing experience. Prior to joining WL Ross & Co., Mr. Zheng was an associate at Fore Research & Management, a hedge fund focusing on credit and distressed investments. From 1998 to 2001, he worked at the Asset Management Division of Everbright Securities in China, investing in domestic equity market. Mr. Zheng earned his B.S. in Thermal Power Machinery and Installation from Shanghai Jiao Tong University, and his M.B.A. in Analytical Finance and Accounting from The University of Chicago.</p>

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Zhang Shuo Gong	born in August 1957, is a senior engineer and a director of Chongqing Iron & Steel Company Limited. Mr. Zhang successively served as the department head of the engineering and technology department of Baoshan Iron & Steel Company Limited, the deputy general manager of Baosteel Engineering & Technology Group Co., Ltd., an executive director and the general manager of Shanghai Baosight Software Co. Ltd. and a director of Shanghai Baosight Software Co. Ltd. Mr. Zhang has rich experience in production, management and operation of iron and steel enterprises. Mr. Zhang graduated from Tongji University with a bachelor's degree in industrial electrical automation technology in 1982.
Hwang Yuhchang	born in January 1955, American, is an independent director of Chongqing Iron & Steel Company Limited, OPPLE and Baoshan Iron & Steel Company Limited and a professor at China Europe International Business School (CEIBS). Before joining CEIBS, Mr. Hwang served as a teacher at Arizona State University and the Katz Graduate School of Business, University of Pittsburgh in the United States. His research interests include management accounting, strategic cost management, incentive mechanism design and performance measurement. In his teaching career of 16 years at Carey School of Business and 8 years at University of Pittsburgh, Professor Hwang mainly offered MBA programs for masters of business administration, special EMBA programs for executives and management accounting research programs for doctoral students. From 2009 to 2012, Mr. Hwang served as the head teacher of the doctoral program at the School of Accountancy of Arizona State University and acted as the thesis supervisor for approximately 20 doctoral students. Prior to joining the W.P. Carey School of Business of Arizona State University, he was elected as the secretary general of the management accounting section of the American Accounting Association for 2007–2009. Mr. Hwang graduated from Cheng-Chi University, Taiwan with a master's degree in 1979 and from UC Berkeley, America with a doctoral degree in 1987.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Xu Yi Xiang	born in February 1974, is an independent director of Chongqing Iron & Steel Company Limited and a professor and doctorate tutor in the School of Economics of Southwest University of Political Science and Law. He is the deputy director of the Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law, and concurrently serves as a part-time lawyer at Beijing Dentons Law Offices, LLP (Chongqing) (北京大成(重慶)律師事務所) as well as an arbitrator of Hainan Arbitration Commission. Mr. Xu graduated from The Eberhard Karls Universitat Tubingen of Germany, and obtained a PhD in Law. He is engaged in the research and practical works of the economic and environmental protection laws and policies for a long time, and has hosted various national and other level research projects. His academic papers have been published in several domestic and foreign renowned academic journals. Mr. Xu has extensive experience in corporation, environmental laws and practical operations. Mr. Xu was elected as an independent non-executive director of the Company at the 2014 annual general meeting on 4 June 2015.
Xin Qing Quan	born in August 1975, is an independent director of Chongqing Iron & Steel Company Limited, a professor of accounting and a doctoral tutor in the School of Economics and Business Administration in Chongqing University and head of the Department of Accounting of Chongqing University, Young Changjiang Scholar of 2016 selected by the Ministry of Education, a special researcher of Chinese Government Auditing Research Center (中國政府審計研究中心), and an external director of Chongqing International Consultation Investment Group (重慶國際諮詢投資集團). Mr. Xin graduated from Sun Yat-sen University with a doctoral degree in accounting. He is mainly engaged in the research of financial accounting and corporate management. Mr. Xin was elected as an independent non-executive director of the Company at the 2014 annual general meeting on 4 June 2015.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Wong Chun Wa	<p>born in June 1974, is an independent director of Chongqing Iron & Steel Company Limited, a director of ACT Business Consultants Ltd. and RIW C.P.A. Limited, and an independent non-executive director of China Zhongwang Holdings Limited (stock code of shares listed in Hong Kong: 1333). Mr. Wong received a bachelor's degree in accounting from the Hong Kong Polytechnic University in 1996. Mr. Wong is a certified public accountant in Hong Kong and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wong once worked at KPMG and Ernst & Young, and was an independent non-executive director and a supervisor of Maanshan Iron & Steel Company Limited. Mr. Wong was elected as an independent non-executive director of the Company at the 2014 annual general meeting on 4 June 2015.</p>
Xiao Yu Xin	<p>born in October 1962, currently serves as the chairman of the Supervisory Committee, deputy secretary to the Party Committee and secretary to the Disciplinary Committee of Chongqing Iron & Steel Company Limited, a supervisor of Chongqing Changshou Iron & Steel Company Limited and the general manager in charge of post-investment management of Siyuanhe Equity Investment Management Co., Ltd. Mr. Xiao once served as the head of the operation improvement department and marketing director of Shanghai Baosight Software Co. Ltd., informatization manager and person in charge of administrative expenses check-up and improvement project group of Baosteel Group, and a manager at director level of the strategic management department of Baosteel Corporation, etc. Mr. Xiao graduated from the Thermophysical Engineering Department of Zhejiang University with a bachelor degree in cryogenic engineering and subsequently pursued a master's degree in management engineering at the University of Science and Technology Beijing. From 1987 to 1996, he taught at the University of Science and Technology Beijing and subsequently served as a teaching assistant, lecturer, deputy director and associate professor of the Department of Management. From 1996 to 2000, he was dispatched to Keele University in the United Kingdom with the sponsorship from the government for cooperative research and a doctoral degree; and later successfully obtained a doctoral degree (during this period, he remained as an associate professor at the Department of Management of the University of Science and Technology Beijing). From 2000 to 2003, he served as a senior lecturer at the Business School of the University of Sunderland in the United Kingdom. From 2003 to 2007, he served as a senior lecturer of management at the Business School of University of Aberdeen (during this period, he was elected as a professor of School of Humanity Science and Law, University of Science and Technology Beijing in September 2006).</p>

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Lu Jun Yong	born in November 1973, currently serves as a supervisor of Chongqing Iron & Steel Company Limited, a director and a deputy general manager of Chongqing Changshou Iron & Steel Company Limited, a deputy general manager and chief risk officer of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司), and an executive director and a member of the investment decision making committee of Siyuanhe (Shanghai) Steel Industry Equity Investment Fund (四源合(上海)鋼鐵產業股權投資基金). Mr. Lu previously served as the vice president, a member of the executive committee and of the investment review committee, and the person in charge of legal affairs of Golden Concord Group Holdings Limited (協鑫(集團)控股有限公司), the second largest new energy company in the world; the vice president and the person in charge of legal affairs of Hywin Financial Holding Group Co., Ltd. (上海海銀金融控股集團有限公司), one of the top three wealth management companies in the PRC; head of the department of legal affairs of Baoshan Iron & Steel Company Limited; and deputy head (in charge of work) of the legal affair department and the head of the litigation management office and contract management office of Baosteel Group Corporation (寶鋼集團有限公司). Mr. Lu Jun Yong obtained a bachelor's degree in law (orientation of international economic law) from East China University of Political Science and Law in 1996 and a master's degree in law (orientation of international economic law) from Shanghai University of International Business and Economics in 2005. He has passed National Bar Examination (全國律師資格考試) in 1996 and the National Practice Qualification Examination for enterprise legal advisers (全國企業法律顧問職業資格考試) in 1998.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Yin Dong	<p>born in November 1975, currently serves as a supervisor of Chongqing Iron & Steel Company Limited, a director and the deputy general manager of Chongqing Changshou Iron & Steel Company Limited and the general manager (in charge of finance) of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司). Mr. Yin once served as the chief financial officer in Shanghai Yuesheng Economic Development Co., Ltd. (上海月盛經濟發展有限公司) and took the full responsibility for the finance-related work of the company; and successively served as a manager at senior director level of the Finance Department, the chief financial officer of segments, and the head of audit and supervision department of Baosteel Metal Company Limited (寶鋼金屬有限公司). In addition, he successively hold concurrent posts as a supervisor of Baosteel Metal, the deputy general manager of Jiangsu Baosteel Precision Steel Wire Co., Ltd. (江蘇寶鋼精密鋼絲有限公司), and a supervisor of Baosteel Packaging Company Limited (寶鋼包裝) (an A-shares listed company), Wanbaojing Auto Parts (Guangzhou) Company Limited (廣州萬寶井汽車部件有限公司), Wanbaojing Auto Parts (Wuhan) Company Limited (武漢萬寶井汽車部件有限公司), Nanjing Baori Steel Wire Co., Ltd. (南京寶日鋼絲有限公司) and Shanghai Baocheng Steel Structure Co., Ltd. (上海寶成鋼結構公司). He once served as the chief financial officer of Niagara Machinery Products Co., Ltd. (尼亞加拉機械製品有限公司) (an overseas joint-venture subsidiary of Baosteel in Canada) and was fully responsible for the financial affairs of the company. Mr. Yin Dong obtained a bachelor's degree in management engineering from East China University of Science and Technology and an EMPAcc degree from Shanghai National Accounting Institute/The Chinese University of Hong Kong.</p>

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Xu Chun	born in September 1973, Mr. Xu graduated from the College of Materials Science and Engineering of Chongqing University, majoring in metallurgy engineering with a master's degree in engineering. He holds the title of engineer. Mr. Xu currently serves as an employee supervisor and the head of the Safety and Environmental Protection Department of Chongqing Iron & Steel Company Limited. Mr. Xu Chun joined the Company in July 1997 and successively served as the deputy director of the Party Committee office of Chongqing Iron & Steel Group; the secretary to the Party Committee, the secretary to the Disciplinary Committee and the chairman of the Labor Union of the Quality Department of the Company; the secretary to the Party Committee, the secretary to the Disciplinary Committee and the chairman of the Labor Union of the Smelting Plant of the Company; and the secretary to the Party Committee of Chongqing Steel under Chongqing Iron & Steel Group.
Jia Zhi Gang	born in February 1969, is a holder of a bachelor's degree and a senior political worker (高級政工師). He currently serves as an employee supervisor, member of the discipline inspection commission, director of office of the Supervisory Committee, and the head of the Supervision Department of the discipline inspection commission of Chongqing Iron & Steel Company Limited. Mr. Jia joined the Company in March 1991 and successively served as the chief of the Organization Section under the Organization Department of the Party Committee of Chongqing Iron & Steel Group, the deputy secretary to the Party Committee, the secretary to the Discipline Inspection Committee and the chairman of the Labor Union of the Iron and Steel Research Center of the Company, the secretary to the Party Committee, the secretary to the Discipline Inspection Committee and the chairman of the Labor Union of the profile steel plant of the Company, and the secretary to the Party Committee of Chongqing Steel under Chongqing Iron & Steel Group.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Li Ren Sheng	born in December 1964, is a senior engineer. Mr. Li served as a director and the general manager of the Company during the reporting period. Mr. Li resigned as the general manager of the Company due to work adjustment with effect from 29 November 2017. He submitted a resignation report to the Company on 11 December 2017, requesting to resign as a director of the seventh session of the Board and other relevant posts of the Company. The resignation report became effective on 29 January 2018. Mr. Li is currently the deputy general manager and member of the Party Committee of Chongqing Iron & Steel Company Limited. He joined the Company in 1987, and had been the deputy head of No. 4 Blast Furnace Workshop, the assistant to plant director and deputy plant director of Smelting Plant, the manager and chairman of Chongqing Iron & Steel Group Iron Company Limited, head of the Raw Materials Department and general manager and director of the Company. Mr. Li graduated from the Faculty of Chemical Metallurgy of Chongqing University and possessed a bachelor's degree.
Lv Feng	born in December 1979, is an accountant. He is currently a deputy general manager, chief financial officer (financial controller) and a member of the Party Committee of Chongqing Iron & Steel Company Limited. Mr. Lv had been the assistant budget analysis manager of the Finance Department of Baoshan Iron and Steel Co., Ltd., the comprehensive analysis manager dispatched to the Manufacturing Department, the comprehensive analysis manager of the Budget Team, the finance chief dispatched to the Smelting Plant; Mr. Lv was dispatched to Guangdong Baosteel Property Co., Ltd (廣東寶鋼置業有限公司) where he acted as the head of the Finance Department, deputy general manager and deputy general manager (in charge of work) from 2012 to 2017; he has been the deputy general manager (in charge of work) of the Assets Operation Center of Shanghai Baoland Property Co., Ltd (上海寶地置業有限公司) and the deputy general manager (in charge of work) of Guangdong Baosteel Property Co., Ltd since February 2017. Mr. Lv Feng graduated from the Accounting Department of the School of Management of University of Jinan in 2002. He also obtained a master's degree in accounting from Shanghai University of Finance and Economics through on-the-job education and EMBA degree in real estate from Sun Yat-sen University.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Yu Hong	born in March 1967, a senior economist. She currently serves as the secretary to the Board of Directors of Chongqing Iron & Steel Company Limited. Ms. Yu successively served as the securities affairs representative and the principal of office of board secretary of Baosteel; the general capital management operator of the finance department of Baosteel Group Corporation; and an English translator and secretary to the general manager of Baosteel International Trading Co., Ltd. (寶鋼集團國際貿易總公司). Besides, she had been a teacher in the Foreign Language Department of Anhui University and the general manager (administrative) of Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司). Ms. Yu Hong was responsible for corporate governance, compliance operation, matters concerning CSRC, CBRC and CIRC, information disclosure and investors relations management of Baosteel. She also participated, as a key team member, in the planning and implementation of capital operation projects of Baosteel in relation to substantial equity and bonds financing as well as merger and acquisition. Ms. Yu Hong obtained the degree of Bachelor of Arts in English and American linguistics from Anhui University, the MBA of Fudan University and the master degree in professional accounting from Chinese University of Hong Kong.
Liu Da Wei	served as the Chairman of the Company and the Chairman, secretary to and a member of the party committee of Chongqing Iron & Steel Group during the reporting period. Mr. Liu graduated from South-western University of Finance and Economics, majoring in political economy, with a PhD in economics. Mr. Liu joined the Chongqing Iron & Steel Group in 1987 and served as the leader of restructuring office of the Company, director assistant of the general manager office of Chongqing Iron & Steel Group, deputy head of the financial division of Chongqing Iron & Steel Group Industrial Company Limited (重鋼集團產業公司), director of Beijing Office of Chongqing Iron & Steel Group, secretary to the Board of the Company. Since 2000, Mr. Lin acted as the head of the enterprise guidance division of Chongqing Economic and Information Commission (重慶市經濟委員會企業指導處), leader of the restructuring team of Chongqing State-owned Enterprises Reform Office (重慶市國企辦改制組), head of the enterprise reform division of Chongqing State-owned Assets Supervision and Administration Commission (重慶市國資委企業改革處), deputy mayor of Jiangjin Municipal Government, Chongqing, member of the standing committee of district party committee and deputy head of Jiangjin District, Chongqing, and deputy director and a member of the party committee of Chongqing Finance Bureau. Mr. Liu was elected as a Director of the Company at the 2015 second extraordinary general meeting and concurrently appointed as the Chairman of the Company by the Board. Due to work adjustment, Mr. Liu submitted a resignation report to the Company on 11 December 2017 requesting to resign as a Director and Chairman of the 7th session of the Board of the Company, and the resignation report has taken effect from 29 January 2018.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Zhou Hong	served as a director of the Company and the deputy general manager, a member of the party committee, the chief engineer and the head of technology center of Chongqing Iron & Steel Group and the head of Chonggang Post doctoral Research Station (重鋼博士後科研工作站) during the reporting period. Mr. Zhou graduated from the University of Science and Technology Beijing with a master of engineering degree in iron and steel metallurgy and is a senior engineer. Mr. Zhou joined Chongqing Iron & Steel Group in 1983, and has served as the manager of the Smelting Plant of the Company, the vice chief engineer of Chongqing Iron & Steel Group as well as the chairman of Chongqing Xingang Handling and Transportation Company Limited, Xin Gang Chang Long Logistics Company Limited and Chongqing Iron & Steel (Group) Transportation Company Limited. Mr. Zhou was elected as a Director of the Company at the 2014 annual general meeting. Due to work adjustment, Mr. Zhou submitted a resignation report to the Company on 11 December 2017 requesting to resign as a Director of the 7th session of the Board of the Company, and the resignation report has taken effect from 29 January 2018.
Zhang Li Quan	served as a director and the deputy general manager of the Company during the reporting period. Mr. Zhang graduated from Kunming Institute of Technology majoring in nonferrous metallurgy and Chongqing University majoring in non-ferrous metal metallurgy. He holds a Master's Degree in Business Administration from Chongqing University and is a senior engineer. Mr. Zhang joined the Company in 1987, and has successively served as the deputy head of the Smelting Plant, head of the Sintering Plant and the director of the production and direction center of the Company. Mr. Zhang was elected as a Director of the Company at the 2014 annual general meeting. Mr. Zhang has resigned as the deputy general manager of the Company with effect from 29 November 2017 due to work adjustment. He also submitted a resignation report to the Company on 11 December 2017 requesting to resign as a Director of the 7th session of the Board of the Company, and the resignation report has taken effect from 29 January 2018.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Yao Xiao Hu	served as a director and the deputy general manager of the Company during the reporting period. Mr. Yao graduated from the School of Automation in Chongqing University, majored in control engineering and obtained a master's degree in engineering. He is a senior engineer. Mr. Yao joined the Company in 1987, and has successively served as the head of mechanics division and the deputy manager of the Coking Plant, the deputy chief and chief of mechanics department of the Company. Mr. Yao was elected as a Director of the Company at the 2014 annual general meeting. Mr. Yao has resigned as the deputy general manager of the Company with effect from 29 November 2017 due to work adjustment. He also submitted a resignation report to the Company on 11 December 2017 requesting to resign as a Director of the 7th session of the Board of the Company, and the resignation report has taken effect from 29 January 2018.
Xia Tong	served as the chairman of the supervisory committee, Party Secretary, Secretary of the disciplinary committee, and Chairman of the labour union of the Company during the reporting period. Mr. Xia graduated from Chongqing University and holds Master's Degree in Engineering. Mr. Xia is a senior engineer. Mr. Xia joined the Company in July 1987, and has successively served as director of the Party and Administration Office of the Company's Medium Plate Plant, party secretary, secretary of the disciplinary committee, and chairman of the labour union of the Company's Medium Plate Plant, secretary to the Board and head of the Managerial Office (Office of the Board of Directors) of the Company, party secretary of the Environmental Relocation Headquarters of the Company. Mr. Xia was re-elected as a Director of the Company at the 2011 annual general meeting held on 31 May 2012 and resigned as a Director of the Company due to work adjustment with effect from 2 April 2013. He was elected as a Shareholder Representative Supervisor of the Company at the 2012 annual general meeting. Due to work adjustment, Mr. Xia submitted a resignation report to the Company on 11 December 2017 requesting to resign as the chairman of the 7th session of the supervisory committee and a Shareholder Representative Supervisor of the Company, and the resignation report has taken effect from 29 January 2018.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Li Zheng	served as a supervisor of the Company and the director of office of the supervisory committee and the head of audit department of the Chongqing Iron & Steel Group during the reporting period. Mr. Li graduated from Sichuan Second Communist Party School by distance learning with a bachelor's degree in economics and trade (四川省二黨校函授經貿專業). He is a senior accountant. Mr. Li joined the Chongqing Iron & Steel Group in 1980 and acted as the head of audit department of the Chongqing Iron & Steel Group in May 2010, and served as the director of office of the supervisory committee at the Chongqing Iron & Steel Group in November 2011. He held positions as the assistant to the head of the Finance Office of the Chongqing Iron & Steel Group, the chief accountant of Chongqing Building Materials and Industry Co., Ltd. (重慶建材實業有限公司), the deputy head of the sales department and the secretary to the Party General Branch of the sales department of the Company as well as the deputy general manager of Chongqing Iron & Steel Mining Company (重慶集團礦業公司). Mr. Li was re-elected as a shareholder representative supervisor of the Company at the 2011 annual general meeting. Due to work adjustment, Mr. Li submitted a resignation report to the Company on 11 December 2017 requesting to resign as a Shareholder Representative Supervisor of the 7th session of the supervisory committee of the Company, and the resignation report has taken effect from 29 January 2018.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Xie Chuan Xin	served as a supervisor of the Company and the deputy secretary of the disciplinary committee and head of the supervision department of the Chongqing Iron & Steel Group during the reporting period. Mr. Xie graduated from the Department of Urban Construction of Chongqing Construction School (重慶建築工程學院), majoring in urban gas engineering with a master's degree in engineering. Mr. Xie joined the Company in 1992 and has successively served as the deputy secretary to the party committee, secretary to the disciplinary committee and chairman of the labour union of the Power Plant and Thermal Plant of the Company; head of organization division and deputy secretary to the disciplinary committee of the Company; secretary to the party committee, secretary to the disciplinary committee and chairman of the labour union of Chongqing Iron & Steel Group San Gang (Zhongxing) Company (重鋼集團三鋼(中興)公司) and Steel Pipe Company (鋼管公司); and deputy secretary to the disciplinary committee and head of the supervision division of Chongqing Iron & Steel Group. He concurrently serves as the chairman of the supervisory committee of the Construction Company (建設公司) and Chaoyang Company (朝陽公司) and a supervisor of No.4 Steel Company (四鋼公司). Mr. Xie was elected as a Shareholder Representative Supervisor of the Company at the 2015 second extraordinary general meeting. Mr. Xie has resigned as a Shareholder Representative Supervisor of the Company with effect from 5 September 2017 due to work adjustment.
Chen Hong	served as a supervisor and the head of the Logistics Management Department of the Company during the reporting period. Ms. Chen obtained a university diploma from the Logistical Engineering University of the Chinese People's Liberation Army. Ms. Chen joined the Company in 1984. Ms. Chen had been the deputy head and then the head of Design Office of the Design Institute, chief officer of Production and Operation Department of the Chongqing Iron & Steel Group and deputy head of the managerial office of the Company. Ms. Chen was re-elected as a Staff Representative Supervisor of the seventh session of the supervisory committee of the Company at the 22nd meeting of the third staff representative meeting for its group leaders of the Company. Due to work adjustment, Ms. Chen submitted a resignation report to the Company on 2 June 2017 requesting to resign as a Staff Representative Supervisor of the 7th session of the supervisory committee of the Company, and the resignation report has taken effect from 21 August 2017.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (CONTINUED)

- (I) Changes in shareholding and remuneration of current directors, supervisors, senior management and those who resigned during the Reporting Period (Continued)

Name	Major Working Experience
Zeng Jing	<p>served as the deputy general manager of the Company and the deputy head of the technology center of the Chongqing Iron & Steel Group during the reporting period. Mr. Zeng graduated from the Faculty of Metallic Materials of Chongqing University with a bachelor's degree. He is also a holder of master's degree in engineering and a senior engineer. Mr. Zeng joined the Company in 1985, and has served as the deputy director of the management division of the steel research institute under the Chongqing Iron & Steel Group, the head of the technology and trade management department, the director assistant and the deputy director of the steel research institute under the Company. Mr. Zeng was appointed as the Deputy General Manager of the Company as resolved at the eighth meeting of the sixth session of the Board. Mr. Zeng has resigned as a deputy general manager of the Company with effect from 29 November 2017 due to work adjustment.</p>
You Xiao An	<p>served as the secretary to the Board of the Company during the reporting period. Mr. You graduated from the Metallurgy and Materials Engineering Faculty of Chongqing University with major in chemistry and metallurgy. He has a bachelor degree in engineering and is now attending postgraduate courses in business management in Chongqing University. He holds the title of engineer. Mr. You joined the Company in 1985 and had worked as the head of the production section, the head of the General Office of Hengda, assistant to the head and the deputy head of the General Office of the Company and the head of the managerial office of the Company. Mr. You has resigned as the secretary to the Board of the Company with effect from 29 November 2017 due to work adjustment.</p>

Other explanations

Applicable Not applicable

- (II) Share option granted to Director and senior management during the Reporting Period

Applicable Not applicable

II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD

(I) Positions held at shareholders

Applicable Not applicable

Name	Name of shareholders	Position held at corporate shareholders	Starting date of the tenure	Ending date of the tenure
Zhou Zhu Ping	Chongqing Changshou Iron & Steel Company Limited	Chairman of the Board and General manager	October 2017	/
Xiao Yu Xin	Chongqing Changshou Iron & Steel Company Limited	Supervisor	October 2017	/
Lu Jun Yong	Chongqing Changshou Iron & Steel Company Limited	Director and Deputy general manager	October 2017	/
Yin Dong	Chongqing Changshou Iron & Steel Company Limited	Director and Deputy general manager	October 2017	/
Liu Da Wei	Chongqing Iron & Steel (Group) Co., Ltd.	Chairman of the Board, Secretary to and a member of the Communist Party Committee	July 2015	/
Zhou Hong	Chongqing Iron & Steel (Group) Co., Ltd.	Deputy general manager and a member of the Communist Party Committee	September 2011	/
Li Zheng	Chongqing Iron & Steel (Group) Co., Ltd.	Office Director of the Supervisory Committee and the Head of Audit Department	May 2010	/
Xie Chuan Xin	Chongqing Iron & Steel (Group) Co., Ltd.	Deputy Secretary to the Disciplinary Committee and the Head of Supervisory Department	July 2012	August 2017
Explanation of positions held at corporate shareholders	Chongqing Changshou Iron & Steel Company Limited is the current controlling shareholder of the Company and Chongqing Iron & Steel (Group) Co., Ltd. was the former controlling shareholder of the Company.			

II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD (Continued)

(II) Positions held at other entities

Applicable Not applicable

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Zhou Zhu Ping	Siyuanhe Equity Investment Management Co., Ltd.	CEO and director	July 2017	/
Zhou Zhu Ping	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund	Chairman of investment decision making committee	September 2017	/
Zhou Zhu Ping	China Pacific Insurance (Group) Co., Ltd.	Chairman of the supervisory committee	June 2017	January 2018
Zheng Jie	Siyuanhe Equity Investment Management Co., Ltd.	Director	July 2017	/
Zheng Jie	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund	Director and general manager	September 2017	/
Zheng Jie	WL Ross & Co. LLC	Principal	April 2009	/
Hwang Yuhchang	Opple Lighting Co., Ltd.	Independent director	May 2017	/
Hwang Yuhchang	Baoshan Iron & Steel Company Limited	Independent director	April 2012	/
Hwang Yuhchang	China Europe International Business School	Professor	April 2013	/
Xu Yi Xiang	School of Economic Law of Southwest University of Political Science and Law	Professor and doctorate tutor	February 2010	/
Xu Yi Xiang	Hainan Arbitration Commission	Arbitrator (part-time)	2013	/
Xu Yi Xiang	Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law	Deputy director	2013	/
Xu Yi Xiang	Chongqing Damei Law Firm (重慶達美律師事務所)	Part-time lawyer	April 2014	/

II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND THOSE WHO RESIGNED DURING THE REPORTING PERIOD (Continued)

(II) Positions held at other entities

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Xin Qing Quan	School of Economics and Business Administration of Chongqing University,	Professor and doctoral tutor	September 2013	/
Xin Qing Quan	Chinese Government Auditing Research Center (中國政府審計研究中心)	Special researcher	/	/
Xin Qing Quan	Department of Finance and Insurance of Lingnan University in Hong Kong	Senior assistant researcher	/	/
Xin Qing Quan	Chongqing International Consultation Investment Group (重慶國際諮詢投資集團)	External director	/	/
Wong Chun Wa	China Zhongwang Holdings Limited	Independent non-executive director	August 2008	/
Wong Chun Wa	Maanshan Iron & Steel Company Limited	Supervisor	August 2011	/
Wong Chun Wa	ACT Business Consultants Ltd.	Director	December 2006	/
Wong Chun Wa	RIW C.P.A. Limited	Director	/	/
Xiao Yu Xin	Siyuanhe Equity Investment Management Co., Ltd.	General manager in charge of post-investment management	August 2017	/
Lu Jun Yong	Siyuanhe Equity Investment Management Co., Ltd.	Deputy general manager and Chief risk officer	July 2017	/
Lu Jun Yong	Siyuanhe (Shanghai) Steel Industry Equity Investment Fund	Director and a member of the investment decision making committee	September 2017	/
Yin Dong	Siyuanhe Equity Investment Management Co., Ltd.	General manager (in charge of finance)	July 2017	/
Explanation of positions held in other entities	Nil			

III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not applicable

<p>Procedure for determining remunerations of directors, supervisors and senior management</p>	<p>The Remuneration Committee decides the remuneration plan for directors, supervisors and senior management for the next year.</p>
<p>Basis for determining remunerations of directors, supervisors and senior management</p>	<p>Remuneration for the Company's executive directors, the management and other senior management members is designed to be 4 to 10 times of the average salary of the employees, which have 0.7 to 1.0 times of difference for different persons. Remuneration for Supervisors is 3 to 8 times of the average salary of the employees, which have 0.8 to 1.0 times of difference for different persons. The remuneration of the above persons is determined based on basic salary and annual performance bonus and is paid strictly based on performance evaluation according to the Company's regulations.</p>
<p>Remunerations payable to directors, supervisors and senior management</p>	<p>For senior management, directors and supervisors who receive remuneration from corporate shareholders or other connected entities during this year, their annual remuneration shall be determined by the corporate shareholders or other connected entities. Total remunerations (before tax) actually received by and payable to Directors, Supervisors and senior management from the Company during this year amounted to RMB418,710,000.</p>
<p>Total remunerations actually received by all directors, supervisors and senior management at the end of the Reporting Period</p>	<p>RMB418,710,000.</p>

Section VIII Directors, Supervisors, Senior Management and Staff (Continued)

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not applicable

Name	Position	Change	Reason for change
Zhou Zhu Ping	Chairman	Election	Newly elected at the 2018 first extraordinary general meeting of the Company convened on 29 January 2018
Li Yong Xiang	Vice Chairman, General Manager	Election	Newly elected at the 2018 first extraordinary general meeting of the Company convened on 29 January 2018
Zheng Jie	Director	Election	Newly elected at the 2018 first extraordinary general meeting of the Company convened on 29 January 2018
Zhang Shuo Gong	Director	Election	Newly elected at the 2018 first extraordinary general meeting of the Company convened on 29 January 2018
Hwang Yuhchang	Independent director	Election	Newly elected at the 2018 first extraordinary general meeting of the Company convened on 29 January 2018
Xiao Yu Xin	Chairman of the Supervisory Committee	Election	Newly elected at the 2018 first extraordinary general meeting of the Company convened on 29 January 2018
Lu Jun Yong	Supervisor	Election	Newly elected at the 2018 first extraordinary general meeting of the Company convened on 29 January 2018
Yin Dong	Supervisor	Election	Newly elected at the 2018 first extraordinary general meeting of the Company convened on 29 January 2018
Jia Zhi Gang	Staff Representative Supervisor	Election	Newly elected at the 49th meeting of the third staff representative meeting for its group leaders of the Company on 21 August 2017.
Li Ren Sheng	Deputy General Manager	Appointment	Newly appointed on 30 November 2017
Lv Feng	Deputy General Manager/Chief Financial Officer (financial controller)	Appointment	Newly appointed as deputy general manager of the Company on 30 November 2017/Newly appointed as chief financial officer(financial controller) of the Company on 27 February 2018
Yu Hong	Secretary to the Board	Appointment	Newly appointed on 30 November 2017
Liu Da Wei	Chairman	Resigned	Work adjustment
Zhou Hong	Director	Resigned	Work adjustment
Li Ren Sheng	Director,General Manager	Resigned	Work adjustment
Zhang Li Quan	Director, Deputy General Manager	Resigned	Work adjustment
Yao Xiao Hu	Director, Deputy General Manager	Resigned	Work adjustment
Xia Tong	Chairman of the Supervisory Committee	Resigned	Work adjustment
Li Zheng	Supervisor	Resigned	Work adjustment
Xie Chuan Xin	Supervisor	Resigned	Work adjustment
Chen Hong	Staff Representative Supervisor	Resigned	Work adjustment
Zeng Jing	Deputy General Manager	Resigned	Work adjustment
You Xiao An	Secretary to the Board	Resigned	Work adjustment
Tu De Ling	Financial Controller	Resigned	Work adjustment

V. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

Applicable Not applicable

On 2 November 2016, the Company received the Disciplinary Action Decision Notice [2016] No. 47 from Shanghai Stock Exchange (SSE): Circularized Criticism Decision for Chongqing Iron & Steel Company Limited and Related Responsible Persons. The Company failed to disclose the performance preannouncement for the year 2015 carefully and accurately and announce risks fully as well as failed to disclose clarification announcement timely, which violated provisions including Rules 2.1, 2.6 and 11.3.3 of Stock Listing Rules of the Shanghai Stock Exchange (hereafter referred to as the “Stock Listing Rules”). The chairman Liu Da Wei, vice chairman and chief finance officer Tu De Ling, director and general manager Li Ren Sheng and secretary to the Board You Xiao An failed to be diligent and responsible and were liable for the Company’s action in violation. They violated Rules 2.2, 3.1.4, 3.1.5 and 3.2.2 of the Stock Listing Rules and commitment made in the Declaration and Undertaking of Directors (Supervisors or Senior Management). The Company and its chairman Liu Da Wei, vice chairman and chief finance officer Tu De Ling, director and general manager Li Ren Sheng and secretary to the Board You Xiao An were given circularized criticism.

Upon learning a lesson from this, the Company will standardize operation and conscientiously perform information disclosure obligations in strict accordance with the laws, regulations and provisions in the Stock Listing Rules; require its directors, supervisors and senior management to bear the obligations of fidelity and diligence, thus advancing standard operation as well as ensuring timely, fair, true, accurate and complete disclosure of all material information.

VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the Parent Company	6,582
Number of in-service employees of major subsidiaries	0
Total number of in-service employees	6,582
Number of retired employees for whom the Parent Company and major subsidiaries need to bear certain expenses	0

Structure of profession

Type of profession	Number of people
Production staff	5,374
Sales staff	50
Technical staff	395
Finance staff	35
Administrative staff	728
Total	6,582

Education background

Education level	Number of people
Doctor's degree	3
Master's degree	161
Undergraduate	898
Associate diploma	1,908
Polytechnic school level	513
Secondary technical school level and below	3,099
Total	6,582

VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES (Continued)

(II) Remuneration policy

Applicable Not applicable

Employees' remuneration refers to payments the Company makes to employees in cash for their work (i.e. wages of staff). Currently, employees' remuneration mainly comprises base salary or documentary salary, post salary, bonus, overtime wages and various types of allowances (including middle-and night-shift allowances, book and newspaper perks, and senior technician allowance).

The Company determines the system, method and level of salary payment within the approved total amount of salary based on the Company's economic benefits and status as well as appraisal results through collective negotiation or upon consideration and approval at the staff representative congress. The Company adopts a salary payment system which features a structured salary, and bases its salary payment on the following factors:

Economic benefits. The level of employees' salary is linked with and determined by and adjusted according to the Company's economic benefits.

Efficiency. Total salary level of each entity is linked with organizational performance and determined by efficiency, i.e. the amount actually paid will depend on the entity's fulfillment level of organizational performance.

Contribution. The difference in salary should be based on each entity's fulfillment of production and operation indicators and the level of salary is determined by each employee's post and contribution.

Fairness. The Company adheres to a policy of equal pay for equal work under the same salary system, giving the same pay to employees in the same working areas, of the same posts, under the same working conditions, with the same educational backgrounds, the same skills, contributions and performance.

The Company implements a minimum salary system, requiring all of its entities to provide a salary of not lower than the minimum salary standard prescribed by the local government for employees who offer normal labor in legitimate working time (including the trial period, probationary period, learning period and inspection period). The minimum salary does not include overtime wages and middle-and night-shift allowances.

VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES (Continued)

(III) Training program

Applicable Not applicable

The Company has put in place a multi-level and multi-type training system and formulated an annual training plan, providing internal and external staff training according to development needs to enhance employees' skills and business capability, which in turn will help the Company to improve production efficiency and optimize human resource structure. The Company's efforts for wide and in-depth staff education and training aim to create a learning enterprise and build up a team of high-caliber and innovative talents with an optimized structure and the ability to meet the Company's demand, which will ensure employees' career development and the Company's sustainable development.

According to the Company's production and operation requirements for the quality of staff members and based on its overall human resource planning, in the year 2017, centralized training, mentoring system and self-cultivation approaches were applied to the Company's employee training program in a bid to fully develop the employees' technical skills and further enhance the innovation abilities (in technical and management aspects) and technical abilities of those attending different functions. We carried out on-the-job cultivation activities such as general post training, on-the-job training and skills competitions. Meanwhile, seminars and exchanges related to technology advance, job skill demonstration, post consultation and collaboration and case study were held to provide guidance for young employees to actively participate in tackling technical problems as well as technical and management innovation so that the Company could create a large talent pool of high-level technicians and management personnel.

(IV) Outsourcing

Applicable Not applicable

VII. OTHERS

Applicable Not applicable

Section IX Corporate Governance

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE

Applicable Not applicable

The Company established a comprehensive legal person governance system and operated an effective internal control system in strict compliance with the relevant requirements of the Companies Law, Securities Law and relevant requirements of CSRC and the required regulatory standards as required by the regulatory documents such as the Listing Rules of the Stock Exchange.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix X 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 whole year ended 31 December, 2017.

To the best of knowledge of the board of directors (the “Board”), the Company had complied with the requirements of the “Corporate Governance Code”, Appendix XIV 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.

As the Company was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), it shall comply with the requirements of the Code of Corporate Governance for Listed Companies of CSRC and the Corporate Governance Code of the Stock Exchange in respect of corporate governance practices besides applicable laws and regulations.

The Company firmly believes that the adherence to good corporate governance principles, the enhancement of the transparency and independence of operations and the establishment of an effective accountability system will help ensure the Company’s steady development and increase of shareholders’ value. During the Reporting Period, the Company’s actual governance status had no difference from the requirements of the Code of Corporate Governance for Listed Companies.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

1. Shareholders and shareholders' general meeting: The Company convenes, gives notices of and holds general meetings in strict compliance with the relevant requirements of the Company Law, the Articles of Association and the Rules of Procedure for General Meetings. The Company retains lawyers to witness the meetings and issue legal opinion, listens to shareholders' opinions and suggestions to ensure that shareholders, minority shareholders in particular, have equal status and that shareholders have and exercise lawful rights conferred by laws, regulations and the Articles of Association. During the Reporting Period, the Company held the 2016 annual general meeting, and adopted on-site and online voting for this meeting. The convening and holding of and the voting process at the meeting were in compliance with the relevant requirements of the Company Law and other laws and regulations as well as the Articles of Association. The 2016 annual report, continuing connected transactions, amendments to the Articles of Association, amendments to the Rules of Procedure for the Board and other matters were considered and approved at the general meeting with a view to protecting the lawful rights and interests of all shareholders.
2. Controlling shareholder and the listed company: The Company is completely separate from the controlling shareholder in terms of business, staff, organization and finance. The Company is a self-sustaining entity operating independently. The Company's controlling shareholder exercises shareholder's rights in strict compliance with the relevant requirements of the Company Law and the Articles of Association without overriding the general meetings to directly or indirectly intervene in the Company's production and operation and important decision-making. At the end of the Reporting Period, none of the Company's capital and assets was appropriated by its substantial shareholders.
3. Directors and the Board: The Company has established systems including the Rules of Procedure for the Board and the Working Rules for Special Committees of the Board according to the relevant laws, regulations and the Articles of Association. The Board of the Company strictly follows the review process for significant events within its authority pursuant to the relevant requirements and earnestly executes the resolutions of general meetings. Special committees separately convened meetings in light of their respective responsibilities, putting forward advice and recommendations regarding the Company's development strategy, material capital operation, remuneration and appraisal of senior management, which effectively promoted the Board's standardized operation and scientific decision-making.

During the Reporting Period, the Board of the Company consists of nine members, including 3 independent directors, 2 of whom are professional accountants. The Board has 4 special committees, namely the Strategy Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee. The composition of the Board and special committees is in compliance with the requirements of the Guidance on Establishment of the Independent Director System in Listed Companies.

Section IX Corporate Governance (Continued)

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

4. Supervisors and the Supervisory Committee: Presently, the Supervisory Committee comprises 5 members including 2 supervisors representing staff. The composition of the Supervisory Committee is in compliance with the relevant requirements of the Company Law and other laws and regulations. The Supervisory Committee earnestly performs its prescribed duties according to the Articles of Association and the Rules of Procedure of the Supervisory Committee and monitors the Board's standardized operation, the Company's financial system and operation, the legitimacy and compliance of duty performance by the Company's directors and senior managements.
5. Information disclosure and transparency: The Company strictly implements the Rules for Information Disclosure Management, specifies the person responsible for information disclosure to ensure the truthfulness, accuracy, timeliness and completeness of information disclosure, and treats all shareholders fairly to ensure equal right to know.
6. Establishment of internal control system: The Board authorizes the internal control (audit) office to take charge of the implementation of internal control assessment and to assess the high-risk areas and units within the scope of the assessment. The internal control (audit) office carries out comprehensive evaluation on effectiveness of the implementation of internal control including internal environment, risk assessment, control measures, information and communication and internal oversight according to the basic standards and supporting guidelines issued by the five national ministries and commissions as well as relevant laws and regulations and the Articles of Association, based on the actual situation of the Company. In carrying out internal control measures, the Company built an internal control leading group with the Chairman of the Board as the group leader and an internal control working group with the vice chairman of the Board as the group leader. All relevant management departments of the Company designated internal control commissioners to enhance internal control efforts. Meanwhile, the Company engaged Pan-China Certified Public Accountants (Special General Partnership) to conduct independent audit on the effectiveness of the Company's internal control.

During the Reporting Period, the Company also strove to establish an effective risk assessment procedure, specifying the working process and methods for collecting, identifying, analyzing and evaluating risk information. The Company set the standards for risk rating, which requires analysis and sorting of identified risks according to the possibility and magnitude of influence of risks by using both qualitative and quantitative approaches. The Company determined risks worthy of high attention and prioritized control and made clear corresponding reporting process and reporting requirements, to enhance risk prevention abilities and assure the achievement of strategic development goals.

The Company came up with and improved corresponding control measures based on the risk assessment results through combination manual and automatic control as well as preventive and after detection control to maintain risk control within tolerable bounds. Control measures usually include control on separation of incompatible posts, authorization approval, accounting system, property protection, budget, operation analysis and performance appraisal, etc.

Section IX Corporate Governance (Continued)

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE (CONTINUED)

7. Insider registration management: In accordance with the Notice on Furtherance of Relevant Work Regarding Information Insider Registration and Management (Yu Zheng Jian Fa [2011] No. 279) issued by Chongqing Securities Regulatory Bureau on 8 November, 2011, the Company amended and improved the Information Insider Management System formulated in April 2010. During the Reporting Period, the Company did well in the management of regular reporting and confidentiality, registration, disclosure, filing of insider information such as the material assets reorganisation and insiders in strict accordance with the above requirements, effectively guarding the principle of fairness in information disclosure. During the Reporting Period, the Company had no inside information leakage or insider transactions.

Does Corporate governance significantly deviate from relevant CSRC provisions? If so, please explain the reason.

Applicable Not applicable

II. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions
2016 Annual General Meeting	15 June, 2017	Announcement on Resolutions of Annual General Meeting of 2016 (Ann. No.: 2017-057) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn)	16 June, 2017

Explanation on shareholders' meeting

Applicable Not applicable

The 2016 Annual General Meeting of the Company was convened by the Board of the Company and presided by the chairman Mr. Liu Da Wei. The convening of and the procedures for holding the meeting and the voting procedures at the meeting were in compliance with the relevant requirements of the Company Law and other laws and regulations as well as the Articles of Association of the Company.

Section IX Corporate Governance (Continued)

III. DUTY PERFORMANCE OF DIRECTORS

(I) Directors' attendance of Board meetings and general meetings

Name of director	Independent director or not	Number of Board meetings	Attendance of Board meetings				Absence	Whether failed to attend 2 consecutive meetings in person	Attendance of general meetings
			Attendance in person	Attendance via communication	Attendance by proxy	Number of general meetings attended			
Liu Da Wei	No	4	2	0	2	0	Yes	1	
Zhou Hong	No	4	4	0	0	0	No	1	
Tu De Ling	No	4	4	0	0	0	No	1	
Li Ren Sheng	No	4	4	0	0	0	No	1	
Zhang Li Quan	No	4	4	0	0	0	No	1	
Yao Xiao Hu	No	4	4	0	0	0	No	1	
Xu Yi Xiang	Yes	4	2	2	0	0	No	1	
Xin Qing Quan	Yes	4	2	2	0	0	No	1	
Wong Chun Wa	Yes	4	1	3	0	0	No	1	

Explanations on failure to attend 2 consecutive meetings in person

Applicable Not applicable

Mr. Liu Da Wei, the then chairman of the Company, failed to attend the 9th and 10th meetings of the Seventh Session of the Board in person due to busy business arrangements, and had entrusted the vice chairman Mr. Tu De Ling to exercise the voting right on his behalf at both meetings.

Number of Board meetings during the year	4
Including: number of physical meetings	1
number of virtual meetings	0
number of meetings by both physical and virtual means	3

(II) Objections raised by independent Directors in respect of relevant matters of the Company

Applicable Not applicable

(III) Others

Applicable Not applicable

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED

Applicable Not applicable

(I) Work of the Nomination Committee

In 2017, the Nomination Committee of the Board of the Company duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Association and Rules of Procedure for the Nomination Committee.

The third meeting of the second session of the Nomination Committee was convened at the No. 1 Conference Room, 4/F, the Management Building of the Company, by way of communication at 10:00 a.m. on 25 December, 2017. All of the 3 members attended the meeting. The meeting was convened by Mr. Liu Da Wei, the chairman. The notice for the meeting was dispatched on 18 December, 2017, and relevant information to be considered at the meeting was submitted to all members. The following resolutions were formed upon the earnest consideration by the members attending the meeting:

1. *Recommendations about the size and structure of the Board:*

In 2017, the members and structure of the Board of the Company were adjusted after the completion of the judicial reorganisation. We are of the opinion that, the size and composition of the Board after the adjustment are more proper and in line with relevant requirements on standardized governance.

2. *Identifying, vetting and recommending the candidates for directors and senior management:*

- (1) The occupations, education backgrounds, titles and specific work experience of Mr. Li Yong Xiang, Mr. Li Ren Sheng, Mr. Lv Feng and Ms. Yu Hong met the qualifications for the general manager, deputy general manager and secretary to the Board in accordance with the Company Law, Articles of Association and relevant laws and regulations.
- (2) As the candidates for directors of the Company, Mr. Zhou Zhu Ping, Mr. Li Yong Xiang, Mr. Zheng Jie, Mr. Zhang Shuo Gong and Mr. Hwang Yuhchang met the requirements for their respective posts in terms of education backgrounds, specialized knowledge, skills, management experience and current health conditions and had the corresponding qualifications and conditions for discharging their duties according to the Company Law and other relevant laws, regulations and rules.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(II) Work of the Remuneration and Evaluation Committee

In 2017, the Remuneration and Evaluation Committee of the Board of the Company duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Association and Rules of Procedure for the Remuneration and Evaluation Committee.

The third meeting of the fifth session of the Remuneration and Evaluation Committee was convened at the No. 1 Conference Room, 4/F, the Management Building of the Company, by way of communication at 10:00 a.m. on 28 December, 2017. All of the 4 members attended the meeting. The meeting was convened by Mr. Xu Yi Xiang, the chairman. The following resolutions were formed at the meeting:

The remuneration actually paid to the senior managements of the Company in 2017 was in line with the remuneration package designed at the beginning of the year, namely, the remuneration for the Company's executive Directors, the managements and other senior management members in 2017 was designed to be 4 to 10 times of average salary of the employees, which have 0.7 to 1.0 times of difference for different persons; remuneration for Supervisors is 3 to 8 times of average salary of the employees, which have 0.8 to 1.0 times of difference for different persons. The remuneration of the above persons is determined based on basic salary and annual performance bonus and is paid strictly based on performance evaluation according to the Company's regulations.

(III) Work of the Strategy Committee

In 2017, the Strategy Committee duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Association and Rules of Procedure for the Strategy Committee.

During the Reporting Period, the Strategic Committee focused on the Company's material development strategy and strictly implemented relevant decision-making procedures. On 2 May, 2017, the Company convened the third meeting of the fifth session of the Strategic Committee. All of the 6 members attended the meeting. The meeting was convened by Mr. Liu Da Wei, the chairman, and relevant information to be considered at the meeting was submitted to all members.

The Proposal for Termination of Material Assets Reorganisation was considered and approved at the meeting, pursuant to which, the material assets reorganisation was approved to be terminated for various reasons, by investigating on an all-round basis, earnestly seeking the opinions of and communicating adequately with all related parties and to protect the interests of the Company and all shareholders, an investors briefing session shall be convened as soon as possible, and a submission shall be made to the Board of the Company for decision making.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(IV) Work of the Audit Committee

According to the relevant provisions of CSRC and Shanghai Stock Exchange, Work Rules for Audit Committee under the Board, the Rules of Procedure on Annual Report for Independent Directors, and the Work Procedures for the Review of Annual Financial Report by Audit Committee under the Board, the Audit Committee duly and proactively performed its duties with diligence in 2017. The performance of relevant work by the Audit Committee in 2017 is reported as follows:

1. *General status of Audit Committee of the Board*

In 2017, the Audit Committee of the Board of the Company comprises of 3 independent non-executive directors, among which, the convener was performed by an independent director who has professional accounting qualification.

2. *Meetings convened by the Audit Committee of the Board*

During 2017, a total of 2 meetings were convened by the Audit Committee of the Board of the Company:

The fifth meeting of the sixth session of the Audit Committee of the Board was held by the Company on 30 March, 2017, and the following resolutions were made: (1) the 2016 audited financial report of the Company was approved; (2) the connected transactions conducted by the Company in 2016 were confirmed; (3) the 2016 self-evaluation report of the Company on internal control was approved; (4) the implementation plan for the internal control standards of the Company in 2017 was approved; (5) the 2016 internal audit report and the 2017 internal audit plan of the Company were approved; (6) the 2016 internal control audit report of the Company was approved; (7) the summary of major matters (including key audit matters) identified by Pan-China Certified Public Accountants (Special General Partnership) when auditing the 2016 financial statements and internal control of the Company was discussed; (8) the final report for 2016 financial statements and internal control prepared by Pan-China Certified Public Accountants (Special General Partnership) was approved and submitted to the Board for consideration; (9) the reappointment of Pan-China Certified Public Accountants (Special General Partnership) as the auditors for Company's 2017 financial and internal control was proposed and submitted to the Board for consideration.

The sixth meeting of the sixth session of the Audit Committee of the Board was held by the Company on 30 August, 2017, at which the Company's unaudited interim financial report for 2017 was considered and approved; the Company's semi-annual reports and summary for 2017 were considered and approved; and the proposal for the changes to the Company's accounting policies was considered and approved, and such proposals were submitted to the Board for consideration.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(IV) Work of the Audit Committee (Continued)

3. *Performance of relevant work by the Audit Committee of the Board of the Company*

(1) Communication with external auditor

In accordance with the relevant provisions, the independent directors of the Company communicated with the certified public accountants responsible for the annual audit (the "CPAs") in respect of the audit of financial statements and internal control prior to the commencement of annual audit by the auditor, and recorded the opinions in writing.

Upon the commencement of audit by CPAs for annual audit, the Audit Committee of the Board communicated and exchanged opinions with the CPAs for annual audit about the problems found out during the auditing and consulted with them for the submitting time of the auditors' report. After the auditor issued the preliminary audit opinion and before the Company convenes a Board meeting to consider the annual report, the Audit Committee communicated with CPAs for annual audit in respect of the preliminary audit opinion, and recorded the opinions in writing.

(2) Reviewing the Company's financial statements

After listening to the report on financial position and operating results for the year by the financial controller of the Company, the Committee carefully reviewed the preliminary financial statements prepared by the Company prior to the commencement of annual audit by the auditor, and agreed to submit related reports to CPAs for annual audit.

(3) Supervising and evaluating the work of external auditor

Upon the issue of Auditors' Report for 2016 by Pan-China Certified Public Accountants, the Audit Committee under the Board held a meeting, at which it made a summary of the audit work by Pan-China Certified Public Accountants; and recommended the Board to re-appoint Pan-China Certified Public Accountants (Special General Partnership) as the audit and internal control auditor of the Company for 2017.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD, IN CASE OF OBJECTIONS, THE DETAILS SHOULD BE DISCLOSED (CONTINUED)

(IV) Work of the Audit Committee (Continued)

3. *Performance of relevant work by the Audit Committee of the Board of the Company (Continued)*

(4) Providing guidance on the internal audit of the Company

During the Reporting Period, the Audit Committee under the Board of the Company earnestly reviewed the Company's internal audit for 2016 and the internal audit plan for 2017, promptly supervised and urged the smooth implementation of the internal audit plan for 2017, and provided instructive opinions on the problems that had occurred in the Company's internal audit to improve the Company's efficiency of internal audit.

(5) Reviewing the establishment and implementation of the internal control system

During the Reporting Period, the Audit Committee under the Board gave full play to the role of professional committee to proactively propel the construction of the Company's internal control system and supervise and urge the construction of the Company's standard internal control system. During the Reporting Period, the Audit Committee under the Board of the Company reviewed the Company's self-assessment report on internal control and the internal control audit report issued by Pan-China Certified Public Accountants, and found no material and significant defect in the Company's internal control for non-financial reporting.

4. *Overall evaluation*

During the Reporting Period, according to the provisions under the Operational Guidelines of the Shanghai Stock Exchange for the Audit Committee under the Board of Listed Companies, Work Rules for Audit Committee under the Board of the Company, the Rules of Procedure on Annual Report for Independent Directors, Work Procedures for the Review of Annual Financial Report by Audit Committee under the Board, the Audit Committee under the Board of the Company has duly performed its duties with diligence.

Section IX Corporate Governance (Continued)

V. EXPLANATION ABOUT IDENTIFICATION OF RISKS IN THE COMPANY BY THE SUPERVISORY COMMITTEE

Applicable Not applicable

VI. EXPLANATION ABOUT INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, STAFF, ASSETS, ORGANIZATION AND FINANCE AND THE COMPANY'S INDEPENDENT OPERATING CAPABILITY

Applicable Not applicable

Corresponding resolutions, progress and subsequent working plans of the Company in case of horizontal competition

Applicable Not applicable

VII. ESTABLISHMENT AND IMPLEMENTATION OF SENIOR MANAGEMENT APPRAISAL AND INCENTIVE MECHANISMS DURING THE REPORTING PERIOD

Applicable Not applicable

During the Reporting Period, the Company made an appraisal of economic responsibilities of the directors and senior management who received remunerations from the Company according to the implementation the Company's annual operational budget plan, and paid remuneration and bonus based on the appraisal results.

VIII. WHETHER TO DISCLOSE THE SELF-EVALUATION REPORT ON INTERNAL CONTROL

Applicable Not applicable

The Board of the Company is responsible for establishing and maintaining an adequate internal control system for financial reporting.

According to the identification criteria of material defects of internal control in the financial reporting of the Company, as at the basis date of internal control evaluation report, material defects of internal control in the financial reporting did not exist. The Board is of the view that the Company has maintained efficient internal control in the financial report in all material respects in accordance with requirements of corporate internal control standard system and relevant regulations.

According to the identification of material defects of internal control in the non-financial reporting, as at the basis date of internal control evaluation report, there was no material defects in the internal control for non-financial reporting.

The Company prepared the 2017 Evaluation Report on Internal Control based on the operation of internal control in 2017 (please refer to the relevant announcements published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 28 February, 2018 for details).

Explanation on material defects regarding the internal control during the Reporting Period

Applicable Not applicable

Section IX Corporate Governance (Continued)

IX. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

Applicable Not applicable

Pan-China Certified Public Accountants (Special General Partnership) conducted an audit on the effectiveness of the Company's internal control over financial reporting as at 31 December, 2017 in accordance with Enterprise Internal Control Audit Guidance and relevant requirements from the practising guidances of the China Institute of Certified Public Accountants and in view of that, the Company maintained effective internal control on financial reporting in all material aspects as at 31 December, 2017 according to the Basic Standards for Enterprise Internal Control and relevant requirements.

Whether to disclose the audit report on internal control: Yes

X. OTHERS

Applicable Not applicable

Explanation on the accountability system for material errors in annual reports and its implementation:

The Administrative Measures for the Information Disclosure of Chongqing Iron & Steel Company Limited were considered and approved at the 4th meeting of the Fourth Session of the Board of the Company, which sets forth relevant provisions on the responsibility for material errors in information disclosure in annual reports.

Section X Relevant Information on Corporate Bond

Applicable Not applicable

I. OVERVIEW OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Bonds Name	Abbreviation	Code	Date of Issue	Due Date	Bond Balance	Interest Rate (%)	Principle and Interest Payment	Exchange Place
CISL Corporate Bond 2010	Chong Zhai Suspended	122059	9 December 2010	9 December 2017	0	6.20%	Pay interest annually, and the principal on the due date	Shanghai Stock Exchange

Information on the payment of principal and interest of corporate bonds

Applicable Not applicable

In order to protect the interest of relevant bondholders, Chongqing Guochuang Investment and Management Co., Ltd. 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 in 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 Corporate Bonds of the Company (“Chong Zhai Suspended”) (No. 2017-059) published by the Company on 23 June 2017.

Other information about the corporate bonds

Applicable Not applicable

The corporate bonds (Bond Code: 122059, abbreviated as: “10 Chonggang Zhai”) were 7-year bonds issued on 9 December 2010 with put-back option exercised at the end of the fifth year and a nominal value of RMB100 each totaling RMB2 billion bearing a coupon rate of 6.20%.

Given that the Company recorded audited negative net profits for the both years of 2015 and 2016 and audited negative net assets for the year of 2016, the listing of the debt securities “10 Chonggang Zhai” (code: 122059) issued by the Company in 2010 has been suspended since 31 March 2017.

Section X Relevant Information on Corporate Bond (Continued)

I. OVERVIEW OF CORPORATE BONDS (CONTINUED)

Pursuant to the Decision on Suspension of Trading of the 2010 Corporate Bond of Chongqing Iron & Steel Company Limited issued by the Shanghai Stock Exchange, the trading of "10 Chonggang Zhai" of the Company was suspended from 13 April 2017, and the abbreviated name has been changed from "10 Chonggang Zhai" to "Chong Zhai Suspended" with the bond code remaining the same.

Chongqing Guochuang Investment and Management Co., Ltd. fully settled the outstanding principal of the bond and interests accrued for the period on behalf of the Company in advance on 26 June 2017. "Chong Zhai Suspended" of the Company were delisted from the Shanghai Stock Exchange effective from 26 June 2017.

II. CONTACT PERSONS AND METHODS OF CORPORATE BONDS TRUSTEE MANAGER AND CONTACT METHODS OF CREDIT RATING AGENCY

Bonds trustee manager	Name	China Merchants Securities Co., Ltd.
	Address	Level 38–45, Tower A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, China
	Contact person	Li Jian
	Tel	0755-8294 3256

Credit rating agency	Name	China Chengxin Securities Ratings Co., Ltd.
	Address	4/F, Jinyang Tower, No. 26 Financial Street, Xicheng District, Beijing

Others:

Applicable Not applicable

III. USE OF PROCEEDS RAISED FROM PUBLIC ISSUANCE OF THE CORPORATE BONDS

Applicable Not applicable

The total amount of RMB2 billion raised from public issuance of the corporate bonds was fully utilized as scheduled in accordance with the use of proceeds as set out in the prospectus in 2011.

IV. 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 26 May 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.

V. CORPORATE BONDS CREDIT ENHANCEMENT MECHANISM, SOLVENCY PLAN AND OTHERS DURING THE REPORTING PERIOD

Applicable Not applicable

During the Reporting Period, the enhancement mechanism, solvency plan and other solvency guarantee measures of corporate bonds remained the same and were in line with the relevant commitment as set out in the prospectus.

VI. MEETINGS OF CORPORATE BONDHOLDERS

Applicable Not applicable

On 25 May 2017, the corporate bonds trustee manager, China Merchants Securities Co., Ltd., has convened the first bondholders' meeting in 2017 in relation to "The Suspended Corporate bonds of Chongqing Iron & Steel Company Limited" in accordance with the Prospectus, the Rules Governing Meetings of Bond Holders and relevant laws and regulations, and approved the resolutions as follows:

1. The Resolution in relation to Early Repayment of the Principal and Interest of "The Suspended corporate bonds of Chongqing Iron & Steel Company Limited" (《關於提前兌付「重債暫停」本金及利息的議案》);
2. The Resolution in relation to Early Repayment of the Principal and Interest of "The Suspended corporate bonds of Chongqing Iron & Steel Company Limited" (《關於同意重慶國創投資管理有限公司保函的議案》);
3. The Resolution in relation to Addition to the Principal and Interest of "The Suspended corporate bonds of Chongqing Iron & Steel Company Limited" Settled by Chongqing Guochuang Investment and Management Co., Ltd. (the guarantor) on behalf of the Company (《關於由本次追加擔保人重慶國創投資管理有限公司代為支付「重債暫停」的本金和利息的議案》);

Section X Relevant Information on Corporate Bond (Continued)

VI. MEETINGS OF CORPORATE BONDHOLDERS (CONTINUED)

4. The Resolution in relation to Assumption of All Legal Entitlements and Obligations (Including but not Limited to the Right of Recourse to the Company) under “The Suspended corporate bonds of Chongqing Iron & Steel Company Limited” by Chongqing Guochuang Investment and Management Co., Ltd. upon the Addition to the Principal and Interest of “The Suspended corporate bonds of Chongqing Iron & Steel Company Limited” Settled by Chongqing Guochuang Investment and Management Co., Ltd. (the guarantor) on behalf of the Company (《關於在本次追加擔保人重慶國創投資管理有限公司代償“重債暫停”後，重慶國創投資管理有限公司享有“重債暫停”項下的全部法律權利和義務，包括但不限於向公司的追償權利的議案》).

VII. ACCOUNTING DATA AND FINANCIAL INDICATOR FOR THE RECENT TWO YEARS AS OF THE END OF REPORTING PERIOD

Applicable Not applicable

During the Reporting Period, the bonds trustee manager performed its duty in accordance with the agreement.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATOR FOR THE RECENT TWO YEARS AS OF THE END OF REPORTING PERIOD

Applicable Not applicable

Unit: RMB'000

Major Indicator	2017	2016	Increase or decrease over the same period of the previous year (%)
Earnings before interest, tax, depreciation and amortization	2,111,051	-2,186,577	196.55
Current ratio	0.99	0.09	1,000
Quick Ratio	0.46	0.06	666.67
Gearing Ratio (%)	32.82%	100.29%	-67.27

IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Applicable Not applicable

Section X Relevant Information on Corporate Bond (Continued)

X. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

Applicable Not applicable

Unit: RMB'000

Bank Name	Consolidated Credit Line	Used Credit Line	Unused Credit Line
CDB	1,100,000	1,100,000	-

XI. FULFILLMENT OF THE RELEVANT AGREEMENTS AND COMMITMENTS IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

Applicable Not applicable

During the Reporting Period, the Company strictly fulfilled the relevant agreements and commitments in the Prospectus of the Company, utilized the raised capital in compliance with relevant regulations and paid the interest of the corporate bonds on time and thus there was no such situations that damaged the interests of bondholders.

XII. MAJOR EVENTS AND THEIR IMPACT ON OPERATING STATUS AND SOLVENCY OF THE COMPANY

Applicable Not applicable

Section XI Financial Report

To the Shareholders of Chongqing Iron & Steel Company Limited:

I. AUDITORS' OPINION

We have audited the accompanying financial statements of Chongqing Iron & Steel Company Limited (hereinafter referred to as "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2017, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the consolidated and company financial positions of the Company as at 31 December 2017, and its consolidated and company financial performances and its consolidated and company cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. BASIS OF OPINIONS

We have conducted our audit in accordance with China Standards on Auditing issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (hereinafter referred to as "the Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Bankruptcy reorganisation

1. Description of the key audit matter

As disclosed in note XIII (III) to the financial statements, on 3 July 2017, the First Intermediate People's Court of Chongqing (hereinafter referred to as "FIPCC") issued the Civil Ruling Paper ((2017) Yu 01 Po Shen No. 5) and 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. The Company raised funds for the Reorganisation Plan by means of asset disposal and bank financing, etc., and repaid the liabilities of this Reorganisation Plan by using the 4.483 billion shares being transferred from capital reserves. On 29 December 2017, the FIPCC issued the Civil Ruling Paper IV ((2017) Yu 01 Po No. 3) and ruled that the implementation of the Company's Reorganisation Plan had been completed. The Company recognized a gain from bankruptcy reorganisation of RMB 2.090 billion and an increase in shareholders' equity of RMB18.686 billion in respect of the aforesaid matter. Given that this matter was a special matter and the amount thereof was significant, we identified it as a key audit matter.

III. KEY AUDIT MATTERS (CONTINUED)

(I) Bankruptcy reorganisation (Continued)

2. *How our audit addressed the key audit matter*

During the audit, the major auditing procedures we implemented include:

- (1) Obtain and review the key materials involved in the Company's Reorganisation Plan, including the Civil Ruling Paper, Reorganisation Plan, Supervision Report on Implementation of Reorganisation Plan, Report on Financial Consultation for Reorganisation, etc.;
- (2) Interview the administrator of the Company to understand the basic procedures for claiming and examining of the creditor's rights and the compliance thereof, the methods to determine the price of RMB3.68/share for the repayment of debts with shares and the repayment ratio of 58.84% for ordinary creditor's rights during the Reorganisation Plan and their reasonableness, as well as the rights and obligations of the guarantors for the creditor's rights in bankruptcy reorganisation;
- (3) Spot check the original data on the claim, examine and judicial ruling of the creditor's rights to review the calculation of the creditor's rights and the compliance of the audit process;
- (4) Refer to announcements on judicial auctions of assets involved in bankruptcy reorganisation to check auction formalities and pay attention to asset delivery and payment of auction price;
- (5) Obtain a transfer registration confirmation from China Securities Depository and Clearing Corporation Limited with respect to the transfer of shares owned by Chongqing Iron & Steel (Group) Co., Ltd. to Chongqing Changshou Iron & Steel Company Limited; and check the registration completed by the Company with China Securities Depository and Clearing Corporation Limited for the transfer of the shares from the capitalisation of capital reserve to the equity of the creditors;
- (6) Review the completion of full repayment in cash, share transfer, and the withdrawal and deposit of the allocation amount and shares for debt settlement not received or adopted;
- (7) Evaluate the reasonableness of the management's judgement on the fair price for the payment of debts with shares and the completion time of the implementation of Reorganisation Plan and review the correctness of the calculation and the accounting treatment of the gain from bankruptcy reorganisation;
- (8) Check the presentation and disclosure of the relevant information on bankruptcy reorganisation in the financial statements.

III. KEY AUDIT MATTERS (CONTINUED)

(II) Cooperation in purchase and sales

1. *Description of the key audit matter*

As disclosed in note XIII (II), the Company conducted cooperation in purchase and sales with Chongqing Qianxin International Trade Co., Ltd. (重慶千信國際貿易有限公司) (hereinafter referred to as “Qianxin International”). In 2017, the Company purchased raw materials from Qianxin International at a tax-included amount of RMB10.984 billion, and sold steel products at a tax-included amount of RMB14.160 billion. Given that Qianxin International is a major supplier and a major customer of the Company and the transaction amount is significant, we identify the cooperation in purchase and sales between them as a key audit matter.

2. *How our audit addressed the key audit matter*

During the audit, the major auditing procedures we implemented include:

- (1) Understand the background and business logic behind the cooperation in purchase and sales between the Company and Qianxin International;
- (2) Understand and test the internal control of the Company for purchase and sales;
- (3) Review the Cooperation Framework Agreement, the supplemental agreement thereto, the memorandum and other relevant documents entered into between the Company and Qianxin International to pay attention to key contract terms;
- (4) Select transactions as samples to check inventory physical delivery documents, receipt and payment records and pay attention to the authenticity of the transaction and check whether it was recorded in the correct accounting period;

III. KEY AUDIT MATTERS (CONTINUED)

(II) Cooperation in purchase and sales (Continued)

2. *How our audit addressed the key audit matter (Continued)*

- (5) Obtain relevant data on settlement of purchase and sales transactions between the Company and Qianxin International and implement the procedure of letters of confirmation on transaction amounts and balances;
- (6) Refer to industrial and commercial registration information of Qianxin International to get knowledge of the shareholding structure, business scope and external investment of Qianxin International;
- (7) Obtain Auditors' Report for 2017 of Qianxin International, spot check the implementation of external purchase and sales by Qianxin International;
- (8) Check the representation and disclosure of the information related to the cooperation in purchase and sales in the financial statements.

IV. OTHER INFORMATION

The management of the Company (hereinafter referred to as "the Management") is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Section XI Financial Report (Continued)

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with China Accounting Standards for Business Enterprises, and for designing, implementing and maintaining the internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve: collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures.
- (III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (V) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned audit scope and time schedule and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

*Chinese Certified Public Accountant: Zhang Kai
(The engagement partner)*

Hangzhou • China

Chinese Certified Public Accountant: Huang Na

Date of Report: February 27, 2018

Consolidated Balance Sheet

As at 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

Unit: RMB'000

Items	Notes	Closing balance	Opening balance
Current assets:			
Cash and bank deposits		2,050,538	1,102,694
Clearing provision			
Funds for lending			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		123,096	19,435
Accounts receivable		44,038	256,258
Prepayments		70,022	37,191
Premium receivable			
Reinsurance accounts receivable			
Provisions for reinsurance contracts receivable			
Interests receivable			
Dividends receivable			
Other receivables		10,355	58,099
Financial assets purchased under agreements to resell			
Inventories		1,330,469	972,960
Assets held for sale			
Non-current assets due within one year			
Other current assets		1,128,655	509
Total current assets		4,757,173	2,447,146
Non-current assets:			
Loans and advances			
Available-for-sale financial assets		5,000	5,000
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		124,158	131,015
Investment real estate			
Fixed assets		17,595,699	29,491,264
Construction in progress		8,695	43,131
Construction materials			15,126
Disposals of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		2,521,734	2,648,584
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			1,657,188
Total non-current assets		20,255,286	33,991,308
Total assets		25,012,459	36,438,454

Consolidated Balance Sheet (Continued)

As at 31 December 2017

Items	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			5,700,587
Borrowings from central banks			
Absorbing deposit and interbank deposit			
Funds borrowed			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		80,700	1,632,710
Accounts payable		2,074,594	9,385,026
Receipts in advance		187,099	1,014,762
Amounts from selling financial assets repurchased			
Commission charge and commission payable			
Employee benefits payable		563,547	561,255
Tax payable		13,095	235
Interests payable		7,174	117,013
Dividends payable			
Other payables		1,484,738	4,202,381
Reinsurance accounts payable			
Provision for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Held-for-sale liabilities			
Non-current liabilities due within one year		400,000	3,504,533
Other current liabilities			12,231
Total current liabilities		4,810,947	26,130,733
Non-current liabilities:			
Long-term borrowings		700,000	9,073,456
Debentures payable			
Including: preferred shares			
perpetual bonds			
Long-term payable			61,944
Long-term employee benefits payable		243,190	276,634
Special payables			
Provisions		11,204	52,177
Deferred income		43,154	174,326
Deferred tax liabilities			
Other non-current liabilities		2,400,000	776,618
Total non-current liabilities		3,397,548	10,415,155
Total liabilities		8,208,495	36,545,888

Consolidated Balance Sheet (Continued)

As at 31 December 2017

Items	Notes	Closing balance	Opening balance
Owners' equity:			
Share Capital		8,918,602	4,436,023
Other equity instruments			
Including: preferred shares			
perpetual bonds			
Capital reserve		19,282,147	7,154,203
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		606,991	606,991
General risk provision			
Retained earnings		-12,077,625	-12,397,711
Total equity attributable to owners of the parent company		16,730,115	-200,494
Minority interest		73,849	93,060
Total owners' equity		16,803,964	-107,434
Total liabilities and owners' equities		25,012,459	36,438,454

Legal Representative:

Zhou zhuping

*The person in charge of
accounting body:*

Lv Feng

*The head of the accounting
department:*

Lv Feng

Balance Sheet of the Parent Company

As at 31 December 2017

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Items	Notes	Closing balance	Opening balance
Current assets:			
Cash and bank deposits		1,961,403	362,385
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes 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 held for sale			
Non-current assets due within one year			
Other current assets		478,510	87
Total current assets		4,020,267	1,694,054
Non-current assets:			
Available-for-sale financial assets		5,000	5,000
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		835,780	893,637
Investment real estate			
Fixed assets		17,595,699	29,481,983
Construction in progress		8,695	42,829
Construction materials			15,126
Disposals of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		2,521,734	2,648,584
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			1,657,188
Total non-current assets		20,966,908	34,744,347
Total assets		24,987,175	36,438,401

Balance Sheet of the Parent Company (Continued)

As at 31 December 2017

Items	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			5,700,587
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		80,700	1,632,710
Accounts payable		2,123,370	9,429,515
Receipts in advance		185,905	1,006,106
Employee benefits payable		563,518	560,810
Tax payable		13,113	18
Interests payable		7,174	117,013
Dividends payable			
Other payables		1,479,009	4,259,548
Held for sale liabilities			
Non-current liabilities due within one year		400,000	3,504,533
Other current liabilities			12,231
Total current liabilities		4,852,789	26,223,071
Non-current liabilities:			
Long-term borrowings		700,000	9,073,456
Debentures payable			
Including: preferred shares perpetual bonds			
Long-term payable			61,944
Long-term employee benefits payable		243,190	276,634
Special payables			
Provisions		11,204	52,177
Deferred income		43,154	174,326
Deferred tax liabilities			
Other non-current liabilities		2,400,000	776,618
Total non-current liabilities		3,397,548	10,415,155
Total liabilities		8,250,337	36,638,226

Balance Sheet of the Parent Company (Continued)

As at 31 December 2017

Items	Notes	Closing balance	Opening balance
Owners' equity:			
Share Capital		8,918,602	4,436,023
Other equity instruments			
Including: preferred shares			
perpetual bonds			
Capital reserve		19,313,090	7,185,146
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		577,012	577,012
Retained earnings		-12,071,866	-12,398,006
Total Owners' equity		16,736,838	-199,825
Total liabilities and Owners' equities		24,987,175	36,438,401

Legal Representative:
Zhou zhuping

The person in charge of
accounting body:
Lv Feng

The head of the accounting
department:
Lv Feng

Consolidated income statement

for the year ended 31 December 2017

Unit: RMB'000

Items	Notes	Current period cumulative	Preceding period comparative
I. Total operating revenue		13,236,840	4,414,902
Including: Operating revenue		13,236,840	4,414,902
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		15,053,981	9,799,664
Including: Operating costs		12,811,158	6,162,610
Interest expenses			
Expenses on commission charge and commission			
Surrender payment			
Net payment from insurance claims			
Net amount of withdrawal of provisions for insurance contracts			
Insurance policy dividend paid			
Reinsurance cost			
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 "-")			
Investment income (losses are represented by "-")		2,255	599
Including: Gains from investment in associates and joint ventures		-6,857	599
Gains from disposals of assets (losses are represented by "-")		-5,009,485	6
Gains on foreign exchange (losses are represented by "-")			
Other income		47,198	

Consolidated income statement (Continued)

for the year ended 31 December 2017

Items	Notes	Current period cumulative	Preceding period comparative
III. Operating profit (losses are represented by “-”)		-6,777,173	-5,384,157
Add: Non-operating income		7,226,586	751,435
Less: Non-operating expenses		129,603	52,945
IV. Profit before income tax (losses are represented by “-”)		319,810	-4,685,667
Less: Income tax expenses		2	17
V. Net profit (net losses are represented by “-”)		319,808	-4,685,684
(I) Classified on a going concern basis			
1. Net profit from continued operations (net losses are represented by “-”)		319,808	-4,685,684
2. Net profit from discontinued operations (net losses are represented by “-”)			
(II) Classified on ownership			
1. Net profit attributable to shareholders of the parent company		320,086	-4,685,956
2. Non-controlling interests		-278	272

Consolidated income statement (Continued)

for the year ended 31 December 2017

Items	Notes	Current period cumulative	Preceding period comparative
VI. Other comprehensive income after tax			
Other comprehensive income after tax attributable to owners 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			
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 minority interests			
VII. Total comprehensive income		319,808	-4,685,684
Total comprehensive income attributable to owners of the parent company		320,086	-4,685,956
Total comprehensive income attributable to non-controlling interests		-278	272
VIII. Earnings per share:			
(1) Basic earnings per share (yuan/share)		0.04	-0.53
(2) Diluted earnings per share (yuan/share)		0.04	-0.53

Legal Representative:
Zhou zhuping

The person in charge of
accounting body:
Lv Feng

The head of the accounting
department:
Lv Feng

Income Statement of the Parent Company

for the year ended 31 December 2017

Unit: RMB'000

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

Income Statement of the Parent Company (Continued)

for the year ended 31 December 2017

Items	Notes	Current period cumulative	Preceding period comparative
V. Other comprehensive income after tax			
(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			
VI. Total comprehensive income		326,140	-4,684,389
VII. Earnings per share:			
(1) Basic earnings per share (<i>yuan/share</i>)			
(2) Diluted earnings per share (<i>yuan/share</i>)			

Legal Representative:
Zhou zhuping

The person in charge of
accounting body:
Lv Feng

The head of the accounting
department:
Lv Feng

Consolidated cash flow statement

for the year ended 31 December 2017

Expressed in RMB thousand yuan

Items	Notes	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,127,997	2,714,747
Net increase in customer deposits and placements from interbanks			
Net increase in borrowings from central banks			
Net increase in borrowings from other financial institutions			
Cash from premiums on original insurance contracts			
Net cash from reinsurance business			
Net increase in insured's deposit and investments			
Net increase in disposal of financial assets at fair value through profit or loss			
Cash received from interests, fees and commissions			
Net increase of borrowed funds			
Net increase in repurchase businesses			
Receipts of tax refund			
Other cash receipts related to operating activities		2,866,598	13,694,582
Sub-total of cash inflows from operating activities		3,994,595	16,409,329
<hr style="border-top: 1px dashed #000;"/>			
Cash payments for goods purchased and services rendered		389,505	2,858,421
Net increase in customer loans and advances			
Net increase in deposits with central banks and interbanks			
Cash paid for claim settlements on original insurance contracts			
Cash paid for interest, fees and commissions			
Cash paid for insurance policy dividends			
Cash payments to and on behalf of employees		907,211	463,004
Payments of various types of taxes		79,896	81,339
Other cash payments related to operating activities		2,112,168	13,455,586
Sub-total of cash outflows from operating activities		3,488,780	16,858,350
<hr style="border-top: 1px dashed #000;"/>			
Net cash flows from operating activities		505,815	-449,021

Consolidated cash flow statement (Continued)

for the year ended 31 December 2017

Items	Notes	Current period cumulative	Preceding period comparative
II. Cash flows from investing activities:			
Cash receipts from returns on investments			
cash receipts from gains on investments		9,112	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		6,887,024	
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		6,896,136	–
<hr style="border-top: 1px dashed #000;"/>			
Cash payments for acquisition and construction of fixed assets, intangible assets and other long- term assets			133,229
Cash payments for investments		650,000	130,416
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities			
Sub-total of cash outflows from investing activities		650,000	263,645
<hr style="border-top: 1px dashed #000;"/>			
Net cash flows from investing activities		6,246,136	-263,645

Consolidated cash flow statement (Continued)

for the year ended 31 December 2017

Items	Notes	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			73,514
Including: Cash received by subsidiaries from minority shareholders as investments			73,514
Cash received from borrowings		5,317,740	7,910,151
Cash received from issuance of bonds			
Other cash receipts related to financing activities		594,952	2,459,226
Sub-total of cash inflows from financing activities		5,912,692	10,442,891
<hr style="border-top: 1px dashed #000;"/>			
Cash repayment of borrowings		10,021,909	5,109,289
Cash payments for distribution of dividends or profits, or interests		172,257	645,769
Including: Dividends and profits paid by subsidiaries to minority shareholders of subsidiaries			
Other cash payments related to financing activities		2,343,765	3,264,989
Sub-total of cash outflows from financing activities		12,537,931	9,020,047
<hr style="border-top: 1px dashed #000;"/>			
Net cash flows from financing activities		-6,625,239	1,422,844
<hr style="border-top: 1px dashed #000;"/>			
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		-3,197	2,893
<hr/>			
V. Net increase in cash and cash equivalents		123,515	713,071
Add: Cash and cash equivalents at the beginning of the period		745,447	32,376
<hr/>			
VI: Cash and cash equivalents at the end of the period		868,962	745,447
<hr style="border-top: 2px solid #2c4e64;"/>			

Legal Representative:

Zhou zhuping

The person in charge of
accounting body:

Lv Feng

The head of the accounting
department:

Lv Feng

Cash Flow Statement of the Parent Company

for the year ended 31 December 2017

Unit: RMB'000

Items	Notes	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,072,973	2,179,482
Receipts tax refund			
Other cash receipts related to operating activities		2,850,182	13,681,499
Sub-total of cash inflows from operating activities		3,923,155	15,860,981
<hr style="border-top: 1px dashed #000;"/>			
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		2,097,719	13,440,933
Sub-total of cash outflows from operating activities		3,412,701	16,308,920
Net cash flows from operating activities		510,454	-447,939
<hr style="border-top: 1px dashed #000;"/>			
II. Cash flows from investing activities:			
Cash receipts from returns on investments			
Cash received from investment income			
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		6,887,024	
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		6,887,024	
<hr style="border-top: 1px dashed #000;"/>			
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
Net cash flows from investing activities		6,887,024	-924,947

Cash Flow Statement of the Parent Company (Continued)

for the year ended 31 December 2017

Items	Notes	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Cash received from borrowings		5,317,740	7,910,151
Cash received from issuance of bonds			
Other cash receipts related to financing activities		594,952	2,459,226
Sub-total of cash inflows from financing activities		5,912,692	10,369,377
<hr style="border-top: 1px dashed #000;"/>			
Cash repayment of borrowings		10,021,909	5,109,289
Cash payments for distribution of dividends or profits, or interests		172,257	645,769
Other cash payments related to financing activities		2,341,518	3,264,989
Sub-total of cash outflows from financing activities		12,535,684	9,020,047
<hr style="border-top: 1px dashed #000;"/>			
Net cash flows from financing activities		-6,622,992	1,349,330
<hr style="border-top: 1px dashed #000;"/>			
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		203	86
<hr/>			
V. Net increase in cash and cash equivalents		774,689	-23,470
Add: Cash and cash equivalents at the beginning of the period		5,138	28,608
<hr/>			
VI: Cash and cash equivalents at the end of the period		779,827	5,138
<hr style="border-top: 2px solid #1a4a6a;"/>			

Legal Representative:
Zhou zhuping

The person in charge of
accounting body:
Lv Feng

The head of the accounting
department:
Lv Feng

Consolidated statement of changes in owners equity

for the year ended 31 December 2017

Expressed in RMB thousand yuan

Items	Current period cumulative											Total owners' equity	
	Equity attributable to owners of the parent company										Minority interests		
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision			Retained earnings
Preferred shares		Perpetual bonds	Others										
I. Closing balance of the preceding year	4,436,023				7,154,203				606,991		-12,397,711	93,060	-107,434
Add: Changes in accounting policies													
Correction for error in previous period													
Business combination under common control													
Others													
II. Opening balance of the current year	4,436,023				7,154,203				606,991		-12,397,711	93,060	-107,434
III. Changes in the current period (decrease are represented by "-")	4,482,579				12,127,944						320,086	-19,211	16,911,398
(I) Total comprehensive income											320,086	-278	319,808
(II) Owners' contribution and reduction in capital					16,610,523							-18,933	16,591,590
1. Common shares contributed by shareholders													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in owners' equity													
4. Others					16,610,523							-18,933	16,591,590
(III) Profit distribution													
1. Withdrawal of surplus reserve													
2. Withdrawal of general risk provision													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Transfers within owners' equity	4,482,579				-4,482,579								
1. Transfer to capital (or share capital) from capital reserve	4,482,579				-4,482,579								
2. Transfer to capital (or share capital) from surplus reserve													
3. Surplus reserves for making up losses													
4. Others													
(V) Special reserve													
1. Withdrawal 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				19,282,147				606,991		-12,077,625	73,849	16,803,964

Consolidated statement of changes in owners equity (Continued)

for the year ended 31 December 2017

Items	Preceding period comparative											Total owners' equity	
	Equity attributable to owners of the parent company										Minority interests		
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision			Retained earnings
Preferred shares		Perpetual bonds	Others										
I. Closing balance of the preceding year	4,436,023				6,657,614				606,991		-7,711,755	19,274	4,008,147
Add: Changes in accounting policies													
Correction for error in previous period													
Business combination under common control													
Others													
II. Opening balance of the current year	4,436,023				6,657,614				606,991		-7,711,755	19,274	4,008,147
III. Changes in the current period													
(decrease are represented by "-")					496,589						-4,685,956	73,786	-4,115,581
(I) Total comprehensive income											-4,685,956	272	-4,685,684
(II) Owners' contribution and reduction in capital					496,589							73,514	570,103
1. Common shares contributed by shareholders												73,514	73,514
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in owners' equity													
4. Others					496,589								496,589
(III) Profit distribution													
1. Withdrawal of surplus reserve													
2. Withdrawal of general risk provision													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Transfers within owners' equity													
1. Transfer to capital (or share capital) from capital reserve													
2. Transfer to capital (or share capital) from surplus reserve													
3. Surplus reserves for making up losses													
4. Others													
(V) Special reserve													
1. Withdrawal in the current period									19,511				19,511
2. Utilized in the current period									19,511				19,511
(VI) Others													
IV. Closing balance of the current period	4,436,023				7,154,203				606,991		-12,397,711	93,060	-107,434

Legal Representative:

Zhou zhuping

The person in charge of
accounting body:

Lv Feng

The head of the accounting
department:

Lv Feng

Statement of Changes in Shareholders' Equity of the Parent Company

for the year ended 31 December 2017

Expressed in RMB thousand yuan

Items	Current period cumulative										
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total owners' equity
		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
Add: Changes in accounting policies											
Correction for error in previous period											
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) Owners' contribution and reduction in capital					16,610,523						16,610,523
1. Common shares contributed by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in owners' equity											
4. Others					16,610,523						16,610,523
(III) Profit distribution											
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Transfers within owners' equity	4,482,579				-4,482,579						
1. Transfer to capital (or share capital) from capital reserve	4,482,579				-4,482,579						
2. Transfer to capital (or share capital) from surplus reserve											
3. Surplus reserves for making up losses											
4. Others											
(V) Special reserve											
1. Withdrawal 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

Statement of Changes in Shareholders' Equity of the Parent Company (Continued)

for the year ended 31 December 2017

Items	Share capital	Other equity instruments			Capital reserves	Preceding period comparative					Total owners' equity
		Preferred shares	Perpetual bonds	Others		Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	
I. Closing balance of the preceding year	4,436,023				6,688,557				577,012	-7,713,617	3,987,975
Add: Changes in accounting policies											
Correction for error in previous period											
Others											
II. Opening balance of the current year	4,436,023				6,688,557				577,012	-7,713,617	3,987,975
III. Changes in the current period (decrease are represented by "-")					496,589					-4,684,389	-4,187,800
(I) Total comprehensive income										-4,684,389	-4,684,389
(II) Owners' contribution and reduction in capital					496,589						496,589
1. Common shares contributed by shareholders											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in owners' equity											
4. Others					496,589						496,589
(III) Profit distribution											
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Transfers within owners' equity											
1. Transfer to capital (or share capital) from capital reserve											
2. Transfer to capital (or share capital) from surplus reserve											
3. Surplus reserves for making up losses											
4. Others											
(V) Special reserve											
1. Withdrawal in the current period									19,511		19,511
2. Utilized in the current period									19,511		19,511
(VI) Others											
IV. Closing balance of the current period	4,436,023				7,185,146				577,012	-12,398,006	-199,825

Legal Representative:
Zhou zhuping

The person in charge of
accounting body:
Lv Feng

The head of the accounting
department:
Lv Feng

Notes to the Financial Statements

For the year ended 31 December 2017 (Unit: RMB'000)

I BASIC INFORMATION ON THE COMPANY

(I) Company profile

Applicable Not applicable

According to the approval of Ti Gai Sheng Zi [1997] No. 127 issued by the State Commission for Restructuring Economic Systems and the approval of Guo Zi Qi Fa [1997] No. 156 issued by the State-owned Assets Administration Bureau, the Company was established as a limited liability company by Chongqing Iron & Steel (Group) Co., Ltd (hereafter referred to as "CISG") as the sole promoter. The Company was incorporated and registered with Chongqing Municipal Administration of Industry and Commerce on 11 August 1997, and its headquarter is located in Changshou Economic Development Zone of Chongqing. The Company holds the business license with unified social credit code of 91500000202852965T, with the paid-in capital of RMB 8,918,602,000 yuan and the sum of 8,918,602,000 shares (RMB1 yuan for each share in face value), including 8,380,475,000 A shares without any restricted condition, and 538,127,000 H shares. The Company's shares were listed in the Stock Exchange of Hong Kong Ltd. on 17 October 1997, and listed in Shanghai Stock Exchange on 28 February 2007.

The Company and its subsidiary are mainly engaged in the iron & steel manufacturing industry. Scope of business: production, machining and sale of steel plates, steel sections, wire rods, bar materials, billets and thin plates; production and sale of coking and coal chemical products (excluding dangerous chemicals and others beyond the license), pig iron & grain slag, steel slag, and steel scrap.

The financial statements were approved and authorized for issue by the 14th Session of the Seventh Board Meeting at 27 February 2018.

(II) The Scope of The Consolidated Financial Statement

Applicable Not applicable

The Company incorporated the following three subsidiaries into the scope of the consolidated financial statement in the current period: Jingjiang CIS Huadong Trading Co., Ltd.; Chongqing CIS Building Materials Sales Co., Ltd. and Chongqing CISL high strength cold rolling steel Co., Ltd. Refer to "Notes to the Financial Statements –Change of the consolidation scope and Interest in their entities for details" for details.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

II PREPARATION BASIS OF THE FINANCIAL STATEMENTS

1. Preparation basis

The financial statements have been prepared on the basis of going concern.

2. Going concern

Applicable Not applicable

The Company does not have any events or circumstances that may cast significant doubt upon the Company's ability to continue as a going concern within twelve months from the end of the Reporting Period.

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Detailed accounting policies and estimates note:

Applicable Not applicable

Important note: The Company has set up accounting policies and estimates on transactions or events such as provision for bad debts of receivables, depreciation of fixed assets, amortization of intangible assets, and revenue recognition, etc. based on the Company's actual production and operation features.

1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations, changes of shareholders' equity and cash flows of the Company.

2. Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

3. Operating cycle

Applicable Not applicable

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

4. Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

5. Accounting treatments of business combination under and not under common control

Applicable Not applicable

1. *Accounting treatment of business combination under common control*

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. *Accounting treatment of business combination not under common control*

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

6. Compilation method of consolidated financial statements

Applicable Not applicable

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 – Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

7. Classification of joint arrangements and accounting methods for joint operations

Applicable Not applicable

8. Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Foreign currency translation and translation of foreign currency statements

Applicable Not applicable

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

10. Financial instruments

Applicable Not applicable

1. *Classification of financial assets and financial liabilities*

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

2. *Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities*

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

2. *Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities (Continued)*

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to "CASBE13 – Contingencies"; 2) the surplus after accumulative amortization as determined according to "CASBE14 – Revenues".

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

2. *Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities (Continued)*

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured with the following methods: (1) Gains or losses, arising from the changes in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on changes in fair value; interests or cash dividends gained during the asset-holding period are recognized as investment income; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on changes in fair value are adjusted accordingly. (2) For available-for-sale financial asset, changes in fair value are recorded as other comprehensive income during the holding period, interests measured at effective interest method are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognized as investment income at the date of dividend declaration; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the book value deducting the accumulative amount of changes in fair value originally included in other comprehensive.

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. *Recognition criteria and measurement method of financial assets transfer*

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognizes the financial asset. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset, and the consideration received is recognized as a financial liability. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company gives up its control over the financial asset, it derecognizes the financial asset; (2) if the Company does not give up its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

3. *Recognition criteria and measurement method of financial assets transfer (Continued)*

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the book value of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in equity. If the transfer of financial asset partially satisfies the conditions to derecognition, the entire book value of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the book value of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in equity which is corresponding to the portion which is derecognized.

4. *Fair value determination method of financial assets and liabilities*

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;
- (3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, and financial forecast developed using the Company's own data, etc.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

5. *Impairment test and provision for impairment loss of financial assets*

- (1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.
- (2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.
- (3) Available-for-sale financial assets
 - 1) Objective evidence indicating that available-for-sale debt instrument investments may be impaired includes:
 - ① significant financial difficulties in the debtor;
 - ② breach of contract by the debtor, such as principal or interest past due or default;
 - ③ concessions made to debtors with financial difficulties considering economic and legal factors;
 - ④ it is highly probable that the debtor is going to dissolve or going through other terms of financial restructuring;
 - ⑤ owing to significant financial difficulties occurred to the debtor, the debt instrument is discontinued to trade in active market;
 - ⑥ Other circumstances indicating that available-for-sale debt instrument may be impaired.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

5. *Impairment test and provision for impairment loss of financial assets (Continued)*

(3) Available-for-sale financial assets (Continued)

- 2) Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or non-temporary decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Company may not be able to recover its investment cost.

The Company performs review on available-for-sale equity instrument investment on an individual basis at the balance sheet date. For equity instrument investment at cost, the Company considers whether the technical, market, economic, or legal environment in which the investee operates has significant adverse changes to determine whether such equity instrument is impaired.

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Receivables

1. *Receivables of individually significant amount and with provision made on an individual basis*

Applicable Not applicable

Judgment basis or amount criteria of individually significant amount	Accounts receivable is considered individually significant if the amount is over RMB20,000,000; Other receivable is considered individually significant if the amount is over RMB5,000,000.
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Provision method for receivables of individually significant amount and with provision made on an individual basis	Individual impairment test, provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.
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2. *Receivables with provision made on a collective basis using portfolios with similar credit risk features*

Applicable Not applicable

Provision method of provision being made on collective basis using portfolios with similar credit risk features (age analysis method, percentage of balance method and other methods)

Portfolio grouped with age	Age analysis method
Portfolio grouped with balance due from related parties	No provision for bad debts is made, if no impairment occurred after the impairment test

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Receivables (Continued)

2. *Receivables with provision made on a collective basis using portfolios with similar credit risk features (Continued)*

In portfolios, bad debt provision made with aging analysis method

Applicable Not applicable

Ages	Proportion of provision for accounts receivable (%)
Within 1 year (one year inclusive) Including: sub-items within 1 year, new row can be added	5
Within 3 months (third month inclusive, the same below)	0
4–12 months	5
1–2 years	25
2–3 years	50
Over 3 years	100

In portfolios, bad debt provision made with percentage of balance method

Applicable Not applicable

In portfolios, bad debt provision made with other methods

Applicable Not applicable

For other receivables, the Group adopts individual assessment to make bad debt provision.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Receivables (Continued)

3. *Receivables of individually insignificant amount but with provision made on an individual basis*

Applicable Not applicable

Reasons for provision made on an individual basis Significant difference exists between the present value of the future cash flow of accounts receivable and the present value of the future cash flow of the account receivable combination with aging as the credit risk feature.

Provision method Provision for bad debts are made at the excess of the carrying amount of the receivables over the present value of the estimated future cash flows based on independent impairment test.

12. Inventories

Applicable Not applicable

1. *Classification of inventories*

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or suppliers etc. to be consumed in the production process or in the rendering of services.

2. *Accounting method for dispatching inventories*

Inventories are recognized at the actual cost, and raw materials and goods on hand dispatched from storage are accounted for with weighted average method on a monthly basis.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Inventories (Continued)

3. *Basis for determining net realizable value*

At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. *Inventory system*

Perpetual inventory method is adopted.

5. *Amortization method of low-value consumables and packages*

Revolving materials (such as low-value consumables and packaging materials) shall be amortized in full amount or in equal installments.

13. Held-for-sale assets

Applicable Not applicable

1. *Classification of non-current assets or disposal group held-for-sale*

The Company classifies non-current assets or disposal groups that meet all of the following conditions as held-for-sale: (1) according to the practice of selling this type of assets or disposal groups in a similar transaction, the non-current assets or disposal group can be sold immediately at its current condition; (2) The sale is likely to occur, that is, the Company has made resolution on the selling plan and obtained definite purchase commitment, the selling is estimated to be completed within one year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Held-for-sale assets (Continued)

1. *Classification of non-current assets or disposal group held-for-sale (Continued)*

The non-current assets or disposal group that the Company has acquired specially for resale are classified as held for sale on the acquisition date when they meet the condition that “the selling is estimated to be completed within one year” on the acquisition date, and are likely to satisfy other conditions of being classified as the type of held for sale in a short-term (usually being 3 months).

If the Company undertakes to sell the non-current assets or disposal group even though the non-related party transaction fails to be finished within one year as a result of the following reasons beyond the control of the Company, such non-current assets or disposal group will continue to be classified as held for sale: (1) The buyer or other party unexpectedly sets conditions leading to delay of the sale, and the Company has taken measures for such conditions in timely and is expected to deal with such delay factors successfully within one year since such conditions leading to the delay of the sale are set; (2) the non-current assets or disposal group held for sale fail to complete the sale within one year due to rare circumstances, and in the first year, the Company has taken the necessary measures for these new situations and re-satisfies the conditions of being classified as held for sale.

2. *Measurement of the non-current assets or disposal group held for sale*

(1) Initial measurement and subsequent measurement

For the initial measurement and remeasurement of the non-current assets or the disposal group held for sale on the balance sheet date, if their book value is higher than the net amount after the fair value less the selling expenses, the book value shall be reduced to the net amount after their fair value less the selling expenses, and the reduced amount is recognized as the impairment loss of assets and recorded in the current profits or losses with provision made for impairment of assets held for sale.

For the non-current assets or disposal group classified as held for sale at the acquisition date, they are measured at the lower of their initial measurement amount and the net amount after their fair value less the selling expenses based on the assumption that such non-current assets or disposal group are not classified as held for sale at the time of initial measurement. Except for the non-current assets or disposal group acquired in a business combination, the difference arising from considering the net amount of such non-current assets or disposal group after their fair value less the selling expenses as the initial measurement amount is recorded in the current profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Held-for-sale assets (Continued)

2. *Measurement of the non-current assets or disposal group held for sale (Continued)*

(1) Initial measurement and subsequent measurement (Continued)

For the impairment loss amount of assets recognized in the disposal group held for sale, it shall first write down the book value of the goodwill in the disposal group, then write down the book value in proportion of the book value of each non-current asset in the disposal group.

The non-current assets in the non-current assets or disposal group held for sale is not depreciated or amortized, and the debt interests and other fees in the disposal group held for sale continue to be recognized.

(2) Accounting treatment of the reverse of the assets impairment loss

In respect of the non-current assets held for sale, if the net amount after their fair value less the selling expenses increased as at the subsequent balance date, the reduced amount before will be recovered and reversed in the assets impairment loss amount recognized after being classified as held for sale, and the reversed amount will be recorded in the current profits or loss. The impairment loss on assets recognized before being classified as held for sale will not be reversed.

In respect of the disposal group held for sale, if the net amount after their fair value less the selling expenses increased as at the subsequent balance date, the reduced amount before will be recovered and reversed in the assets impairment loss amount recognized in non-current assets after being classified as held for sale, and the reversed amount will be recorded in the current profits or loss. The reduced book value of the goodwill as well as the impairment loss on assets recognized before the non-current assets are classified as held for sale will not be reversed.

The subsequent reversed amount in respect of the impairment loss on assets recognized in the disposal group held for sale will increase the book value in proportion of the book value of each non-current assets (other than goodwill) in the disposal group.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Held-for-sale assets (Continued)

2. *Measurement of the non-current assets or disposal group held for sale (Continued)*

- (3) Accounting treatment of the non-current assets or disposal group that no longer being classified as held for sale and being derecognized

If the non-current assets or disposal group are no longer classified as held for sale since they no longer meet the condition of being classified as held for sale or the non-current assets are removed from the disposal group held for sale, they will be measured at the lower of the following: 1) the amount after their book value before they are classified as held for sale is adjusted based on the depreciation, amortization or impairment that should have been recognized given they are not classified as held for sale; 2) the recoverable amount.

The unrecognized profits or loss will be recorded in the current profits or loss when derecognizing the non-current assets or disposal group held for sale.

14. Long-term equity investments

Applicable Not applicable

1. *Judgment of joint control and significant influence*

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

2. *Determination of investment cost*

- (1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investment and the carrying value of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included in the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

2. *Determination of investment cost (Continued)*

- (2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

- 1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.
- 2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying value of the acquirer’s previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.
- (3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE12 – Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE7 – Non-cash Assets Exchange”.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

3. *Subsequent measurement and recognition method of gain or loss*

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

4. *Disposal of a subsidiary in stages resulting in the Company's loss of control*

(1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is reclassified as financial assets, and accounted for according to CASBE 22 –Financial Instruments: Recognition and Measurement.

(2) Consolidated financial statements

- 1) Disposal of a subsidiary in stages not qualified as “bundled transaction” resulting in the Company's loss of control. Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is re-measured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

4. *Disposal of a subsidiary in stages resulting in the Company's loss of control (Continued)*

(2) Consolidated financial statements (Continued)

- 2) Disposal of a subsidiary in stages qualified as “bundled transaction” resulting in the Company’s loss of control. In case of “bundled transaction”, stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. Before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

15. Investment real estate

Not applicable

16. Fixed assets

(1) *Recognition principles*

Applicable Not applicable

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Fixed assets (Continued)

(2) Depreciation method

Applicable Not applicable

Items	Depreciation method	Useful life (years)	Estimated residual value proportion	Annual depreciation rate
Buildings and structures	Straight-line method	30-50	3%	1.94%-3.23%
Machinery and other equipment	Straight-line method	8-22	3%-5%	4.32%-12.13%
Motor vehicles	Straight-line method	8	3%	12.13%

(3) Recognition and pricing principles of fixed assets rented-in under finance lease

Applicable Not applicable

Finance lease is determined when one or a combination of the following conditions are satisfied: (1) the ownership has been transferred to the lessee when the leasing term is due; (2) the lessee has the option to purchase the leasing asset at a price that is much lower than its fair value, so it can be reasonably determined that the lessee will take the option at the very beginning of the lease; (3) the leasing term accounts for most time of the useful life (ordinarily accounting for 75% or higher) even if the ownership does not transfer to the lessee; (4) the present value of the minimum amount of rent that the lessee has to pay at the first day of the lease amounts to 90% or higher of its fair value at the same date; or the present value of the minimum amount of rent that the lessor collects at the first day of the lease amounts to 90% or higher of its fair value at the same date; and/or (5) the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Fixed assets rented-in under finance lease are recorded at the lower of fair value and the present value of the minimum lease payment at the inception of the lease, and are depreciated following the depreciation policy for self-owned fixed assets.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Construction in progress

Applicable Not applicable

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

18. Borrowing costs

Applicable Not applicable

1. *Recognition principle of borrowing costs capitalization*

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. *Borrowing costs capitalization period*

- (1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.
- (2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Borrowing costs (Continued)

2. *Borrowing costs capitalization period (Continued)*

- (3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. *Capitalization rate and capitalized amount of borrowing costs*

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

19. Biological assets

Applicable Not applicable

20. Oil and gas assets

Applicable Not applicable

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Intangible assets

(1) Accounting method, useful lives and impairment test

Applicable Not applicable

1. Intangible asset is land use right. The initial measurement of intangible asset is based its cost.
2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use rights	50

(2) Accounting policies of expenses for research and development of internal cases

Applicable Not applicable

Expenses for research and development of internal cases in the research stage shall be recorded into current profit and loss at the occurrence. As for an internal research and development project, expenditure incurred in the research phase is recognized in profit or loss in the period as incurred. Expenses incurred in the development stage are recognized as intangible assets if all of the following conditions are met: (1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale; (2) the intention to complete the intangible asset for use or for sale; (3) how the intangible asset will generate economic benefits including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) the expenditures attributable to the development of the intangible asset could be reliably measured.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Impairment of long-term assets

Applicable Not applicable

For long-term assets such as long-term equity investments, fixed assets, construction in progress, intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of groups of assets.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as assets impairment loss through profit or loss.

23. Long-term deferred expenses

Applicable Not applicable

24. Employee benefits

(1) *Accounting treatment method of short-term employee benefits*

Applicable Not applicable

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Employee benefits (Continued)

(2) Accounting treatment method of post-employment benefits

Applicable Not applicable

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

- (1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.
- (2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:
 - 1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan to determine the present value of the defined benefit plan obligations and the current service cost;
 - 2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;
 - 3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. changes as a result of re-measurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer these amounts recognized in other comprehensive income within equity.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Employee benefits (Continued)

(3) Accounting treatment method of termination benefits

Applicable Not applicable

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or (2) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

(4) Accounting treatment method of other long-term employee benefits

Applicable Not applicable

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts are recognized in profit or loss or included in the cost of a relevant asset.

25. Provisions

Applicable Not applicable

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.
2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Share-based payment

Applicable Not applicable

27. Other financial instruments including preferred stock and perpetual debt

Applicable Not applicable

28. Revenue

Applicable Not applicable

1. *Revenue recognition principles*

(1) Sale of goods

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied: 1) significant risks and rewards of ownership of the goods are transferred to the buyer; 2) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; 3) the amount of revenue can be measured reliably; 4) it is probable that the economic benefits of the transaction will flow to the Company; and 5) the costs of the transaction incurred or to be incurred can be measured reliably.

(2) Rendering of services

When the outcome of the transaction can be estimated reliably at the balance sheet date (when the conditions are all satisfied for the revenue, the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably), revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at the proportion of costs incurred to the estimated total costs. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

28. Revenue (Continued)

1. Revenue recognition principles (Continued)

(3) The right to use asset assignment

Revenue arising from asset assignment is recognized if, and only if, it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's cash is used by others and the effective interest rate; and royalties are recognized according to the period and method of charging as specified in relevant contract or agreement.

2. Revenue recognition method adopted by the Company

Main products of the Company include steel plates, steel sections, wire rods and bar materials. Recognition of the revenue from the products requires the fulfillment of the following conditions: the products have been delivered by the Company to the principal as agreed in the contract and have been accepted by the principal; and the amount has been determined as to product sales revenue, the payment for goods has been received or the receiving vouchers obtained, relevant economic benefits likely to flow in and product-related costs able to be measured reliably.

29. Government grants

(1) Judgment criteria and accounting treatment method for asset-related government grants

Applicable Not applicable

The Group recognized a government grant which is used to construct or form a long term asset as a government grant related to an asset. The government grants related to assets are recognized as deferred revenue, and equally accounted into current profit or loss within the useful life of relevant assets with reasonable and systematic methods. The government grants measured according to the nominal amount shall be directly included in the current profits and losses.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Government grants (Continued)

(2) *Judgment criteria and accounting treatment method for revenue-related government grants*

Applicable Not applicable

The government grants other than the government grants related to assets are recognized as government grants related to revenue. The government grants pertinent to revenue used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profits and losses of the current period when the related expenses or losses are recognized; the government grants used to compensate the related expenses or losses incurred are directly included into profits or losses of the current period.

Accounting treatment method for policy-related loan interest discounts

The finance allocates the interest discount funds to the lending bank, and the lending bank offers loans for the company at a policy-related interest discount. If the borrowing amount received actually is charged into entry value for the borrowing, the related borrowing expenses are calculated based on the borrowing capital and the policy-related loan interest rate. If the finance directly allocates the interest discount funds to the company, the corresponding loan interest will be used to offset the borrowing expenses.

30. Deferred tax assets/Deferred tax liabilities

Applicable Not applicable

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

30. Deferred tax assets/Deferred tax liabilities (Continued)

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.
3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.
4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; and (2) the transactions or items directly recognized in equity.

31. Leases

(1) Accounting treatment method of operating leases

Applicable Not applicable

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged into profit or loss in the periods in which they are incurred.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Leases (Continued)

(2) Accounting treatment method of finance leases

Applicable Not applicable

When the Company is the lessee, at the commencement of the lease term, lessees recognize finance leases as assets and liabilities in their balance sheets at amounts equal to the lower of fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease, and recognize the minimum lease payments as the entering value of long-term payable, and treat the difference of the two as unrecognized finance expense. Any initial direct costs of the lessee are added to the amount recognized as an asset. The effective interest method is used to recognize finance expense of the period during the lease term.

When the Company is the lessor, at the commencement of the lease, lessor recognizes the aggregate of minimum lease receipts and initial direct costs, each determined at the inception of the lease, as the entering value of finance lease receivables, and recognize the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values is recognized as unrealized finance income. The effective interest method is used to recognize finance income of the period during the lease term.

32. Other critical accounting policies and estimates

Applicable Not applicable

In the course of preparing financial statements, the Company has used estimates and assumptions, which may have effects on the application of accounting policies and amount of assets, liabilities, revenue and expenses. Concerning the discrepancy in practice, the Company performs ongoing assessment on key assumptions and key sources of estimation uncertainty. Effects arising from changes in accounting estimates are recognized at the period when such change occurs and subsequent period onwards.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Other critical accounting policies and estimates (Continued)

Key sources of estimation uncertainty are:

1. *Recognition of deferred tax assets*

As stated in deferred tax assets/liabilities, deferred tax assets are recognized based on the deductible temporary difference (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) between the carrying amount and the tax base of assets or liabilities and the applicable tax rate at the time when such asset is collected or such liability is liquidated. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference.

2. *Provision for bad debts*

As stated in receivables, the Company performs individual impairment test on receivables of individually significant amount and with provision made on an individual basis, and provision for bad debts is made on the difference between the present value of future cash flow and the carrying amount. For receivables using portfolios with similar credit risk features, provisions for bad debts is withdrawn according to its aging, but bad debt provisions shall not be withdrawn for receivables of related parties. For receivables of individually insignificant amount but with provision made on an individual basis, individual impairment test is performed and provision for bad debts is made at the difference between the present value of future cash flow and the carrying amount.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Other critical accounting policies and estimates (Continued)

3. *Provision for inventory write-down*

As stated in inventories, at the balance sheet date, inventories are measured at the lower of cost or net realizable value; provision for inventory write-down is made on the difference between the cost and the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. *Impairment of long-term assets*

As stated in impairment of part of non-current assets. For long-term assets such as long-term equity investments, fixed assets, construction in progress, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of group of assets. When the measurement result indicates that the recoverable amount of such long-term assets is lower than their carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as assets impairment loss through profit or loss, and provision for impairment loss of assets is made accordingly.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

33. Significant changes in accounting policies and estimates

(1) Significant changes in accounting policies

Applicable Not applicable

The changes in accounting policy and reasons thereto	Procedures for Approval	Notes (names and amounts of the items materially affected)
<p>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.</p> <p>The Company has prepared the 2017 annual 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”.</p>		<p>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.</p>

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

III SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

33. Significant changes in accounting policies and estimates (Continued)

(2) Significant changes in accounting estimates

Applicable Not applicable

34. Others

Applicable Not applicable

Work Safety Fund

As for the work safety fund withdrawn in accordance with the Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds (Caiqi [2012] No. 16) (《企業安全生產費用提取和使用管理辦法》(財企[2012]16號)) jointly issued by the Ministry of Finance and the State Administration of Work Safety, the Company has credited such funds to the cost of relevant products or profit or loss of the current period and recorded them in “Special Reserve”. In respect of utilizing work safety funds, when they are classified as revenue expenditures, specific reserve is directly offset. When fixed assets are incurred, they are included in “Construction in Progress” and recognized as fixed assets when the safety project is completed and attains the status of its intended use. They are then offset against specific reserve based on their cost while a corresponding amount is recognized in accumulated depreciation. Such fixed assets are no longer depreciated in subsequent periods.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IV. TAXES

I Main taxes and tax rates

Main taxes and tax rates

Applicable Not applicable

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from Sales of goods	3%, 6%, 13%, 11%, 17%
Consumption tax		
Business tax		
City maintenance and construction tax		7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%、25%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12%	1.2%、12%

Different enterprise income tax rates applicable to different taxpayers, disclose the explanation

Applicable Not applicable

Name of subject of taxation	Income tax rate (%)
The Company	15%
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	25%
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司)	25%
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)	25%

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IV. TAXES (CONTINUED)

II Tax preferential policies

Applicable Not applicable

The preferential tax treatment pertaining to China's western development entitled by the Company had been expired on 31 December 2010. For the Announcement about Issue on the Enterprise Income Tax Related to In-depth Implementing the China's Western Development Strategy (Announcement of State Administration of Taxation, 2012, No. 12) issued by the State Administration of Taxation ("SAT") in respect of the extension of preferential tax policies pertaining to China's western development, "companies located in the western region that fall into the catalogue of encouraged industries are subject to a reduced Corporate Income Tax rate of 15% from 1 January 2011 to 31 December 2020". The Company anticipates that it is most likely that such preferential policy will continue in the future, thus in this year, the Company's tax rates and preferential tax policies remain unchanged as compared to last year.

III Others

Applicable Not applicable

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank deposits

Unit: RMB'000

Items	Closing balance	Opening balance
Cash on hand	41	747
Bank deposits	1,969,797	788,699
Other monetary funds	80,700	313,248
Total	2,050,538	1,102,694

Including: total amounts deposited abroad

Other description

At the end of the period, there are funds with use restriction.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

2. Notes receivable

(1) Notes receivable are set forth below by the categories:

Unit: RMB'000

Items	Closing balance	Opening balance
Bank acceptance	123,096	19,435
Total	123,096	19,435

(2) Notes receivable has been endorsed or discounted but not yet due at the end of the period:

Unit: RMB'000

Items	Amount derecognized at the end of the period	Amount remained to be recognized at the end of the period
Bank acceptance	1,795,100	
Total	1,795,100	

Other description

The commercial bank is the acceptor of the bank acceptance. As the commercial bank has very high credit, it is of relatively low probability for the failure to pay at the maturity of the bank acceptance. Therefore, the Company derecognized with endorsed or discounted bank acceptance. If the bank acceptance is not paid at the maturity, the Company shall still bear joint liability for the holder according to relevant provisions of the Law of Negotiable Instrument.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

3. Accounts receivable

(1) Accounts receivables presented by categories

Unit: RMB'000

Categories	Closing balance				Opening balance					
	Book balance		Provision for bad debts		Book balance		Provision for bad debts			
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion		
		(%)		(%)		(%)		(%)		
Receivables of individually significant amount and with provision made on an individual basis										
Receivables with provision made on a collective basis using portfolios with similar credit risk features	187,538	100	143,500	77	44,038	421,295	99	165,037	39	256,258
Receivable of individually insignificant amount but with provision made on an individual basis						2,756	1	2,756	100	
Total	187,538	100	143,500	77	44,038	424,051	100	167,793	40	256,258

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

3. Accounts receivable (Continued)

(1) Accounts receivables presented by categories (Continued)

In portfolios, accounts receivable with provision made on a collective basis with aging analysis method:

Unit: RMB'000

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
<i>Within 1 year</i>			
Including: sub-items			
within 1 year			
Within 3 months			
(third month inclusive)	4,843		
4–12 months			
(first year inclusive)	26,346	1,317	5
Sub-total within 1 year	31,189	1,317	5
1–2 years	16,473	4,118	25
2–3 years	3,622	1,811	50
Over 3 years	136,254	136,254	100
Total	187,538	143,500	77

Explanations of the basis for determination of the portfolio:

The aging analysis is based on the month when accounts receivable were recognized. The accounts receivable recognized firstly will be prior settled.

(2) Accounts receivable provided for bad debts, collected or reversed for the period

An amount of RMB-24,293,000 was made as bad debt provision for the period.

(3) Top five accounts receivable by debtor

The subtotal of five largest accounts receivable of the Company at the end of the period is RMB66,470,000, representing 35% of the total accounts receivable, and the provision of bad debts is RMB36,440,000.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

4. Prepayments

(1) Aging Analysis

Unit: RMB'000

Ages	Closing balance		Opening balance	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	70,022	100	31,987	86
1-2 years			1,843	5
2-3 years			1,762	5
Above 3 years			1,599	4
Total	70,022	100	37,191	100

(2) Top five prepayments of closing balance by debtor

The subtotal of the top five prepayments of the Company at the end of the period is RMB41,266,000, representing 59% of the total prepayments of closing balance..

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

5. Other receivables

(1) Other receivables presented by categories

Unit: RMB '000

Categories	Closing balance				Opening balance					
	Book balance		Provision for bad debts		Book balance		Provision for bad debts		Carrying amount	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)		
Other receivables of individually significant amount and with provision made on an individual basis	23,052	46	16,646	72	6,406	15,827	21	15,827	100	
Other receivables that were not impaired upon separate impairment test						58,099	77		58,099	
Receivable of individually insignificant amount but with provision made on an individual basis	27,038	54	23,089	85	3,949	1,131	2	1,131	100	
Total	50,090	100	39,735	79	10,355	75,057	100	16,958	23	58,099

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

5. Other receivables (Continued)

(1) Other receivables presented by categories (Continued)

Other receivables of individually significant amount and with provision made on an individual basis at the end of the period

Unit: RMB'000

Name of debtor (by business unit)	Book balance	Closing balance		Reasons for provision made
		Provision for bad debts	Provision proportion (%)	
Chongqing Iron and Steel Industry and Trade (Zhanjiang) Company (湛江重鋼工貿公司)	10,240	10,240	100	Low collection possibility
Chang Zhou Chunzhixin Metal Material Co., Ltd (常州市春之鑫 金屬材料有限公司)	7,222	3,611	50	Provision based on the expected recoverable amount
Jiangsu Hetuo International Trade Co., Ltd (江蘇和拓國際貿易有限 公司)	5,590	2,795	50	Provision based on the expected recoverable amount
Total	23,052	16,646	72	/

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

5. Other receivables (Continued)

(2) *Other receivables provided for bad debts, collected or reversed for the period*

An amount of RMB22,777,000 was made as bad debt provision for the period.

(3) *Other receivables presented by nature*

Unit: RMB'000

Nature of amount	Closing balance	Opening balance
Payment on account	32,265	43,464
Guarantee deposits and petty cash	15,576	14,778
Others	2,249	16,815
Total	50,090	75,057

(4) *Top five other receivables of closing balance by debtor*

The subtotal of the top five other receivables of the Company at the end of the period is RMB31,099,000, representing 62% of the total other receivables of closing balance, and the provision of bad debts is RMB24,693,000.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

6. Inventories

(1) Inventories presented by classification

Unit: RMB '000

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw material	824,355	169,466	654,889	386,939		386,939
Work-in-progress	292,914	476	292,438	106,933	35,265	71,668
Finished goods	152,224		152,224	17,202		17,202
Revolving material						
Consumable biological assets						
Assets of construction contract completed but not yet settled						
Low-value consumables and spare parts for repairs	395,206	164,288	230,918	537,266	40,115	497,151
Total	1,664,699	334,230	1,330,469	1,048,340	75,380	972,960

(2) Provision for inventory write-down

Unit: RMB'000

Items	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or written-off	Others	
Raw material		169,466				169,466
Work-in-progress	35,265	476		35,265		476
Finished goods						
Revolving material						
Consumable biological assets						
Assets of construction contract completed but not yet settled						
Low-value consumables and spare parts for repairs	40,115	124,173				164,288
Total	75,380	294,115		35,265		334,230

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

6. Inventories (Continued)

(2) Provision for inventory write-down (Continued)

Since the net realizable value of part of the inventory was lower than its carrying amount in the current period, the provision for inventory write-down amounted to RMB294,115,000. Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventory write-down:

Items	Determination basis for provision for inventory write-down	Basis for determination of net realizable value	Reasons for the reversal or the write-off of provision for inventory write-down in the current period
Raw material	Provision for inventory write-down on a standalone basis	The amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges	
Work-in-progress	Provision for inventory write-down on a standalone basis	The amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges	Relevant inventories used or disposed already
Low-value consumables and spare parts for repairs	Provision for inventory write-down on a standalone basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

7. Other current assets

Unit: RMB '000

Items	Closing balance	Opening balance
Wealth management products from banks	650,000	
VAT to be deducted	478,655	509
Total	1,128,655	509

8. Available-for-sale financial assets

(1) Details

Unit: RMB'000

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale debt instruments						
Available-for-sale equity instruments	5,000		5,000	5,000		5,000
Wherein: Measured by fair value						
Wherein: measured by cost	5,000		5,000	5,000		5,000
Total	5,000		5,000	5,000		5,000

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

8. Available-for-sale financial assets (Continued)

(2) Available-for-sale financial assets measured at cost at the end of period:

Unit: RMB'000

Investees	Book balance			Closing balance	Provision for impairment			Closing balance	Shareholding proportion in investees (%)	Cash dividend in current period
	Opening balance	Increase	Decrease		Opening balance	Increase	Decrease			
Xiamen Shipbuilding Industry Co., Ltd (廈門船重工股份有限公司)	5,000			5,000					2	
Total	5,000			5,000					/	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

9. Long-term equity investments

Unit: RMB'000

Investees	Opening balance	Investments increased	Investments decreased	Increase/decrease						Closing balance	Closing balance of provision for impairment	
				Investment profit and loss recognized under equity method	Adjustment in other comprehensive income	Changes in other equity	Cash dividend/ profit declared for distribution	Provision for impairment	Others			
1. Joint venture												
Sub-total												
2. Associate												
Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司)(Note)	131,015			-6,857							124,158	
Sub-total	131,015			-6,857							124,158	
Total	131,015			-6,857							124,158	

Note: Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司) is proposed to be liquidated and deregistered.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

10. Fixed assets

(1) Details

Unit: RMB'000

Items	Buildings and structures	Machinery and other equipment	Transport facilities	Total
I. Cost:				
1. Opening balance	13,665,518	21,315,073	21,501	35,002,092
2. Increase	7,446	236,820	472	244,738
(1) Purchase			472	472
(2) Transfer in from construction in progress	7,446	236,820		244,266
(3) Business combination				
3. Decrease	49,384	13,827,249	7,203	13,883,836
(1) Disposal or write off		10,646	2,905	13,551
(2) Disposal of bankruptcy reorganization	49,384	13,816,603	4,298	13,870,285
4. Closing balance	13,623,580	7,724,644	14,770	21,362,994
II. Accumulated depreciation				
1. Opening balance	1,390,281	4,102,849	17,642	5,510,772
2. Increase	313,603	900,651	1,606	1,215,860
(1) Accrual	313,603	900,651	1,606	1,215,860
3. Decrease	15,654	2,937,216	6,467	2,959,337
(1) Disposal or write off		1,978	2,674	4,652
(2) Disposal of bankruptcy reorganization	15,654	2,935,238	3,793	2,954,685
4. Closing balance	1,688,230	2,066,284	12,781	3,767,295
III. Provision for impairment				
1. Opening balance			56	56
2. Increase				
(1) Provision				
3. Decrease			56	56
(1) Disposal or write off				
(2) Disposal of bankruptcy reorganization			56	56
4. Closing balance				
IV. Carrying amount				
1. Carrying amount at the end of period	11,935,350	5,658,360	1,989	17,595,699
2. Carrying amount at the beginning of period	12,275,237	17,212,224	3,803	29,491,264

Such decreases in the current period were mainly due to the disposal of the fixed assets by bankruptcy reorganisation.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

10. Fixed assets (Continued)

(2) Fixed assets rented-out under operating leases

Unit: RMB'000

Items	Carrying amount at the end of the period
Buildings and structures	14,469

(3) Fixed assets with certificate of titles being unsettled

Unit: RMB'000

Items	Carrying amount	Reason for unsettlement
Workshop in Changshou district	1,259,182	Data in preparation

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

11. Construction in progress

(1) Construction in progress

Unit: RMB'000

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Equipment upgrade project	171		171	10,443		10,443
CIS POSCO cold rolling steel project				302		302
Others	8,524		8,524	32,386		32,386
Total	8,695		8,695	43,131		43,131

(2) Changes in significant projects for the period

Unit: RMB'000

Name of project	Budgets	Opening balance	Increase in current period	Transferred to fixed assets	Other decreased amount in the current period	Closing balance	Proportion of investment to Budget (%)	Construction progress	Accumulated Amount of borrowing cost capitalization	Including: Amount of borrowing cost capitalization in current period	Capitalization rate in current period (%)	Source of fund
Equipment upgrade project		10,443	37,461	47,733		171						Loans from financial institutions and self-owned fund
CIS POSCO cold rolling steel project		302			302							Loans from financial institutions and self-owned fund
Others		32,386	172,671	196,533		8,524						Loans from financial institutions and self-owned fund
Total		43,131	210,132	244,266	302	8,695						

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

12. Construction materials

Unit: RMB'000

Items	Closing balance	Opening balance
Equipment and construction materials		15,126
Total		15,126

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

13. Intangible assets

(1) Intangible assets

Unit: RMB'000

Items	Land use right	Patent	Non-patented technology	Total
I. Cost				
1. Opening balance	2,942,233			2,942,233
2. Increase				
(1) Purchase				
(2) In-house research and development				
(3) Increase in Business combination				
3. Decrease	71,166			71,166
(1) Disposal	71,166			71,166
4. Closing balance	2,871,067			2,871,067
II. Accumulated amortization				
1. Opening balance	293,649			293,649
2. Increase	63,610			63,610
(1) Provision	63,610			63,610
3. Decrease	7,926			7,926
(1) Disposal	7,926			7,926
4. Closing balance	349,333			349,333
III. Provision for impairment				
1. Opening balance				
2. Increase				
(1) Provision				
3. Decrease				
(1) Disposal				
4. Closing balance				
IV. Carrying amount				
1. Carrying amount at the end of period	2,521,734			2,521,734
2. Carrying amount at the beginning of period	2,648,584			2,648,584

The reduction in the current period of the intangible assets is the disposal of assets from bankruptcy reorganization.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

13. Intangible assets (Continued)

(2) Analysis on the carrying amount of the land use right

Items	Closing balance	Opening balance
Except Hong Kong	2,521,734	2,648,584
Wherein: mid-term lease	2,521,734	2,648,584
Sub-total	2,521,734	2,648,584

14. Deferred Tax Asset/Deferred Tax Liabilities

(1) Details of the unrecognized deferred tax asset

Unit: RMB'000

Items	Closing Balance	Opening balance
Deductible temporary differences		
Deductible Losses	7,107,926	8,790,343
Provision for Assets Impairment	517,465	260,187
Employee termination benefits	243,190	276,634
Accrued Litigation Interest		110,049
Accrued Liability	11,204	52,177
Others	519,841	471,920
Total	8,399,626	9,961,310

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

14. Deferred Tax Asset/Deferred Tax Liabilities (Continued)

(2) Maturity of deductible losses within the unrecognized deferred tax asset

Unit: RMB'000

Year	Closing Balance	Opening balance	Notes
2017		363,526	
2018	1,480,858	2,799,585	
2019	465,978	465,978	
2020	1,506,919	1,507,869	
2021	3,651,305	3,653,385	
2022	2,866		
Total	7,107,926	8,790,343	/

15. Other non-current assets

Unit: RMB'000

Items	Closing balance	Opening balance
Guarantee for finance lease		40,200
VAT to be deducted (<i>note</i>)		1,611,738
Others		5,250
Total		1,657,188

Other description:

Note: VAT to be deducted within 1 year is expected to be transferred to other current assets.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

16. Short-term borrowings

(1) Short-term borrowing presented by categories:

Unit: RMB'000

Items	Closing balance	Opening balance
Pledged loans		
Mortgage loans		
Guaranteed loans		5,362,587
Credit loans		338,000
Total		5,700,587

17. Notes payable

Unit: RMB'000

Items	Closing balance	Opening balance
Commercial acceptance bills		651,360
Bank acceptance bills	80,700	981,350
Total	80,700	1,632,710

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

18. Accounts payable

(1) Accounts payable

Unit: RMB'000

Items	Closing balance	Opening balance
Accounts payable for goods and services	2,074,594	7,043,927
Accounts payable for construction and equipment		2,341,099
Total	2,074,594	9,385,026

(2) Significant accounts payable with age over one year

Unit: RMB'000

Items	Closing balance	Reasons for unsettlement
Accounts payable for goods and services	9,543	Continuation of the contract but temporarily not paid
Total	9,543	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

18. Accounts payable (Continued)

(3) Aging analysis

Ages	Closing balance	Opening balance
Within 1 year	2,065,051	2,917,169
1-2 years	8,776	2,471,765
2-3 years	731	1,796,277
Over 3 years	36	2,199,815
Total	2,074,594	9,385,026

The aging analysis is based on the month when accounts payable were recognized. The accounts payable recognized firstly will be prior settled.

19. Receipts in advance

(1) Items of receipts in advance

Unit: RMB'000

Items	Closing balance	Opening balance
Payment for goods	187,099	1,014,762
Total	187,099	1,014,762

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

20. Employee benefits payable

(1) Employee benefits payable

Unit: RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	221,543	764,456	850,166	135,833
II. Post-employment benefits— defined contribution plans	282,894	134,990	30,964	386,920
III. Termination benefits	56,818	22,233	38,257	40,794
IV. Other benefits due within one year				
Total	561,255	921,679	919,387	563,547

(2) Details of short-term employee benefits

Unit: RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
1. Wage, bonus, allowance and subsidy	19,707	591,324	591,155	19,876
2. Employee welfare fund		16,098	16,098	
3. Social insurance premium	71	89,672	89,673	70
Including: Medical insurance premium	61	80,499	80,495	65
Work-related injury insurance premium	9	7,577	7,581	5
Maternity insurance premium	1	1,596	1,597	
4. Housing fund	181,611	55,979	124,464	113,126
5. Labor union fund and employee education fund	19,869	10,228	27,554	2,543
6. Short-term paid absences				
7. Short-term profit-sharing plans				
Others	285	1,155	1,222	218
Total	221,543	764,456	850,166	135,833

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

20. Employee benefits payable (Continued)

(3) Details of defined contribution plans

Unit: RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
1 Basic pension insurance premium	282,893	112,674	8,651	386,916
2 Unemployment insurance premium	1	2,346	2,343	4
3 Supplementary pension insurance premium				
Unified planning of pension insurance		19,970	19,970	
Total	282,894	134,990	30,964	386,920

Pursuant to the Labor Law of the People's Republic of China and relevant laws and regulations, the Company and its subsidiaries in the People's Republic of China participated in defined contribution retirement schemes for its employees. The local government authorities are responsible for the entire pension obligations payable to retired employees who reach retirement age pursuant to relevant regulations or quit the work force due to other reasons. The Company and its subsidiaries have no other obligation to make payment in respect of pension benefits.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

21. Tax payable

Unit: RMB'000

Items	Closing balance	Opening balance
Value-added tax (VAT)	50	22
Stamp duty	13,045	18
Housing property tax		191
Others		4
Total	13,095	235

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

22. Interests payable

Unit: RMB'000

Items	Closing balance	Opening balance
Interest of borrowings	7,174	106,680
Interest of corporate bonds		10,333
Total	7,174	117,013

23. Other payables

(1) Balance of other payables set forth by nature

Unit: RMB'000

Items	Closing balance	Opening balance
Reserve funds for rearrangement (<i>note</i>)	999,792	
Payment on account and interest	422,890	4,129,270
Guarantee deposits	16,300	23,413
Others	45,756	49,698
Total	1,484,738	4,202,381

Note: Reserve funds for rearrangement is to withdraw in accordance with the implementation of the rearrangement plan, mainly including the payables to Chongqing Equity Investment Fund Partnership for Strategic Emerging Industries which is RMB741,174,000, pledged by the equities held by the Company in Chongqing CISL High Strength Cold Rolling Steel Co., Ltd and Chongqing POSCO CISL Automotive Steel Co., Ltd.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

24. Non-current liabilities due within one year

Unit: RMB'000

Items	Closing balance	Opening balance
Long-term loans due within one year	400,000	1,506,504
Long-term bonds payable due within one year		1,994,029
Long-term payables due within one year		4,000
Total	400,000	3,504,533

Note: Long term loans due within one year at the end of the term are mortgages and guaranteed loans, which are guaranteed by Siyuanhe Equity Investment Management Co., Ltd.

25. Other current liabilities

Other current liabilities

Unit: RMB'000

Items	Closing balance	Opening balance
Deferred income – government grants		6,865
Deferred income – unrealized gains and losses of sale-and-leaseback transactions		5,366
Total		12,231

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

26. Long-term borrowings

(1) Long-term borrowings presented by categories

Unit: RMB'000

Items	Closing balance	Opening balance
Mortgage loans	700,000	7,779,456
Guaranteed loans		1,294,000
Total	700,000	9,073,456

Explanation for long-term borrowings:

Note: The mortgage loans at the end of the period were guaranteed by Siyuanhe Equity Investment Management Co., Ltd.

(2) Analysis of long-term borrowings maturity dates

Unit: RMB'000

Items	Closing balance	Opening balance
Spot or within 1 year	400,000	1,506,504
1-2 years	400,000	2,192,000
2 to 5 years	300,000	5,191,456
Over 5 years		1,690,000
Sub-total	1,100,000	10,579,960
Wherein: Long-term loans due within one year	400,000	1,506,504
Long-term loans due over one year	700,000	9,073,456

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

27. Long-term payable

(1) Long-term payable set forth by nature

Unit: RMB'000

Items	Closing balance	Opening balance
Financial lease payable		61,944

28. Long-term employee benefits payable

(1) Chart for long-term employee benefits payable

Unit: RMB'000

Items	Closing balance	Opening balance
1. Post-employment benefits-net defined benefit liability		
2. Termination benefits	243,190	276,634
3. Other long-term benefits		
Total	243,190	276,634

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

29. Provisions

Unit: RMB'000

Items	Opening balance	Closing Balance	Reason
Contract Loss to be implemented	52,177		
Other (note)		11,204	
Total	52,177	11,204	/

Note: other means the estimated use fee for pre-iron assets leased from Chongqing Changshou Iron & Steel Company Limited.

30. Deferred income

Deferred income

Unit: RMB'000

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	97,376	3,170	57,392	43,154	Government grants
Unrealized gains and losses of sale-and-leaseback transactions	89,181		89,181		Sale-and-leaseback transactions
Less: Deferred income expected to be realized within one year	-12,231		-12,231		
Total	174,326	3,170	134,342	43,154	/

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

30. Deferred income (Continued)

Details of government grants

Unit: RMB'000

Items	Opening balance	Increase	Recognition during the period as Other income	Other movements	Closing balance	Related to assets/ income
Grants for construction of environmental protection equipment and facilities	58,188	3,170	55,330		6,028	Related to assets
Grants for recycle heat power station	39,188		2,062		37,126	Related to assets
Total	97,376	3,170	57,392		43,154	/

For details of government grants credited to the current profit or loss or offset the related cost in the current period, please see explanation of government grants in the note of this financial statements.

31. Other non-current liabilities

Unit: RMB'000

Items	Closing Balance	Opening balance
Borrowing from non-financial institutions	2,400,000	776,618
Total	2,400,000	776,618

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

32. Share capital

Unit: RMB'000

Items	Variation in the current period (decrease represented with "-")						Closing balance
	Opening balance	New shares issued	Bonus shares	Reserve transferred to shares	Other	Sub-total	
Total of shares	4,436,023			4,482,579		4,482,579	8,918,602

Other description:

The increase in the current period was capital reserves transferred into share capital.

33. Capital reserve

Unit: RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium (Share premium)	6,341,095	16,595,893	4,482,579	18,454,409
Other capital reserves	813,108	14,630		827,738
Total	7,154,203	16,610,523	4,482,579	19,282,147

Other explanations, including the details and reasons for changes of increase or decrease in current period:

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

33. Capital reserve (Continued)

1) *Changes in share premium in the current period were related with bankruptcy reorganisation, among which:*

- ① Chongqing Changshou Iron & Steel Company Limited provided liquidity of RMB100 million to the Company as the cash term of being transferred 2,096,981,600 shares of the Company from Chongqing Iron & Steel Group, the capital reserves in the Company increased by RMB100 million after receiving the aforesaid amounts;
- ② Pursuant to the Reorganisation Plan, based on the total share capital of A shares, the Company transferred the capital reserves into shares on the ratio of 11.5010 Shares for every 10 existing Share, and 4.483 billion A shares in total were transferred to repay liabilities and related reorganisation fee as required by the Reorganisation Plan. The Company increased its share capital by 4.483 billion and decreased its capital reserves by 4.483 billion by transferring capital reserves into share capital; and was entitled to the capital reserve of RMB16.496 billion resulting from the increase of fair value of the share in the Company because its creditors abandoned its right.

- 2) The increase of other capital reserves in the current period represents RMB14,630,000 of the VAT to be deducted in excess of the agreed amount between the Company and Chongqing Iron & Steel Group (“CISG”) from the significant asset reorganisation, and it was credited to the capital reserve as a donation from CISG.

34. Special reserve

Unit: RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Safe production reserve		13,619	13,619	
Total		13,619	13,619	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

35. Surplus reserve

Unit: RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	606,991			606,991
Discretionary surplus reserve				
Reserve funds				
Corporate development fund				
Others				
Total	606,991			606,991

36. Retained earnings

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	-12,397,711	-7,711,755
Adjustment of opening balance (increase+, decrease-)		
Opening balance after adjustment	-12,397,711	-7,711,755
Add: Net profit attributable to the shareholders of the parent company	320,086	-4,685,956
Less: Appropriation to Statutory surplus reserve		
Appropriation to surplus reserve		
Appropriation to general risk reserve		
Dividend payable on ordinary shares		
Dividend on ordinary share converted to share capital		
Closing balance	-12,077,625	-12,397,711

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

37. Operating revenue and operating costs

Unit: RMB'000

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from principal activities	13,211,356	12,788,683	4,389,462	6,151,764
Revenue from other operations	25,484	22,475	25,440	10,846
Total	13,236,840	12,811,158	4,414,902	6,162,610

38. Taxes and surcharges

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
City maintenance and construction tax	41	96
Education surcharges	7	69
Housing property tax	33,847	22,048
Land use tax	42,497	28,331
Business tax		60
Stamp duty	5,972	709
Total	82,364	51,313

Other description:

Note: Pursuant to the "Provisions Concerning the Accounting Treatments on Value-Added Tax" (Caikui [2016] No. 22) and "Interpretation of Issues Concerning Provisions Concerning the Accounting Treatments on Value-Added Tax" issued by the Ministry of Finance, housing property tax, land use tax and stamp duty arising from the period between May and December 2016 were presented in "taxes and surcharges", while those arising for the period prior to May 2016 were presented in "Administrative expenses". Housing property tax, land use tax and stamp duty arising from the period between January and December 2017 were presented in "taxes and surcharges".

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

39. Selling expenses

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Transportation expenses	38,880	44,064
Labor cost	9,466	15,830
Unwinding fees	3,576	4,171
Ship inspection expenses		22,207
Others	8,706	22,790
Total	60,628	109,062

40. Administrative expenses

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Repair Cost	747,582	417,544
Labor Cost	200,376	179,320
Loss of suspension of production	95,770	590,913
Amortization of intangible assets	63,610	63,680
Termination benefits	32,927	276,634
Audit and consulting expenses	28,749	10,261
Including: auditor's remuneration	4,600	4,600
Taxes (Note)		27,133
Others	125,937	115,314
Total	1,294,951	1,680,799

Note: Pursuant to the "Provisions Concerning the Accounting Treatments on Value-Added Tax" (Caikuai [2016] No. 22) and "Interpretation of Issues Concerning Provisions Concerning the Accounting Treatments on Value-Added Tax" issued by the Ministry of Finance, housing property tax, land use tax and stamp duty arising from the period between May and December 2016 were presented in "taxes and surcharges", while those arising for the period prior to May 2016 were presented in "Administrative expenses". Housing property tax, land use tax and stamp duty arising from the period between January and December 2017 were presented in "taxes and surcharges".

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

41. Financial Expenses

Add disclosure

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Interest Expenses:	528,458	1,143,152
Wherein: Interest of bank loans, overdrafts and other loans that must be paid off within five years	522,030	1,060,115
Interest of other loans may not be paid off within five years	6,428	83,037
Interest Income	9,244	14,467
Others	-6,933	58,888
Wherein: Net exchange loss	-16,813	54,502
Total	512,281	1,187,573

42. Impairment losses on assets

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Bad debts loss	-1,516	25,526
Inventory write-down loss	294,115	582,781
Total	292,599	608,307

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

43. Investment Income

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-6,857	599
Gains on wealth management	9,112	
Total	2,255	599

Other description:

Investment income from non-listed companies and listed companies

Items	Current period cumulative	Preceding period comparative
Investment income from non-listed companies	-6,857	599
Total	-6,857	599

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

44. Gains from disposal of assets

Items	Current period cumulative	Preceding period comparative	Amount recognized as current non-recurring profit or loss
Profit or loss from the disposal of assets in the process of bankruptcy reorganisation (<i>note</i>)	-5,009,602		-5,009,602
Profit or loss from the disposal of other non-current assets	117	6	117
Total	-5,009,485	6	-5,009,485

Note: Refer to "Other important matters" for more details about profit and loss from the disposal of assets in the process of bankruptcy reorganisation.

45. Other income

(1) Details

Items	Current period cumulative	Preceding period comparative
Government Grants	47,198	
Subtotal	47,198	

(2) Other explanation

The Company implemented the revised ASBE No.16-Government Grants and adopted the prospective application method as of 12 June 2017; government grants related to daily activities of the Company from January to December 2017 will be accounted in other incomes. The government grants included in other income in this period are detailed in this government grant.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

46. Non-operating income

Non-operating income

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative	Amount recognized as current non-recurring profit or loss
Income on debt restructuring		450,000	
Government grants		300,228	
Gains on bankruptcy reorganisation of debts (<i>note</i>)	7,226,377		7,226,377
Others	209	1,207	209
Total	7,226,586	751,435	7,226,586

Note: The Reorganisation Plan has been completed, the gains on bankruptcy reorganisation of debts were recognized.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

47. Non-operating expenses

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative	Amount recognized as current non-recurring profit or loss
Expected loss on onerous contract		52,177	
Bankruptcy costs (<i>note</i>)	126,937		126,937
Others	2,666	768	2,666
Total	129,603	52,945	129,603

Note: Bankruptcy costs refer to cost of litigation for bankruptcy cases and remuneration of administrator incurred after the first intermediate people's Court of Chongqing accepts the bankruptcy application.

48. Income tax expenses

(1) *Chart for income tax expenses*

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Current income tax expenses	2	17
Total	2	17

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

48. Income tax expenses (Continued)

(2) Reconciliation of accounting profit to income tax expenses:

Unit: RMB'000

Items	Profit before tax
Profit before tax	319,810
Income tax expenses based on statutory/applicable tax rate	47,972
Effect of different tax rate applicable to subsidiaries	-1,119
Effect of prior income tax reconciliation	2
Effects of non-taxable income	
Effects of non-deductible costs, expenses, and losses	18,674
Effect of deductible losses on deferred income tax assets not previously recognized	-252,338
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized	50,725
Effect of deductible temporary differences on deferred income tax assets or deferred income tax liabilities not previously recognized	136,086
Income tax expenses	2

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

48. Income tax expenses (Continued)

(3) In 2017, the company and its subsidiaries did not produce profits in Hong Kong or have profits from Hong Kong, thus there is no need to pay the Hong Kong profits tax.

49. Items of the consolidated cash flow statement

(1) *Other cash receipts related to operating activities*

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Intercourse funds received	2,652,630	13,072,112
Guarantee deposits of operating notes and letter of credit received	98,160	300,065
Government grants received	45,458	303,437
Others	70,350	18,968
Total	2,866,598	13,694,582

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

49. Items of the consolidated cash flow statement (Continued)

(2) Other cash payments related to operating activities

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Payment of intercourse funds	1,809,061	13,168,393
Payment of bank charges	1,694	4,386
Others	301,413	282,807
Total	2,112,168	13,455,586

(3) Other cash receipts related to financing activities

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Financial funds received from notes and letter of credit	313,514	2,221,443
Financial guarantee deposits received	134,388	237,783
Special interest subsidies received from government	47,050	
Others (Note)	100,000	
Total	594,952	2,459,226

Note: Pursuant to the Reorganisation Plan, Chongqing Changshou Iron & Steel Company Limited provided liquidity of RMB100 million to the Company as the cash term of being transferred 2,096,981,600 shares of the Company from Chongqing Iron & Steel Group. The Company received such amounts in this year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

49. Items of the consolidated cash flow statement (Continued)

(4) Other cash payments related to financing activities

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Withdrawal or deposits of reserve funds for reorganisation	1,100,000	
Financial funds paid to notes and letter of credit	670,228	3,066,785
Repayment of operating ordinary obligations from bankruptcy reorganisation (<i>note</i>)	569,290	
Rentals of finance lease	2,000	156,004
Guarantee deposit of finance lease		40,200
Guarantee deposit of borrowings		2,000
Others	2,247	
Total	2,343,765	3,264,989

Note: Pursuant to the Reorganisation Plan, after the ordinary creditor's right is ruled by the court, the creditor's right part of each creditor under RMB500 thousand (including RMB500 thousand) is paid in cash. Pursuant to the Reorganisation Plan, the Company's payment for operational ordinary creditor's rights under RMB500 thousand (including RMB500 thousand) was RMB569,290,000 in total.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

50. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Unit: RMB'000

Supplementary Information	Current period cumulative	Preceding period comparative
1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	319,808	-4,685,684
Add: Impairment losses on assets	292,599	608,307
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	1,215,860	1,248,524
Amortization of intangible assets	63,610	63,680
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains represented with "-")	5,009,485	-6
Losses on retirement of fixed assets (gains represented with "-")		
Losses on changes in fair value (gains represented with "-")		
Financial expenses (gains represented with "-")	483,931	1,179,642
Investment losses (gains represented with "-")	-2,255	
Decrease in deferred tax assets (increase represented with "-")		
Increase in deferred tax liabilities (decrease represented with "-")		
Decrease in inventories (increase represented with "-")	-651,624	1,220,117
Decrease in operating receivables (increase represented with "-")	435,124	243,499
Increase in operating payables (decrease represented with "-")	-6,660,723	-327,100
Others		
Net cash flow from operating activities	505,815	-449,021
2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
3) Net changes in cash and cash equivalents:		
Cash at the end of the period	868,962	745,447
Less: cash at the beginning of the period	745,447	32,376
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	123,515	713,071

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

50. Supplement information to the cash flow statement (Continued)

(2) Components of cash and cash equivalents

Unit: RMB'000

Items	Closing balance	Opening balance
I. Cash	868,962	745,447
Wherein: Cash on hand	41	747
Bank deposit available on demand for payment	868,921	744,700
Other monetary funds available on demand for payment		
Deposit available for payment in the central bank		
Deposits with banks and non-bank financial institutions		
Inter-bank money market placement		
II. Cash equivalents		
Wherein: Bond investments maturing within three months		
III. Cash and cash equivalents at the end of the period	868,962	745,447
Wherein: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

(3) Amount of endorsement of commercial bills not involved in cash inflow or outflow

Items	Current period cumulative
Endorsement amount of commercial bills	1,690,438
Wherein: Payment for goods	1,666,028
Payment for others	24,410

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

51. Assets with restricted ownership or right of use

Unit: RMB'000

Items	Carrying amount at the end of the period	Restricted reasons
Cash and bank deposits	1,181,576	Guarantee deposit for notes, frozen account by court, and withdraw and deposit of reserve fund account for reorganisation according to the implementing the reorganisation plan.
Long-term equity investments		Detailed in V-23 Other payables
Fixed asset	962,898	Mortgaged for bank loans
Intangible asset	1,405,002	Mortgaged for bank loans
Total	3,549,476	

52. Foreign currency monetary items

(1) Foreign currency monetary items:

Unit: RMB'000

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank deposits			
Wherein: USD	11,060	6.5342	72,268
HKD	497	0.8945	445

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

53. Government grants

1. Government grants

Unit: RMB'000

Categories	Amount	Items stated	Amounts attributable to profits and losses for the period	Opening balance
Special grants for environmental protection and energy-saving emission reduction	37,750	Other income		
Grants for continuous employment	3,588	Other income		
Others	950	Other income		

(Government grants that related to the income and compensated the related cost and loss incurred of the company)

Government grants charged to the profit or loss for the period amounted RMB94,248,000.

Government grants related to assets

Unit: RMB'000

Items	Opening deferred income	Newly-added grants for the period	Amortization for the period	Closing deferred income	Items stated of the amortization for the period	Explanation
Special funds for environmental governance	5,706 52,482	3,170	2,848 52,482	6,028	Other income Non-operating income	(note)
Grants for recycle heat power station	39,188		2,062	37,126	Other income	
Sub-total	97,376	3,170	57,392	43,154		

The amortization of the period for special funds for environmental governance charged to non-operating income was the disposal of bankruptcy reorganisation asset and transferring the deferred income related to the disposal of the asset.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

53. Government grants (Continued)

Special grants for financial cost

Unit: RMB'000

Item	Amount	Items stated	Explanation
Special grants for energy-saving and environmental protection	47,050	Financial expenses	
Sub-total	47,050		

VI. CHANGES IN THE CONSOLIDATED SCOPE

(I) Disposals of subsidiaries

There's a case where control was lost after a single disposal of the subsidiaries in this period.

Unit: RMB'000

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)	Sale	November 2017	69,754	-1,229

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

VI. CHANGES IN THE CONSOLIDATED SCOPE (CONTINUED)

(II) Changes in the consolidated scope for other reasons

Changes in the scope of consolidation caused by other reasons (such as the new establishment and liquidation of subsidiaries) and their related information:

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
Guizhou CIS Iron and Steel Sales Co., Ltd (貴州重鋼鋼鐵銷售有限責任公司)	Cancellation	September 2017	525	-344
Xi'an CIS Sales Co., Ltd (西安重鋼銷售有限責任公司)	Cancellation	February 2017	-2,636	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

VII. INTERESTS IN OTHER ENTITIES

(I) Interest in subsidiaries

1. Composition of the Group

Name of the subsidiary	Main operating place	Place of registration	Business nature	Shareholding proportion		Acquisition method
				Direct	Indirect	
Jingjiang CIS Huadong Trading Co., Ltd (靖江重鋼華東商貿有限公司)	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Trade industry	100%		Capital contribution to establish
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司)	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Trade industry	100%		Capital contribution to establish
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Steel manufacturing, research and development services	90%		Capital contribution to establish

2. Significant non-wholly-owned subsidiaries

Unit: RMB'000

Name of the subsidiary	Shareholding proportion of Minority interests	Profit or loss attributable to Minority interests	Dividend declared to Minority interests	Closing balance of Minority interests
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)	10%	56		73,849

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

(I) Interest in subsidiaries (Continued)

3. Main financial information of significant non-wholly-owned subsidiaries

Unit: RMB'000

Name of the subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chongqing CISL high strength cold rolling steel Co., Ltd Ltd (重慶重鋼高強冷軋板材有限公司)	738,544		738,544	52		52	738,399	302	738,701	774		774

Name of the subsidiary	Current period cumulative				Preceding period comparative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)		565	565	-5,619		2,792	2,792	684

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

(II) Interest in joint venture or associate

1. Significant joint venture or associate

Unit: RMB'000

Name of the joint ventures or associate	Main operating place	Place of registration	Business nature	Shareholding proportion (%)		Accounting treatment
				Direct	Indirect	
Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司)	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Steel manufacturing, research and development services	49		Equity method

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

(II) Interest in joint venture or associate (Continued)

2. Main financial information of significant joint venture

Unit: RMB'000

	Closing balance/ current period cumulative	Opening balance/ preceding period comparative
	Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板 有限公司)	Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板 有限公司)
Current assets	253,380	266,445
Non-current assets	96	1,536
Total assets	253,476	267,981
Current liabilities	92	602
Non-current liabilities		
Total liabilities	92	602
Minority interests		
Equity attributable to owners of parent company	253,384	267,379
Proportionate share in net assets	124,158	131,015
Adjustments		
– Goodwill		
– Unrealized profit of internal transactions		
– Others		
Carrying amount of investments in joint ventures	124,158	131,015
Fair value of the joint venture investment with public offer		
Operating revenue		
Net profit	-13,995	1,223
Net profit from discontinued operation		
Other comprehensive income		
Total comprehensive income	-13,995	1,223
Dividend from joint ventures received in current period		

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management objective is to obtain a balance between risks and benefits, minimize adverse impacts of relevant risks on the Company, and maximize the interest of its shareholders and other equity investors. Based on these objectives, the basic strategies are to identify and analyze all potential risks related to the Company, to set appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

The Company is faced with a variety of risks related to financial instruments in the daily activities, mainly including credit risk, liquidity risk and market risk. The management deliberated and approved the management policy for these risks.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instruments suffers from financial losses due to the other party's failure to perform relevant obligations.

The Company's credit risk mainly comes from bank deposits and receivables. To control above risks, the Company took the following measures:

1. *Bank deposits*

The Company deposits its bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

2. *Receivable*

The Company will execute credit assessment for the clients who uses credit settlement on a continuous basis. Based on the credit assessment results, the Company will choose to transact with those clients authorized, credible and well-reputed, and conduct ongoing monitoring on receivable balances, to avoid significant risks in bad debts.

As the Company only conducts business with authorized, credible and well-reputed third parties, normally, the Group does not obtain collateral from customers. The Company centrally manages credit risk by customers. As at 31 December 2017, 35% of the Company's accounts receivable (59% on 31 December 2016) are due from the five largest customers of the Company in respect of receivable balance. The Company does not hold any guaranty or other credit enhancements for the balance of accounts receivable.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

2. Receivable (Continued)

- (1) Analysis of receivable neither past due nor impaired and receivable past due but not impaired are as follows:

Unit: RMB'000

Items	Closing balance				Total
	Neither past due nor impaired	Past due but not impaired			
		within 1 year	1-2 years	Over 2 years	
Notes receivable	123,096				123,096
Accounts receivable	4,843				4,843
Sub-total	127,939				127,939

- (2) Please refer to “receivables” of “NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS” for details of receivables with provision for impairment made on individual basis.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

The Company and its subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the board of directors of the Company when the borrowings exceed certain predetermined levels of authority). The Company's liquidity management method is to make sure enough liquidity for the performance of matured debts, so as not to cause any unacceptable loss or any damage to its reputation. As at 31 December 2017, the Company's current liabilities exceeded current assets by RMB53,774,000 (2016: the current liabilities exceeded current assets by RMB23,683,587,000). In order to control such risk, the Company uses such financing means as bank borrowings and supplier credit periods to maintain the balance between sustainability and flexibility of financing.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Liquidity risk (Continued)

Financial liabilities based on the rest maturity date presented by categories.

Unit: RMB'000

Items	Closing balance					
	Carrying amount	Undiscounted contract amount	Within 1 year	1-2 years	2 to 5 years	Over 5 years
Notes payable	80,700	80,700	80,700			
Interests payable	7,174	7,174	7,174			
Accounts payable	2,074,594	2,074,594	2,074,594			
Other payables	1,484,738	1,484,738	1,484,738			
Non-current liabilities due within one year	400,000	415,014	415,014			
Long-term borrowings	700,000	767,203	33,250	424,739	309,214	
Other non-current liabilities	2,400,000	2,995,669	117,600	127,550	1,299,879	1,450,640
Sub-total	7,147,206	7,825,092	4,213,070	552,289	1,609,093	1,450,640

Items	Opening balance					
	Carrying amount	Undiscounted contract amount	Within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	5,700,587	5,823,961	5,823,961			
Notes payable	1,632,710	1,632,710	1,632,710			
Interests payable	117,013	117,013	117,013			
Accounts payable	9,385,026	9,385,026	9,385,026			
Other payables	4,202,381	4,239,777	4,239,777			
Non-current liabilities due within one year	3,504,533	3,556,877	3,556,877			
Long-term borrowings	9,073,456	10,582,393	448,917	2,809,899	5,586,891	1,736,686
Long-term accounts payables	61,944	63,431		63,431		
Other non-current liabilities	776,618	923,343	73,091	48,908	801,344	
Sub-total	34,454,267	36,324,531	25,277,372	2,922,238	6,388,235	1,736,686

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(III) Market risk

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

1. *Interest risk*

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

As at 31 December 2017, balance of borrowings with interest accrued at floating interest rate totaled RMB3,500,000,000 (31 December 2016: RMB11,131,595,000). If the interest rates increase/decrease 50 basis points with all other variables unchanged, the financial effect on the Company would be a/an decrease/increase of RMB69,437,000 (31 December 2016: a/an decrease/increase of RMB155,676,000) in equity, a/an decrease/increase of RMB69,437,000 (In 2016: a/an decrease/increase of RMB155,676,000) in net profit.

2. *Foreign exchange risk*

Foreign exchange risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the variation in the foreign exchange rate. Foreign exchange risk faced by the Company is mainly correlated with its monetary assets in foreign currency. When short-term imbalance occurs to foreign currency assets and liabilities, the Company may trade in foreign currency at market exchange rate where necessary to ensure that the net risk exposure is maintained at an acceptable level.

Please refer to notes "foreign currency monetary items" of consolidated financial statements for details of foreign currency financial assets and liabilities at the end of the period.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS

(I) Information about Parent company

Unit: RMB'000

Name of the parent company	Place of registration	Business nature	Registered capital	Shareholding proportion over the Company (%)	Voting right proportion over the Company (%)
Chongqing Changshou Iron & Steel Company Limited	Chongqing	Technology development, technology transfer, technology service and management consultancy services of the fields of iron and steel, metallurgy and mining, coal, chemical industry, electricity and transportation; sales of raw materials, namely steel; operation of terminals; warehouse services; leases of owned property and equipment; import and export of goods and technology; corporate management and consultancy services	4,000,000	23.51	23.51
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限公司)	Chongqing	Sintering, iron smelting, steel smelting and rolling and the by-products of iron and steel, mining and processing, machinery, electronic, construction, transportation by automobile, refractory materials	1,650,706		

Information about Parent company

Note: In December 2017, Chongqing Municipal First Intermediate People's Court judged that the reorganization plans have been completed, and the parent company of the Company has been changed from Chongqing Iron & Steel Group into Chongqing Changshou Iron & Steel Company Limited (hereinafter referred to as Changshou Iron & Steel) whose actual controller was Siyuanhe Equity Investment Management Co., Ltd.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Information about subsidiaries

Please refer to notes “Interests in other entities” of consolidated financial statements for details of the Company’s subsidiaries.

(III) Information about Joint ventures and associates

Please refer to notes “Interests in other entities” of consolidated financial statements for details of the Company’s significant joint ventures.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(IV) Information about other related parties

Name of the other related party	Relationship between the Company and the other related parties
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Other (Note 1)
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Other (Note 1)
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Other (Note 1)
Chongqing Iron & Steel Group Yingsite Mould Company Limited (重慶鋼鐵集團英斯特模具有限公司)	Other (Note 1)
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Other (Note 1)
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	Other (Note 1)
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Other (Note 1)
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Other (Note 1)
Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	Other (Note 1)
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Other (Note 1)
Chongqing Hongfa Real Estate Development Company (重慶宏發房地產開發公司)	Other (Note 1)
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Other (Note 1)
Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	Other (Note 1)
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	Other (Note 1)
Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	Other (Note 1)
Chongqing Xingang Loading and Transportation Company Limited (重慶新港裝卸運輸有限公司)	Other (Note 1)
Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	Other (Note 1)
Chongqing Iron & Steel Group Steel Company Limited (重慶鋼鐵集團鐵業有限責任公司)	Other (Note 1)
Chongqing Iron & Steel Group television station (重慶鋼鐵集團電視台)	Other (Note 1)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(IV) Information about other related parties (Continued)

Name of the other related party	Relationship between the Company and the other related parties
Chongqing steel structure industry Company Limited (重慶鋼結構產業有限公司)	Other (Note 1)
Chongqing Iron & Steel Group Refractory material Company Limited (重慶鋼鐵集團耐火材料有限責任公司)	Other (Note 1)
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Other (Note 2)
Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	Other (Note 2)
San FengJingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	Other (Note 2)
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司) (currently known as Chongqing Qianxin Energy Environmental Protection Company Limited)	Other (Note 3)

Other statements

Note 1: All of the aforesaid companies were the subsidiaries of and under the same control of Chongqing Iron & Steel Group before the Company completed the reorganization plans;

Note 2: In May 2017, Chongqing Iron & Steel Group transferred its 100% equity interest in Chongqing Iron & Steel Group General Hospital to Chongqing Chemical And Pharmaceutical Holding (Group) Company (重慶化醫控股(集團)公司), and completed the procedures for the change in industrial and commercial registration; In November and December 2017, Chongqing Iron & Steel Group transferred its 30% equity interest in Chongqing Xin Gang Chang Long Logistics Company Limited and its 35% equity interest in San Feng Jingjiang Port Logistics Company Limited to Chongqing Qianxin International Trade Co., Ltd. respectively, and completed the procedures for the change in industrial and commercial registration. After the completion of equity transfer, Chongqing Iron & Steel Group General Hospital, Chongqing Xin Gang Chang Long Logistics Company Limited and San Feng Jingjiang Port Logistics Company Limited ceased to be under the control of Chongqing Iron & Steel Group, therefore ceased to be our connected parties.

Note 3: In August 2017, Chongqing Iron & Steel Group transferred its 40% equity interest in Chongqing Qianxin Energy Environmental Protection Company Limited (hereinafter referred to as "Qianxin Environmental Protection") to Chongqing Qianxin International Trade Co., Ltd. and completed the procedures for the change in industrial and commercial registration. After the completion of equity transfer, Qianxin Environmental Protection ceased to be significantly affected by Chongqing Iron & Steel Group, therefore ceased to be our connected parties. As of 31 December 2017, Qianxin Environmental Protection held 4.79% of the shares of the Company due to bankruptcy reorganization.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions

1. Purchase and sales of goods, rendering and receiving of services

Purchase of goods/receiving of services statement

Unit: RMB'000

Related party	Content of transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Purchase of goods, receiving of services	396,662	349,088
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Purchase of goods, receiving of services	378,974	263,685
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Purchase of goods, receiving of services	136,287	100,204
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司) (currently known as Chongqing Qianxin Energy Environmental Protection Company Limited)	Purchase of goods	113,400	153,878
Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	Purchase of goods, receiving of services	90,378	93,547
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Purchase of goods, receiving of services	79,100	46,202
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Purchase of goods, receiving of services	75,720	112,120
Chongqing Iron & Steel Group Transportation Company limited (重慶鋼鐵集團運輸有限責任公司)	Purchase of goods, receiving of services	71,868	59,838
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Receiving of services	17,855	14,913
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	Receiving of services	13,339	23,709
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Receiving of services	7,991	1,985

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

1. Purchase and sales of goods, rendering and receiving of services (Continued)

Purchase of goods/rendering of services statement (Continued)

Related party	Content of transaction	Current period cumulative	Preceding period comparative
Chongqing Sanhuan Construction Management & Consulting Co.,Ltd (重慶三環建設監理諮詢有限公司)	Receiving of services	4,872	8,233
Chongqing Iron & Steel Group Refractory material Company Limited (重慶鋼鐵集團耐火材料有限責任公司)	Purchase of goods	2,951	4,828
San FengJingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	Purchase of goods, receiving of services	1,905	4,231
Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	Purchase of goods	1,050	332
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	receiving of services	388	1,016
Chongqing Xingang Loading and Transportation Company Limited (重慶新港裝卸運輸有限公司)	Purchase of goods, receiving of services	114	400
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	Receiving of services	52	99
Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	Receiving of services	2	907
Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	Purchase of goods		236,510
Chongqing Iron & Steel Group Steel Company Limited (重慶鋼鐵集團鐵業有限責任公司)	Purchase of goods		2,746
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	Purchase of goods		1,262
Chongqing Iron & Steel Group television station (重慶鋼鐵集團電視台)	Purchase of goods		6
Total		1,392,908	1,479,739

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

1. Purchase and sales of goods, rendering and receiving of services (Continued)

Sale of goods/rendering of services statement

Unit: RMB'000

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Sale of energy	281,485	200,675
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Sale of energy, steel	70,668	30,885
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Sale of energy, steel, etc.	9,216	137,660
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司) (currently known as Chongqing Qianxin Energy Environmental Protection Company Limited)	Sale of energy	4,671	8,752
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Sale of energy, steel, etc.	2,194	3,959
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Sale of energy, steel	562	7,360
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Sale of energy	423	589

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

1. Purchase and sales of goods, rendering and receiving of services (Continued)

Sale of goods/rendering of services statement (Continued)

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	Sale of energy	306	313
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Sale of energy	241	620
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	Sale of energy, etc.	146	281
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Sale of energy	57	124
Chongqing steel structure industry Company Limited (重慶鋼結構產業有限公司)	Sale of steel		50,501
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	Sale of steel		4,659
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	Rendering of service		1,057
Total		369,969	447,435

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

1. *Purchase and sales of goods, rendering and receiving of services (Continued)*

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules Chapter 14A of the Stock Exchange of Hong Kong. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules

For the purchase price of commodities of the related party, refer to the price or cost plus profit premium for similar transactions between the related party and other third parties, or the suppliers' bid price. The considerations for fixed assets and construction-in-progress purchased from related party or undertaken by related party for construction are determined by the suppliers' bid price.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS

(V) Information about related party transactions (Continued)

2. Related party leases

The Company as the lessor:

Unit: RMB'000

Name of Lessee	Type of assets leased	Lease income for current period	Lease income for preceding period
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Buildings and structures	331	382
Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	Buildings and structures	190	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Buildings and structures	127	141
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Buildings and structures	70	83
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Buildings and structures	63	70
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Buildings and structures	50	
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Buildings and structures	48	70
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司) (currently known as Chongqing Qianxin Energy Environmental Protection Company Limited)	Buildings and structures	42	79
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Buildings and structures	21	44
Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	Buildings and structures	17	
Total		959	869

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

2. Related party leases (Continued)

The Company as the lessee

Unit: RMB'000

Name of lessor	Types of asset leased	Lease expenses for current period	Lease expenses for the preceding period
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Buildings and structures	388	583
Total		388	583

The transaction stated above constitutes the connected transactions or continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

3. According to the reorganization plans, the Company sold its pre-ironmaking assets (mainly including machinery and equipment of coking plants, sintering plants and smelting plants, etc.) to Chongqing Changshou Iron & Steel Company Limited. Both parties completed the delivery of relevant assets on 8 December 2017. In order to ensure the production and operation, the Company intends to lease the pre-ironmaking assets from Chongqing Changshou Iron & Steel Company Limited.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

4. Related party guarantees

The company as a secured party

Unit: RMB'000

Guarantor	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Siyuanhe Equity Investment Management Co., Ltd (<i>note 1</i>)	400,000	27 December 2017	From 20 April 2018 to 20 October 2018	NO
Siyuanhe Equity Investment Management Co., Ltd (<i>note 1</i>)	700,000	27 December 2017	From 20 April 2019 to 26 December 2020	NO
Chongqing Changshou Iron & Steel Company Limited (<i>note 2</i>)	750,000			

Description of related party guarantees

Note 1: According to the Reorganisation Plan, the Company applied for a loan of RMB1.1 billion from China Development Bank, and Siyuan Investment Management Co., Ltd. provided guarantees for the above loans.

Note 2: On December 5, 2017, Chongqing Qianxin International Trade Co., Ltd. signed a purchase agreement with the Company and prepaid a purchase amount of 750 million Yuan to the Company. Changshou Iron & Steel provided a guarantee for the above purchase money. At the same time, the Company agreed to procure its own Production equipment, raw fuels, semi-finished products, finished goods and other movable assets for the pledge set floating mortgage.

The transactions stated above constitute the connected transactions or continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

5. Other cash flows between related parties

Unit: RMB'000

Related party	Amount borrowed	Inception date	Expiry date	Remarks
Borrowed from:				
Chongqing Changshou Iron & Steel Company Limited (<i>Note</i>)	2,400,000	November 2017	November 2024	Interest in the current period: 12,413,000
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	389,603	January 2017		Expiry date remains uncertain Interest in the current period: 119,311,000
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	109,000	January 2017	March 2017	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)		January 2017		Expiry date remains uncertain. The cash flows between the Company and Chongqing Iron & Steel Group Chaoyang Gas Company Limited mainly temporarily borrowed to repay the bank loans; the monthly average balance of funds occupied is RMB895,264,000. As of 31 December 2017, the outstanding amount owed to Chongqing Iron & Steel Group Chaoyang Gas Company Limited by the Company amounted to RMB90,506,000.
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)		January 2017	March 2017	The cash flows between the Company and Chongqing Iron & Steel (Group) Transportation Company Limited were mainly the temporary transfer of money for the fund security, and the monthly amount incurred was RMB198,313,000.

Note: Pursuant to the reorganisation plans, Changshou Iron & Steel provided RMB2.4 billion loans to the Company for the implementation of the reorganization plan. The term of the loan is 7 years from 24 November 2017 to 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.

The transactions stated above constitute the connected transactions or continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

6. Remuneration of Key Management Personnel

Unit: RMB'000

Items	Current Period cumulative	Preceding Period comparative
Remuneration of Key Management Personnel	4,185	2,026

Remuneration of directors and supervisors

Unit: RMB'000

Items	Current period cumulative					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
Directors:						
Liu Da Wei (Note 1&5)						
Li Ren Sheng (Note 1)		456	38	24	31	549
Zhang Li Quan (Note 1)		372	38	24	31	465
Yao Xiao Hu (Note 1)		359	38	24	31	452
Zhou Hong (Note 1&5)						
Tu De Ling		392	38	24	31	485
Xin Qing Quan	74					74
Xu Yi Xiang	74					74
Wang Zhen Hua	74					74

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

6. Remuneration of Key Management Personnel (Continued)

Items	Current period cumulative					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing Fund	Other social insurance premium	
Supervisors:						
Xia Tong		457	38	24	31	550
Xu Chun		290	38	24	31	383
Chen Hong (Note 2)		112	6	4	5	127
Jia Zhi Gang (Note 2)		92	16	10	4	122
Xie Chuan Xin (Note 2&5)						
Li Zheng (Note 5)						
Senior management:						
Li Yong Xiang (Note 3)						
Li Ren Sheng (Note 3)						
Lv Feng (Note 3)						
Yu Hong (Note 3)						
You Xiao An (Note 3)		331	35	22	28	416
Zeng Jing (Note 3)		329	35	22	28	414
Total	222	3,190	320	202	251	4,185

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

6. Remuneration of Key Management Personnel (Continued)

Items	Preceding period comparative					Total
	Fees	Wage, bonus, allowance, and subsidy	Pension insurance premium	Housing fund	Other social insurance premium	
Directors:						
Liu Da Wei (Note 5)						
Li Ren Sheng		142	36	22	27	227
Zhang Li Quan		119	36	22	27	204
Yao Xiao Hu		119	36	22	27	204
Zhou Hong (Note 5)						
Tu De Ling		97	36	22	27	182
Xin Qing Quan	74					74
Xu Yi Xiang	74					74
Wang Zhen Hua	74					74
Supervisors:						
Xia Tong		141	36	22	27	226
Xu Chun (Note 4)		18	6	4	4	32
Chen Hong		100	36	22	27	185
Dou Hui (Note 4)		76	30	19	22	147
Xie Chuan Xin (Note 5)						
Li Zheng (Note 5)						
Senior management:						
You Xiao An		108	36	22	27	193
Zeng Jing		119	36	22	27	204
Total	222	1,039	324	199	242	2,026

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

6. Remuneration of Key Management Personnel (Continued)

Note 1: On 14 December 2017, due to work adjustment, Mr. Liu Da Wei resigned as a Director, Chairman of the Board, and chairman of the strategic committee and the nomination committee of the Company, and Mr. Zhou Hong, Mr. Li Ren Sheng, Mr. Zhang Li Quan and Mr. Yao Xiao Hu resigned as Directors and members of the strategic committee of the Company. As the resignations of these five Directors including Mr. Liu Da Wei and Mr. Zhou Hong would lead to the number of members of the Board of the Company falling below the statutory quorum, the resignation reports of these five Directors including Mr. Liu Da Wei and Mr. Zhou Hong will take effect after new directors are elected at the general meeting of the Company.

On 1 December 2017, due to work adjustment, Mr. Li Ren Sheng resigned as the general manager and Mr. Zhang Li Quan and Mr. Yao Xiao Hu resigned as the deputy general managers.

Note 2: On 21 August 2017, Ms. Chen Hong resigned as a Staff Representative Supervisor of the Company due to work adjustment, and Mr. Jia Zhi Gang was appointed as a Staff Representative Supervisor of the seventh session of the supervisory committee of the Company. On 5 September 2017, Mr. Xie Chuan Xin resigned as a Supervisor of the Company due to work adjustment.

Note 3: On 1 December 2017, due to work adjustment, Mr. Zeng Jing resigned as the deputy general manager and Mr. You Xiao An resigned as the secretary to the Board. Meanwhile, Mr. Li Yong Xiang was appointed as the general manager of the Company; Mr. Li Ren Sheng and Mr. Lv Feng were appointed as deputy general managers of the Company, and Ms. Yu Hong was appointed as the secretary to the Board of the Company.

Note 4: On 31 October 2016, Mr. Dou Hui resigned as a Staff Representative Supervisor of the Company due to work adjustment, and Mr. Xu Chun was appointed as a Staff Representative Supervisor of the seventh session of the supervisory committee of the Company.

Note 5: According to the service agreement signed with the Company in 2015, Mr. Li Zheng, Mr. Zhou Hong, Mr. Liu Da Wei and Mr. Xie Chuan Xin would not receive any wages from the Company during the term of office (till the date of 2017 annual general meeting).

Five highest paid employees

The five employees whose emoluments were the highest for the year include four Directors (three in 2016), one Supervisor (one in 2016). Refer to the above table for detailed remunerations.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

7. *Other related-party transactions*

(1) Non-planned and unified social insurance management

The Company has joined the supplementary pension insurance plan implemented by Chongqing Iron & Steel Group and paid non-integrated pension insurance premium. The total pension insurance premium of the Company is calculated and contributed on the basis of the salary paid during the year and the basic pension insurance premium contribution percentage as stipulated by the State, in which, after deducting the basic pension insurance premium payable to the social security authorities, the remaining balance is passed on to Chongqing Iron & Steel Group as the supplementary pension insurance premium for retired employees of the Company for centralized administration, and in turn, Chongqing Iron & Steel Group will pay relevant supplementary pension to the retired employees of the Company. Pursuant to an agreement related to the entrusted administration of the retired personnel signed by the Company and Chongqing Iron & Steel Group, the Company shall pay supplementary pension insurance premium to Chongqing Iron & Steel Group, and the retired personnel of the Company is entitled to supplementary pension benefits. Supplementary pension paid by Chongqing Iron & Steel Group to the retired personnel of the Company include: food subsidy, subsidy for utilities, seniority payments, birthday expenses, living expenses for dependents of deceased retired employees, Chinese New Year bonuses. The above expenses are funded by the supplementary pension insurance premium paid by the Company to Chongqing Iron & Steel Group, with shortfalls borne by Chongqing Iron & Steel Group.

Pursuant to the relevant requirements, the Company makes contributions to the supplementary medical insurance premium centrally managed by Chongqing Iron & Steel Group. Such contribution is used for the payment of medical expenses of the Company's employees with heavy individual financial burdens and retired personnel.

Pursuant to the relevant requirements, the Company pays for the labor union fee centrally managed by Chongqing Iron & Group. Such contribution is used for the payment of the operation expenses of the labor union of the Company.

In 2017, the above supplementary pension insurance premium, supplementary medical insurance premium and part of the labor union fee contributed by the Company to Chongqing Iron & Steel Group for centralized administration amounted to RMB44,577,000 (2016: RMB22,022,000).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

7. Other related-party transactions (Continued)

(1) Non-planned and unified social insurance management (Continued)

Pursuant to the “Reply to the Request of Chongqing Iron & Steel (Group) Co.,Ltd. Regarding the Split Medical Insurance Premium” issued by the Chongqing Medical Insurance Management Center in October 2008, the split administration of medical insurance premium of the Company and Chongqing Iron & Steel Group is not advisable for the time being. According to the “Agreement on Withholding and Remitting Basic Medical Insurance” and the “Agreement on Withholding and Remitting Large Amount Medical Insurance” entered into between the Company and Chongqing Iron & Steel Group, the Company’s basic medical insurance and large amount medical insurance are calculated and contributed to Chongqing Iron & Steel Group on the payment base of the current year’s salary and the proportion stipulated by the state, and in turn paid by Chongqing Iron & Steel Group to the Medical Insurance Management Center on behalf of the Company. In 2017, the basic medical insurance premium and the large amount medical insurance premium collected and paid by the Company through Chongqing Iron & Steel Group amounted to RMB61,308,000 (2016: RMB59,004,000). Chongqing Iron & Steel Group has not charged any handling fee for the above transactions.

In February 2018, the Company and Chongqing Iron & Steel Group entered into an agreement that both parties unanimously confirmed the termination of the “Agreement on Payment of Supplementary Pension Insurance for Retired Employees” on 31 December 2017, hereby the Company shall no longer participate in the supplementary pension insurance plan implemented by Chongqing Iron & Steel Group.

(2) Other related party transactions involved in the bankruptcy reorganization plan

Pursuant the Reorganisation Plan, Changshou Iron & Steel provided liquidity of RMB100 million to the Company as the cash term of being transferred 2,096,981,600 shares of the Company from Chongqing Iron & Steel Group, the capital reserves in the Company increased by RMB100 million after receiving the aforesaid amounts.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Information about related party transactions (Continued)

7. *Other related-party transactions (Continued)*

- (2) Other related party transactions involved in the bankruptcy reorganization plan (Continued)

Pursuant the Reorganisation Plan, in order to raise funds for debt repayment, the administrator conducted a public auction in respect of pre-ironmaking assets (mainly including the machinery and equipment of the coking plant, the sintering plant and the smelting plant) as well as the second system and related assets (mainly including the machinery and equipment at the second steel making plant and for bar and wire rod and profile steel). Among them, Changshou Iron & Steel acquired pre-ironmaking assets at a transaction price of RMB3.9 billion, and the Company completed the delivery of the relevant assets with Changshou Iron & Steel on 8 December 2017; Chongqing Iron & Steel Group acquired second system and related assets at a transaction price of RMB3 billion, and the Company completed the delivery of the relevant assets with Chongqing Iron & Steel Group on 20 December 2017. For details, see Section XII "Bankruptcy and Reorganisation in other significant events".

The transactions stated above constitute the connected transactions or continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(VI) Balance due to or from related parties

1. Balance due from related parties

Unit: RMB'000

Items	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	31,710	1,680	18,971	
Accounts receivable	Chongqing Iron & Steel Group Yingsite Mould Company Limited (重慶鋼鐵集團英斯特模具有限公司)	2,756	2,756	2,756	2,756
Accounts receivable	Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	1,482	371	1,482	
Accounts receivable	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	506	28	1,184	
Accounts receivable	Chongqing Hongfa Real Estate Development Company (重慶宏發房地產開發公司)	5	5	5	
Accounts receivable	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)			2,095	
Accounts receivable	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)			252	
Accounts receivable	Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)			39	
Accounts receivable	Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)			11	
Prepayments	San FengJingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)			1,579	
Prepayments	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)			1,073	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(VI) Balance due to or from related parties (Continued)

2. Balance due to related parties

Unit: RMB'000

Items	Related party	Closing balance	Opening balance
Notes payable	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	80,700	545,250
Notes payable	Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司) (currently known as Chongqing Qianxin Energy Environmental Protection Company Limited)		500,000
Notes payable	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)		177,960
Notes payable	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)		37,000
Notes payable	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)		13,000
Notes payable	Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)		2,000
Accounts payable	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	184,349	652,552
Accounts payable	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	67,345	21,617
Accounts payable	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	22,536	
Accounts payable	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	11,828	
Accounts payable	Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	6,764	68,359
Accounts payable	Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	2,704	263
Accounts payable	Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	2,570	29,211
Accounts payable	Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	487	621
Accounts payable	Chongqing Iron & Steel (Group) Co., Ltd. (重慶鋼鐵(集團)有限責任公司)		159,947
Accounts payable	Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)(現已更名為重慶千信能源環保有限公司)		150,519

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

(VI) Balance due to or from related parties (Continued)

2. Balance due to related parties (Continued)

Items	Related party	Closing balance	Opening balance
Accounts payable	Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)		45,627
Accounts payable	Chongqing Iron & Steel Group Refractory material Company Limited (重慶鋼鐵集團耐火材料有限責任公司)		5,649
Accounts payable	Chongqing Iron & Steel Group Steel Company Limited(重慶鋼鐵集團鐵業有限責任公司)		3,213
Accounts payable	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)		5
Receipts in advance	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)		131,945
Receipts in advance	Chongqing steel structure industry Company Limited (重慶鋼結構產業有限公司)		31,122
Receipts in advance	Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)		1,050
Receipts in advance	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)		761
Receipts in advance	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)		4
Other payables	Chongqing Iron & Steel (Group) Co., Ltd. (重慶鋼鐵(集團)有限責任公司)	332,384	2,764,637
Other payables	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	90,506	432,144
Other payables	Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)		4,656
Other payables	Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)		2,966
Other payables	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)		899
Other payables	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)		479
Other non-current liabilities	Chongqing Changshou Iron & Steel Company Limited	2,400,000	

In December 2017, the First Intermediate People's Court of Chongqing judged that the Reorganisation Plan had been completed, and the parent company of the Company has been changed from Chongqing Iron & Steel Group into Changshou Iron & Steel. After the completion of the Reorganisation Plan, all of the aforesaid companies other than Changshou Iron & Steel will no longer be our related party.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

X. COMMITMENTS AND CONTINGENCIES

(I) Contingent events

As of the balance sheet date, the Company does not have important contingencies that need to be disclosed.

XI. EVENTS AFTER BALANCE SHEET DATE

(I) Matters about share pledge by controlling shareholders

On 11 January 2018, Changshou Iron & Steel pledged the 2,096,981,600 unrestricted tradable shares of the Company held by it to China Development Bank Corporation ("CDB"), the term for the share pledged shall commence from 11 January 2018 and end till the completion of the pledge release procedures with China Securities Depository and Clearing Corporation Limited. The purpose of the share pledge is to provide guarantee for the borrowing of RMB2,400 million by Changshou Iron & Steel from CDB. Such borrowing is of a term of 7 years (which is from 30 November 2017 to 29 November 2024). As of the date of this report, Changshou Iron & Steel holds a total of 2,096,981,600 A shares of the Company, of which, 2,096,981,600 shares of the Company were pledged, representing 23.51% of the total share capital of the Company.

- (II) In February 2018, Changshou Iron & Steel issued an undertaking letter to agree to lease the pre-ironmaking assets being transferred in the process of Bankruptcy Reorganisation to the Company for use from 9 December 2017 in order to ensure that the Company's production and operation will not be interrupted and will not be affected; agree to speed up negotiations in respect of relevant lease agreements, and sign the lease contracts as soon as possible, and conduct the appropriate approval and internal decision-making process in accordance with the regulatory requirements for listed companies; to ensure that such assets will be no longer leased to the Company only when the Company issues a written letter that it will no longer lease such assets. Given that the lease agreements are still under negotiation, the Company has recognised the estimated liabilities of RMB11,203,700 based on the estimated possible rental amount. On 27 February 2018, the Proposal on Leasing the Relevant Assets of Related Companies by the Company in 2018 was considered and approved in the 14th Session of the Seventh Board Meeting, and agreed that the Company shall lease the aforesaid pre-ironmaking assets from Changshou Iron & Steel.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XI. EVENTS AFTER BALANCE SHEET DATE (CONTINUED)

- (III) In February 2018, Chongqing Iron & Steel Group issued an undertaking letter to agree to lease the second system related assets being transferred in the process of bankruptcy reorganization to the Company for use from 1 January 2018 in order to ensure that the Company's production and operation will not be interrupted and will not be affected; agree to speed up negotiations in respect of relevant lease agreements, and sign the lease contracts as soon as possible, and conduct the appropriate approval and internal decision-making process in accordance with the regulatory requirements for listed companies; and guarantee that it will give priority to the Company for the use of such assets under the same conditions. On 27 February 2018, the Proposal on Leasing the Relevant Assets of Related Companies by the Company in 2018 was considered and approved in the 14th Session of the Seventh Board Meeting, and agreed that the Company shall lease the second system related assets from Chongqing Iron & Steel Group.

As of the date of approval of this financial report, the Company has no other significant non-adjusted matters among the events after balance sheet date need to be disclosed.

XII. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. *Identification basis and accounting policies for reportable segments*

The Company will determine different segments based on the internal organizational structure, management requirements and internal report system. The Company's operating segments refer to components meeting the following conditions at the same time:

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(I) Segment information (Continued)

1. Identification basis and accounting policies for reportable segments (Continued)

- (1) The segment may generate revenue and incur expenses in daily activities;
- (2) Management of the Group can regularly evaluate the operating results of the segment to decide on the allocation of resources to it and evaluate its performance;
- (3) The segment's financial position, operation result, cash flow and other accounting information can be obtained by analysis.

The Company determines its reportable segments on the basis of its product segments. The assets and liabilities used with each segments shall be distributed among different segments according to the scale.

2. Financial information of reportable segments

Unit: RMB'000

Items	Iron and steel segment	Steel processing segment	Inter-segment offset	Total
Revenue from principal activities	13,211,050	306		13,211,356
Cost of principal operations	12,788,210	473		12,788,683
Total assets	25,012,459			25,012,459
Total liabilities	8,208,495			8,208,495

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(I) Segment information (Continued)

3. Information of significant customers

The Company has 1 customer (2016: 1) from which the operating incomes reach or exceed 10% of the Company's total operating income. The operating income from this customer represents about 91% of the Company's total operating income (2016: 22%).

The customer whose operating income reach or exceed 10% of the Company's total operating income stated as below:

Unit: RMB'000

Name of Customer	Operating income	Proportion of total operating income of the Company (%)
Chongqing Qianxin International Trade Co., Ltd. (重慶千信國際貿易有限公司)	12,102,303	91
Total	12,102,303	91

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(II) Matters relating to the cooperation in purchase and sales

At the end of 2016, affected by the continued depression of the iron and steel industry and other unfavorable factors, the Company recorded continuous loss and could not repay the debt that came due, and its main bank accounts were frozen by the court for the purpose of litigation. In order to protect the assets of the Company and maintain normal production and operation, the Company starved for cooperation with partners in supply and sales. In December 2016, the Company entered into a cooperation framework agreement with Chongqing Qianxin International Trade Co., Ltd. (重慶千信國際貿易有限公司) (hereinafter referred to as Qianxin International, its largest shareholder is Chongqing Yukang Asset Management Co., Ltd. and the ultimate controlling party is Chongqing State-owned Assets Supervision and Administration Commission, respectively), agreeing that the parties thereto will cooperate in the purchase of main materials needed in the production and sales of steel products, and will determine the purchase prices and selling prices following the market pricing principle. During the period of cooperation, Qianxin International will provide supplies to the Company according to the purchase plan of the Company, while the Company agreed that it would provide Qianxin International with steel products under the same conditions in priority, and the payments therebetween would be settled on an annual basis. In March 2017 and July 2017, the parties entered into a supplemental agreement on the purchase and selling prices, respectively, to set forth details on such major terms as the pricing principle, acceptance and settlement of the transactions relating to ores, coal and metallurgical materials as well as steel products; in December 2017, the parties re-entered into a cooperative framework agreement with an agreed cooperation period of three years, agreeing to terminate the original cooperative framework agreement on 31 December 2017 and specifying the mode of cooperation for 2018 and afterwards. According to the agreement, the parties thereto agreed to negotiate and determine the prices for purchase settlement with reference to the interests on the fund utilized by Qianxin International, and to enter into specific supply and sales agreements separately to specify the rules of operations for supply and sales cooperation. On 30 January 2018, the Company and Qianxin International settled the payments therebetween and entered into a statement of settlement for the supply and sales cooperation in 2017, including the purchase and sales quantity and amount, etc. According to results of the settlement, the total amount of raw materials such as ores and coal purchased by the Company from Qianxin International in 2017 was RMB10.984 billion (tax included), and the total amount of steel products sold by the Company to Qianxin International was RMB14.160 billion (tax included). It has been confirmed by both parties that the balance payable by the Company to Qianxin International as at 31 December 2017 was RMB1.574 billion.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Matters about bankruptcy reorganization

1. Major contents of the Reorganisation Plan

On 3 July 2017, the First Intermediate People's Court of Chongqing (hereinafter referred to as "FIPCC") ruled that the FIPCC accepted the application of Chongqing Laiquyuan Trading Co., Ltd. for reorganisation of the Company and the liquidation team of the Company was designated as the administrator of the Company, responsible for the reorganization. The reorganization plan mainly includes the Plan on Adjustment of the Rights and Interests of Capital Contributors, the Plan on the Classification and Adjustment of Debtors, Plan of Creditors Reimbursement and Operation Plan, etc., which mainly includes:

- (1) Chongqing Iron & Steel Group, being our Controlling Shareholder transferred the 2,096,981,600 shares of the Company its hold and Changshou Iron & Steel (a subsidiary of Siyuanhe Fund, being the reorganization party) conditionally took 2,096,981,600 shares of the Company, subject to the following conditions: 1) the reorganization party shall provide liquidity of RMB100 million to the listed company as the cash term of being transferred 2,096,981,600 shares of the Company from Chongqing Iron & Steel Group; 2) the reorganization party shall undertake that it shall use no less than RMB3.9 billion to purchase the pre-ironmaking assets that were disposed through public auction by the administrator; 3) the reorganization party shall propose the operation plan, transform and upgrade the production technology of the Company to enhance its management level and product value and ensure that the Company could recovery its continual profitability; reorganization party shall undertake that it shall not transfer its controlling rights in the listed company to any third parties other than China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司) or its controlled subsidiaries within five years since the completion date of the Reorganisation Plan; 4) During the implementation of the Reorganisation Plan, the reorganization party shall provide a loan with an interest rate of no more than 6% per annum to the Company to carry out the reorganisation plan. Changshou Iron & Steel will become the Company's largest shareholder after it conditionally took 2,096,981,600 shares.
- (2) Based on the total share capital of A shares of the Company, the Company transferred the capital reserves into shares on the ratio of 11.5010 Shares for every 10 existing Share, and 4.483 billion A shares in total were transferred. Such transferred shares shall not be allocated to original shareholders but fully used to repay debts and reorganization costs as required by this Reorganisation Plan.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Matters about bankruptcy reorganization (Continued)

1. Major contents of the Reorganisation Plan (Continued)

- (3) For property secured claims, it shall be fully settled in cash for its realized amount of the secured property or have the priority to the cash settlement within the scope of the liquidation assessment value of the secured property. The claims for which the realized amount of the secured property or the liquidation assessment value cannot be covered will be treated as ordinary claims, and be fully settled in accordance with the adjustments of the ordinary claims and the compensation plan.
- (4) Employee claims are fully paid in cash.
- (5) Ordinary claims shall be settled on the basis of the debtors, the claims less than RMB500,000 (including RMB500,000) of each debtor will be fully settled in cash; for the claims in excess of RMB500,000, it shall be allocated approximately 15.990483 A shares of the Company for every ordinary claim of RMB100. The settlement ratio of such ordinary claims is 58.844978% on the basis that the debt settlement price of shares is calculated at RMB3.68 per share. For the outstanding ordinary claims upon fully settled as aforesaid plan, the Company shall no longer take the responsibility to fully settle. For the claims guaranteed by Chongqing Iron & Steel Group and Chongqing Yu Fu Assets Management Group Co., Ltd. (hereinafter referred to as "Yu Fu Group"), Chongqing Iron & Steel Group and Yu Fu Group agreed to cover the outstanding claims in cash upon fully settled as aforesaid plan in accordance with relevant requirements of the Bankruptcy Law.

According to the claims compensation plan, the funds and shares required by the Company for the implementation of the Reorganisation Plan will be raised through the disposal of assets and bank financing of RMB3.5 billion and the conversion of capital reserve into A shares.

2. Disposals of assets involved in the Reorganisation Plan

In order to finance the repayment of debts, the administrator of the Company conducted a public auction for pre-ironmaking assets (mainly including the machinery and equipment at the coking plant, the sintering plant and the smelting plant), and the second system and related assets (mainly including the machinery and equipment at the second steel making plant and for bar and wire rod and profile steel), among which:

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Matters about bankruptcy reorganization (Continued)

2. *Disposals of assets involved in the Reorganisation Plan (Continued)*

- (1) The pre-ironmaking assets were evaluated by Chongqing Huakang Asset Appraisal & Land Real Estate Evaluation Co., Ltd. and an asset appraisal report (Chong Kang Ping Bao Zi (2017) No. 197-02) was issued thereon with 3 July 2017 as the base date. The net book value of such assets was RMB4.7 billion, and their market value as assessed and liquidation value was RMB4.9 billion and RMB2.4 billion, respectively. On 20 November 2017, the administrator of the Company conducted a public auction for the pre-ironmaking assets as a whole under current condition on <http://www.rmfysszc.gov.cn>, an online auction platform for litigation assets of people's courts. According to the explanation on the online judicial auction issued by Chongqing Assets and Equity Exchange Group, Changshou Iron & Steel obtained the aforesaid assets with the transaction price of 3.9 billion during the public auction. The Company and Changshou Iron & Steel completed the delivery of the relevant assets on 8 December 2017.
- (2) Assets of the second system and related were appraised by Chongqing Huakang Asset Appraisal & Land Real Estate Evaluation Co., Ltd. and an asset appraisal report (Chong Kang Ping Bao Zi (2017) No. 197-03) was issued thereon with 3 July 2017 as the base date. The net book value of such assets was RMB6.5 billion, and their market value as assessed and liquidation value was RMB5.1 billion and RMB2.6 billion, respectively. On 20 November 2017, administrator of the Company conducted a public auction for the assets of the second system, and related as a whole under current condition on <http://www.rmfysszc.gov.cn>, an online auction platform for litigation assets of people's courts. According to the explanation on the online judicial auction issued by Chongqing Assets and Equity Exchange Group, Chongqing Iron and Steel Group obtained the aforesaid assets with the transaction price of 3.0 billion during the public auction. The Company and Chongqing Iron and Steel Group completed the delivery of the relevant assets on 20 December 2017.

As of 31 December 2017, the delivery of all the relevant assets to be disposed of according to the Reorganisation Plan had been completed, of which, the net book value of fixed assets was RMB10,916 billion, the net book value of intangible assets was RMB63 million, and the book value of long-term equity investment is RMB51 million.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Matters about bankruptcy reorganization (Continued)

3. *The implementation of the Reorganisation Plan*

- (1) On 3 July 2017, the FIPCC issued the Civil Ruling Paper ((2017) Yu 01 Po Shen No. 5) and Ruling Paper ((2017) Yu 01 Po No. 3). It was ruled that the FIPCC accepted the application of Chongqing Laiquyuan Trading Co., Ltd. for reorganisation of the Company;
- (2) On 16 and 17 November 2017 it was considered and approved of the Reorganisation Plan of Chongqing Iron & Steel Company Limited (Draft) by voting at the Staff Creditors Group Meeting and the Second Creditors' Meeting of the Company, respectively; on 17 November 2017, it was considered and approved of the Plan on Adjustment of the Rights and Interests of Capital Contributors under the Reorganisation Plan of Chongqing Iron & Steel Company Limited (Draft) at the Capital Contributors Group Meeting;
- (3) On 20 November 2017, the FIPCC issued the second Civil Ruling Paper ((2017) Yu 01 Po No. 3). It was ruled that the Reorganisation Plan was approved and the reorganisation procedures was terminated;
- (4) On 27 December 2017, the Company completed the equity registration in respect of the transferred shares from capital reserves being transferred to the Creditors with China Securities Depository and Clearing Corporation Limited. On the same day, 2,096,981,600 shares of the Company held by Chongqing Iron & Steel Group were all transferred to Changshou Iron & Steel and completed equity transfer procedures with China Securities Depository and Clearing Corporation Limited;
- (5) On 28 December 2017, the administrator submitted the "Supervision Report on the Implementation of the Reorganisation Plan of Chongqing Iron & Steel Company Limited" to the FIPCC, and applied for confirming that the implementation of the Reorganisation Plan had been completed;
- (6) On 29 December 2017, the FIPCC issued the fourth Civil Ruling Paper ((2017) Yu 01 Po No. (3)). It was ruled and confirmed that the implementation of the Reorganisation Plan of Chongqing Iron & Steel Company Limited had been completed.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Matters about bankruptcy reorganization (Continued)

4. *The completion of the Reorganisation Plan*

According to the Reorganisation Plan, this Reorganisation Plan will be deemed to have been completed from the date when all of the following conditions are satisfied:

- (1) Both the settlement amount that should be distributed to creditors and shares for debt settlement have been allocated;
- (2) If the secured property that shall be realized has not been disposed of or has not been cleared by the two joint ventures, the funds for debt repayment and shares for debt repayment available to it have been fully withdrawn and deposited into the bank account and securities account designed by the administrator based on its expected amount transferred to ordinary claims and Plan on Adjustment of the Ordinary Claims as required by this Reorganisation Plan;
- (3) The funds for debt repayment and shares for debt settlement that the creditors have not received or adopted as well as the expected funds for debt repayment and shares for debt settlement corresponded to the claims have been fully deposited to the bank account and securities account designated by the administrator in accordance with the requirements of this Reorganisation Plan;
- (4) The reorganisation costs that shall be paid according to the requirements of this Reorganisation Plan has been fully paid;
- (5) 2,096,981,600 shares of the Company held and transferred by Chongqing Iron & Steel Group have been transferred to the reorganization party;
- (6) If the creditor and the Company otherwise agreed on the settlement of the claims for implementing this Reorganisation Plan without harming the interests of other creditors, it shall be deemed that the creditor has been paid in accordance with the requirements of this Reorganisation Plan.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Matters about bankruptcy reorganization (Continued)

4. *The completion of the Reorganisation Plan (Continued)*

On 28 December 2017, the administrator submitted the “Supervision Report on the Implementation of the Reorganisation Plan of Chongqing Iron & Steel Company Limited” to the FIPCC, and applied for confirming that the implementation of the Reorganisation Plan had been completed. As reviewed and confirmed by the FIPCC, under the supervision of the administrator, the Company has completed cash repayments, the transfer of shares, the withdrawal and deposit of the allocation amounts and shares for debt settlement not received or adopted under the Reorganisation Plan. The implementation has met the completion standards of the implementation confirmed in respect of the Reorganisation Plan. On 29 December 2017, the FIPCC issued the fourth Civil Ruling Paper ((2017) Yu 01 Po No. 3). It was ruled and confirmed that the implementation of the Reorganisation Plan of Chongqing Iron & Steel Company Limited had been completed. As of December 31, 2017, the Reorganisation Plan of the Company has been completed, and the ordinary claims deferred and undeclared ordinary claims amounted to RMB626 million in total. The settlement amounts and shares for debt settlement that should be received or adopted have been reserved according to the Reorganisation Plan.

In 2017, pursuant to the Accounting Standards for Business Enterprises and related regulations, the Company considered the payment of the considerations to the listed company in respect of being transferred the shares of the Company from Controlling Shareholders as the equity transaction and confirmed that the capital reserves had increased by RMB100 million; repaid the liabilities of this Reorganisation Plan by using the 4.483 billion shares being transferred from capital reserves, and confirmed that the creditors entitled the fair value of the shares of the Company, being RMB16.496 billion, resulting from abandoning the claims, which was credited to the capital reserves, on the basis that the debt settlement price of shares was calculated at RMB3.68 per share as considered and approved by the creditors' meeting and ruled by the court; confirmed that the income from settlement of the debts in respect of bankruptcy reorganisation was RMB7.226 billion and was credited to non-operation income based on the differences between the carrying amount of the debt of bankruptcy reorganisation and the fair value of the total amount of the paid cash and the paid shares; confirmed that the bankruptcy costs was RMB126 million and credited to non-operation expenses based on the costs such as the paid administrator remuneration; confirmed that the profit or loss from the disposal of assets in bankruptcy reorganisation was RMB-5.010 billion and credited to the gains on disposal of assets based on the differences between the auction price after deducting the carrying amount of the assets and related tax. Above all, the Company confirmed the income from bankruptcy reorganization was RMB2,090 million as a result of matters about bankruptcy reorganisation and the owners' equity increased by RMB18,686 million.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(IV) Matters about suspensions of the significant assets restructuring

On 4 June 2016, the Company released the Announcement of Suspension of Share Trading for Significant Assets Restructuring, and the ultimate controlling party Chongqing State-Owned Assets Supervision and Administration Commission planned for the significant assets restructuring of the Company. On August 31, 2016, the Company entered into the Framework Agreement of Significant Assets Restructuring (hereinafter referred to as the Framework Agreement) with Chongqing Yu Fu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) (hereinafter referred to as Yu Fu Holding) upon approval by resolution of the 62nd meeting of the 7th Session of Board Meeting. Since this material assets reorganisation involves a large scale of the assets and complex project demonstration, the Company has not reached an agreement on the Reorganisation Plan with the major creditors. On 2 May 2017, the Company decided to suspend this material assets restructuring upon considered and approved by the 92th written resolution of the 7th session of the Board of the Company.

(V) Matters about suspensions of OEM cooperation

On 18 April 2016, the Company and Panhua Group Co., Ltd. (攀華集團有限公司) (hereinafter referred to as Panhua Group) signed an OEM Agreement (hereinafter referred to as the Agreement). Under the Agreement, Panhua Group entrusts the Company to process and produce hot-rolled coil with a daily processing quantity of 8,000 tons of hot-rolled coil. Panhua Group shall supply ore and coal needed in the production, whereas the Company is responsible for other raw and ancillary materials and labor costs incurred in the production process. As per the Agreement, the processing expenses shall be calculated as per RMB900/ton (tax included). The Company covenants that No. 1 and No. 3 blast furnace will only be used in the production for Panhua Group. The valid period of the agreement is temporarily determined as two years. The agreement was adopted by resolution of the 43rd meeting of the 7th Session of Board Meeting of the Company. On 31 December 2016, the Company entered into an OEM Supplementary Agreement with Panhua Group, agreeing unanimously that the former agreement shall be terminated on 31 December 2016 and the hot-rolled coil shall be delivered as per the surplus materials supplied, and confirming the quantity of materials accumulatively supplied by Panhua Group, quantity of products accumulatively delivered by the Company, quantity of surplus materials supplied, and mode of processing. In 2017, the Company actually delivered 214,300 tons of hot-rolled coil, and the operation income was confirmed to be RMB164,340,100 on net basis.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(VI) Matters about suspensions of the significant investments

On 6 August 2015, the Company reached a primary consensus and signed a cooperation framework agreement with POSCO Korea Co., Ltd. (hereinafter referred to as POSCO) for the joint venture project for cold rolling and joint venture project for galvanized projects in Chongqing. On 6 April 2016, the Company and POSCO signed the Joint Venture Contract Between Chongqing Iron & Steel Company Limited and POSCO on Chongqing CISL High Strength Cold Rolling Steel Co., Ltd. and Joint Venture Contract Between Chongqing Iron & Steel Company Limited and POSCO on Chongqing POSCO CISL Automotive Steel Co., Ltd. respectively. Under the contracts, the parties thereto will establish joint venture companies in Chongqing for the joint venture project for cold rolling and galvanized projects respectively. The total amount of investment at all stages is RMB6,235.27 million, and the total amount of investment at the time of establishment is RMB3,230.77 million. The parties thereto agree to make capital contribution in cash, of which the Company will contribute 90% of the capital of Chongqing CISL High Strength Cold Rolling Steel Co., Ltd. (hereinafter referred to as Cold Rolling Company) and 49% of the capital of Chongqing POSCO CISL Automotive Steel Co., Ltd. (hereinafter referred to as POSCO CISL Automotive Steel). The above joint venture contract was adopted at the 41st meeting of the 7th session of the Board and the annual shareholders' meeting in 2015. As of 31 December 2016, the Company actually contributed RMB661,621,500 to the Cold Rolling Company and RMB130,416,000 to POSCO CISL Automotive Steel.

Based on the decision made by the Company's bankruptcy administrator to terminate the joint venture contract, in November 2017, the Board of the Cold Rolling Company and POSCO CISL Automotive Steel decided to dissolve the joint venture company and separately set up a liquidation group to liquidate the joint venture company. As of December 31, 2017, the dissolution and liquidation of the Cold Rolling Company and POSCO CISL Automotive Steel had not been completed.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(I) Accounts receivable

1. Accounts receivable presented by categories

Unit: RMB'000

Categories	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Proportion (%)	Provision for bad debts		Carrying amount	Amount	Proportion (%)	Provision for bad debts		Carrying amount
			Amount	proportion (%)				Amount	proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis										
Receivables with provision made on a collective basis using portfolios with similar credit risk features	189,909	100	143,056	75	46,853	423,313	99	164,745	39	258,568
Receivables of individually insignificant amount but with provision made on an individual basis						2,756	1	2,756	100	
Total	189,909	100	143,056	75	46,853	426,069	100	167,501	39	258,568

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(I) Accounts receivable (Continued)

1. Accounts receivable presented by categories (Continued)

In portfolios, accounts receivable with provision made on a collective basis with aging analysis method

Unit: RMB'000

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year			
Including: sub-items within 1 year			
Within 3 months (third month inclusive)	4,790		
4–12 months (first year inclusive)	26,326	1,316	5
Sub-total within 1 year	31,116	1,316	5
1–2 years	16,275	4,069	25
2–3 years	2,836	1,417	50
Over 3 years	136,254	136,254	100
Total	186,481	143,056	77

Accounts receivable are calculated based on the month in which the payment occurs. The early occurred amount is settled first when the funds are withdrawn.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(I) Accounts receivable (Continued)

1. Accounts receivable presented by categories (Continued)

In portfolios, accounts receivable with provision made on a collective basis with other method

Unit: RMB'000

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Accounts receivable of related parties	3,428		
Sub-total	3,428		

2. Bad debt provision made, recovered or reversed in current period:

An amount of RMB-24,445,000 was made as bad debt provision for the period.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(I) Accounts receivable (Continued)

3. Top five accounts receivable by debtor:

The closing balance of accounts receivable of the top five of the parent company totaled RMB66,470,000, representing 35% of the total balance of the accounts receivable of the parent company at the end of the period. The corresponding balance of provision for bad debts totaled RMB36,440,000.

(II) Other receivable

1. Other receivables presented by categories:

Unit: RMB'000

Categories	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Proportion (%)	Provision for bad debts		Carrying amount	Amount	Proportion (%)	Provision for bad debts		Carrying amount
			Amount	proportion (%)				Amount	proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	23,052	46	16,646	72	6,406	15,827	21	15,827	100	
Other receivables that were not impaired upon separate impairment test						58,084	77			58,084
Receivables of individually insignificant amount but with provision made on an individual basis	27,038	54	23,089	85	3,949	1,131	2	1,131	100	
Total	50,090	100	39,735	79	10,355	75,042	100	16,958	23	58,084

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(II) Other receivable (Continued)

1. Other receivables presented by categories: (Continued)

Other receivables of individually significant amount and with provision made on an individual basis at the end of the period:

Unit: RMB'000

Name of debtor	Book balance	Provision		Reasons for provision made
		for bad debts	Percentage (%)	
Chongqing Iron and Steel Industry and Trade (Zhanjiang) Company (湛江重鋼工貿公司)	10,240	10,240	100	Low probability to recover
Changzhou Zhixin Metal Material Co., Ltd. (常州市之鑫金屬材料有限公司)	7,222	3,611	50	Provision based on the expected recoverable amount
Jiangsu Hetuo International Trade Co., Ltd. (江蘇和拓國際貿易有限公司)	5,590	2,795	50	Provision based on the expected recoverable amount
Total	23,052	16,646	72	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(II) Other receivable (Continued)

(2) Other receivables provided for bad debts, collected or reversed for the period:

An amount of RMB22,777,000 was made as bad debt provision for the period.

(3) Other receivables presented by nature

Unit: RMB'000

Nature of other receivables	Closing balance	Opening balance
Payment on account	32,352	43,464
Guarantee deposits and petty cash	15,576	14,763
Others	2,162	16,815
Total	50,090	75,042

(4) Top five other receivables by debtor

The subtotal of top five other receivables of the parent company at the end of the period is RMB31,099,000, representing 62% of the total other receivables of the parent company, and the provision of bad debts is RMB24,693,000

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(III) Long-term equity investments

Unit: RMB'000

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	711,622		711,622	762,622		762,622
Investment in associates	124,158		124,158	131,015		131,015
Total	835,780		835,780	893,637		893,637

1. Investments in subsidiaries

Unit: RMB'000

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for	Closing
					impairment made in current period	balance of provision for impairment
JingjiangSanfeng Steel Processing Distribution Co., Ltd. (靖江三峰鋼材加工配送有限公司) (Note 1)	51,000		51,000			
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	50,000			50,000		
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司) (Note2)						
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司) (Note 3)	661,622			661,622		
Sub-total	762,622		51,000	711,622		

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(III) Long-term equity investments (Continued)

2. Investments in associates

Unit: RMB'000

Investees	Opening balance	Investments increased	Investments decreased	Increase/Decrease						Closing balance of	
				Investment income recognized under equity method	Adjustment in other comprehensive income	Changes in other equity	Cash dividend / profit declared for distribution	Provision for impairment	Others		Closing balance of provision for impairment
(I) Joint ventures											
Sub-total											
(II) Associates											
Supposed to be disclosed in associates	131,015				-6,857						124,158
Sub-total	131,015				-6,857						124,158
Total	131,015				-6,857						124,158

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(III) Long-term equity investments (Continued)

3. Investments in unlisted and listed companies

Unit: RMB'000

Items	Closing balance	Opening balance
Investments in unlisted companies	835,780	893,637
Total	835,780	893,637

Note 1: the reduction of long-term investments are related to disposal of subsidiaries as a result of bankruptcy reorganization.

Note 2: the company funded the establishment of Chongqing CIS Building Materials Sales Co., Ltd, the amount of the subscribed contribution is 10 million Yuan, and as of the balance sheet date, the company has not yet paid the above capital contribution.

Note 3: Chongqing CISL High Strength Cold Rolling Steel Co., Ltd and Chongqing POSCO CISL Automotive Steel Co., Ltd. were proposed to be liquidated and canceled.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

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

(IV) Operating revenue and operating costs

Unit: RMB'000

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from principal activities	13,116,756	12,694,595	3,863,585	5,630,122
Revenue from other operations	25,484	22,475	25,440	10,846
Total	13,142,240	12,717,070	3,889,025	5,640,968

(V) Investment income

Unit: RMB'000

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-6,857	599
Investment income from disposal of long-term equity investments	-2,112	
Total	-8,969	599

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XIV. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit and loss

Unit: RMB'000

Items	Amount	Remarks
Profit/loss on disposal of non-current assets	-5,009,485	
Unauthorized or informal approval documents or one-off tax refunds and exemptions on tax		
Government grants recognized in the profit or loss for the period (except for those closely related to the operating activities of the Company, incompliance with the requirements under the State's policies, and continuously entitled to quantitative or qualitative government grants according to certain standards)	94,248	
Capital occupancy fee from non-financial enterprises recognized through profit or loss		
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Profit or loss of non-monetary assets exchange		
Profit or loss on assets consigned to the third party for investment or management		
Provision of impairment of assets due to force majeure such as suffering from natural disaster		
Profit or loss from debt restructuring		
Entity restructuring expenses, i.e. expenses for staff settlement, integration costs, etc.	-126,937	
Profit or loss from transactions with obvious unfair transaction price		
Net profit or loss for the current period on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Profit or loss arising from contingencies which are non-operating activities		

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XIV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(I) Non-recurring profit and loss (Continued)

Items	Amount	Remarks
Gains on changes in fair value of financial assets and liabilities which are measured by the fair value and with the variation recognized into current profit and loss; and investment income from disposal of available-for-sale financial assets, financial assets and liabilities which are measured by the fair value and with the variation recognized into current profit and loss, excluding those arising from effective hedging business related to operating activities	9,112	
Reversal of impairment provision for receivables tested for impairment on individual basis		
Profit and loss obtained by externally designated loans		
Profit or loss from changes in fair value of investment real estate with subsequent measurement at the fair value mode		
Profit or loss on reconciliation of current period profit or loss following legal and regulative requirements		
Custodian fee income arising from consigned operations		
Other non-operating income and expenses other than the aforesaid items	7,223,920	Mainly due to bankruptcy restructuring of debt liquidation restructuring income of RMB7,226,377,000
Other profit or loss item that satisfied the definition of non-recurring profit or loss		
Effect of income tax		
Effect of minority interest	-706	
Total	2,190,152	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XIV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) Return on net assets and earnings per share

Profit of the reporting period	Weighted average RONA (%)	Earnings per share (yuan/share)	
		Basic Earnings per share	Diluted Earnings per share
Net profit attributable to ordinary shareholders of the Company	<i>Note</i>	0.04	0.04
Net profit attributable to ordinary shareholders of the Company after deducting non- recurring profit or loss	<i>Note</i>	-0.21	-0.21

Note: As the company's weighted average net assets at the end of the period are negative, the weighted average return on net assets is not indicative.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017 (Unit: RMB'000)

XIV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(III) Others

Basic earnings per share and diluted earnings per share

1. Calculation process of basic earnings per share

Items	Symbols	Current period cumulative
Net profit attributable to ordinary shareholders of the Company	A	320,086
Non-recurring profit and loss	B	2,190,152
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	C=A-B	-1,870,066
Opening balance of total shares	D	4,436,023
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	4,482,579
Number of shares increased by the issuance of new shares or conversion of debt into shares	F	
The accumulative number of months from the next month of the increased shares to the end of the reporting period	G	
Number of the shares decreased by repurchase, etc.	H	
The accumulative number of months from the next month of the decreased shares to the end of the reporting period	I	
Number of reduced shares in the reporting period	J	
The number of months in the reporting period	K	12
Weighted average of outstanding ordinary shares	$L = \frac{D + E + F \times G}{K - H \times I / K - J}$	8,918,602
Basic earnings per share	M=A/L	0.04
Basic earnings per share after deducting non-recurring profit or loss	N=C/L	-0.21

2. The calculation process of diluted earnings per share

The calculation process of diluted EPS is basically the same as that of basic EPS.

Section XII Social, Environmental and Governance Report

I. CORPORATE GOVERNANCE PRACTICES

This section was prepared according to the requirements under the Corporate Governance Code and Corporate Governance Report of the Stock Exchange.

The Company has always been committed to improving corporate governance and deems corporate governance as part of value creation with the aim to demonstrate the fulfillment of commitments made by the Board and senior management, maintain transparency and accountability to shareholders and create maximum value for shareholders.

As at 31 December 2017, the Company complied with the corporate governance principles and all the code provisions (if applicable, including most recommended best practices) (Corporate Governance Code) set out in Appendix 14 to the Listing Rules.

a) Securities transactions by Directors and Supervisors

(i) *Directors' and Supervisors' Interests in the Shares of the Company or Associated Corporation*

As at 31 December 2017, the interests and 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 and senior management members in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules of the Stock Exchange") and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in Chongqing Iron & Steel Group Doorlead Realty Co., Ltd. (originally named Hengda):

Name	Interest type	Number of (shares)
Liu Da Wei	Individual	800
Tu De Ling	Individual	800
Xie Chuan Xin	Individual	5,600
Chen Hong	Individual	1,600

Note: the above information indicates that the interests of the Directors and Supervisors in Hengda were transferred from the Company to Chongqing Iron & Steel Group in December 2002.

I. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

a) Securities transactions by Directors and Supervisors (Continued)

(I) *Directors' and Supervisors' Interests in the Shares of the Company or Associated Corporation (Continued)*

Save as disclosed above, as at 31 December 2017 none of the directors, supervisors or their respective associates had any interests in the shares of the Company or its associated corporations.

During the year of 2017, none of the directors or supervisors or their spouses or children under the age of 18 years of age has been granted by the Company the rights to subscribe for the Company's shares.

At no time during the year of 2017 was the Company, its fellow subsidiaries or its Parent Company a party to any contract of significance in relation to the Company's business in which a director or supervisor of the Company had material interests, either directly or indirectly.

At no time during the year of 2017 was the Company, its fellow subsidiaries or its Parent Company a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

(II) *Service Contracts of Directors and Supervisors*

The directors and supervisors of the Company respectively entered into service contracts which ended at the 2017 annual general meeting of the Company. There were neither terms regarding compensation for termination of service prior to the expiry of the service contracts nor terms regarding compensation for no renewal of service upon the expiry of such service contracts.

(III) *Directors' and Supervisors' Interests in the Contracts*

The Company did not enter into any contract of significance (except service contracts) in which a director or supervisor of the Company was enabled to have a material interest or is substantially interested, whether directly or indirectly, and there was no such contract subsisting at the end of the reporting period or at any time during the reporting period.

I. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

a) Securities transactions by Directors and Supervisors (Continued)

(IV) Model Code for Securities Transactions by Directors and Supervisors

The Company takes the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to Listing Rules of the Stock Exchange and the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof (Zheng Jian Gong Si Zi [2007] No. 56 by CSRC) as the code for securities transactions by its directors, supervisors, and senior management. After making specific enquiries to all directors and supervisors, the Company confirmed that all directors and supervisors had complied with the requirements of the above code and rules concerning the securities transactions by directors as at the date hereof.

b) The Board

(I) Composition of the Board

For details, please refer to “Section VIII.I.(I)” of this report.

(II) Number of Board meetings during the financial year

For details, please refer to “Section IX.III” of this report.

(III) Directors' attendance of the Board meetings and general meetings

For details, please refer to “Section IX.III” of this report.

(IV) Division of responsibilities between the Board and the management

The Board is collectively responsible for the Company's management and operation under the leadership of its chairman. The Board formulates the Company's overall strategy, sets the Company's business direction and financial performance target, ensure the establishment and implementation of the Company's good corporate governance structure and procedure. The Board reports the Company's performance and business to the Company's shareholders. The Board is the Company's final decision-making organ other than matters which are required by the Company's Articles of Association, the Listing Rules and other applicable laws and regulations to be subject to approval by shareholders.

The management takes charge of the Company's business operation and implements policies formulated by the Board. The management is accountable to the Board and is required to make decisions for matters prescribed by the executive committee or seek prior approval of the executive committee before making commitments on behalf of the Company. The executive committee monitors the management's performance according to the Company's corporate goals, missions and business plan which are determined and approved by the Board from time to time.

I. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

b) The Board (Continued)

- (V) The Company strictly complied with relevant provisions under Rule 3.10(1) and (2) and Rule 3.10(A) of the Listing Rules of Hong Kong Stock Exchange during the Reporting Period.
- (VI) The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.
- (VII) There is no disclosable connected relationship between members of the Board of the Company.
- (VIII) *Particulars of directors and senior management training*

During the year, all directors received training required by applicable laws and regulatory regulations. In addition, some directors also attended training related to their profession or business to enhance their management capability. All new directors had proper understanding of the laws and rules which they should know for carrying out their duties before taking office.

c) Chairman and general manager

The chairman is elected and removed by a majority vote of all directors, serves for a term of 3 years and is eligible for re-election. The chairman is responsible for the day-to-day work of the Board.

The general manager takes charge of the day-to-day production and operation. The general manager is appointed by the Board for a term of 3 years and is eligible for re-election.

The roles of chairman and general manager of the Company were performed by different individuals.

d) Non-executive Director

Non-executive directors of the Company serve for a term of 3 years and are eligible for re-election. For detailed information about current members of the Board, please refer to Section VIII (I) of this report.

I. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

e) Committees under the Board

(1) *Functions of special committees*

1. Primary responsibilities of the Strategy Committee
 - 1) to study the strategic plan for long-term development of the Company and give suggestions;
 - 2) to study the major investment and financing plans which are required by the Articles of Association to be approved by the Board and give suggestions;
 - 3) to study the major capital operation and assets operation project which are required by the Articles of Association to be approved by the Board and give suggestions;
 - 4) to study other significant events which may influence the Company's development and give suggestions;
 - 5) to inspect the execution of the above matters;
 - 6) other matters authorized by the Board.
2. Primary responsibilities of the Audit Committee
 - 1) to make recommendation on the appointment or removal of the external auditing institutions;
 - 2) to monitor the Company's internal audit system and the implementation thereof;
 - 3) to coordinate the communication between the internal and external auditors;
 - 4) to review the financial information and disclosure of the Company;
 - 5) to review the internal control system of the Company and audit major connected transactions;
 - 6) other matters authorized by the Board.

I. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

e) Committees under the Board (Continued)

(1) *Functions of special committees (Continued)*

3. Primary responsibilities of the Remuneration and Evaluation Committee
 - 1) to formulate the remuneration scheme or plan according to the main scopes, duties and importance of the positions of directors and senior management as well as the remuneration levels of similar positions of other similar enterprises;
 - 2) the remuneration scheme or plan includes but is not limited to the criteria and procedure for performance appraisal, major appraisal system as well as the main plan and system for awards and punishment;
 - 3) to inspect duty performance of directors (non-independent director) and senior management and conduct annual performance evaluation;
 - 4) to monitor the implementation of the remuneration system;
 - 5) other matters authorized by the Board.
4. Primary responsibilities of the Nomination Committee
 - 1) to make recommendations to the Board regarding the size and composition of the Board based on the Company's business operation, asset size and shareholding structure;
 - 2) to study the criteria and procedure for electing directors and managers and make recommendation to the board;
 - 3) to identify individuals suitably qualified to become directors and managers;
 - 4) to vet the candidates for directors and managers and make recommendations;
 - 5) to vet other senior management proposed to be appointed by the Board and make recommendation;
 - 6) other matters authorized by the Board.

I. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

e) Committees under the Board (Continued)

(II) Composition of all special committees (as of 31 December 2017)

Strategy Committee	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee
Liu Da Wei*	<i>Xin Qing Quan*</i>	<i>Xu Yi Xiang*</i>	Liu Da Wei*
Li Ren Sheng	<i>Xu Yi Xiang</i>	Tu De Ling	<i>Xin Qing Quan</i>
Zhou Hong	<i>Wong Chun Wa</i>	<i>Xin Qing Quan</i>	<i>Wong Chun Wa</i>
Zhang Li Quan		<i>Wong Chun Wa</i>	
Yao Xiao Hu			
<i>Xu Yi Xiang</i>			

Note: * Chairman of special committees

Names in italic letters are independent non-executive directors.

(III) Work of special committees

For details, please refer to “Section IX.IV” of this report.

f) Remuneration of auditors

For details, please refer to “Section V.VI” of this report.

g) Company secretary

The Company did not engage any service institutions as the company secretary.

I. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

h) Shareholders' rights

(I) *Shareholders' right to convene an extraordinary general meeting*

According to the Companies Law, the Articles of Association of the Company stipulates that: shareholders individually or collectively holding more than 10% of the Company's shares are entitled to request, which should be in written form, the Board to hold an extraordinary general meeting. The Board shall, in accordance with laws, regulations and the Articles of Association, give a written feedback indicating its agreement or objection to convening an extraordinary general meeting within 10 days of receipt of the requisition. If the Board agrees to the proposal, it shall issue a note convening the general meeting within 5 days of its decision and shall obtain relevant shareholders' consent in case of any changes to the original requisition. If the Board disagrees or does not give any feedback within 10 days of receipt of the requisition, shareholders individually or collectively holding more than 10% of the Company's shares have the right to propose, which should be in written form, the convening of an extraordinary general meeting to the Supervisory Committee.

(II) *Enquiry procedure and available information*

According to the provisions of the Articles of Association of the Company, relevant information may be available, including:

1. the Articles of Association after paying the cost;
2. inspecting and copying, after paying reasonable fees;
 - 1) all parts of the register of shareholders;
 - 2) personal information of the Company's directors, supervisors, general manager and other senior management, including: (a) current and previous name and alias; (b) principal address (residence); (c) nationality; (d) full-time and all other part-time jobs and titles; (e) identity document and number.
- 3) counterfoil of corporate bonds;

I. CORPORATE GOVERNANCE PRACTICES (CONTINUED)

h) Shareholders' rights (Continued)

(II) Enquiry procedure and available information (Continued)

- 4) resolutions of the Board meetings;
- 5) resolutions of the Supervisory Committee meetings;
- 6) information about the share capital of the Company;
- 7) reports showing the total nominal value and number of each class of shares repurchased by the Company since the end of the last financial year, the maximum and minimum prices as well as the aggregate amount paid by the Company;
- 8) minutes of general meetings.

(III) Procedure for proposing a resolution

Shareholders individually or collectively holding more than 3% of the Company's shares may put forward a provisional proposal and submit the same in writing to the convener 10 days prior to a general meeting.

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES

(I) Company Profile

Established in August 1997, Chongqing Iron & Steel Company Limited issued 414 million H-shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in October in the same year and became a foreign-invested enterprise as approved by the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China in December 1998; the Company issued 350 million A-shares on Shanghai Stock Exchange in February 2007 and issued 2.696 billion RMB ordinary shares of non-public offering to Chongqing Iron & Steel Group and specific objects in November 2013. Thus, the total share capital of the Company reached 4.436 billion, among which Chongqing Iron & Steel (Group) Co., Ltd. held 2.097 billion shares, accounting for 47.27% of the total share capital of the Company. After the First Intermediate People's Court of Chongqing ruled in December 2017 that the implementation of the Company's Reorganisation Plan had been completed, the total share capital of the Company increased to 8.919 billion shares, and Chongqing Iron & Steel (Group) Co., Ltd. no longer held any shares of the Company, whereas Chongqing Changshou Iron & Steel Company Limited held 2.097 billion shares of the Company.

(II) Performance of Social Responsibilities by the Company

1. *Protection of shareholders' and creditors' rights*

The Company was actively in compliance with the Listing Rules of the Stock Exchange and relevant regulatory rules of A-share listed companies, while striving to build a management system for a modern enterprise and improve the corporate governance structure and internal management system to effectively prevent business risks, protect the safety of assets, ensure the authenticity, legality and integrity of accounting information and other data, promote the Company to standardize the operation, and achieve sustainable development.

(1) Standardized operation of corporate governance.

The Company has developed a sound corporate governance system, which includes the following rules and regulations in terms of corporate governance structure: Rules of Procedure for General Meetings, Rules of Procedure for the Board, Rules of Procedure of the Supervisory Committee, General Manager's Working Rules, Independent Director System, Investment Decision-Making Working Procedures, External Guarantee Decision-Making System, Detailed Rules for Related Party Transactions, Working Procedure for the Review of the Annual Financial Report of the Audit Committee, Professional Committee Regulations for Work, etc. The Company has also established a relatively mature checks and balances mechanism of “Three Boards and One Layer (i.e. shareholders' general meeting, the Board, the supervisory committee and senior management). The Company strictly complied with all rules and regulations mentioned above during the implementation, provided revisions and additions at appropriate time according to regulatory requirements, and effectively enhanced the Company's governance level and effectiveness.

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

1. *Protection of shareholders' and creditors' rights (Continued)*

(2) Sound financial management system with effective implementation.

The Company has developed Financial Accounting System, Fund Management System and other normative systems according to the relevant laws and regulations of the state, and has a relatively comprehensive institutional system. The Company actively promoted information technology engineering, strengthened the financial management of the Company, improved the quality of accounting information and effectively prevented and resolved business risks. The Company continued to resolutely implement the idea of taking capital management as the central thought and to centralise the management and dynamic control of funds, and to keep capital balance and financing in an active manner. The Company has built the complete accounting system and stipulated specific accounting methods according to the uniform accounting system of the state to standardize the accounting behavior. This empowers accounting personnel with higher professional quality. The principle of “separate duties but mutual restraints” for the accounting personnel and their posts ensured a true representation of the Company's complete financial accounting information, authentic and reliable regular report of data as well as the effective implementation of each section.

(3) Establishing good relationship with investors with a focus on information disclosure management.

In order to enhance information disclosure management, ensure the proper performance of information disclosure obligations and protect the legitimate rights and interests of shareholders, creditors and other interested parties, the Company has developed Information Disclosure Management System as well as Investor Relations Management, defining the scope, contents, procedures, responsibilities and confidentiality measures of information disclosure and providing systematic guarantee for true, accurate, complete and timely disclosure of relevant information.

Considering different investors' habits of obtaining information, the Company adopted a variety of ways to sufficiently disclose information: by print media (China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily in China), and by Internet media (the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), the website of The Stock Exchange of Hong Kong Ltd. (<http://www.hkexnews.hk>) and the website of the Company (<http://www.cqgt.cn>)), sending Major Event Shareholder Circular Regarding Major Events to H-shareholders and trying to deliver relevant disclosed information to every investor.

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

2. *Effectively protecting the rights and interests of employees*

- (1) Ensuring employees to enjoy the labor rights and fulfill their labor obligations according to laws

In accordance with Labor Contract Law, Measures for the Administration of Labor Contracts of the Company, the text of the labor contracts and relevant management system, the Company continued to promote dynamic management of labor contracts, to establish a sound assessment mechanism and to improve the rules and regulations, so that there are laws for Company to follow and rules for the staff to follow. The Company insisted on strict examination of employees whose labor contracts have expired, and determined whether to renew the labor contracts or not according to the examination results and under the principle of “equality, voluntariness and mutual negotiations”. The contract signing rate of the Company in 2017 was 100%.

Based on the skills and physical conditions of the staff, the Company made overall arrangements of work positions, actively advocated working to full capacity and strictly controlled overtime and overload work. If it was necessary to extend working time and to work on weekends, holidays and festivals due to exceptional cases, the consent from the employees and the Labor Union must be obtained in advance and the employees should take supplementary holidays timely or receive remunerations according to related rules and regulations.

The Company signed 2017 Collective Contract for Special Protection of Female Employees with the Labor Union, in order to seriously fulfill the terms and conditions as well as to maintain and safeguard the legitimate rights and interests of female employees institutionally.

- (2) Establishing a reasonable salary and performance appraisal system and caring about the immediate interests of the staff.

The Company constantly improved the collective negotiating system for salary. The Administration Department of the Company and employee representatives mutually negotiated on the principles and methods of salary distribution, provisions for salary payment, rights and obligations of both parties, and other salary distribution issues, and signed the collective negotiation contract for salaries. The Company strictly followed the basic principle of “benefits determine distribution” for salary distribution, reasonably arranged salary plan according to the enterprise benefits and payment by results, and properly adjusted salary level and progress based on production and management conditions of the Company to ensure fluctuations of salary synchronise the enterprise benefits. The Company strictly executed the system of separating the right of examining salary distribution and the right of distribution and insisted on distributing salary by measures, examination and procedures to ensure the income of employees.

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

2. *Effectively protecting the rights and interests of employees (Continued)*

(3) Maintaining employees' occupational health and safety.

The Company proactively followed the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and other related regulations, completed the verified record of occupational health “Triple Synchronization” for construction projects as well as established a sound occupational health and safety management system. The Company strictly implemented occupational health standards, regulated occupational health surveillance, strengthened the monitoring of occupational hazards, and carried out the construction of occupational health infrastructure to protect and promote employees' health.

3. *Supplier selection and related responsibility guarantee*

The Company abided by the bidding and purchasing system for raw materials to continuously improve and perfect the purchasing work. In terms of raw materials within the bidding scope, the Company performed annual bidding, half-yearly bidding, quarterly bidding, monthly bidding and bulk bidding, and finished the bidding process of inviting, opening, evaluating and selecting under the principle of openness, fairness, impartiality and good faith. To raise the procurement transparency, the Company released tender notice and inquiry announcement via various information media, expanded the coverage of bidding information, and insisted on releasing tender notices and inquiry announcements on such websites as Custeel, Mysteel, China Metallurgical Furnace Materials, Steelhome, The Association of China Refractories Industry, CNFEOL, and OA of Chongqing Iron & Steel (Group) Co., Ltd. (Chongqing Iron & Steel Business Information) in order to attract more potential suppliers to take part in competition and achieve the goal of open and fair competition.

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

4. *Attaching great importance to product quality and after-sales service and protecting rights and interests of customers and commitment to society*

(1) Improving the physical quality of products in an all-around manner

The Company actively explored innovative quality management and quality supervision mode as well as improved quality control measures under the economic production. Through implementing the whole-process management including quality risk assessment, process quality tracking and final product quality evaluation, the Company improved and optimized the quality management system of the whole process, extended quality assurance system management and guaranteed the suitability, effectiveness and compliance of the quality system. The Company raised process control capability via implementing quality control for key processes, and ensured the stability of process quality by stabilizing process parameters. The Company actively promoted the electronic quality certificate and met users' personalized needs through improving service quality as well as perfecting quality detection and judgment model.

The Company has established Quality Management as well as Quality Supervision and Inspection Department, which is independent from production units, and responsible for quality management, quality supervision, product appearance inspection, physical and chemical properties testing, quality adjudication and issuance of quality certificate as well as providing opinions and suggestions on quality improvement. The Quality Inspection Department of the Company is responsible for inspecting the product quality from appearance, size, as well as physical and chemical properties according to GB, YB, specification of products for related ship classification societies and internal quality control standards. In terms of key procedures of quality control (guarantee) during the production of each kind of products, the Company established key process control points in relevant units to strengthen production process control and ensure process quality in a stable state of control. The product quality of the Company throughout the year was stable and devoid of serious quality objection.

(2) Quality responsibility regarding after-sales service

The Company has established a customer service centre which strengthened contact with customers, carefully studied and answered all kinds of questions raised by customers, timely assigned professionals to communicate, negotiate and solve quality defects that affect customers' normal use on site. Customers' overall satisfaction with the company in 2017 remained at a higher level and customers' rights and interests were greatly protected.

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

4. *Attaching great importance to product quality and after-sales service and protecting rights and interests of customers and commitment to society (Continued)*

(3) Quality responsibility for society

The Company has always attached great importance to product quality, developed sound quality management organization, perfect quality management system, effective quality assurance system and reliable quality inspection technologies, and obtained Quality Management System Certificate and Laboratory Accreditation Certificate certified by China National Accreditation Board for Conformity Assessment. The Company provided the society and users with qualified products which completely conform to the requirements of the relevant product standards and contracts.

Being responsible for the society and users, and in order to prevent products from being counterfeited, the Company mainly took the following measures: affixing a logo on the products, labelling, spraying characters, metal stamping marking the quality certificate with “Copying invalid”, etc. The stability of product quality and a large number of famous products raised the Company's quality brand advantage and reputation in the society and customers and thus promoted product sales.

5. *Safety in production*

The Company has always been adhering to the concept of safety in production, known as “safe development & continuous improvement”, integrating the employees' lives, rights to health, as well as economic and social benefits of the Company with greater sense of social responsibility, and making great efforts to safety in production from political, legal, livelihood, beneficial and sustainable perspectives to protect employees and their lives.

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

6. Environmental protection, energy saving and emission reduction

The Company strictly abided by environmental laws and regulations and developed environmental responsibility system, which made management at various levels perform their own functions and takes their own responsibility. The Company also stipulated annual environmental target and implemented the same in each unit, signed environmental responsibility statement to ensure the completion of the target, developed and completed a self-monitoring program throughout the year, and regularly released monitoring data on the website of Chongqing Environmental Protection Bureau. Major pollutants of the Company met national standards and permit emission requirements. For details, please refer to Supervisory Monitoring (Wastewater Monitoring) Data of Key Pollution Sources and Supervisory Monitoring (Exhaust Gas Monitoring) Data of Key Pollution Sources that are published by Chongqing Environmental Protection Bureau.

Supervisory Monitoring (Wastewater Monitoring) Data of Key Pollution Sources

Outlet	Monitoring Time	Production Load (%)	Monitoring Project	Monitoring Value	Standard Limit	Unit of Measurement	Reaching Standard or not
Total wastewater outlet of Central Sewage Treatment Station	2017-11-15	71	Wastewater flow	8,400		Ton/day	
			Chemical oxygen demand	26	50	mg/L	Yes
			Ammonia nitrogen	2.56	5	mg/L	Yes

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

6. Environmental protection, energy saving and emission reduction (Continued)

Supervisory Monitoring (Exhaust Gas Monitoring) Data of Key Pollution Sources

Outlet	Monitoring Time	Production Load (%)	Monitoring Project	Measured Value	Reduced Value	Standard Limit	Unit of Measurement	Reaching Standard or not
5# and 6# Coal loaders	2017-11-23	72.2	Exhaust gas flow	18,400			m ³ /h	
			Particulate matter	13.3	13.3	50	mg/m ³	Yes
5# and 6# Coke pushers	2017-11-23	72.2	Exhaust gas flow	138,000			m ³ /h	
			Particulate matter	11.3	11.3	50	mg/m ³	Yes
5# and 6# Coke screening machines	2017-11-23	72.2	Exhaust gas flow	106,000			m ³ /h	
			Particulate matter	23.5	23.5	30	mg/m ³	Yes
1# and 2# Coke dry quenching	2017-11-15	69.4	Exhaust gas flow	138,000			m ³ /h	
			Particulate matter	21.5	21.5	50	mg/m ³	Yes
3# and 4# Coke dry quenching	2017-11-15	69.4	Exhaust gas flow	92,900			m ³ /h	
			Particulate matter	24.9	24.9	50	mg/m ³	Yes
5# and 6# Coke dry quenching	2017-11-23	72.2	Exhaust gas flow	129,000			m ³ /h	
			Particulate matter	27	27	50	mg/m ³	Yes
1# and 2# Coke furnaces	2017-11-15	69.4	Exhaust gas flow	381,000			m ³ /h	
			Particulate matter	18	18	30	mg/m ³	Yes
			Nitrogen oxide	188	188	500	mg/m ³	Yes
			Sulfur dioxide	40	40	50	mg/m ³	Yes
3# and 4# Coke furnaces	2017-11-16	69.6	Exhaust gas flow	291,000			m ³ /h	
			Particulate matter	20.9	20.9	30	mg/m ³	Yes
			Nitrogen oxide	123	123	500	mg/m ³	Yes
			Sulfur dioxide	44	44	50	mg/m ³	Yes

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

6. Environmental protection, energy saving and emission reduction (Continued)

Supervisory Monitoring (Exhaust Gas Monitoring) Data of Key Pollution Sources (Continued)

Outlet	Monitoring Time	Production Load (%)	Monitoring Project	Measured Value	Reduced Value	Standard Limit	Unit of Measurement	Reaching Standard or not
5# and 6# Coke furnaces	2017-11-23	72.2	Exhaust gas flow	121,000			m ³ /h	
			Particulate matter	9.57	9.57	30	mg/m ³	Yes
			Nitrogen oxide	9	9	500	mg/m ³	Yes
			Sulfur dioxide	39	39	50	mg/m ³	Yes
1# Sintering machine head desulfurization	2017-11-13	70.1	Exhaust gas flow	1,310,000			m ³ /h	
			Particulate matter	11	11	50	mg/m ³	Yes
			Nitrogen oxide	217	217	300	mg/m ³	Yes
			Sulfur dioxide	142	142	200	mg/m ³	Yes
2# Sintering machine head desulfurization	2017-11-13	70.1	Exhaust gas flow	1,360,000			m ³ /h	
			Particulate matter	18.9	18.9	50	mg/m ³	Yes
			Nitrogen oxide	166	166	300	mg/m ³	Yes
			Sulfur dioxide	72	72	200	mg/m ³	Yes
1# Hot blast stove	2017-11-13	70.1	Exhaust gas flow	257,000			m ³ /h	
			Particulate matter	4.91	4.91	20	mg/m ³	Yes
			Nitrogen oxide	164	164	300	mg/m ³	Yes
			Sulfur dioxide	41	41	100	mg/m ³	Yes
3# Hot blast stove	2017-11-13	70.1	Exhaust gas flow	301,000			m ³ /h	
			Particulate matter	7.13	7.13	20	mg/m ³	Yes
			Nitrogen oxide	137	137	300	mg/m ³	Yes
			Sulfur dioxide	55	55	100	mg/m ³	Yes

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

6. Environmental protection, energy saving and emission reduction (Continued)

In active response to the national call on environmental protection and energy saving, the Company achieved energy saving and consumption reduction by accelerating the elimination and scrapping of high energy consumption equipment, conducting the comprehensive energy conservation research and paying attention to the effective utilization of energy and reduced emissions of standard coal, CO₂, SO₂ and dust through optimization and reuse of key points with high energy consumption such as waste heat and residual pressure. For resource consumption, please refer to the Company's Resource Consumption Scale.

The Company's Resource Consumption Scale:

Resource Category	Unit of Measurement	Total Consumption
Electricity	(K) Kilowatt hours	1,825,800
Natural gas	Cubic metre	4,814,000
Fine washed coal	Ton	2,226,000
Anthracite	Ton	662,700
Oil	Ton	5,084

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(II) Performance of Social Responsibilities by the Company (Continued)

7. *Further improving the punishment and prevention system*

The Company strengthened the construction of the system of combating corruption and building a system with integrity, actively explored effective mechanisms to strengthen the probity and self-discipline of leading cadres and key positions in order to develop and improve the feasible honest system; promoted anti-corruption propaganda and education, upheld and deepened multiple, regular and diverse pattern of honesty education and developed ideal and belief education, legal education, warning education, special warning education for prevention of duty crime and others; monitored and tracked the whole-process of tender for equipment repair, engineering and spare parts projects, and production, maintenance, logistics outsourcing pricing and sales pricing, and put forward suggestions and opinions; strengthened anti-corruption supervision and investigation of petition cases, and for key regions and post, carried out monthly surprise checks and visited customers, opened report box and strengthened reporting clues collection via such channels as visits and letters. The Company continuously improved through punishment and prevention system, built the ideological moral bottom line that one wouldn't, couldn't and shouldn't commit corruption, developed prevention, protection and disciplinary mechanism, and tried to create clean atmosphere for corporate reform and development.

8. *Concerned about the difficulties of workers and promoting enterprise harmony*

The labour unions of the Company at various levels have always been taking “wholeheartedly serving workers and safeguarding the interests of workers” as the starting point and ultimate goal of all work, fully exerted the role of the responsibility system for caring about difficult workers of the Company, plants (departments), workshops, teams and groups, respected, understood, cared and helped difficult workers, and thus enhanced corporate cohesion. The Company strengthened the assistance to difficult workers, providing more assistance, expanding assistance scope, improving assistance mode, raising assistance level, building assistance mechanism, applying assistance fund and realizing institutionalization and standardization of assistance. The Company adopted the dynamic management of files of exceptionally difficult workers, accurately and timely filled in the files of all difficult workers, set up files of exceptionally difficult workers and regularly provided assistance to them. The Company carried out “heart-warming activities” in a deep-going way, institutionalized visiting difficult workers, model workers and production backbone during holidays and festivals, and visited model workers, advanced production workers and difficult workers. The Company developed Helping Students in Autumn and helped difficult workers' children in attending colleges economically.

II. PERFORMANCE OF SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES (CONTINUED)

(III) Self-assessment on Performing Social Responsibilities

The Company has made great efforts in corporate governance, employees' rights protection, environmental protection, safety in production and maintenance of public relations in 2017, and assumed the corresponding social responsibilities with some achievements obtained. In 2018, the Company shall continuously improve the construction of corporate social responsibility management system, further deepen the concept of corporate social responsibilities, improve the implementation mechanism of corporate social responsibilities, actively repay shareholders and protect the legitimate rights and interests of creditors and employees. The Company shall also treat suppliers and customers with integrity, actively participate in social welfare undertakings and ecological environment protection, continue to enhance the image of listed companies and make due contributions to a harmonious society.

Section XIII Documents Available for Inspection

Document available for inspection	Annual Report contained with the signature of the current legal representative of the Company and company seal
Document available for inspection	Accounting statements contained with signatures of the legal representative, the person in charge of the accounting function and the person in charge of the accounting department and company seal
Document available for inspection	Auditor Report contained with seal of accounting firm, signature of certified public accountant and company seal
Document available for inspection	All documents and announcements of the Company disclosed in newspapers designated by China Securities Regulatory Commission and on the website of SSE during the reporting period

Chairman: Zhou Zhu Ping

The date of approval of the Board for submission: 27 February 2018

REVISION

Applicable Not applicable

Report version number	Issuing date of correction or supplementary notice	Content of correction or supplementary notice
2017 Annual Report of the Company disclosed on the website of Shanghai Stock Exchange (www.sse.com.cn) on 28 February 2018	2 March 2018	Supplementary disclosure on the equity and controlling relationship of Siyuanhe Equity Investment Management Co., Ltd., the details of which are set out in the Company's Supplementary Announcement for 2017 Annual Report (Announcement No.: 2018-016) disclosed on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of the Shanghai Stock Exchange (www.sse.com.cn) on 2 March 2018