

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

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

(Stock Code: 1053)

ANNOUNCEMENT IN RELATION TO THE CHANGE IN ACCOUNTING POLICIES

IMPORTANT NOTE:

The change in accounting policies affects the format of the financial statements of Chongqing Iron & Steel Company Limited (the “**Company**”) only, and does not affect the profits and losses, total assets and net assets of the Company.

I. INTRODUCTION TO THE CHANGE IN ACCOUNTING POLICIES

The Ministry of Finance promulgated the following revision and interpretation to the Accounting Standards for Business Enterprises in 2018 and 2019:

(I) New Lease Standards

The Ministry of Finance promulgated the Notice on Revising and Issuing the Accounting Standards for Business Enterprises No. 21-Leases (Cai Kuai [2018] No.35) (the “**New Lease Standards**”) on 7 December 2018. Pursuant to the requirements of the New Lease Standards, the Company, as an A-share and H-share dual-listed company, will adopt the New Lease Standards from 1 January 2019. The New Lease Standards required that the lessee shall first identify whether it is a lease, and then implement accounting treatment for the lease contract satisfying the definition of leases according to the requirements of the New Lease Standards. On the inception date of a lease term, the lessees shall recognize right-of-use assets and lease liabilities for leases. On initial recognition, for operating leasing assets, the lease liabilities shall be recognized based on the present value of the outstanding lease payments on the inception date of the lease, while the right-of-use assets shall be recognized according to lease liabilities and other costs (e.g. initial expense and recovery obligation). In the subsequent measurements,

depreciation shall be calculated for the right-of-use assets and depreciation expense shall be recognized. Interest expenses on lease liabilities shall be recognized by using effective interest method. For short-term lease and the leasing of low-value assets, lessees can choose not to recognize the right-of-use assets and lease liabilities. Meanwhile, the New Lease Standards made specific requirements for the disclosure of financial reports in respect of relevant matters in the financial reports. There is no material and significant change in leasing and finance leasing.

(II) Format of the financial statements

The Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the Year 2019 (Cai Kuai [2019] No.6) on 30 April 2019, which amended the format of the financial statements of general enterprises, and is applicable to the interim financial statements and the annual financial statements for 2019 and the financial statements for subsequent periods of non-financial enterprises implementing the Accounting Standards for Business Enterprises. The major changes in the format of the financial statements are as follows:

Balance sheet item:

1. The original list item “Notes and accounts receivable” was separated into “Notes receivable” and “Accounts receivable” respectively;
2. The original list item “Notes and accounts payable” was separated into “Notes payable” and “Accounts payable” respectively;
3. The item “Receivables financing” was added, reflecting notes receivable and accounts receivable measured at fair value with changes recorded as other comprehensive income on the balance sheet date.

Income statement item:

The item “R&D expenses” reflected the expensed expenditures incurred during the research and development process, and also included the amortization of self-developed intangible assets originally listed in the item “Administrative expenses”.

On 19 September 2019, the Ministry of Finance issued the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition) (Cai Kuai [2019] No. 16, the “**Revised Notice**”), and revised the format of consolidated financial statements, requesting that enterprises adopting the Accounting Standards for Business Enterprises shall prepare the consolidated financial statements for 2019 and the consolidated financial statements for subsequent periods in accordance with the requirements of the Accounting Standards and the Revised Notice. The major changes in the format of the consolidated financial statements are as follows:

1. Pursuant to the New Lease Standards and New Financial Standards, line items such as “Right-of-use assets” and “Lease liabilities” were added to the original consolidated balance sheets, and line item “Gains from derecognition of financial assets measured at amortized cost” was added to the line item “Gains from investment” in the original consolidated income statements.
2. Some items were adjusted in accordance with certain circumstances during the implementation of the Accounting Standards for Business Enterprises. The line item “Notes and accounts receivable” in the original consolidated balance sheet was separated into three line items, namely “Notes receivable”, “Accounts receivable” and “Receivables financing”; the line item “Notes and accounts payable” was separated into two line items, namely “Notes payable” and “Accounts payable”; the presentation of line items of “Asset impairment loss” and “Credit impairment loss” in the original consolidated income statements was adjusted; line items of “Net increase in financial assets held for trading purpose” and “Cash received from issuing bonds” in the original consolidated cash flow statements were deleted; and line and column item “Special reserve” was added to original consolidated balance sheets and consolidated statements of changes in equity, respectively.

The Company began to implement the above new accounting policies based on the commencement date stipulated in the above documents by the Ministry of Finance.

II. PARTICULARS AND THE IMPACTS ON THE COMPANY

(I) New Lease Standard

Since 1 January 2019, the Company has conducted accounting treatment in accordance with the newly revised lease standard and elected not to reevaluate whether the contracts that have existed before the date of first implementation are or contain leases. According to the transitional requirements, the information for the comparable period will not be adjusted and retained earnings at the beginning of the reporting period will be retrospectively adjusted based on the difference between the New Lease Standard and the current lease standard on the first day of implementation. The implementation of the New Lease Standard had no effect on the retained earnings of the Company as at 1 January 2019. The Company adopted simplified treatment for the operating leases of lease assets completed within 12 months before the date of first implementation and did not recognize the right-of-use asset and lease liability. The implementation of the New Lease Standard has no material effect on the financial statements of the Company.

(II) Format of financial statements

The Company prepared its 2019 interim financial statements and third quarter financial statements in accordance with the format for financial statements specified by Cai Kuai [2019] No. 6 and retrospectively adjusted the presentation of the related financial statements. The main effects of the retroactive adjustments resulting from the abovementioned changes in accounting policies on the financial statements are as follows:

Affected Items in the Consolidated Balance Sheet and Balance Sheet of the Company:

Consolidated Balance Sheet

Statement	Carrying amount according to the original standards 31 December 2018	The impact of changes in presentation of financial statements Reclassification	Carrying amount according to the new standards 1 January 2019
Notes receivable and accounts receivable	30,340	(30,340)	-
Accounts receivable	-	30,340	30,340
Other current assets	575,931	(575,652)	279
Receivables financing	-	575,652	575,652
Notes payable and accounts payable	2,946,316	(2,946,316)	-
Notes payable	-	1,199,147	1,199,147
Accounts payable	-	1,747,169	1,747,169
Notes receivable and accounts receivable	44,038	(44,038)	-
Accounts receivable	-	44,038	44,038
Other current assets	1,251,751	(123,096)	1,128,655
Receivables financing	-	123,096	123,096
Notes payable and accounts payable	2,155,294	(2,155,294)	-
Notes payable	-	80,700	80,700
Accounts payable	-	2,074,594	2,074,594

Balance Sheet of the Company

Statement	Carrying amount according to the original standards 31 December 2018	The impact of changes in presentation of financial statements Reclassification	Carrying amount according to the new standards 1 January 2019
Notes receivable and accounts receivable	29,851	(29,851)	-
Accounts receivable	-	29,851	29,851
Other current assets	575,931	(575,652)	279
Receivables financing	-	575,652	575,652
Notes payable and accounts payable	2,945,889	(2,945,889)	-
Notes payable	-	1,199,147	1,199,147
Accounts payable	-	1,746,742	1,746,742
Notes receivable and accounts receivable	46,853	(46,853)	-
Accounts receivable	-	46,853	46,853
Other current assets	601,606	(123,096)	478,510
Receivables financing	-	123,096	123,096
Notes payable and accounts payable	2,204,070	(2,204,070)	-
Notes payable	-	80,700	80,700
Accounts payable	-	2,123,370	2,123,370

The changes in accounting policies have had no impact on the consolidation and the net profit and the interests of the shareholders of the Company.

In accordance with the requirements of Cai Kuai [2019] No. 16, the Company adjusted the format of the consolidated financial statements. The change in accounting policies affects the format of the financial statements of the Company only, and does not affect the profits and losses, total assets and net assets of the Company.

III. Consideration process

At the 15th meeting of the eighth session of the board of directors and the 11th meeting of the eighth session of the supervisory committee held by the Company on 26 October 2019, the Proposal in Relation to the Change in Accounting Policies of the Company was considered and approved, under which corresponding changes to the accounting policies were approved to be made by the Company pursuant to relevant requirements of the Ministry of Finance.

IV. Opinions of the independent directors and the supervisory committee

The independent directors are of the view that: 1. the change in accounting policies of the Company was reasonably made pursuant to the revised accounting policies as promulgated by the Ministry of Finance. The amended accounting policies have strictly complied with the accounting standards and relevant regulatory requirements. 2. The decision-making process of the change in accounting policies was in compliance with the requirements of the relevant laws, regulations and the Articles of Association of Chongqing Iron & Steel Company Limited and without prejudice to the interests of the Company and its minority shareholders. 3. The changes in accounting policies were approved.

The supervisory committee is of the view that: as a result of the implementation of the relevant accounting standards and the amendments thereto lately promulgated by the Ministry of Finance, the Company made changes to the accounting policies by making corresponding adjustments, which was in compliance with the requirements of laws and regulations. The relevant decision-making process was in compliance with laws and regulations, and will not prejudice the interests of the Company and its shareholders. Therefore, the supervisory committee approved the changes in accounting policies.

By order of the Board
Chongqing Iron & Steel Company Limited
Meng Xiangyun
Secretary to the Board

Chongqing, the PRC, 28 October 2019

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