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)

2014 Annual Report

Contents

IMPORTANT NOTICE

1. The board of directors (the "Board"), the supervisory committee, and directors, supervisors and senior management of the Company warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.

2. All directors of the Company attended Board meetings.

3. KPMG Huazhen Certified Public Accountants (Special General Partnership) issued a standard unqualified audit report for the Company.

4. Mr. Zhu Jian Pai, head of the Company, and Mr. Zhang Zhong Ming, the Chief Financial Officer and Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the annual report.

5. The profit distribution proposal or proposal to transfer capital reserve to share capital for the reporting period as considered by the Board

   The Board proposed neither to distribute profit for the Reporting Period nor to transfer the capital reserve to share capital.

6. Risk warning in respect of forward-looking statements

   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.

7. Whether there is any non-operational fund occupancy by the controlling shareholder or its related party?

   No

8. Whether there is any provision of external guarantee by the Company in violation of the stipulated decision making procedure?

   No

Definition and Major Risk Warning

I. DEFINITION

In this report unless the context otherwise requires, the following expressions have the following meanings:

Definitions of frequently-used terms

Chongqing Iron & Steel Group, Parent Company, Controlling Shareholder	Chongqing Iron & Steel (Group) Co., Ltd.
Company, Group, Chongqing Iron & Steel, Chongqing Iron & Steel Company Limited	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 shareholders' general meeting of Chongqing Iron & Steel Company Limited
CSRC	China Securities Regulatory Commission
Chongqing Securities Regulatory Bureau	Chongqing Securities Regulatory Bureau of China Securities Regulatory Commission
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Reporting Period	2014
RMB, RMB'000	RMB yuan, RMB thousand yuan

II. MAJOR RISK WARNING:

The Company describes the industry, competition and resources related risks in this report. Please refer to the section headed the "Board's Discussion and Analysis about the Company's Future Development" set out in the Report of the Board of Directors for potential risks.

Company Profile

I. COMPANY INFORMATION

Chinese name	重慶鋼鐵股份有限公司
Abbreviation of Chinese name	重鋼股份公司
English name	Chongqing Iron & Steel Company Limited
Abbreviation of English name	CISL
Legal representative	Zhu Jian Pai

II. CONTACT INFORMATION

	Secretary to the Board	**Securities representative**
Name	You Xiao An	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	yxa@email.cqgt.cn	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	dms@email.cqgt.cn

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of newspapers 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	www.sse.com.cn
Place for inspection of annual reports	Secretariat of the Board of Directors

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	重慶鋼鐵	601005	/
H shares	The Stock Exchange of Hong Kong Limited	Chongqing Iron	1053	/

VI. CHANGE IN REGISTRATION INFORMATION DURING THE REPORTING PERIOD

(1) Basic information

Registration date	11 August 1997
Registered Address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Registration number of corporate legal person business licence	500000400003546
Tax registration number	500115202852965
Organization code	20285296-5

(2) Information about the Company at the initial registration

According to The Approval for the Establishment of Chongqing Iron & Steel Company Limited (Ti Gai Sheng Zi [1997] No. 127) issued by the former State Commission for Restructuring Economic Systems and the Approval for the Management of State-owned Equity of Chongqing Iron & Steel Company Limited (in preparation) (Guo Zi Qi Fa [1997] No. 156) issued by the former State-owned Assets Administration Bureau, the Company was established as a limited liability company by the Parent Company as the sole promoter. The Company was incorporated and registered with Chongqing Municipal Administration of Industry and Commerce on 11 August 1997 with a registered capital of 650 million.

(3) Change in principal operations since listing

There has been no change to the Company's principal operations since its listing. The Company is a large scale iron and steel producer in the People's Republic of China (the "PRC") and is one of the largest producers of medium-gauge plates in the PRC. The principal business activities consist of the manufacture and sale of medium-gauge steel plates, hot rolled coils, steel sections, wire rods, cool-rolled sheets, steel billets and coking and smelting by-products. The Company adopted advanced technology and skills in production of high quality products through integrated production process. Steel products such as steel plates for ship building, pressure vessel plates and steel plates for boilers have received a number of quality awards including "China Top Brand" and quality certificates issued by a number of domestic and international professional organizations. The products with the brand "Sanfeng (三峰)" are very famous among products of the same category in the PRC.

VI. CHANGE IN REGISTRATION INFORMATION DURING THE REPORTING PERIOD *(CONTINUED)*

(3) Change in principal operations since listing *(Continued)*

Major products of the Company and their applications are set out below

Plates for shipbuilding: Mainly used in the construction of the skeleton and superstructure of 10,000 ton ocean-going ships and hull structure of inland ships.

Pressure vessel plates: Mainly used in the manufacturing of pressure vessels I, II, III and other kinds of pressure vessels such as reaction vessels, heat exchanging vessels, separating vessels, storage vessels, corrosion-resisting vessels and cylinder of multilayered high pressure vessels.

Plates for boilers: Mainly used in the manufacturing of cylinders and shell covers for medium and low pressure boilers.

Steel plates for bridge building: Mainly used in building of large railway bridges and highway bridges.

Low-alloy high strength steel plates: Widely used in the manufacturing of mine machinery, engineering machinery and heavy vehicle as well as construction of high-rise building.

Normal carbon structural plates: Widely used in the machinery manufacturing, construction and transportation industries.

Hot rolled coils: Widely used in shipbuilding, automobile and manufacturing of engineering machinery industries.

Steel Sections: Widely used in machinery manufacturing, construction, shipbuilding, mine exploration and transportation industries.

High speed wire rod: Mainly used in construction and wire rod products industries.

Cold rolled thin plates: Mainly used in automobile, motorcycle, security doors and steel-structured factory premises.

Steel billets: Mainly sold to other steel producers who are not deemed as competitors of the Company.

VI. CHANGE IN REGISTRATION INFORMATION DURING THE REPORTING PERIOD *(CONTINUED)*

(4) Change of the Controlling Shareholder since listing

(i) The Company was established on 11 August 1997 as part of the restructuring by Chongqing Iron & Steel (Group) Company Limited (the "Parent Company"). Pursuant to the Restructuring Agreement, the principal iron and steel business undertakings and one of the subsidiaries of the Parent Company, Chongqing Hengda Steel Industrial Co., Ltd. ("Hengda"), were taken over by the Company, while the Company issued 650,000,000 state-owned legal person shares of RMB1 each to the Parent Company. 413,944,000 Renminbi dominated ordinary shares ("H shares") issued by the Company in Hong Kong were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 October 1997. 319,183,200 bonus shares were distributed to all shareholders by the Company with three bonus shares for every ten shares through distributable profits in 2006. The Controlling Shareholder was Chongqing Iron & Steel (Group) Co., Ltd.

(ii) On 29 January 2007, the Company issued 350,000,000 ordinary shares denominated in Renminbi ("A Shares") on the Shanghai Stock Exchange ("Shanghai Exchange"). Upon completion of the issue, the total share capital of the Company amounted to 1,733,127,200 shares, including 1,195,000,000 A Shares and 538,127,200 H Shares. The Controlling Shareholder was Chongqing Iron & Steel (Group) Co., Ltd.

(iii) On 18 November 2013, the Company completed the issue of 1,996,181,600 A shares to Chongqing Iron & Steel Group for assets purchase, and completed registration of changes on 25 November 2013. Upon completion of the issue, the Company's total share capital amounted to 3,729,308,800 shares, including 3,191,181,600 A shares and 538,127,200 H shares. The Controlling Shareholder was Chongqing Iron & Steel (Group) Co., Ltd.

(iv) On 17 December 2013, the Company issued 706,713,780 RMB-dominated shares (A shares) to 5 target subscribers through the Shanghai Stock Exchange (the "SSE"), and completed registration of changes on 20 December 2013. Upon completion of the issue, the Company's total share capital amounted to 4,436,022,580 shares, including 3,897,895,380 A shares and 538,127,200 H shares. The Controlling Shareholder was Chongqing Iron & Steel (Group) Co., Ltd.

VII. OTHER RELATED INFORMATION

Auditors of the Company (domestic)	Name	KPMG Huazhen Certified Public Accountants (Special General Partnership)
	Office address	8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
	Signing accountants	Ling Yun, Wan Shu
Auditors of the Company (international)	Name	
	Office address	
	Signing accountants	
Sponsor performing on-going supervision duties during the Reporting Period	Name	
	Office address	
	Signing sponsor representatives	
	Relevant period	
Financial advisor performing on-going supervision duties during the Reporting Period	Name	Southwest Securities Company Limited
	Office address	No.8, Qiaobeiyuan, Jiangbei District, Chongqing
	Signing financial advisor representatives	Li Li, Chen Qing
	Relevant period	27 November 2013 to 31 December 2014

Summary of Financial Data and Financial Indicators

I MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS ENDED 31 DECEMBER

(I) Major financial data

Unit: RMB'000

Major financial data	**2014**	2013	Increase/ decrease from last year *(%)*	2012
Operating revenue	**12,245,057**	17,563,446	–30.28	18,458,776
Net profit attributable to shareholders of the Company	**51,431**	–2,499,018	102.06	98,813
Net profit after extraordinary gain and loss attributable to shareholders of the Company	**–2,536,940**	–2,499,318	–1.51	–1,868,648
Net cash flow from operating activities	**2,796,783**	1,955,331	43.03	5,314,613

	At the end of 2014	At the end of 2013	Increase/ decrease at the end of the year from the end of last year *(%)*	At the end of 2012
Net assets attributable to shareholders of the Company	**9,973,914**	9,917,303	0.57	4,173,976
Total assets	**47,152,433**	48,045,977	–1.86	31,106,399

I MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS ENDED 31 DECEMBER *(CONTINUED)*

(II) Major financial indicators

Major financial indicators	2014	2013	Increase/decrease from last year (%)	2012
Basic earnings per share *(RMB/share)*	**0.012**	–1.252	100.96	0.057
Diluted earnings per share *(RMB/share)*	**0.012**	–1.252	100.96	0.057
Basic earnings per share after extraordinary gain and loss *(RMB/share)*	**–0.572**	–1.253	54.35	–1.078
Return on net assets (weighted average) *(%)*	**0.52**	–72.46	Increased by 72.98 percentage points	2.4
Return on net assets net of extraordinary gain and loss (weighted average) *(%)*	**–25.51**	–72.46	Increased by 46.95 percentage points	–45.31

II DIFFERENCE IN ACCOUNTING DATA BETWEEN THE PRC ACCOUNTING STANDARDS AND OVERSEAS ACCOUNTING STANDARDS

(1) Difference between the net profit and net assets attributable to the Shareholders of the Company as disclosed in the financial statements under International Accounting Standards and those under PRC Accounting Standards

☐ Applicable ☑ Not applicable

(2) Difference between net profit and net assets attributable to the Shareholders of the Company as disclosed in the financial statements under overseas accounting standards and those under PRC Accounting Standards

☐ Applicable ☑ Not applicable

III EXTRAORDINARY GAIN AND LOSS ITEMS AND AMOUNTS

✓ Applicable ☐ Not applicable

Unit: RMB'000

Extraordinary gain and loss item	Amount for 2014	Note (where applicable)	Amount for 2013	Amount for 2012
Gain or loss arising from disposal of non-current assets	**1,132,619**		–4,132	–40,398
Tax refund or relief arising from unauthorized approval, without official approval or on an occasional basis	**2,282**		3,779	150
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	**923,283**		3,932	2,001,616
Capital occupancy fee from non-financial enterprises recognized through profit or loss				
Profits and losses arising from business combination when the combination cost is less than the recognized fair value of net assets of the combined company				
Profit or loss of non-monetary asset exchange				
Profit or loss from entrusting others to invest or manage the assets				
Provision of impairment of assets due to force majeure such as suffering from natural disaster				
Profit or loss of debt restructuring	**49,228**			
Enterprise restructuring expenses such as employee resettlement compensation and integration expense, etc			–5,506	–17,157
Profit or loss from transactions with obvious unfair transaction price				

III EXTRAORDINARY GAIN AND LOSS ITEMS AND AMOUNTS *(CONTINUED)*

Extraordinary gain and loss item	**Amount for 2014**	Note (where applicable)	Amount for 2013	Amount for 2012
Subsidiaries' year-to-date net profit/loss arising from business combination of entities under common control				
Profits or losses arising from contingencies which are not related to company's main business				
Profits or losses on change in fair value from financial assets and financial liabilities held for trading, as well as investment income from disposal of financial assets and financial liabilities held for trading and financial assets available for sales except for effective hedging related with normal businesses of the Company				
Reserves of impairment provision for account receivables individually tested for impairment				
Profits or losses from outside entrusted loans				
Profits or losses from change in fair value of investment real estate adopting the fair value mode to do the follow-up measurement				
The influence of the one-off adjustment of current period profits or losses on the profits or losses in current period in accordance with the laws and rules of tax and accounting				
Fee and commission incomes arising from trusted customer asset management business				
Other non-operating income and expenses except as listed above	**–9,562**		2,057	2,220

III EXTRAORDINARY GAIN AND LOSS ITEMS AND AMOUNTS *(CONTINUED)*

Extraordinary gain and loss item	**Amount for 2014**	Note (where applicable)	Amount for 2013	Amount for 2012
Other gain and loss items complied with the definition of extraordinary gain and loss	**54,441**			
Relocation incentives	**800,000**			
Investment income	**101,926**		–1,505	369,274
Reverse of impairment provision on receivables	**–9,075**		1,786	
Actual additional expenses for environmental relocation				–163,739
Relevant usage fees which should be accounted for in respect of the use of relevant assets of the Parent Company for free				162,739
Effect of minority interest				
Effect of income tax	**–456,771**		–111	–347,244
Total	**2,588,371**		300	1,967,461

Report of the Board of Directors

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD

As China's economy grew at slower pace from the beginning of the year, the steel enterprises struggled against the increasingly deteriorating steel market. The Company strictly followed the general arrangement of "one target, four battles", focused on the annual target for cost reduction, strengthened management innovation, intensified corporate reform, vigorously advanced cost reduction and efficiency enhancement, and strove for loss reduction or turnaround, thus underpinning the Company's production, operation, reform and steady development. During the reporting period, the Company proactively adopted measures to reduce consumption and cost, adjust product structure and dispose of the non-core assets. In addition, the Company endeavoured its best to obtain additional income such as compensation for relocation. Accordingly, the Company achieved its annual turnaround target for 2014.

Production was carried out in a continuous, stable and smooth manner. During the year, the Company was always insisting in "two focuses" in respect of organisation of production. Firstly, focusing on iron making, for which the Company did its best to ensure the stable and smooth operation of its blast furnace, did not pursue high production aimlessly and implemented economical production determining the product scale based on economic benefit; second, focusing on cost, for which the Company elaborated its cost accounting, and continuously optimized organization of production for the purpose of cost reduction.

Remarkable achievement was made in cost reduction before iron making. During the reporting period, the Company strengthened its efforts to reduce cost before iron making through various measures so as to address the root source of high cost. Firstly, the Company adjusted the structure of its raw materials through changing the traditional coal blending and ore proportioning methods; secondly, it improved the procurement mechanism, reduced procurement cost, and prepared procurement plan based on the coal blending and ore proportioning proposals and requirement for maintaining production; thirdly, it optimized the logistic route to lower logistic cost.

Achievement was made in joint reduction of cost for steel making and steel rolling. Focusing on the cost reduction of steel making, and leveraging on the advantages of joint reduction of cost for steel making and steel rolling, the Company rapidly pressed ahead the cost reduction for steel rolling process.

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

Product structure was optimized. During the reporting period, the Company kept abreast of the market trend, focused on the profitability, attached more importance to development of new products and finished development and trial production of 18 new and special products.

The Company reformed the sales operation mode, and strengthened detail management. Firstly, in response to the market dynamics, the Company enhanced the production and sale of popular products with high added value and comprehensive economic benefits and stabilized the comprehensive price; secondly, it improved the sale incentive measures, established the appraisal system of sales performance; thirdly, it reduced the sales and logistic cost through reducing transportation expenses, changing settlement methods, and reducing middle link of logistics.

Management innovation was strengthened. During the reporting period, the Company further optimized the organizational structure and enhanced key functions while vigorously pressing ahead accounting in simulated market and strengthening efforts in cost management.

During the reporting period, the Group produced 2,165,900 tonnes of coke, 4,510,900 tonnes of pig iron, 4,444,400 tonnes of steel and 4,077,200 tonnes of steel products (billets), representing a decrease of 19.79%, 19.70%, 22.01% and 23.14% respectively as compared with the same period last year. The Group recorded operating revenues of RMB12,245,057,000, representing a year-on-year decrease of 30.28%.

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on principal operations

1 Analysis table on relevant item changes in the income statement and the cash flow statement

Unit: RMB'000

Items	For the period	For the corresponding period of last year	Change *(%)*
Operating revenue	**12,245,057**	17,563,446	–30.28
Operating costs	**12,673,573**	17,884,462	–29.14
Selling and distribution expenses	**263,506**	349,210	–24.54
General and administrative expenses	**712,157**	853,930	–16.6
Financial expenses	**1,341,579**	840,593	59.6
Net cash flow from operating activities	**2,796,783**	1,955,331	43.03
Net cash flow from investing activities	**–1,559,477**	–2,084,766	-25.2
Net cash flow from financing activities	**–1,611,908**	–2,745,336	-41.29
Research and development expenses	**464,371**	762,717	-39.12

2 Revenue

(1) Analysis of factors causing changes in business revenue

In 2014, the Group's sales revenue dropped sharply due to significant decline in production and sales volume as well as the selling price of steel products as a result of the deterioration of the steel market.

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on principal operations *(Continued)*

2 Revenue *(Continued)*

(2) Analysis of factors affecting the revenue from in-kind sales of the Company's products

In 2014, the Group's revenue from sales of steel products (billets) was RMB11,230,402,000, representing a decrease of RMB5,189,366,000 from last year. One reason was the decline in the sales price, as the annual average sales price of steel products (billets) of the Group was RMB3,058/tonne, representing a decrease of 6.31% from last year, which resulted in a decrease of RMB756,741,000 in our revenue. The other reason was the decrease in sales volume, as the full-year sales volume of steel products (billets) of the Group was 3,673,500 tonnes, representing a decrease of 26.97% year on year, which decreased our sales revenue by RMB4,432,625,000.

Item	2014 *RMB/tonne*	2013 *RMB/tonne*	Year-on-year increase *(%)*	Increase in revenue *(RMB'000)*
Steel plates	**3,244**	3,415	-5.01	-300,985
Steel billets	**2,428**	2,696	-9.94	-10,291
Hot rolled coil	**2,918**	3,136	-6.95	-436,698
Cool-rolled sheets	**3,195**	3,757	-14.96	-8,767
Total	**3,058**	3,264	-6.31	-756,741

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on principal operations *(Continued)*

2 Revenue *(Continued)*

(2) Analysis of factors affecting the revenue from in-kind sales of the Company's products *(Continued)*

Item	2014 (0'000 tonnes)	2013 (0'000 tonnes)	Year-on-year increase (%)	Increase in revenue (RMB'000)
Steel plates	**161.63**	225.46	-28.31	-2,156,879
Steel billets	**3.84**	5.89	-34.80	-55,268
Hot rolled coil	**200.32**	265.10	-24.44	-2,031,501
Cool-rolled sheets	**1.56**	6.59	-76.33	-188,977
Total	**367.35**	503.04	-26.97	-4,432,625

(3) Major suppliers and customers of the Group

Percentage in total sales for major customers of the Company:

Percentage in total sales for the largest customer of the Company: 21%

Percentage in total sales for the top five customers of the Company: 48%

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on principal operations *(Continued)*

3 Costs

(1) Costs analysis table

Unit: RMB'000

By industry

By industry	Costs component	Amount for the period	Percentage of the amount for the period in total costs *(%)*	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs *(%)*	Year-on-year change *(%)*	Explanation
Iron and steel	Raw materials	9,564,175	75.54	14,199,148	79.50	-32.64	
Iron and steel	Energy	1,144,189	9.04	1,612,792	9.03	-29.06	
Iron and steel	Labor and other expenses	1,880,587	14.85	1,972,099	11.04	-4.64	
Electronic engineering design and installation	Labor and other expenses	22,037	0.17	35,952	0.20	-38.70	
Transportation	Labor and other expenses	49,543	0.39	39,529	0.22	25.33	

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on principal operations *(Continued)*

3 Costs *(Continued)*

(1) Costs analysis table *(Continued)*

By product

By product	Costs component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)	Explanation
Steel products (billets)	Expenses incurred for raw materials, energy and others	11,903,962	94.02	17,000,380	95.19	-29.98	
By-product	Expenses incurred for raw materials, energy and others	684,989	5.41	783,659	4.39	-12.59	
Electronic engineering design and installation	Labor and other expenses	22,037	0.17	35,952	0.20	-38.70	
Transportation	Labor and other expenses	49,543	0.39	39,529	0.22	25.33	

(2) Major suppliers of the Group

Percentage in total procurement for major suppliers of the Company:

Percentage in total procurement for the largest supplier of the Company: 17%

Percentage in total procurement for the top five suppliers of the Company: 34%

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on principal operations *(Continued)*

4 Expenses

Unit: RMB'000

Item	**Amount for the period**	Amount for the previous period	Year-on-year change *(%)*
Selling and distribution expenses	**263,506**	349,210	-24.54
General and administrative expenses	**712,157**	853,930	-16.60
Financial expenses	**1,341,579**	840,593	59.60

5 Research and development expenses

(1) Table of detailed research and development expenses

	Unit: RMB'000
Expensed research and development expenses for the period	337,021
Capitalized research and development expenses for the period	127,350
Total research and development expenses	464,371
Percentage of total research and development expenses in net assets *(%)*	4.65
Percentage of total research and development expenses in operating revenue *(%)*	3.74

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on principal operations *(Continued)*

6 Cash flow

In face of such grim situations as the substantial decrease in the price of steel products and operation losses of the Company, internally, the Group strengthened capital plan management, increased revenues and saved expenditures, controlled the rhythm of capital payment, properly increased the utilization of credit period for payment provided by suppliers, and curbed current payment. The net cash inflow from operating activities for 2014 was RMB2,796,783,000. Net cash outflow of financing activities including repayment of finance leases and bank loans amounted to RMB1,611,908,000; Net cash outflow of investing activities after offsetting of the subsequent engineering expenses on environmental relocation amounted to RMB1,559,477,000; and net decrease in cash and cash equivalents of the Company for the period was RMB372,913,000.

Items of cash flow statement

Unit: RMB'000

Item	Jan.- Dec. 2014	Jan.- Dec. 2013	Main Reasons for the changes
Net cash flow from operating activities	**2,796,783**	1,955,331	The Company strengthened its capital planning management to set the pace of capital payment, thus decreasing the net cash flow from operating activities
Net cash flow from investing activities	**-1,559,477**	-2,084,766	Mainly attributable to gradual completion of the environmental relocation project and payment of follow-up construction costs, and the decrease in expenses of investment projects
Net cash flow from financing activities	**-1,611,908**	-2,745,336	Additional loans from China Development Bank and rural commercial banks resulted in decrease in net cash flow from financing activities
Net increase in cash and cash equivalents	**-372,913**	-2,875,503	

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on principal operations *(Continued)*

7 Others

(1) Detailed explanations for significant changes in the composition or sources of profit of the Company

The net profit of the Group for 2014 amounted to RMB51,643,000, representing an increase of RMB2,550,661,000 as compared to RMB-2,499,018,000 of net profit for last year, mainly due to the following reasons:

① Gross profit of principal operations increased by RMB-114,041,000 from 2013 to RMB-455,509,000, mainly due to the year-on-year decrease of 31.60% in the sales revenue as a result of the decline in the sales volume and selling price of steel products (billets) of the Group during the year. The cost of principal operations (steel billets) dropped by 29.98% year on year as a result of the decrease in the prices of ore and coal and other raw and auxiliary materials as well as the improved costs control of the Group. However, as the decrease in the cost of principal operations was lower than that in the revenue from principal operations, the gross profit for the current period saw a decline.

② The period expense incurred by the Group was RMB2,332,242,000, representing an increase of RMB288,509,000 from last year, which was mainly due to the significant increase in financial costs.

Item	**Amount for the period**	Amount for the previous period	Year-on-year change *(%)*
Selling and distribution expenses	**263,506**	349,210	–24.54
General administration expenses	**712,157**	853,930	–16.60
Financial expenses	**1,341,579**	840,593	59.60

③ The Group recorded non-operating income of RMB2,909,115,000, representing an increase of RMB2,897,093,000, mainly attributable to the receipt of RMB2,856 million of government subsidy, gains from disposal of assets and compensation for relocation, etc..

④ The Group recorded an investment income of RMB101,926,000, representing an increase of RMB103,431,000 from last year, mainly attributable to the transfer of 100% and 100% equity held by the Company in Chongqing Iron & Steel Group Transportation Company Limited and Chongqing Iron & Steel Group Electronic Company Limited (both being subsidiaries of the Company), respectively.

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Analysis on principal operations *(Continued)*

7 Others *(Continued)*

(2) Explanation for implementation progress of financing activities and material assets reorganisations launched in the previous period

On 18 November 2013, the Company completed the issuance of 1,996,181,600 RMB-dominated shares to the Parent Company for purchase of assets according to the "Reply on the Approval to the Material Assets Reorganisation of Chongqing Iron & Steel Company Limited and its Issuance of Shares to Chongqing Iron & Steel (Group) Co., Ltd. for Acquisition of Assets and Fundraising"(Zheng Jian Xu Ke [2013] No. 1412) (《關於核准重慶鋼鐵股份有限公司重大資產重組及向重慶鋼鐵(集團)有限責任公司發行股份購買資產並募集配套資金的批覆》(證監許可[2013]1412號)) passed by the CSRC on 8 November 2013, and completed the change of registration on 25 November 2013. Upon the completion, the total share capital of the Company was 3,729,308,800 shares, including 3,191,181,600 A shares and 538,127,200 H shares.

On 17 December 2013, the Company completed the issuance of 706,713,780 RMB-dominated A shares to five specific investors on the Shanghai Stock Exchange ("Shanghai Stock Exchange") according to the "Reply on the Approval to the Material Assets Reorganisation of Chongqing Iron & Steel Company Limited and its Issuance of Shares to Chongqing Iron & Steel (Group) Co., Ltd. for Acquisition of Assets and Fundraising" (Zheng Jian Xu Ke [2013] No. 1412) (《關於核准重慶鋼鐵股份有限公司重大資產重組及向重慶鋼鐵(集團)有限責任公司發行股份購買資產並募集配套資金的批覆》(證監許可[2013]1412號)) passed by the CSRC on 8 November 2013, and completed the change of registration on 20 December 2013. Upon the completion, the total share capital of the Company was 4,436,022,580 shares, including 3,897,895,380 A shares and 538,127,200 H shares.

The said assets reorganisation and fundraising have been completed in 2013.

(3) Explanation for the progress of development strategy and business plans

In face of a prolonged crisis for the steel industry, all our management officers and employees have vigorously pressed ahead with relevant tasks, and worked out effective measures to actively tackle changing market conditions and endeavour to achieve the preset targets of all member companies.

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(II) Analysis on operation by industry, product or region

1. Principal operations by industry and product

Unit: RMB'000

Principal operations by industry

By industry	Operating revenue	Operating costs	Gross profit margin (%)	Increase/ decrease in operating revenue from last year (%)	Increase/ decrease in operating cost from last year (%)	Increase/decrease in gross profit margin from last year (%)
Iron and steel	12,115,066	12,588,951	-3.91	-30.47	-29.21	Decreased by 1.85 percentage points
Electronic services	32,877	22,037	32.97	-26.91	-38.70	Increased by 12.90 percentage points
Transportation	57,079	49,543	13.20	17.21	25.33	Decreased by 5.63 percentage points

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(II) Analysis on operation by industry, product or region *(Continued)*

1. Principal operations by industry and product *(Continued)*

Principal operations by product

By product	Operating revenue	Operating costs	Gross profit margin *(%)*	Increase/ decrease in operating revenue from last year *(%)*	Increase/ decrease in operating cost from last year *(%)*	Increase/decrease in gross profit margin from last year *(%)*
Steel products (billets)	11,230,402	11,903,962	-6.00	-31.60	-29.98	Decreased by 2.46 percentage points
By-product	884,664	684,989	22.57	-11.94	-12.59	Increased by 0.58 percentage points
Electronic engineering design construction and installation	32,877	22,037	32.97	-26.91	-38.70	Increased by 12.90 percentage points
Transportation	57,079	49,543	13.20	17.21	25.33	Decreased by 5.63 percentage points

2. Principal operations by region

Unit: RMB'000

Region	Operating revenue	Increase/ decrease in operating revenue from last year *(%)*
Southwestern region	4,708,714	-30.75
Other regions	7,496,308	-35.13
Total	12,205,022	-25.67

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(III) Analysis of assets and liabilities

1 Analysis table on balance sheet

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 previous period in total assets (%)	Year-on-year increase/ decrease (%)	Explanation
Cash at bank and on hand	1,246,578	2.64	1,553,350	3.23	-19.75	
Bills receivable	224,614	0.48	340,783	0.71	-34.09	
Accounts receivable	469,025	0.99	535,906	1.12	-12.48	
Prepayments	267,484	0.57	364,264	0.76	-26.57	
Other receivables	922,295	1.96	51,859	0.11	1,678.47	
Inventories	7,990,476	16.95	8,792,179	18.3	-9.12	
Other current assets	1,561,800	3.31	1,713,216	3.57	-8.84	
Long-term equity investment	0	0.00	104,752	0.22	-100.00	
Available-for-sale financial assets	5,000	0.01	5,000	0.01	0.00	
Fixed assets	29,731,154	63.04	24,570,568	51.13	21	
Construction in progress	1,913,873	4.06	6,977,960	14.52	-72.57	
Construction materials	12,047	0.03	34,031	0.07	-64.60	
Liquidation of fixed assets	0	0.00	0	0	0.00	
Intangible assets	2,682,651	5.69	2,860,193	5.95	-6.21	
Deferred tax assets	17,116	0.04	17,866	0.04	-4.20	
Other non-current assets	108,320	0.23	124,050	0.26	-12.68	
Short-term loans	2,883,600	6.12	4,705,734	9.79	-38.72	
Financial liabilities held for trading	0	0.00	0	0	0.00	
Bills payable	4,427,532	9.39	2,583,300	5.38	71.39	
Accounts payable	12,422,435	26.35	13,506,498	28.11	-8.03	
Advance from customers	987,979	2.10	2,303,266	4.79	-57.11	
Employee compensation payable	184,805	0.39	197,105	0.41	-6.24	
Taxes payable	11,151	0.02	308,379	0.64	-96.38	
Interest payable	32,332	0.07	68,372	0.14	-52.71	
Other payables	2,255,707	4.78	1,500,212	3.12	50.36	
Non-current liabilities due within one year	3,643,690	7.73	2,355,454	4.9	54.69	
Other current liabilities	9,508	0.02	9,445	0.02	0.67	
Long-term loans	9,909,613	21.02	7,348,938	15.3	34.84	
Debentures payable	0	0.00	1,976,699	4.11	-100.00	
Long-term payables	222,407	0.47	1,083,193	2.25	-79.47	
Other non-current liabilities	168,548	0.36	163,079	0.34	3.35	

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(III) Analysis of assets and liabilities *(Continued)*

1 Analysis table on balance sheet *(Continued)*

1. The decrease in the balance of bills receivable was mainly due to the increase in discount and endorsement of the bills by the Group.

2. The increase in the balance of other receivables was mainly due to the Group's disposal of lands and the assets of Cold Rolling Plant in 2014.

3. The decrease in long-term equity investment was mainly due to the Group's disposal of equity in San Feng Jingjiang Port Logistics Company Limited in 2014.

4. The decrease in the balance of construction in progress was mainly due to the transfer of construction in progress into fixed assets of the Group in 2014.

5. The decrease in the balance of construction materials was mainly due to the use of construction materials by the Group in 2014.

6. The decrease in the balance of short-term loans was mainly due to the partial repayment of short-term loans by the Group in 2014.

7. The increase in the balance of bills payable was mainly due to the increase in the settlement methods of bills payable by the Group in 2014.

8. The decrease in the balance of advance from customers was mainly due to the decrease in advance from the third parties in 2014.

9. The decrease in the balance of taxes payables was mainly due to the payment of the Group's 2013 provision of stamp duty and deed tax for related assets of significant assets reorganization in 2014.

10. The decrease in the balance of interest payable was mainly due to the Group's repayment of interest in 2014.

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(III) Analysis of assets and liabilities *(Continued)*

1 Analysis table on balance sheet *(Continued)*

11. The increase in the balance of other payables was mainly due to the increase in the payment of Parent Group's advance by the Company in 2014.

12. The increase in non-current liabilities due within one year was mainly due to the transfer of debentures payable into non-current liabilities due within one year.

13. The increase in the balance of long-term loans was mainly attributable to the newly-added loans of the Group in 2014.

14. The decrease in the balance of debentures payable was mainly due to the transfer of debentures payable into non-current liabilities due within one year.

15. The decrease in the balance of long-term payables was mainly due to the payment of rents under finance leases paid by the Group in 2014.

(IV) Analysis of core competitiveness

The Company's core competitive edges are set out below in four aspects:

1. Product variety

Medium-gauge plates, as the Company's leading product, holds a dominant position in the industry with a full range of varieties and specifications. Special-purpose plates account for over 75%, mostly for shipbuilding. The Company is China's largest shipbuilding steel manufacturer.

In addition, the Company offers a great variety of long steel products with good match properties. The Steel Section Plant of the Company can produce flat-bulb steel with a complete range of specifications reaching the international and EU standards; Q420 angle steel products take a leading position in China; steel bar production lines can produce products with specifications of O12mm~150mm and most structural alloy steel which can only be produced by special steel plants, making the Company an important steel bar production base in southwestern China.

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(IV) Analysis of core competitiveness *(Continued)*

2. Brand

The Company's shipbuilding steel plates were certified by classification societies of nine countries, the first among domestic steel mills. The TMCP-model shipbuilding steel plates recently developed offers ordinary, high and super high strength levels, with E47-model 70mm super high strength shipbuilding steel leading domestically. Flat-bulb steel-series products for shipbuilding developed according to the EU standards filled a gap in China and were certified by classification societies of seven countries.

The 16MnR steel plates, 20g steel plates, 20R steel plates, 16MnDR steel plates and HP345 steel plates, all being old products of the Company, were certified for exemption from safety and quality inspection by the General Administration of Quality Supervision, Inspection and Quarantine, becoming the first steel plate products exempt from inspection in China.

Both steel plates for boilers and pressure vessels and shipbuilding steel plates were named "China Top Brand" in 2006, making the Company the first iron & steel enterprise in China having two products named "China Top Brand" in the same year.

3. Customer resources

The Company has established stable relationships with a number of renowned large-scale domestic enterprises and signed strategic cooperation agreements with over 20 enterprises including Guangzhou Shipyard International, Guangzhou Wenchong Shipyard Co., Ltd., Jiangsu Yangzijiang Shipbuilding Co., Ltd. and Xiamen XGMA Machinery Co., Ltd.

4. Geographical location

The Company is located in Chongqing, the only municipality directly under the central government in the Midwest of China and an economic hub along the upper and middle reaches of the Yangtze River. China's large-scale development of the western region and the construction of the Three Gorges reservoir area created huge potential for the steel markets in Chongqing and neighbouring regions. The Three Gorges project built a water transport channel for 10,000-ton cargo ships to Chongqing, providing more convenient and efficient logistics for the Company.

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(V) Analysis of investments

1. Use of raised proceeds

(1) Overall use of raised proceeds

☑ Applicable ☐ Not applicable

Unit: RMB

Year of fundraising	Method	Total proceeds	Amounts utilized during this year	Accumulative amounts utilized	Unutilized amounts in total	Intended use of the unutilized proceeds and its place of deposit
2013	Non-public issuance	1,949,999,997.46	187,940,000.00	1,950,162,232.06	41,259.34	
Total	/	1,949,999,997.46	187,940,000.00	1,950,162,232.06	41,259.34	/
Explanation on the overall use of raised proceeds		In order to regulate the management and use of raised proceeds of the Group and safeguard the legitimate interests of investors, the Group prepared the Measures for Management of Raised Proceeds of Chongqing Iron & Steel Company Limited in accordance with the provisions and requirements under the Securities Law of the People's Republic of China, the Administrative Measures for the Issuance of Securities by Listed Companies (上市公司證券發行管理辦法), the Administrative Measures for Raising Proceeds by Companies Listed on the Shanghai Stock Exchange (Revised in 2013) (《上海證券交易所上市公司募集資金管理辦法(2013年修訂)》) and other laws and regulations, implemented deposit with a special account for raised proceeds and strictly proceeded with the use approval formalities to guarantee the use of proceeds for special purposes. On 24 December 2013, the Group entered into the Collective Fund Account Supervision Agreement by Three Relevant Parties (《募集資金專戶存儲三方監管協議》) (the "Supervision Agreement") with Chongqing Jiulongpo Sub-branch of Huaxia Bank Co., Ltd. and Southwest Securities Co., Ltd. There isn't any material discrepancy between the Supervision Agreement and the Collective Fund Account Supervision Agreement by Three Relevant Parties (Template) (《募集資金專戶存儲三方監管協議(範本)》). All parties of the agreement have fulfilled their relevant duties in accordance with the Supervision Agreement.				

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(V) Analysis of investments *(Continued)*

1. Use of raised proceeds *(Continued)*

(1) Overall use of raised proceeds *(Continued)*

As at 31 December 2014, the Company used the raised proceeds of RMB187,940,000.00 during this year and earned interest on deposit of RMB36,457.04, with the remaining balance on the designated account being RMB41,259.34, which are detailed as follows:

Date	Amounts	Use
2014.01	110,000,000.00	Honor letters of credit
2014.01	40,000,000.00	Honor promissory notes
2014.01	37,940,000.00	Repay borrowings
Total	187,940,000.00	

(2) Projects intended to be financed by the raised proceeds

☐ Applicable ☑ Not applicable

(3) Changes in projects intended to be financed by the raised proceeds

☐ Applicable ☑ Not applicable

I. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S BUSINESS OPERATION DURING THE REPORTING PERIOD *(CONTINUED)*

(V) Analysis of investments *(Continued)*

2. Analysis of major subsidiaries and investees

Name of subsidiaries/ investees	Principal operations	Registered capital	Shareholding percentage (%)	Total assets	Net assets	Net profit
Jingjiang Sanfeng Steel Processing & Distribution Co., Ltd.	Processing and distribution of steel products, manufacture and sales of steelwork	70,000	73	79,008	70,780	780
Jingjiang CIS Huadong Trading Co., Ltd.	Sales of metal and metallic ore, manufacture and sales of environmental pollution control equipment, etc.	50,000	100	81,430	51,884	1,421

3. Projects financed by non-raised proceeds

☑ Applicable ☐ Not applicable

Unit: RMB'000

Name of project	Amount	Progress	Amount invested this year	Accumulative amount actually invested	Profit
Product mix adjustment project	6,771,591	99%	1,217,404	6,729,281	N/A
Waste heat power generation project	375,000	100%	4,582	365,822	N/A
Revamp project	742,474	90%	15,999	780,188	N/A
Railway project	401,734	100%	500	438,766	N/A
Others			256,709	442,490	N/A
Total	8,290,799	/	1,495,194	8,756,547	/

II. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S FUTURE DEVELOPMENT

(I) Industrial competition and developmental trend

In 2015, the steel industry is still under grim situation. In respect of overseas environment, the world economy recovery keeps a slow step, with new driving forces remaining unclear. In respect of domestic environment, currently Chinese economy is still facing downward pressure, with many uncertainties and slower pace for economic growth. As the overcapacity and oversupply issues in the steel industry cannot be improved fundamentally, the industry will continue to be in a "new normality" featuring "high production, low price and low economic benefits".

(II) Development strategy of the Company

Guided by the spirit of the Third and Fourth Plenary Sessions of the 18th CPC Central Committee and based on the principle of "reducing cost for survival", the Company will "seek development through producing more high-quality products".

(III) Business plan and working priorities

While focusing on reduction of process cost, the Company will make more efforts in adjustment of product mix and increase of comprehensive selling price, thus promoting the development of the Company in a positive way:

1. Focusing on profitability to continuously optimize organization mode of production.

2. Strengthening efforts in cost reduction to consolidate the results of cost reduction and efficiency enhancement.

3. Enhancing sales to advance marketing system reform.

4. Deepening reform of equipment system to reduce the Company's maintenance and repair expenses.

5. Intensifying corporate reform to achieve benefit therefrom.

6. Fully utilizing the positive interaction of production and sale, and optimizing structure to produce high-quality products.

II. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(IV) Capital needed for maintaining current business and completing invested projects under construction

As at 31 December 2014, the Company's undistributed deficit amounted to RMB1,724,507,000 and its current liabilities exceeded its current assets by RMB14,176,467,000 (2013: the Group's current liabilities exceeded its current assets by RMB14,186,208,000). As disclosed in Note XIV. (2), since as at 31 December 2014, the Group had unused bank facilities amounting to RMB1,626,245,000, from 31 December 2014 to the date of approval of these financial statements, the accumulative matured short-term loans reviewed or extended by the Company were amounting to RMB351,500,000 and the Company received standby credit of RMB300,000,000. In addition, the Company has reached oral agreements with several financial institutions which enable the Company to renew or extend the loans according to its funding needs when the short-term loans expired in 2015. Meanwhile, the Parent Group has promised to provide sufficient funding support to the Group for at least 12 months from 31 December 2014 in order to guarantee the going concern of the Group. The Board of the Group is of the view that the Group will take proactive measures to improve its profitability and cash flow in the next year. Therefore, the management of the Group considers it appropriate for the financial statements to be prepared on a going concern basis.

(V) Potential risks

1. Industry-related risk: In 2015, because of the slow recovery of the world economy and the decline in the domestic and overseas market demand which resulting in industrial overcapacity and oversupply, the steel industry is confronted with extreme difficulties.

   Countermeasures: the Company will strengthen market survey following the law of the market to improve strategic decisions in a more initiative and scientific way and speed up the adjustment of product mix to enhance products' gross profit margin. Production organization will be optimized to comprehensively reduce production cost and efforts will be made to well tap potentials and increase efficiency. Besides, the Company will speed up scientific and technological innovation and proactively tap potential by benchmarking to comprehensively promote various economic and technical indexes, and it will deepen enterprise reform and improve business operation vitality.

II. BOARD'S DISCUSSION AND ANALYSIS ABOUT THE COMPANY'S FUTURE DEVELOPMENT *(CONTINUED)*

(V) Potential risks *(Continued)*

2. Resource-related risk: Price of imported ore is close to the cost of steel enterprises while the price of steel products remain at low level, steel enterprises can only achieve small profits and face great difficulties in reducing costs and improving efficiency due to the pressure from both the cost and the sales price.

   Countermeasures: against the external austere market situation, the Company will proactively optimise ore and coal blending and proceed with the economic production of low grade ores relying on the resource advantages of substantial shareholders. Meanwhile, the cooperation with strategic customers will also be strengthened and the capacity for providing after-sales services will be improved, striving to form a strategic cooperation relation of mutual benefit for share of risks.

III. EXPLANATION FROM THE BOARD FOR THE "NON-STANDARD AUDIT REPORT" ISSUED BY THE ACCOUNTING FIRM

(I) Explanation from the Board and the Supervisory Committee for the "Non-standard Audit Report" issued by the accounting firm

☐ Applicable ☑ Not applicable

(II) Board's analysis and explanation about the reasons for and impact of changes in accounting policy, accounting estimates or accounting method

☑ Applicable ☐ Not applicable

III. EXPLANATION FROM THE BOARD FOR THE "NON-STANDARD AUDIT REPORT" ISSUED BY THE ACCOUNTING FIRM *(CONTINUED)*

(II) Board's analysis and explanation about the reasons for and impact of changes in accounting policy, accounting estimates or accounting method *(Continued)*

1 Changes in accounting policies

(a) Description of and reasons for changes in accounting policies

The Company has adopted the following Accounting Standards for Business Enterprises (ASBE) newly issued/amended by the Ministry of Finance from 1 January 2014:

Accounting Standards for Business Enterprises No.41—Disclosure of Interest in Other Entities ("Standard No.41")

Meanwhile, the Company started to implement the Rules on Differentiating the Financial Liabilities and the Equity Instruments and Relevant Accounting Treatment ("Cai Kuai [2014] No. 13") (《金融負債與權益工具的區分及相關會計處理規定》(「財會[2014]13號文」)) issued by the Ministry of Finance since 17 March 2014 and to implement the Accounting Standards for Business Enterprises No. 37 —Presentation of Financial Instruments ("Standard No. 37 (2014)") as revised by the Ministry of Finance in the financial report for 2014.

Major effects of the above standards on the Group are set out as follows:

(i) Disclosure of Interest in Other Entities

Standard No.41 standardizes and revises the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group has revised relevant disclosures in accordance with this standard. For details, please refer to relevant notes to the financial statements.

III. EXPLANATION FROM THE BOARD FOR THE "NON-STANDARD AUDIT REPORT" ISSUED BY THE ACCOUNTING FIRM *(CONTINUED)*

(II) Board's analysis and explanation about the reasons for and impact of changes in accounting policy, accounting estimates or accounting method *(Continued)*

1 Changes in accounting policies *(Continued)*

(a) Description of and reasons for changes in accounting policies *(Continued)*

(ii) Differentiating the Financial Liabilities and the Equity Instruments and Presentation and Disclosure of Financial Instruments

Cai Kuai [2014] No.13 provided guidance on issuer's classification of financial liabilities and equity instruments issued. The adoption of Cai Kuai [2014] No.13 does not have any material impact on the Group's financial statements (including current and comparative periods).

Standard No. 37 (2014) provided further guidance on the offsetting of a financial asset and a financial liability and revised the disclosure requirements for financial instruments. The requirement of offsetting does not have any effects on the presentation by the Group. In addition, the Group has revised relevant disclosure requirements in accordance with this standard. For details, please refer to relevant notes to the financial statements.

(b) Effects of the changes on financial statements

The above changes in accounting policies have no effects on the financial statements of the Group and the Company.

III. EXPLANATION FROM THE BOARD FOR THE "NON-STANDARD AUDIT REPORT" ISSUED BY THE ACCOUNTING FIRM *(CONTINUED)*

(II) Board's analysis and explanation about the reasons for and impact of changes in accounting policy, accounting estimates or accounting method *(Continued)*

2 Changes in accounting estimates

After the completion of the transfer of tangible assets under the material assets reorganization of the Group, in April 2014, in order to optimize the unified management of the assets of the whole iron-making production line, the Group made a comprehensive tease and review of the whole iron-making production-line assets. According to the relevant provisions of the accounting standards for enterprises and the actual situation of fixed assets in Changshou New Zone, and refer to the depreciation of other comparable iron and steel companies, the Group decided to adjust the estimated useful life and estimated net residual value rate of the fixed assets from 1 April 2014 onward. The change in accounting estimates has been approved by the thirteen written resolution of the sixth session of the Board on 25 June 2014 and an announcement has been published.

	Estimated useful life	Before Adjustment Estimated net residual value rate	Estimated useful life	After Adjustment Estimated net residual value rate
Plant and buildings	40 years	3%	30~50 years	3%
Machinery and equipment	8~20 years	3%	8~22 years	3%~5%

The Group applied prospective application to account the changes in accounting estimates. After calculation based on the scope of the existing consolidated financial statements, the change in accounting estimates is expected to increase the total consolidated profit by approximately RMB85,985,000 for 2014 and increase the total consolidated profit by approximately RMB318,050,000 for 2015 and subsequent years.

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

☐ Applicable ☑ Not applicable

IV. SCHEME FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) FORMULATION, IMPLEMENTATION AND ADJUSTMENT OF CASH DIVIDEND DISTRIBUTION POLICIES

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 specific requirements on the basic principles, forms and conditions for profit distribution, the consideration and deliberation procedures and decision-making mechanism in respect of the profit distribution plan and adjustment to profit distribution policies. In view of the facts that the Company still suffered losses after extraordinary profit and loss in 2014 and the subsequent capital demand is still huge, the Board proposed neither to distribute profit for 2014 nor to transfer the capital reserve to share capital.

(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) *(RMB)*	Number of shares transferred for every 10 shares *(Share)*	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated statements for the year with dividend distribution	As a percentage of net profit attributable to shareholders of the Company in the consolidated statements *(%)*
2014	0	0	0	0	51,431	0
2013	0	0	0	0	–2,499,018	0
2012	0	0	0	0	98,813	0

V. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Social Responsibility efforts

For details, please refer to the 2014 Social Responsibility Report of Chongqing Iron & Steel Company Limited published on the website of the Shanghai Stock Exchange on 31 March 2015.

(II) Statements on environmental protection of listed company and its subsidiaries falling into the category of heavily polluting industries designated by national environmental authorities

In recent years, the Company has always met the standards for major pollutant emission and complied with the requirements for total quantity control. The Company has not been involved in any material contamination accident or unlawful activity, and passed the environmental assessment in 2014. The Company is not among the enterprises required to disclose environmental information under the Rules for Environmental Information Disclosure (trial). The Company launched promotion campaigns on 5 June, the World Environment Day, every year, using display panels and leaflets to disseminate environmental protection laws and knowledge to raise employees' environmental awareness and promote the Company's sense of responsibility in respect of environmental protection.

Significant Events

I. MATERIAL LAWSUIT, ARBITRATION AND MATTERS WIDELY QUESTIONED BY THE MEDIA

☐ Applicable ☑ Not applicable

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

☐ Applicable ☑ Not applicable

III. ASSETS TRANSACTION AND BUSINESS COMBINATIONS

☑ Applicable ☐ Not applicable

(I) Assets acquisition and disposal and business combination which were disclosed in extraordinary announcements and underwent no changes in subsequent implementation

Overview and type of the matter	Search index
Transfer by the Company of certain machinery and equipments, buildings, construction in progress and other assets the Company invested and constructed for Dabaopo Limestone Mine of Mining Company to the Mining Company	The Announcement on Disposal of Equity Interests to a Related Party (No. 2014-022) (《向關聯方出售股權公告》(2014-022)) published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 27 May 2014.
Transfer by the Company of the 10% equity interest in San Feng Jingjiang Port Logistics Company Limited ("San Feng Jingjiang Logistics") to the Parent Company at the appraised value	The Announcement on Disposal of Equity Interests to a Related Party (No. 2014-029) (《向關聯方出售股權公告》(2014-029)) published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 22 July 2014.

III. ASSETS TRANSACTION AND BUSINESS COMBINATIONS *(CONTINUED)*

(i) Assets acquisition and disposal and business combination which were disclosed in extraordinary announcements and underwent no changes in subsequent implementation *(Continued)*

Overview and type of the matter	Search index
The disposal of the assets including the land and the attachments of the Company's cold-rolled sheet plant by the Company to the Land Reserve Centre of Changshou Economic and Technological Development Zone	The Announcement on Disposal of Certain Assets Constructed with Raised Proceeds (No. 2014-038) (《出售使用募集資金建成的部分資產的公告》(2014-038)) published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 21 October 2014.
Disposal by the Company of the unused land with total site area of 659,271.7 square meters to Chongqing Land Group Limited Company	The Announcement on Disposal of Unused Land (No. 2014-043) (《關於出售閒置土地的公告》(2014-043)) published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 29 November 2014.
Disposal by the Company of the 100% equity interest in Chongqing Iron & Steel Group Electronic Company Limited to the Parent Company at the appraised value	The Announcement on Disposal of Equity Interests to A Related Party (No. 2014-044) (《向關聯方出售股權公告》(2014-044)) published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 29 November 2014.
Disposal by the Company of the 100% equity interest in Chongqing Iron & Steel (Group) Transportation Company Limited to the Parent Company at the appraised value	The Announcement on Disposal of Equity Interests to A Related Party (No. 2014-045) (《向關聯方出售股權公告》(2014-045)) published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 29 November 2014.

III. ASSETS TRANSACTION AND BUSINESS COMBINATIONS *(CONTINUED)*

(I) Assets acquisition and disposal and business combination which were disclosed in extraordinary announcements and underwent no changes in subsequent implementation *(Continued)*

On 28 November 2014, the Company and the Parent Company entered into the Equity Transfer Agreements, pursuant to which, the Company has agreed to dispose 100% equity interest in Electronic Company and Transportation Company to the Parent Company. As at 24 December 2014, the Company has received the consideration in full by way of offsetting the debts owed by the Company to the Parent Company in an amount of RMB179,897,000 and completed the relevant equity transfer procedures such as the change registration with relevant industrial and commerce authorities. Upon completion of the equity transfer, the Company ceased to hold any equity interest in Electronic Company and Transportation Company which will no longer be consolidated into the financial statements of the Group in this annual report.

IV. SHARE OPTION INCENTIVE AND ITS IMPACT

☐ Applicable ☑ Not applicable

V. MATERIAL RELATED PARTY TRANSACTIONS

☑ Applicable ☐ Not applicable

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

1. Matters which were disclosed in extraordinary announcements but underwent developments or changes in subsequent implementation

   On 19 March 2014, the Company and the Parent Company entered into the Service and Supply Agreement between Chongqing Iron & Steel Company (Group) Limited and Chongqing Iron & Steel Company Limited ("Service and Supply Agreement") with a term of three years from 1 January 2014 to 31 December 2016. (Refer to the announcement of the Company dated 20 March 2014 for details).

V. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

1. Matters which were disclosed in extraordinary announcements but underwent developments or changes in subsequent implementation *(Continued)*

   1) Pursuant to the Service and Supply Agreement, the Company agreed to provide products and services to the Parent Group as summarized as follows:

      (1) production materials such as water, electricity, natural gas, steel billets, steel products and ancillary products (including cement, hardware, timber, etc);

      (2) transportation, technical services (software development services) and other services.

   2) Pursuant to the Service and Supply Agreement, the Parent Group agreed to provide products and services to the Company in summary as follows:

      (1) raw materials such as pig iron, iron ore, coal, scrap steel, refractory materials and ancillary products (including dolomite and limestone);

      (2) water and road transportation and technical services (including construction, design and supervision, and labour services etc);

      (3) electricity, water, industrial gas, equipment and spare parts;

      (4) social welfare services (including mainly 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 Parent Company for managing such social welfare services of the Company's employees.

   3) Pursuant to the Service and Supply Agreement, the Company and the Parent Group will allow each other to use and occupy their respective factory premises.

V. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

1. Matters which were disclosed in extraordinary announcements but underwent developments or changes in subsequent implementation *(Continued)*

4) Pricing basis and of Service and Supply Agreement:

(1) according to the price set by the PRC Government (including the municipal government and other regulatory bodies which govern such transactions);

(2) if no such price is set by the PRC Government, not lower than the guide prices set by the PRC Government for such transactions;

(3) if there is no set price and no guide prices set by the PRC Government, choose the applicable methods as follows, subject to the condition:

a) for products and services provided by the Parent Company to the Company, not higher than such open market price between independent parties on normal commercial terms in the comparable market;

b) for products and services provided to the Parent Company by the Company, not lower than such open market price between independent parties on normal commercial terms in the comparable market.

(4) if there are no comparable market prices, choose the applicable methods as follows, subject to the condition:

a) for products and services provided by the Parent Company to the Company, not higher than such open market price between independent parties on normal commercial terms in the PRC generally;

b) for products and services provided to the Parent Company by the Company, not lower than such open market price between independent parties on normal commercial terms in the PRC generally.

(5) 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.

V. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

2. Matters not disclosed in extraordinary announcements

Unit: RMB'000

Party to related-party transaction	Connected relationship	Type of related-party transaction	Content of related-party transaction	Pricing principle of related-party transaction	Price of related-party transaction	Amount of related-party transaction	As a percentage of the total amount of similar transactions (%)	Payment method for related-party transaction	Market price	Reason for the big difference between transaction price and reference market price
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Controlled subsidiary	Sale of products	Energy and auxiliary materials	With reference to market price		265,418	63.95			
Chongqing Iron & Steel Group Mining Company Limited	Under common control of the Parent Company	Sale of products	Energy and auxiliary materials	With reference to market price		80,579	19.42			
Chongqing Iron & Steel Group Steel Pipe Company Limited	Under common control of the Parent Company	Sale of products	Steel products	With reference to market price		31,626	0.28			
Chongqing Iron & Steel Group Industrial Company Limited	Under common control of the Parent Company	Sale of products	Steel products and energy	With reference to market price		23,983	0.21			
Chongqing San Gang Steel Company Limited	Under common control of the Parent Company	Sale of products	Steel products and auxiliary materials	With reference to market price		16,040	0.14			
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Under common control of the Parent Company	Sale of products	Steel products and energy	With reference to market price		10,236	0.09			
Parent Company	Parent company	Sale of products	Auxiliary materials and energy	With reference to market price		3,556	0.857			
Chongqing Iron & Steel Group San Feng Industrial Company Limited	Under common control of the Parent Company	Sale of products	Auxiliary materials and energy	With reference to market price		1,970	0.47			
Others	Others	Sale of products		With reference to market price		3,042				
Subtotal						436,450				

V. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

2. Matters not disclosed in extraordinary announcements *(Continued)*

Party to related-party transaction	Connected relationship	Type of related-party transaction	Content of related-party transaction	Pricing principle of related-party transaction	Price of related-party transaction	Amount of related-party transaction	As a percentage of the total amount of similar transactions (%)	Payment method for related-party transaction	Market price	Reason for the big difference between transaction price and reference market price
Chongqing Iron & Steel Hong Kong	Under common control of the Parent Company	Purchase of products	Ore and coal	With reference to market price		2,050,552	25.29			
Chongqing Iron & Steel Group Mining Company Limited	Under common control of the Parent Company	Purchase of products	Ore and auxiliary materials	With reference to market price		1,997,679	36.19			
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Under common control of the Parent Company	Other public utility tariffs such as water, electricity and gas (purchase)	Energy	With reference to market price		478,170	99.47			
Chongqing Wuxia Mining Industry Incorporated Company	Under common control of the Parent Company	Purchase of products	Coal	With reference to market price		106,935	3.37			
Chongqing Iron & Steel Group Industrial Company Limited	Under common control of the Parent Company	Purchase of products	Energy and scrap steel	With reference to market price		45,304	7.34			
Chongqing Iron & Steel Group San Feng Industrial Company Limited	Under common control of the Parent Company	Purchase of products	Instrument parts and energy	With reference to market price		24,654	2.46			
Chongqing Iron & Steel Group Design and Research Institute	Under common control of the Parent Company	Purchase of products	Fixed assets	With reference to market price		24,087	0.81			
San Feng Jingjiang Port Logistics Company Limited	Under common control of the Parent Company	Purchase of products	Ore, coal and fixed assets	With reference to market price		20,030	0.41			
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Under common control of the Parent Company	Other input	Fixed assets and scrap steel.	With reference to market price		9,527	0.31			
Chongqing Iron & Steel Group Iron Company Limited	Under common control of the Parent Company	Purchase of products	Pig iron	With reference to market price		6,180				
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	Under common control of the Parent Company	Purchase of products	Accessories	With reference to market price		1,605	0.31			
Chongqing Iron & Steel Research Institute	Under common control of the Parent Company	Purchase of products	Alloy and accessories	With reference to market price		1,407	5.78			
Others			Purchase of products	With reference to market price		3,028				
Subtotal						4,769,158				
Total						10,411,216	267.157			

Particulars of substantial sales return	Nil
Necessity and continuity of related party transactions and reasons for choosing to conduct transactions with the related party (rather than other parties in the market)	Help the Company to control costs and improve operation
Effect of the related party transaction on the independence of the Company	The related party transactions account for a low percentage, thus not affecting the independence of the Company.
The Company's dependence on the related party and relevant solutions (if any)	The Company's operation was not dependent on the related parties.
Descriptions of the related party transactions	The related party transactions enabled the Company to obtain stable and reliable service supply at reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output

V. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(II) Connected transaction related to acquisition and disposal of assets

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

Overview of events	Search index
The Company transferred certain machinery and equipments, buildings, construction in progress and other assets the Company invested and constructed for Dabaopo Limestone Mine of Chongqing Iron & Steel Group Mining Company Limited (the "Mining Company") to the Mining Company.	The Announcement on Disposal of Assets to Related Party (《向關聯方出售資產公告》(2014-022) 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 Daily and Securities Times on 27 May 2014.
Transfer of 10% equity interest in San Feng Jingjiang Port Logistics Company Limited by the Company to the Parent Company at the consideration equivalent to the appraisal value	The Announcement on Disposal of Equity Interest to Related Party (《向關聯方出售股權公告》) (2014-029) 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 Daily and Securities Times on 22 July 2014.
Transfer of 100% equity interest in Chongqing Iron & Steel Group Electronic Company Limited by the Company to the Parent Company	The Announcement on Disposal of Equity Interest to Related Party (《向關聯方出售股權公告》) (2014-044) 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 Daily and Securities Times on 29 November 2014.
Transfer of 100% equity interest in Chongqing Iron & Steel Group Transportation Company Limited by the Company to the Parent Company	The Announcement on Disposal of Equity Interest to Related Party (《向關聯方出售股權公告》) (2014-045) 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 Daily and Securities Times on 29 November 2014.

V. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(III) Amounts due to or from related parties

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

Overview of events	Search index
• Receipt of RMB300 million of financial assistance from the Parent Company. In 2014, the Company had received RMB1 billion of financial assistance (including those provided this time) on accumulative basis from the Parent Company.	The Announcement on Receipt of Financial Assistance from the Controlling Shareholder (《關於接受控股股東財務資助的公告》) (2014-034) 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 Daily and Securities Times on 18 September 2014
• Receipt of RMB300 million of financial assistance from the Parent Company. In 2014, the Company had received RMB1.3 billion of financial assistance (including those provided this time) on accumulative basis from the Parent Company.	The Announcement on Receipt of Financial Assistance from the Controlling Shareholder (《關於接受控股股東財務資助的公告》) (2014-042) 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 Daily and Securities Times on 4 November 2014

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF

(I) Custody, contracting and leasing

☑ Applicable ☐ Not applicable

1. Leasing

Unit: RMB'000

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 relations
Chongqing Iron & Steel Company Limited	Chengdu Chuangmeijia Decoration Engineering Co., Ltd. (成都創美家裝飾工程有限公司)	Normal	6,084	1 January 2014	30 June 2014	660.8	Bank deposits records	Contributing to other business income	No	Other
Chongqing Iron & Steel Company Limited	Chongqing Zhanqin Machinery Co., Ltd. (重慶展欽機械有限公司)	Normal	133	1 August 2014	31 July 2015	2	Bank deposits records	Contributing to other business income	No	Other

2. Guarantee

☑ Applicable ☐ Not applicable

Unit: RMB'000

External Guarantees provided by the Company (excluding those for subsidiaries)

Guarantor	Relationship with the Company	Guaranteed Party	Amount of Guarantee	Date of occurrence of guarantee (signature date of agreement)	Date of commencement of guarantee	Expiry date of guarantee	Guarantee type	Completed or not	Overdue or not	Amount over due	Anti-guarantee or not	Connected parties guarantee or not	Connected relations
The Company	Connected company	Sanfeng Logistics	900,000	2012-4-17	2012-4-17	2024-8-30	Credit guarantee	No	No		Yes	Yes	Under common control of the Parent Company

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF *(CONTINUED)*

(I) Custody, contracting and leasing *(Continued)*

2. Guarantee *(Continued)*

Total guarantees during the Reporting Period (excluding those for subsidiaries)	
Total guarantee balance at the end of Reporting Period (A) (excluding those for subsidiaries)	851,631

Guarantees provided by the Company for subsidiaries	
Total guarantees for subsidiaries during the Reporting Period	
Total guarantee balance for subsidiaries at the end of Reporting Period(B)	

Total amount of guarantees provided by the Company (including those for subsidiaries)	
Total amount of guarantees (A+B)	851,631
Total amount of guarantees over the net assets of the Company (%)	
Including:	
Amount of guarantees provided to shareholders, De facto controllers and their related parties(C)	851,631
Amount of debt guarantees directly or indirectly provided for guaranteed parties with the gearing ratio exceeding 70% (D)	
Amount of the total guarantees exceeding 50% of net assets (E)	
Total amount of above three guarantees(C+D+E)	851,631
Explanations on outstanding guarantee which may undertake joint liability for satisfaction	
Explanations on guarantee	In 2014, the Company did not offer external guarantees but provided guarantee for San Feng Jingjiang Port Logistics Company Limited, a former associated company of the Company. The aforesaid guarantee had been approved at the Board meeting of the Company (some of them were approved at the general meeting). The Company performed its information disclosure obligation. As at the end of the Reporting Period, the Company had a balance of such guarantee of RMB852 million. The Company transferred its 10% equity interest in Jingjiang Port Logistics to the Parent Company, the controlling shareholder of the Company in July 2014. Currently, the Company is actively performing relative procedures to discharge such guarantee.

VII. FULFILLMENT OF COMMITMENTS

☑ Applicable ☐ Not applicable

(I) Commitment of the Company, Shareholders holding 5% or more of its share capital, controlling shareholders and de facto controller during or sustained to the Reporting period

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 horizontal competition	Parent Company	In order to avoid inter-competitions with the Company, the Parent Company hereby undertakes as follows: (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 way 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; (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; (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.	3 May 2012	No	Yes
Commitment in relation to material assets reorganisation	To solve the related party transactions	Parent Company	(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 connected transactions; (2) To determine the transaction price and sign connected transaction 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 connected transactions; (3) To follow procedures of having the connected shareholders and connected directors to abstain from voting and the independent directors to express opinions on connected transactions in strict accordance with the Articles of Association and relevant regulations of regulatory authorities, and to ensure that the procedures for connected transactions are legal and the results of connected transactions are fair and reasonable; (4) To strictly comply with the rules on information disclosure regarding connected transactions.	3 May 2012	No	Yes
Commitment in relation to material assets reorganisation	Release of liabilities	Parent Company	(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; (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.	From 22 October 2012 to the date on which relevant creditors claim their rights	Yes	Yes

VII. FULFILLMENT OF COMMITMENTS *(CONTINUED)*

(I) Commitment of the Company, Shareholders holding 5% or more of its share capital, controlling shareholders and de facto controller 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	Asset injection	Parent Company	The undertaking by the Parent Company in relation to the Target assets under the material assets reorganisation: "(1) The Parent Company guarantees that all the items for government approval or filing regarding the Target Assets under the Material Assets Reorganisation, from project initiation, environmental protection, industry access, to land use, planning, construction, trial production and completion acceptance inspection, will not become any impediment to the Material Assets Reorganisation. The Parent Company also undertakes that in case the Company suffers administrative penalty or is liable for other legal liabilities as a result of flawed legal procedures related to government approval or filing items mentioned above during construction and completion acceptance inspection of the Target Assets, such administrative penalty or other legal liabilities should be fully assumed by the Parent Company. Apart from the aforesaid administrative penalty or other legal liabilities, the Parent Company will compensate the Company if the Company suffers loss as a result of flawed legal procedures during investment, construction and completion acceptance inspection of the Target Assets; (2) The Parent Company guarantees that, as at the date of the undertaking letter, save as some of the Target Assets acquired under finance leases, the Parent Company enjoys full legal entitlement of the remaining Target Assets. If the entitlement of the remaining Target Assets fails to transfer/deliver to the Company upon the delivery of the reorganisation, the losses resulted to the Company shall be born by Parent Company. There is no pledge, mortgage or other third party rights restrictions on the Target Assets which may affect their transferability and there is no litigation, arbitration or other forms of legal disputes against the Target Assets. From the issue date of the undertaking letter to the completion date of the Material Assets Reorganisation, the Parent Company guarantees that no new pledge, mortgage or other third party rights restrictions would be imposed on the Target Assets. For some of the Target Assets acquired under the finance leases, the Parent Company has obtained written consents of all counterparties under relevant finance leases to the effect that the Parent Company will proceed with the Material Assets Reorganisation, upon or after the completion of which the lessee under the finance lease agreements shall be changed to the Company, and rights of credits and liabilities under those finance lease agreements will be generally assumed by the Company. The Parent Company guarantees that there shall be no legal impediment on the transfer of the Target Assets to the name of the Company upon the completion of the Material Assets Reorganisation, or the Parent Company will compensate the Company against all losses arising therefrom; (3) The land use rights regarding a land area of 4,403,831.10 sqm within the Target Assets have been recorded in 10 land use rights certificates covering an aggregate land area of 4,681,041.10 sqm held by the Parent Company. The Parent Company undertakes that there is no legal impediment on partitioning the land use rights of the Target Assets and re-registering the same in the name of the Company upon the completion of the Material Assets Reorganisation. The Parent Company will assist the Company in handling the partition and re-registration procedures on such land use rights, during which, should there exist any causes such as mapping which would make the actual land use rights partitioned and re-registered in the name of the Company cover an aggregate area less than 4,403,831.10 sqm, the Parent Company will pay the difference in cash to the Company based on the applicable unit price of the land under valuation applicable to the Material Assets Reorganisation within 10 days after completion of the Material Assets Reorganisation; (4) Since the buildings located within the Target Assets are not accompanied with title certificates, the Parent Company undertakes that it will try its best to assist the Company and initiate title certificate registration for buildings within the Target Assets so that those certificates would be under the name of the Company from the approval date of the Material Assets Reorganisation granted by CSRC. The Parent Company guarantees that there is no legal impediment on the title certificate registration, or the Parent Company will compensate the Company against all losses arising therefrom."	From 22 October 2012 to the completion of government approval or filing regarding the investment, construction, completion and acceptance of the Target Assets	Yes	Yes

VII. FULFILLMENT OF COMMITMENTS *(CONTINUED)*

(I) Commitment of the Company, Shareholders holding 5% or more of its share capital, controlling shareholders and de facto controller 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	Sales restriction of shares	Parent Company	The undertaking by the Parent Company in relation to the lock-up period of the shares issued by the Company acquired in the reorganisation: "the acquisition of A shares issued by the Company in the reorganisation: (including A shares of the Company arising from further allotment due to above shares) shall not be transferred or entrusted others to management within 36 months since the issuance date of shares, and shall not be purchased back by the Company. Otherwise shall be executed pursuant to requirements of the law and regulations or supervise institutions in securities."	25 November 2013 to 24 November 2016	Yes	Yes
Commitment regarding the initial public issuance	To solve the related party transactions	Parent Company	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).	29 September 1997	No	Yes
Other commitment	Dividend	The Company	Medium and long term dividend distribution plan of the Company: "(1) The Company shall implement a proactive profit distribution mechanism to ensure that investors receive reasonable returns; (2) 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; (3) 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 therefore and the purpose for the retained profit. Independent directors shall express and publicly disclose their independent opinions thereon; (4) Upon occurrence of any illegal 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

VIII. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Unit: RMB'000

Whether or not change the accounting firm:	No	
	Former	**Current**
Name of the domestic accounting firm	KPMG Huazhen Certified Public Accountants (Special General Partnership)	KPMG Huazhen Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	3,700	3,700
Term of service of the domestic accounting firm	8	8
Name of the international accounting firm	KPMG Huazhen Certified Public Accountants (Special General Partnership)	KPMG Huazhen Certified Public Accountants (Special General Partnership)
Remuneration of the international accounting firm	3,700	3,700
Term of service of the international accounting firm	8	8

	Name	Remuneration
Accounting firm for audit of internal control	KPMG Huazhen Certified Public Accountants (Special General Partnership)	1,500
Financial adviser	Southwest Securities Company Ltd.	0

VIII. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS *(CONTINUED)*

Explanations for appointment and removal of accounting firms

As approved at 2010 annual general meeting, the Board reappointed KPMG Huazhen and KPMG as the auditors of the Company respectively. On 18 March 2011, a resolution was passed at the 2011 first extraordinary general meeting of the Company, pursuant to which the Company's international auditor KPMG ("International Auditor"), which was appointed at the 2009 annual general meeting, was dismissed, and KPMG Huazhen was retained to audit the financial statements for the year 2011 prepared under the PRC Accounting Standards for Business Enterprises and issue audit opinion in accordance with PRC auditing standards and to undertake all such activities as required to be performed by overseas auditors under the Listing Rules (including preliminary announcement on annual results, annual review of continuing connected transactions, etc.). The dismissal of the International Auditor helps to improve efficiency and reduce information disclosure costs. There are no disagreements between the Company and the International Auditor. The dismissal has gone through necessary procedures in compliance with relevant laws, listing rules of the listing place and the Articles of Association. On 16 May 2014, the 2013 annual general meeting of the Company passed the proposal for re-appointment of KPMG Huazhen (Special General Partnership) as the auditor and internal control auditor of the Company for the year 2014. KPMG Huazhen has audited the financial statements prepared under PRC GAAP. The Company paid RMB5.2 million of audit fee for integrated auditing service. As at the end of the Reporting Period, it had provided auditing service for the Company for 8 years.

IX. PUNISHMENT ON THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING 5% OR MORE OF ITS SHARE CAPITAL, DE FACTO CONTROLLER AND ACQUIRER AND RECTIFICATION MEASURES

During the Reporting Period, there was no such circumstance.

X. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

☐ Applicable ☑ Not applicable

XI. EXPLANATION OF OTHER SIGNIFICANT EVENTS

☐ Applicable ☑ Not applicable

Movement of Shares and the Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Movement of shares

1. Table of movement of Shares

During the Reporting Period, there was no change in the total number of Shares and share capital structure of the Company.

(II) Changes in Shares subject to trading moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium in the year	Increase in shares subject to trading moratorium	Number of shares subject to trading moratorium at the end of the year	Reasons for trading moratorium	Date of release of trading moratorium
Chongqing Iron & Steel (Group) Co., Ltd.	1,996,181,600	0	0	1,996,181,600	New shares resulting from material assets reorganisation for acquisition of assets	25 November 2016
Shenzhen Ping'an Innovation Capital Investment Co., Ltd. (深圳市平安創新資本投資有限公司)	212,020,000	212,020,000	0	0	Non-public issuance to target investors for raising funds	22 December 2014
Chongqing Water Assets Management Co., Ltd. (重慶市水務資產經營有限公司)	200,000,000	200,000,000	0	0	Non-public issuance to target investors for raising funds	22 December 2014
Chongqing Energy Investment Group Co., Ltd. (重慶市能源投資集團有限公司)	147,150,000	147,150,000	0	0	Non-public issuance to target investors for raising funds	22 December 2014
CCB Principal Asset-CMBC-China Fortune Trust-China Fortune Trust·No.685 Securities Investment Collected Fund Trust Scheme (建信基金—民生銀行—華鑫信託—華鑫信託685號證券投資集合資金信託計劃)	129,880,000	129,880,000	0	0	Non-public issuance to target investors for raising funds	22 December 2014
Chongqing Transportation Holdings (Group) Co., Ltd. (重慶交通運輸控股 集團 有限公司)	17,663,780	17,663,780	0	0	Non-public issuance to target investors for raising funds	22 December 2014
Total	2,702,895,380	706,713,780	0	1,996,181,600	/	/

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the last 3 years as at the end of the reporting period

Unit: share Currency: RMB

Type of shares and its derivative securities	Date of issue	Issue price (or interest rate)	Number issued	Date of listing	Number approved for listing	Expiry date of the transaction Type of ordinary shares
Ordinary shares						
Ordinary shares dominated in RMB	25 November 2013	3.14	1,996,181,600	25 November 2016	1,996,181,600	
Ordinary shares dominated in RMB	20 December 2013	2.83	706,713,780	22 December 2014	706,713,780	

Details for the issue of securities in the last three years as at the end of the reporting period (details of bonds with different interest rates within the duration to be specified separately):

On 18 November 2013, the Company completed the issuance of 1,996,181,600 RMB-dominated shares to the Parent Company for purchase of assets according to the "Reply on the Approval to the Material Assets Reorganisation of Chongqing Iron & Steel Company Limited and its Issuance of Shares to Chongqing Iron & Steel (Group) Co., Ltd. for Acquisition of Assets and Fundraising" (Zheng Jian Xu Ke [2013] No. 1412) (《關於核准重慶鋼鐵股份有限公司重大資產重組及向重慶鋼鐵(集團)有限責任公司發行股份購買資產並募集配套資金的批覆》(證監許可[2013]1412號)) passed by the CSRC on 8 November 2013, and completed the change of register on 25 November 2013. Upon completion of the issuance, the total share capital of the Company was 3,729,308,800, including 3,191,181,600 A shares and 538,127,200 H shares.

On 17 December 2013, the Company completed the issuance of 706,713,780 RMB-dominated A shares to five specific investors on the Shanghai Stock Exchange ("Shanghai Stock Exchange") according to the "Reply on the Approval to the Material Assets Reorganisation of Chongqing Iron & Steel Company Limited and its Issuance of Shares to Chongqing Iron & Steel (Group) Co., Ltd. for Acquisition of Assets and Fundraising" (Zheng Jian Xu Ke [2013] No. 1412) (《關於核准重慶鋼鐵股份有限公司重大資產重組及向重慶鋼鐵(集團)有限責任公司發行股份購買資產並募集配套資金的批覆》(證監許可[2013]1412號)) passed by the CSRC on 8 November 2013, and completed the change of register on 20 December 2013. Upon completion of the issuance, the total share capital of the Company was 4,436,022,580, including 3,897,895,380 A shares and 538,127,200 H shares.

II. ISSUE AND LISTING OF SECURITIES *(CONTINUED)*

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

During the Reporting Period, there was no change in the total number of shares or in shareholding structure of the Company.

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Number of shareholders

Total number of shareholders as at the end of the Reporting Period	102,142, including 101,853 holders of A Shares and 289 holders of H Shares
Total number of shareholders on the close of the fifth trading day before the disclosure of the Annual Report	104,508, including 104,221 holders of A Shares and 287 holders of H Shares
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 fifth trading day before the disclosure of annual report	0

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER *(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

Unit: share

Name of shareholder (Full name)	Shareholdings of the top ten shareholders 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	Number of shares pledged or frozen Status of shares	Number	Type of shareholder
Chongqing Iron & Steel (Group) Co., Ltd.	0	2,796,981,600	63.05	1,996,181,600	Pledged and frozen	871,336,000	State-owned legal person
HKSCC NOMINEES LIMITED	1,571,700	528,449,670	11.91	0	Unknown		Foreign legal person
Chongqing Energy Investment Group Co., Ltd. (重慶市能源投資集團公司)	0	147,150,000	3.32	0	Unknown		State-owned legal person
CCB Principal Asset- CMBC-China Fortune Trust-China Fortune Trust No.685 Securities Investment Collected Fund Trust Scheme (建信基金—民生銀行—華鑫信託—華鑫信託·685號證券投資集合資金信託計劃)	-30,377,140	99,502,860	2.24	0	Unknown		Unknown
Chongqing Water Assets Management Co., Ltd. (重慶市水務資產經營有限公司)	-176,400,000	23,600,000	0.53	0	Unknown		State-owned legal person
China Resources Szitic Trust Co., Ltd. — Runjin No.71 Collected Fund Trust Scheme (華潤深國投信託有限公司—潤金71號集合資金信託計劃)	20,712,600	20,712,600	0.47	0	Unknown		Unknown
Zhang Zhengwei (張正委)	9,207,310	9,207,310	0.21	0	Unknown		Domestic natural person
Gao Zhiyong (高志勇)	3,973,310	3,973,310	0.09	0	Unknown		Domestic natural person
Yang Xiuchun (楊秀春)	3,458,253	3,458,253	0.08	0	Unknown		Domestic natural person
Shen Yan (沈燕)	3,100,000	3,100,000	0.07	0	Unknown		Domestic natural person

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER *(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 the top ten shareholders holding shares not subject to trading moratorium			
Name of shareholder	Number of shares not subject to trading moratorium	Type and number of shares	
		Type	Number
Chongqing Iron & Steel (Group) Co., Ltd.	800,800,000	RMB-denominated ordinary shares	800,800,000
HKSCC NOMINEES LIMITED	528,449,670	Overseas listed foreign shares	528,449,670
Chongqing Energy Investment Group Co., Ltd. (重慶市能源投資集團公司)	147,150,000	RMB-denominated ordinary shares	147,150,000
CCB Principal Asset- CMBC-China Fortune Trust-China Fortune Trust·No.685 Securities Investment Collected Fund Trust Scheme (建信基金—民生銀行—華鑫信託—華鑫信託·685號證券投資集合資金信託計劃)	99,502,860	RMB-denominated ordinary shares	99,502,860
Chongqing Water Assets Management Co., Ltd. (重慶市水務資產經營有限公司)	23,600,000	RMB-denominated ordinary shares	23,600,000
China Resources Szitic Trust Co., Ltd. — Runjin No.71 Collected Fund Trust Scheme (華潤深國投信託有限公司—潤金71號集合資金信託計劃)	20,712,600	RMB-denominated ordinary shares	20,712,600
Zhang Zhengwei (張正委)	9,207,310	RMB-denominated ordinary shares	9,207,310
Gao Zhiyong (高志勇)	3,973,310	RMB-denominated ordinary shares	3,973,310
Yang Xiuchun (楊秀春)	3,458,253	RMB-denominated ordinary shares	3,458,253
Shen Yan (沈燕)	3,100,000	RMB-denominated ordinary shares	3,100,000
Explanation about connected relationship and acts in concert of the above shareholders	There is no connection between the Parent Company and other 9 shareholders and they are not parties acting in concert as defined 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 parties acting in concert.		
Explanation about holders of preference shares with restored voting rights and the number of shares they held	Nil		

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER *(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 the top ten shareholders holding shares subject to trading moratorium held by the top ten shareholders and trading moratorium

Unit: shares

No.	Name of holder of shares subject to trading	Number of shares subject to trading moratorium held	Shares subject to trading moratorium available for trading		trading moratorium
			Time available for trading	Number of new shares available for trading	
1	Chongqing Iron & Steel (Group) Co., Ltd.	1,996,181,600	25 November 2016	0	New shares resulting from Material Assets Reorganisation for acquisition of assets, with trading moratorium term of 36 months.

IV. CONTROLLING SHAREHOLDER AND DE FACTOR CONTROLLER

(I) Controlling Shareholder

1. Legal person

Unit: RMB

Name	**Chongqing Iron & Steel (Group) Co., Ltd.**
Principal or Legal representative	Liu Jiacai
Date of incorporation	19 January 1982
Organization code	20280337-0
Registered capital	1,650,706,543.56
Principal operations	Assets operation, investment and property right trading within the authorized scope, manufacture and sale of metal materials, machinery products, casting and forging products and general spare parts, home appliances, computers and parts, electronic devices and components, instruments and meters, measuring instruments, textile products, apparels, timber products, refractory materials, chemical products (excluding dangerous chemicals).
Strategy for future development	Parent Company will promote the implementation of the plan and support the development of the principal business of iron & steel and the mineral resources in light of the goals set in the Outline of the Development Plan for the "12th Five-Year Plan" period of Parent Company and the 3-year Development Strategic Plan of Parent Company.
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. Index and date of change of the controlling shareholder during the Reporting Period

There was no change in the controlling shareholder of the Company during the Reporting Period.

IV. CONTROLLING SHAREHOLDER AND DE FACTOR CONTROLLER *(CONTINUED)*

(II) De factor controller

1. Legal person

Unit: RMB

Name	**Chongqing Iron & Steel (Group) Co., Ltd.**
Principal or Legal representative	Liu Jiacai
Date of incorporation	19 January 1982
Organization code	20280337-0
Registered capital	1,650,706,543.56
Principal operations	Assets operation, investment and property right trading within the authorized scope, manufacture and sale of metal materials, machinery products, casting and forging products and general spare parts, home appliances, computers and parts, electronic devices and components, instruments and meters, measuring instruments, textile products, apparels, timber products, refractory materials, chemical products (excluding dangerous chemicals)
Strategy for future development	Parent Company will promote the implementation of the plan and support the development of the principal business of iron & steel and the mineral resources in light of the goals set in the Outline of the Development Plan for the "12th Five-Year Plan" period of Parent Company and the 3-year Development Strategic Plan of Parent Company.
Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period	De factor controller did not control or invest in domestic and foreign listed companies during the Reporting Period
Other explanation	Nil

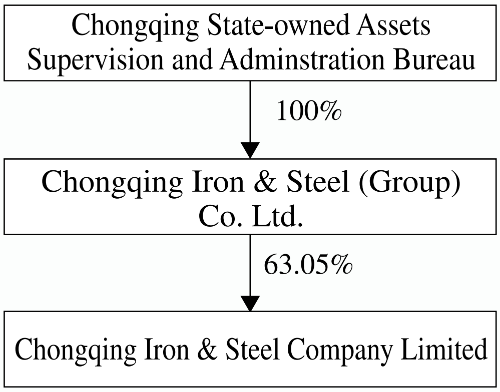
2. Index and date of change of the de factor controller during the Reporting Period

There was no change in the de factor controller of the Company during the Reporting Period.

IV. CONTROLLING SHAREHOLDER AND DE FACTOR CONTROLLER *(CONTINUED)*

(II) De factor controller *(Continued)*

3. The ownership and control relationship between the Company and its de factor controller



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

(I) Interests or Short Positions

As at 31 December 2014 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").

(II) 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.

(III) Purchase, Sale and Redemption of Listed Shares

During the year ended 31 December 2014 the Company did not redeem any of its issued securities, nor purchase or sell any of its listed securities.

V. RELEVANT DISCLOSURE MADE ACCORDING TO THE RULES GOVERNING THE LISTING OF SECURITIES ON THE HONG KONG STOCK EXCHANGE *(CONTINUED)*

(IV) 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.

(V) Circulating Market Capitalisation

Based on the publicly available information, as at 31 December 2014 the circulating market capitalisation of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK$1.71)) was HK$920 million and the circulating market capitalization of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB3.33)) was RMB12.98 billion.

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

Unit: shares

Name	Title *(Note)*	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 change in shareholding	Total remuneration received from the Company during the Reporting Period (before tax) *(RMB0'000)*	Total remuneration receivable from The Shareholders
Zhu Jian Pai	Chairman	M	57	16 May 2014		0	0	0	/	0	Unknown
Zhou Hong	Director	M	53	16 May 2014		0	0	0	/	0	Unknown
Li Ren Sheng	Director, General Manager	M	50	1 June 2009		0	0	0	/	23.95	0
Zhang Li Quan	Director, Deputy General Manager	M	52	16 May 2014		0	0	0	/	23.04	0
Yao Xiao Hu	Director, Deputy General Manager	M	49	4 December 2014		0	0	0	/	2.99	0
Liu Tian Ni	Director *(Independent)*	M	50	1 June 2009		0	0	0	/	7.10	0
Xu Yi Xiang	Director *(Independent)*	M	41	4 December 2014		0	0	0	/	0	0
Xin Qing Quan	Director *(Independent)*	M	40	4 December 2014		0	0	0	/	0	0
Xia Tong	Supervisor	M	49	13 June 2013		0	0	0	/	25.80	0
Li Zheng	Supervisor	M	52	18 August 2010		0	0	0	/	0	Unknown
Li Mei Jun	Supervisor	M	48	18 August 2009		0	0	0	/	0	Unknown
Chen Hong(陳紅)	Supervisor Representing staff	F	50	1 June 2009		0	0	0	/	19.41	0
Dou Hui	Supervisor Representing staff	M	51	25 July 2011		0	0	0	/	20.31	0
Zeng Jing	Deputy General Manager	M	52	19 March 2014	/	0	0	0	/	9.96	0
Zhang Zong Ming	Financial Controller	M	38	4 April 2014	/	0	0	0	/	10.36	0
You Xiao An	Secretary to the Board	M	50	23 January 2001	/	0	0	0	/	19.40	0
Yuan Jin Fu	Former Director	M	52	1 June 2009	17 March 2014	0	0	0	/	0	Unknown
Deng Qiang	Former Chairman	M	52	18 March 2011	24 January 2014	0	0	0	/	0	Unknown
Chen Hong (陳洪)	Former Director, Former General Manager	M	58	1 June 2009	12 February 2014	0	0	0	/	15.01	0
Guan Zhao Hui	Former Director, Former Deputy General Manager	M	46	13 June 2013	4 December 2014	0	0	0	/	20.83	Unknown
Zhang Guo Lin	Former Director *(Independent)*	M	59	1 June 2009	4 December 2014	0	0	0	/	7.10	0
Ran Mao Sheng	Former Director *(Independent)*	M	51	29 May 2012	4 December 2014	0	0	0	/	7.10	0
Gong Jun	Former Financial Controller	F	42	26 September 2010	3 April 2014	0	0	0	/	9.92	Unknown
Total	/	/	/	/	/	0	0	0	/	222.28	/

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 in the Past Five Year
Zhu Jian Pai	Is the Chairman of the Company and the general manager, the deputy secretary to the communist party committee and a director of the Chongqing Iron & Steel (Group) Co., Ltd. Mr. Zhu graduated from the Faculty of Metallurgy of Chongqing University with major in pressure processing. He obtained a bachelor's degree in engineering and a Master of Business Administration degree from Chongqing University, holds the title of senior engineer and the state's certificated metallurgical material engineer. Mr. Zhu joined Parent Company in 1982 and served as the head of the labour affairs office, the head of the personnel department, the secretary of the discipline committee, the deputy secretary to the communist party committee, a director and the chief supervisor. He had been the secretary to the communist party committee, the secretary of the discipline committee, the chairman of the labour' s Union, a director and the chief supervisor of the Company. Mr. Zhu was elected as a Director of the Company at the 2014 annual general meeting and the Chairman of the Company by the Board.
Zhou Hong	is a Director of the Company and the deputy general manager, a member of the standing committee of the communist party committee, the chief engineer and the head of technology center of Chongqing Iron & Steel (Group) Co., Ltd. and the head of Chonggang Postdoctoral Research Station (重鋼博士後科研工作站). Mr. Zhou graduated from the University of Science and Technology Beijing with a master's degree in iron and steel metallurgy and is a senior engineer. Mr. Zhou joined the Parent Company in 1983, and has served as the manager of the smelting plant of the Company, the vice chief engineer of Chonggang Holding 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.

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 in the Past Five Year
Li Ren Sheng	is a Director and the General Manager of the Company. Graduated in the Faculty of Chemical Metallurgy of Chongqing University, Mr. Li possesses a bachelor's degree and is a senior engineer. He joined the Parent 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 of the Parent Company, deputy head of the smelting plant of the Company, the manager and Chairman of Chongqing Iron & Steel Group Iron Company Limited and head of the Raw Materials Department of the Company. Mr. Li was re-elected as a Director of the Company at the 2011 annual general meeting held on 31 May 2012.
Zhang Li Quan	is a Director and the deputy general manager of the Company. Mr. Zhang graduated from Chongqing University, majoring in non-ferrous metal metallurgy. He holds Master's Degree and is a senior engineer. Mr. Zhang joined the Parent Company in 1987 served from time to time as the Deputy head, Head and the director of the Production and Direction Center of the Sintering Plant of the Company. Mr. Zhang was elected as a Director of the Company at the 2014 annual general meeting.
Yao Xiao Hu	is a Director and the Deputy General Manager of the Company. 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 Parent 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 division. Mr. Yao was elected as a Director of the Company at the 2014 annual general meeting.

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 in the Past Five Year
Liu Tian Ni	is an Independent Non-executive Director and a member of the Remuneration and Review Committee and the Audit Committee of the Company, the founder and chairman of Wonderful Sky Financial Group Limited, an executive director of Silver Grant International Industries Limited, a listed company in Hong Kong, the managing director of Sure Spread Company Limited, and an independent director of Qingling Motors Company Limit. Mr. Liu graduated from Beijing Normal University, with a master's degree in Science. Mr. Liu has extensive experience in fields including international capital market, post listing corporate financing, mergers & acquisitions and direct investment. Mr. Liu Tian Ni was awarded the World Outstanding Young Chinese Entrepreneur by Asia Weekly in October 2008 for his excellent corporate management and remarkable business strategy. Mr. Liu was re-elected as an Independent Non-executive Director of the Company at the 2011 annual general meeting held on 31 May 2012.
Xu Yi Xiang	is an Independent Non-executive Director of the Company and a professor and doctorate tutor in the School of Economics of Southwest University of Political Science and Law and a doctoral tutor. 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 served as a part-time lawyer in Chongqing Damei Law Firm (重慶達美律師事務所) 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, security laws and practical operations. Mr. Xu was elected as an Independent Non-executive Director of the Company at the 2014 first extraordinary general meeting.

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 in the Past Five Year
Xin Qing Quan	is an Independent Non-executive Director of the Company and a professor of accounting and a doctoral tutor in the School of Economics and Business Administration of Chongqing University, a special researcher of Chinese Government Auditing Research Center (中國政府審計研究中心), a senior assistant researcher in the Department of Finance and Insurance of Lingnan University in Hong Kong and an external director of Chongqing International Consultation Investment Group (重慶國際諮詢投資集團). Mr. Xin graduated from Zhongshan 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 first extraordinary general meeting.
Xia Tong	is the Chairman of the supervisory committee, Party Secretary, Secretary of the disciplinary committee, and Chairman of the Labour Union of the Company. Mr. Xia graduated from Chongqing University and holds Master's Degree for Engineering. Mr. Xia is a senior engineer. Mr. Xia joined the Parent Company in July 1987, and served as director of the Party and Administration Office of the Parent Company's Medium Plate Plant, party secretary, secretary of the disciplinary committee, and chairman of the labour union of the Parent Company's Medium Plate Plant, secretary to the Board of Directors and head of the Managerial Office (Office of the Board of Directors) of the Parent Company, party secretary of the Environmental Relocation Headquarters of the Parent 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 held on 13 June 2013.

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 in the Past Five Year
Li Zheng	is a Supervisor of the Company and the director of office of the supervisory committee and the head of audit department of the Parent Company. 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 Parent Company in 1980 and acted as the head of audit department of the Parent Company in May 2010, and served as the director of office of the supervisory committee at the Parent Company in November 2011. He held positions as the assistant to the head of the Finance Office of the Parent Company, 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 Chief Party Committee 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 held on 31 May 2012.
Li Mei Jun	is a supervisor of the Company and the director of the legal affairs office of the Parent Company. Mr. Li graduated from the law department of Nankai University with a master's degree in law. He is an assistant economist. Mr. Li joined the Parent Company in 1988 and acted as the director of the legal affairs office of the Parent Company in July 2011. He held positions as the deputy manager of the sales department of Zhanjiang Industry and Trade Dong Hua (湛江工貿東華) of the Parent Company, the manager of Nanning Business Department (南寧經營部) of Zhanjiang Industry and Trade Group (湛江工貿集團) of Parent Company and the department head, deputy director of the legal department of the legal affairs office of the Parent Company. Mr. Li was re-elected as a shareholder representative supervisor of the Company at the 2011 annual general meeting held on 31 May 2012.

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 in the Past Five Year
Chen Hong (陳紅)	is a Supervisor and the head of the Logistics Management Department of the Company. Ms. Chen obtained a university diploma from the Logistical Engineering University of the Chinese Peoples's Liberation Army. Ms. Chen joined the Parent 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 Parent Company and deputy head of the managerial office of the Company. Ms. Chen was re-elected as a Staff Representative Supervisor of the sixth session of the Supervisory Committee of the Company at the 71st meeting of the second staff representative meeting for its group leaders of the Company on 29 may 2012.
Dou Hui	is a Supervisor of the Company and the secretary to the Party Committee, secretary to the Discipline Inspection Committee and chairman of the Labor Union of the Steel Smelting Plant of the Company. He is holder of a bachelor's degree, and a senior political worker (高級政工師). Mr. Dou joined the Parent Company in August 1982. He served from time to time as the director of the office of the Labor Union, organization department chief of the Labor Union of the Parent Company, as well as secretary to the Party Committee, secretary to the Discipline Inspection Committee and chairman of the Labor Union of the Sintering Plant of the Company. On 29 May 2012, Mr. Dou was re-elected as a Staff Representative Supervisor of the sixth session of the Supervisory Committee of the Company at the 71st meeting of the second staff representative meeting for its group leaders of the Company.
Zeng Jing	is the Deputy General Manager of the Company and the deputy head of the technology center of Chongqing Iron & Steel (Group) Co., Ltd.. Mr. Zeng graduated from the Faculty of Metallic Materials of Chongqing University with a bachelor's degree. He is also a holder of master degree in engineering and a senior engineer. Mr. Zeng joined the Parent Company in 1985, and has served as the deputy director of the management division of the steel research institute under Chonggang Holding, 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.

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 in the Past Five Year
Zhang Zong Ming	is the Financial Controller and the Head of the Financial and Accounting Division of the Company. Being a native of Tujia clan, was born at Qianjiang District, Chongqing City in July 1976. He joined the communist party of China since June 1998 and joined the work force since July 1999. He has a bachelor's degree and is a senior accountant. He worked as the head of division of accounting and management of financial division, the deputy head of financial division and the head of financial division of Chongqing Iron and Steel (Group) Company Limited. Mr. Zhang was appointed as the Financial Controller of the Company as resolved by the 69th written resolution of the sixth session of the Board.
You Xiao An	is the Secretary to the Board, and the head of manager's office of the Company. 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 Parent Company in 1985 and had worked as the head of the production section and the head of the General Office of Hengda and assistant to the head and the deputy head of the General Office of the Company.
Yuan Jin Fu	is the former Director and former member of the Salary and Remuneration Review Committee of the Company. He is also the director, deputy general manager and the chief accountant of the Parent Company. Mr. Yuan obtained a bachelor degree in Economics and Management and holds the title of senior accountant. Mr. Yuan joined the Parent Company in 1981 and has been the chief accountant of the Parent Company since August 2002 and deputy general manager of the Parent Company since July 2008. He had been the head and deputy head of Finance Office and deputy chief accountant of the Parent Company, and the chairman of Chongqing Iron & Steel Group Doorlead Realty Co., Ltd. Mr. Yuan resigned from the Company on 17 March 2014 due to work adjustment.

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 in the Past Five Year
Deng Qiang	is the Former Chairman of the Company, former Chairman of the strategic committee and the deputy general manager of the Parent Company. Mr. Deng graduated from Metallurgy Department of Chongqing University, majoring in iron refinery. He holds Master's Degree for Engineering and is a senior engineer. Mr. Deng joined the Parent Company in 1982, and served, from time to time, as Deputy Head (in charge of general operation) of No.6 Plant and deputy director (in charge of general operation) of Steel Business Unit of the Parent Company, deputy general manager of the Company, deputy chief engineer of the Parent Company and head of the Technical Centre of Chongqing Iron & Steel (during this period, he also held various positions in the wholly-owned subsidiaries of the Parent Company as below: chairman of the Transportation Company (運輸公司), chairman and general manager of No.3 Steel Company (三鋼公司), General Manager of Zhongxing Company (中興公司) and chairman of No.4 Steel Company (四鋼公司)), assistant to the general manager of the Parent Company and deputy general manager of the Parent Company. Mr. Deng resigned from the Company on 24 January 2014 due to work adjustment.
Chen Hong (陳洪)	is a former Director, former member of the Strategic Committee and the former general manager of the Company. Mr. Chen graduated from Wuhan Iron & Steel University with a bachelor's degree in coking engineering and attended the postgraduate course in management engineering of Tsinghua University with a postgraduate diploma, and he is a senior engineer. Mr. Chen joined the Parent Company in 1982, and had been the deputy head of Chemical Workshop, deputy head of Recycle Workshop, deputy head of Coking Workshop, deputy plant head, plant head of the Coking Plant of the Parent Company, head of Raw Material Department of the Company, deputy chief engineer of the Parent Company, the chairman of the board of directors of the Chongqing Iron & Steel Group Industries Co., Ltd., the chairman of the board of directors of Chongqing Iron & Steel Group Doorlead Realty Co., Ltd., deputy general manager and head of Sales Department of the Company. Mr. Chen resigned from the Company on 12 February 2014 due to work adjustment.

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 in the Past Five Year
Guan Zhao Hui	is a former Director and Deputy General Manager of the Company. Mr. Guan graduated from Chongqing University, majoring in engineering mechanics. He holds Master's Degree and is a senior engineer. Mr. Guan joined the Parent Company in 1990, served from time to time as Chief of Mechanics Section of Steel Section Plant (型鋼廠機械科科長), Assistant to the Head of the Medium-Gauge Plate Plant (中厚板廠廠長助理), Deputy Chief and Chief of Mechanics Division (in charge of general operation) and Head of the Medium-Gauge Plate Plant of the Company. Mr. Guan resigned from the Company on 4 December 2014 due to work adjustment.
Zhang Guo Lin	is a former Independent Non-executive Director, Chairman of Salary and Remuneration Review Committee, a member of the Strategic Committee and the Audit Committee of the Company. Mr Zhang is a professor and master tutor of Southwest University of Political Science & Law, an academic leader and secretary to the Party Committee of Chongqing, a member of Technology Advisory Committee of Chongqing government, a member of Discipline Committee of Chongqing and a member to the Third People's Congress of Chongqing. He is also the vice president of Administration Association of Chongqing and an independent director of Chongqing Brewery Co. Ltd. Mr. Zhang graduated from the Faculty of Metallurgy of Chongqing University in January 1982 with a doctor's degree in technology economy and management. He had studied as a visiting scholar in University of Illinois at Chicago, USA. Mr. Zhang had released a number of academic theses in academic periodicals and obtained numerous awards for research achievements and projects. Mr. Zhang has extensive teaching and working experience in steel smelting, metallurgy and economy management. Mr. Zhang had been director of the Organization Department of Party Committee, the deputy secretary to party committee, the vice director to school administration committee, the standing member of party committee and the vice president of Chongqing University. He also served as the deputy secretary to working committee and the vice director of Administrative Committee of northern new district of Chongqing, a member of the second CCP Discipline Committee of Chongqing and a member of the second Political Consultative Conference of Chongqing. In accordance with the "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-Time (Holding Office) in Enterprises" (Zhong Zu Fa No.18 of 2013), Mr. Zhang resigned from the Company with effect from 4 December 2014.

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 in the Past Five Year
Ran Mao Sheng	is a former Independent Non-executive Director of the Company and currently the head of Planning and Finance Division and the director of State-owned Assets Office of Chongqing University, and concurrently serves as vice president of Research Society of China University & College Capital Settlement Centre (全國高等學校資金結算中心研究會), a standing director of Chongqing Auditing Society, a standing director of Chongqing Internal Audit Society, a director of Chongqing University Science and Technology Group Company Limited (重慶大學科技企業集團股份有限公司), a financial consultant of China Development Bank Chongqing Branch and an independent director of Chongqing Zongshen Power Machinery Co., Ltd. Mr. Ran graduated from Chongqing University with a Doctor's Degree in Technology Economics and Management. He is a professor and PhD supervisor. In accordance with the "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-Time (Holding Office) in Enterprises" (Zhong Zu Fa No.18 of 2013), Mr. Ran resigned from the Company with effect from 4 December 2014.
Gong Jun	is the former Financial Controller and the head of the financial and accounting office of the Company. Ms. Gong graduated from China Central Radio and TV University with bachelor degree in accounting. She is a senior accountant and PRC Certified Public Accountant. Joining the Parent Company in 1996, she acted as the head of Audit Department of the Parent Company from March 2008 to May 2010 and acted as the head of Finance Office of the Parent Company from May 2010 to September 2010. She had been the deputy head of the Accounting Department of the Financial and Accounting Office the Company, head of the Accounting Management Division of the Financial Department, deputy head of the Financial Department, deputy head and head of the Audit Department and head of the Financial Department of the Parent Company. Ms. Gong resigned from the Company on 4 April 2014 due to work adjustment.

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)*

Other Explanation Nil

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

☐ Applicable ☑ N/A

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

(I) Positions held at shareholders

☑ Applicable ☐ N/A

Name	Name of shareholders	Position held at the shareholders	Starting date of the tenure	Ending date of the tenure
Zhu Jian Pai	Chongqing Iron & Steel (Group) Co., Ltd.	Director, General manager, Deputy Secretary to the Communist Party Committee		/
Zhou Hong	Chongqing Iron & Steel (Group) Co., Ltd.	Deputy general manager, Chief Engineer		/
Li Zheng	Chongqing Iron & Steel (Group) Co., Ltd.	Office Director of the Supervisory Committee and the Head of Audit Department		/
Li Mei Jun	Chongqing Iron & Steel (Group) Co., Ltd.	Officer of the legal affairs office		/
Deng Qiang	Chongqing Iron & Steel (Group) Co., Ltd.	Deputy general manager		/
Yuan Jin Fu	Chongqing Iron & Steel (Group) Co., Ltd.	Director, Deputy general manager, Chief Accountant		/

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 ☐ N/A

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Liu Tian Ni	Wonderful Sky Financial Group Limited, Silver Grant International Industries Limited, a listed company in Hong Kong, Sure Spread Company Limited	Chairman of Wonderful Sky Financial Group Limited, executive director of Silver Grant International Industries Limited and Managing Director of Sure Spread Company Limited	/	/
Zhang Guo Lin	Southwest University of Political Science & Law	Secretary to the Party Committee, master tutor and an academic leader of Chongqing	/	/
Ran Mao Sheng	Chongqing University	Head of Planning and Finance Division and the director of State-owned Assets Office	/	/
Xu Yi Xiang	Southwest University of Political Science and Law, Chongqing Damei Law Firm (重慶達美律師事務所) and Hainan Arbitration Commission	Professor and doctorate tutor in the School of Economics of Southwest University of Political Science and Law, 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, part-time lawyer in Chongqing Damei Law Firm (重慶達美律師事務所) and arbitrator of Hainan Arbitration Commission	/	
Xin Qing Quan	Chongqing University, Lingnan University in Hong Kong and Chongqing International Consultation Investment Group (重慶國際諮詢投資集團)	Professor of accounting and doctoral tutor in the School of Economics and Business Administration of Chongqing University, special researcher of Chinese Government Auditing Research Center (中國政府審計研究中心), senior assistant researcher in the Department of Finance and Insurance of Lingnan University in Hong Kong and external director of Chongqing International Consultation Investment Group (重慶國際諮詢投資集團)	/	/
Explanation of positions held in other entities	Nil			

III. REMUNERATIONS OF DIRECTORS, SUPERVISOR AND SENIOR MANAGEMENT

Procedure for determining remunerations of Directors, Supervisors and Senior Management	The Remuneration Committee decides the remuneration plan for Directors, Supervisors and Senior Management for the next year
Basis for determining remunerations of Directors, Supervisors and Senior Management	Remuneration for the Company's executive Directors, the management and other senior management members is designed to be 4 to 10 times of average salary of the employees, which have 0.8 to 1.2 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 1.2 times of difference for different persons.
Remunerations payable to Directors, Supervisors and Senior Management	RMB2,222,800
Total remunerations actually received by all Directors, Supervisors and Senior Management at the end of the Reporting Period	RMB2,222,800

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Zhu Jian Pai	Chairman	Election	Election
Zhou Hong	Director	Election	Election
Zhang Li Quan	Director, Deputy general manager	Election	Election
Yao Xiao Hu	Director, Deputy general manager	Election	Election
Xu Yi Xiang	Independent Director	Election	Election
Xin Qing Quan	Independent Director	Election	Election
Deng Qiang	Former Chairman	Resigned	Work adjustment
Yuan Jin Fu	Former director	Resigned	Work adjustment
Chen Hong (陳洪)	Former director, Former general manager	Resigned	Work adjustment
Guan Zhao Hui	Former director, Former deputy general manager	Resigned	Work adjustment
Zhang Guo Lin	Former Independent Director	Resigned	Resigned In accordance with the "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-Time (Holding Office) in Enterprises" (Zhong Zu Fa No.18 of 2013)
Ran Mao Sheng	Former Independent Director	Resigned	Resigned In accordance with the "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-Time (Holding Office) in Enterprises" (Zhong Zu Fa No.18 of 2013)
Zeng Jing	Deputy general manager	Appointed	Appointed
Zhang Zong Ming	Financial controller	Appointed	Appointed
Gong Jun	Former financial controller	Resigned	Work adjustment

V. CORE TECHNICAL TEAM OR KEY TECHNICAL PERSONNEL

During the Reporting Period, the Company's core technical team or key technical personnel (other than Directors, Supervisors and Senior Management) and other employee who are of great significance to the Company's core competitiveness remained stable and unchanged.

VI. EMPLOYEES OF THE COMPANY AND MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the Company	10,690
Number of in-service employees of major subsidiaries	1,111
Total number of in-service employees	11,801
Number of retired employees for whom the Company and major subsidiaries need to bear certain expenses	0
Structure of profession	

Structure of profession

Type of profession	**Number of people**
Production staff	9,464
Sales staff	150
Technical staff	791
Finance staff	86
Administrative staff	1,310
Total	11,801

Education background **Education level**	**Number of people**
Doctor's degree	3
Master's degree	225
Undergraduate	1,572
Associate degree	3,710
Secondary vocational graduates	893
Secondary technical graduates and below	5,398
Total	11,801

VI. EMPLOYEES OF THE COMPANY AND MAJOR SUBSIDIARIES *(CONTINUED)*

(II) Remuneration policy

Employees' remuneration refers to payments the Company makes to employees in cash for their labor. 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 has the freedom to determine 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. The growth of salary is controlled based on the principle that "the growth of total salary should be slower than the growth of the Company's economic benefit and the growth of employees' average salary should be slower than the growth of the Company's productivity".

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

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, on the same post, under the same working conditions, with the same educational background, same skills, contribution and performance.

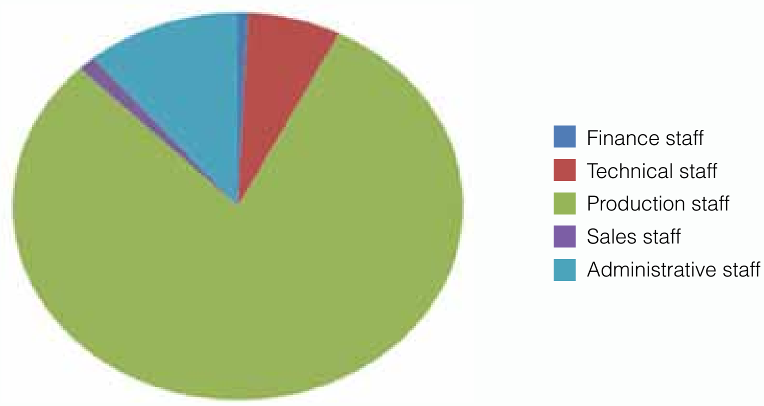
The Company implements a minimus salary system, requiring all of its entities to provide a salary not lower than the minimum salary prescribed by the local government for employees who offer normal labor in legitimate working time (including the trial period, probationary period, learning period and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

VI. EMPLOYEES OF THE COMPANY AND MAJOR SUBSIDIARIES *(CONTINUED)*

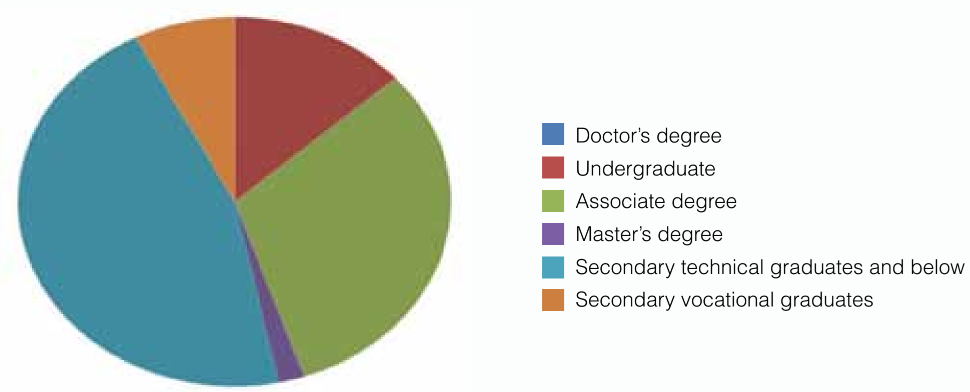
(III) Training program

The Company has put in place a multi-level and multi-type training system, providing internal and external staff training according to development needs to enhance employees' skills and business capability and ensure employees' career development and the Company's sustainable development. 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-calibre and innovative talents with an optimized structure and the ability to meet the Company's demand.

(IV) Statistical diagram of staff composition



(V) Statistical diagram of education level



I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE AND INSIDERS REGISTRATION AND MANAGEMENT

As the Company was listed on Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, it shall comply with the requirements of the Code of Corporate Governance for Listed Companies of China Securities Regulatory Commission ("CSRC") and the Corporate Governance Code of Stock Exchange in respect of corporate governance practices besides applicable laws and regulations. The Company strongly believes that compliance with good corporate governance principles, improvement of corporate operation transparency and independence and establishment of effective accountability systems will help the Company maintain steady growth and create more value for shareholders. During the Reporting Period, the corporate governance of the Company was in line with the requirements of the Code of Corporate Governance for Listed Companies.

1. Shareholders and shareholders' general meeting: The Company convenes, gives notices of and holds general meetings in strict compliance with 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, listen 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 2012 annual general meeting and the first extraordinary general meeting for 2013. On-site and online voting was adopted for the both general meeting. The 2012 annual report, re-election of the Board, the Material Assets Reorganisation and other matters were considered an approved at the general meetings with a view to protecting the lawful rights and interests of all shareholders.

2. Controlling Shareholder and the 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 a shareholder's rights in strict compliance with relevant requirement of the Company Law and the Articles of Association without overriding the general meeting or directly intervening in the Company's production and operation and important decision. At the end of the Reporting Period, none of the Company's capital and assets was appropriated by its substantial shareholders.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE AND INSIDERS REGISTRATION AND MANAGEMENT *(CONTINUED)*

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 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 relevant requirements and earnestly executes the resolution 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. The Board of the Company consists of eight members, including three independent directors, one of whom is a professional accountant. The Board has four 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 keeping with the requirement of the Guidance on Establishment of the Independent Director System in Listed Companies.

4. Supervisors and the Supervisory Committee: Presently, the Supervisory Committee comprises five members including two supervisors representing staff. The composition of the Supervisory Committee is in keeping with relevant requirement 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 Company's standardized operation, the Company's financial system and operation, the legitimacy and compliance of duty performance by the Company's directors and senior management.

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, and treats all shareholders fairly to ensure equal right to know.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE AND INSIDERS REGISTRATION AND MANAGEMENT *(CONTINUED)*

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 of the implementation of internal control against indicators 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 department of the Company designated internal control commissioners to enhance internal control efforts. Meanwhile, the Company engaged KPMG Huazhen Certified Public Accountants (Special General Partnership) to conduct independent audit of 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 requirement 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 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.

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) (the "Notice") 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 requirement, effectively guarding the principle of fairness in information disclosure. During the Reporting Period, the Company had no inside information leakage or insider transactions.

   Corporate governance complies with relevant provisions.

II. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Resolutions	Voting results	Websites designated for publication of resolutions	Date of publication of resolutions
2013 Annual General Meeting	16 May 2014	1. The report of the supervisory committee of the Company for the year 2013. 2. The report of the supervisory committee of the Company for the year 2013. 3. The audited financial report of the group (including the Company and its subsidiaries) for the year 2013. 4. The 2013 annual report of the Company. 5. The profit distribution proposal of the Company for the year 2013. 6. The performance report of the independent directors of the Company for the year 2013. 7. Proposal for re-appointment of KPMG Huazhen (Special General Partnership) as the auditor and internal control auditor of the Company for the year 2014, and authorisation of the board to determine its remuneration for 2014 with reference to its remuneration for 2013. 8. Proposal in relation to amendments to the "Rules of Procedure of the Supervisory Committee" of the Company. 9. The "Service and Supply Agreement" for 2014 to 2016 entered into between the Company and the parent company, and the transactions contemplated thereunder and the annual cap for each year. 10. Proposal in relation to election of Mr. Zhu Jian Pai, Mr. Zhou Hong and Mr. Zhang Li Quan as Directors of the Company by cumulative voting. 11. Proposal in relation to amendments to the "Articles of Association of Chongqing Iron & Steel Company Limited".	All have been passed upon consideration	Announcement of Resolutions Passed at the 2013 Annual General Meeting (2014-020) 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 18 May 2014	18 May 2014
2014 First Extraordinary Meeting	4 December 2014	1. Resolution in relation to the disposal of the land, appendants thereon and all other assets of the cold-rolled sheet plant of the Company to the Land Reserve Centre of Changshou Economic and Technological Development Zone of Chongqing City. 2. Resolution in relation to the election of Mr. Yao Xiaohu as a director of the Company, to hold office from the date of approval at the general meeting until the expiry of the sixth session of the board of directors of the Company. 3. Resolution in relation to the election of Mr. Xu Yixiang and Mr. Xin Qingquan as independent non-executive directors of the Company by cumulative voting, to hold office from the date of approval at the general meeting until the expiry of the sixth session of the board of directors of the Company	All have been passed upon consideration	Announcement of Results Of 2014 First Extraordinary General Meeting (2014-048) 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 5 December 2014	5 December 2014
Explanations on general meetings	None				

III. DUTY PERFORMANCE OF DIRECTORS

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

		Attendance of general meetings						Attendance of general meetings
Name of director	Independent director or not	Number of Board meetings	Attendance in person	Attendance via communication	Attendance by proxy	Absence	Whether failed to attend 2 consecutive meetings in person	Attendance of general meetings
Zhu Jianpai	No	3	3	0	0	0	No	1
Zhou Hong	No	3	3	0	0	0	No	1
Li Rensheng	No	6	6	0	0	0	No	2
Zhang Liquan	No	3	3	3	0	0	No	1
Yao Xiaohu	No	1	1	1	0	0	No	1
Liu Tianni	Yes	6	0	6	0	0	No	2
Xu Yixiang	Yes	1	1	0	0	0	No	0
Xin Qingquan	Yes	1	1	0	0	0	No	0
Yuan Jinfu	No	0	0	0	0	0	No	0
Deng Qiang	No	0	0	0	0	0	No	0
Chen Hong	No	0	0	0	0	0	No	0
Guan Zhaohui	No	5	5	0	0	0	No	1
Zhang Guolin	Yes	5	3	2	0	0	No	2
Ran Maosheng	Yes	5	3	2	0	0	No	2

Explanations on failure to attend 2 consecutive meetings in person

None

Number of Board meetings during the year	6
Including: number of physical meetings	0
number of virtual meetings	0
number of meetings by both physical and virtual means	6

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

Independent directors did not raise objections against relevant issues of the Company.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD

(I) Work of the Nomination Committee

The fourth meeting of the first session of the Nomination Committee of Chongqing Iron & Steel Company Limited (the "Company") 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 22 December 2014. All of the 3 members attended the meeting. The meeting was convened by Mr. Zhu Jianpai. The notice for the meeting was despatched on 12 December 2014, 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:

   Based on relevant situations in relation to the Company's production and operation scales and industrial features, the Nomination Committee is of the opinion that, the size and composition of the Board are proper and in line with relevant requirements on standardized governance.

   In 2014, there were materials changes in Directors of the Company due to work adjustments. Mr. Deng Qiang, Mr. Chen Hong, Mr. Yuan Jinfu and Mr. Guan Zhaohui resigned as a Director of the Company successively. Mr. Ran Maosheng and Mr. Zhang Guolin resigned as an independent Director of the Company due to the relevant requirements of the Organization Department of the CPC Central Committee. The Company promptly elected Mr. Zhu Jianpai, Mr. Zhang Liquan, Mr. Zhou Hong and Mr. Yao Xiaohu as a Director of the Company and elected Mr. Xu Yixiang and Mr. Xin Qingquan as an independent Director of the Company. However, there was still a vacancy for one Director and the Nomination Committee recommended the Company to carry out election in a timely manner.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD *(CONTINUED)*

(I) Work of the Nomination Committee *(Continued)*

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

   In 2014, Having adequately vetted the profession, education, professional title, detailed work experience and all part-time jobs of Mr. Zhu Jianpai, Mr. Zhang Liquan, Mr. Zhou Hong and Mr. Yao Xiaohu, the Nomination Committee is of the opinion that, Mr. Zhu Jianpai, Mr. Zhang Liquan, Mr. Zhou Hong and Mr. Yao Xiaohu are qualified for a Director of a listed company and are capable of taking the responsibility of the position appointed. Mr. Zhu Jianpai, Mr. Zhang Liquan, Mr. Zhou Hong and Mr. Yao Xiaohu are neither identified as being prohibited from holding the position of company director under Rule 147 of the Company Law nor as being prohibited from entering the securities market and are still in the prohibition period by the China Securities Regulatory Commission.

   In 2014, having adequately vetted the education, professional title, detailed work experience and all part-time jobs of Mr. Li Rensheng, the candidate for General Manager, Mr. Zhang Liquan and Mr. Yao Xiaohu, the candidates for Deputy General Manager, Mr. Zhang Zongming, the candidate for Financial Controller, and Mr. Xu Yixiang and Mr. Xin Qingquan, the candidates for independent Director, the Nomination Committee is of the opinion that, the above candidates are qualified for the position under the requirements of the Company Law, the Articles of Association and relevant laws and regulations.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD *(CONTINUED)*

(II) Work of the Remuneration and Evaluation Committee

In 2014, the Remuneration and Evaluation Committee duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Associations and Rules of Procedure for the Remuneration and Evaluation Committee.

On 29 December 2014, the Company held the third meeting of the fourth Remuneration and Evaluation Committee, at which the follow resolutions were formed:

1. Remuneration for the Company's executive Directors, the management and other senior management members in 2014 was designed to be 4 to 10 times of average salary of the employees, which have 0.8 to 1.2 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 1.2 times of difference for different persons. The above persons' remunerations were paid based on an established package including basic salary, monthly bonus, performance-based quarterly award and year-end bonus in line with the Company's economic benefits and in light of the performance appraisal results. The actual payment accorded with the remuneration scheme for 2014.

2. Approving the remuneration scheme for directors, supervisor and senior management of the Company for 2015.

3. Recommendation that the remuneration of directors, supervisor and senior management should continue to be linked with the Company's performance and the internal incentive and constraint mechanism should be further improved and refined.

(III) Work of the Strategy Committee.

In 2014, the Strategy Committee duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Associations 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 24 November 2014, the Company convened the second meeting of the fourth session of the Strategic Committee, at which the Proposal in Relation to Disposal of Idle Land was considered and approved, and was submitted to the Board of the Company for decision.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD *(CONTINUED)*

(IV) Performance of relevant work by the Audit Committee of the Board of the Company

1. Communication with external auditor

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

   Upon the commencement of audit by CPAs for annual audit, the Audit Committee 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, based on its communication with the auditor in respect of such preliminary opinion, issued a written review opinion thereon.

2. Reviewing the Company's financial statements and issuing opinions thereon

   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 and issued its opinion thereon in writing prior to the commencement of annual audit by the auditor: the financial statements of the Company are prepared in strict accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance without any material mistake or omission and can reflect the financial position and operating results of the Company.

3. Supervising and evaluating the work of external auditor

   Upon the issue of Auditors' Report for 2013 by KPMG Huazhen Certified Public Accountants, the Audit Committee held a meeting, at which it made a summary of the audit work by KPMG Huazhen Certified Public Accountants; and recommended the Board to re-appoint KPMG Huazhen Certified Public Accountants (Special General Partnership) as the audit and internal control auditor of the Company for 2014.

IV. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD *(CONTINUED)*

(IV) 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 2013 and the internal audit plan for 2014, promptly supervised and urged the smooth implementation of the internal audit plan for 2014, and provide instructive opinions on the problems 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 considered that there was no material or significant defect with the Company's internal control, and reviewed the audit report on internal control issued by KPMG Huazhen Certified Public Accountants and considered that that the Company maintained effective internal control on financial reporting in all material aspects.

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

The Supervisory Committee had no objection to the matters of the Company under its supervision during the Reporting Period.

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

Item	Whether independent and complete or not	Explanation
Business	Yes	The Company is a self-sustaining entity operating independently with an independent production, supply and sales system. The Company does not compete with its Controlling Shareholder in its principal business activities.
Staff	Yes	The Company is completely independent in terms of labor, personnel and salary affairs. All of the Company's senior management members including the general manager, deputy general manager, chief engineer, financial controller and secretary to the Board receive remuneration in the Company without concurrently holding posts at shareholders.
Assets	Yes	Chongqing Iron & Steel Group injected the iron and steel making related facilities into the Company within the reporting period, the Company has complete and independent assets, and independent from the Controlling Shareholder' assets.
Organization	Yes	The Company has a complete organizational structure and functional departments independent from the Controlling Shareholder. The Company's offices and production and operational premises are completely separated from those of the Controlling Shareholder.
Finance	Yes	The Company establishes a finance department as the independent financial accounting division, sets up an independent accounting system and financial management system, opens accounts independently with financial institutions and pays taxes separately.

In addition, the Company is not involved in horizontal competition arising from stock reform, industry's features, national policy, acquisition and merger.

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

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.

Internal Control

I. STATEMENT OF INTERNAL CONTROL RESPONSIBILITIES AND INTERNAL CONTROL SYSTEM ESTABLISHMENT

The Board of the Company is responsible for setting up and maintaining an effective internal control system related to financial reporting. The Company prepared the 2014 Internal Control Evaluation Report of Chongqing Iron & Steel Company Limited according to the internal control functioning in 2014 (for details, please refer to the announcement 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 31 March 2015).

Whether to disclose the self-evaluation report on internal control: Yes

II. EXPLANATION ABOUT RELEVANT MATTER OF THE INTERNAL CONTROL AUDIT REPORT

KPMG Huazhen Certified Public Accountants (Special General Partnership) audited the internal control of the Company in 2014 and issued a standard unqualified Audit Report on Internal Control of Chongqing Iron & Steel Company Limited in 2014 to the effect that the Company maintained effective internal control on financial reporting in all material aspects as at 31 December 2014 according to the Basic Standards for Enterprise Internal Control and relevant requirements.

Whether to disclose the audit report on internal control: Yes

III. EXPLANATION ABOUT THE ACCOUNTABILITY SYSTEM FOR MAJOR ERRORS IN ANNUAL REPORT AND IMPLEMENTATION THEREOF

The fourth session of the Board of the Company considered and approved at its 4th meeting the Information Disclosure Management System of Chongqing Iron & Steel Company Limited, which provides for accountability for major errors in information disclosure in the annual report of the Company.

This section was prepared according to the requirements under the Corporate Governance Code and Corporate Governance Report of the Stock Exchange.

I. CORPORATE GOVERNANCE PRACTICES

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 fulfilment of commitments made by the Board and senior management, maintain transparency and accountability to shareholders and create maximum value for shareholders.

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 as at 31 December 2014.

II. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

(1) Directors' and Supervisors' Interests in the Shares of the Group or any Associated Corporation

As at 31 December 2011, 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 Group and 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 *(share)*
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 the Parent Company in December 2002.

II. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS *(CONTINUED)*

(1) Directors' and Supervisors' Interests in the Shares of the Group or any Associated Corporation *(Continued)*

Save as disclosed above, as at 31 December 2014 none of the Directors, Supervisors or their respective associates had any interest in the shares of the Group or its associated corporations.

During the year 2014, none of the Directors or Supervisors or their spouses or children under 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 2014 was the Group, 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 interest, either directly or indirectly.

At no time during the year 2014 was the Group, 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.

(2) Service Contracts of Directors and Supervisors

The directors and supervisors of the Company respectively entered into service contracts which commence from 31 May 2012. Neither terms for compensation for termination of service prior to the expiry of the service contracts nor the terms for compensation for no renewal of service upon the expiry of such service contracts were made.

(3) Directors' and Supervisors' Interests in the Contracts

The Group 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.

II. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS *(CONTINUED)*

(4) 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.

III. THE BOARD

(I) Composition of the Board

For details, please refer to “Section VII.I.(1)” of this report.

(II) Number of Board meetings during the financial year

For details, please refer to “Section VIII.III” of this report.

(III) Directors’ attendance of the Board meetings and general meetings

For details, please refer to “Section VIII.III” of this report.

III. THE BOARD *(CONTINUED)*

(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 Group's overall strategy, sets the Group's business direction and financial performance target, ensure the establishment and implementation of a good corporate governance structure and procedure. The Board reports the Company's performance and business to shareholders. The Board is the Group'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 Group'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 Group's corporate goals, missions and business plan which are determined and approved by the Board from time to time.

(V) The Company strictly complied with Rule 3.10(1) and (2) and Rule 3.10(a) of the Listing Rules during the Reporting Period.

(VI) The Company strictly complied with Rule 3.13 of the Listing Rules during the Reporting Period.

(VII) There is no discloseable connected relationship between members of the Board of the Company.

(VIII) 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.

IV. 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 charges 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.

V. NON-EXECUTIVE DIRECTOR

Non-executive directors 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 VII. I. (I) of this report.

VI. COMMITTEES UNDER THE BOARD

(I) 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.

VI. COMMITTEES UNDER THE BOARD *(CONTINUED)*

(I) Functions of special committees *(Continued)*

2. Primary responsibilities of the Audit Committee

   (1) to make recommendation on the appointment or removal of the external auditor;

   (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.

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 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.

VI. COMMITTEES UNDER THE BOARD *(CONTINUED)*

(I) Functions of special committees *(Continued)*

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 recommendation and make recommendation;

(5) To vet other senior management to be appointed by the Board and make recommendation;

(6) other matters authorized by the Board.

(II) Composition of all special committees (as at 31 December 2014)

Strategy Committee	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee
Zhu Jianpai*	*Xin Qingquan**	*Xu Yixiang**	Zhu Jianpai*
Li Rensheng	*Xu Yixiang*	Zhu Jianpai	*Xin Qingquan*
Zhou Hong	*Liu Tianni*	*Xin Qingquan*	*Liu Tianni*
Zhang Liquan		*Liu Tianni*	
Yao Xiaohu			
Xu Yixiang			

Note: * Chairman of special committees

Names in italic letters are independent non-executive directors

VI. COMMITTEES UNDER THE BOARD *(CONTINUED)*

(III) Work of special committees

For details, please refer to "Section VIII.IV" of this report.

VII. REMUNERATION OF AUDITORS

For details, please refer to "Section V.IX" of this report.

VIII. COMPANY SECRETARY

The Company did not engage any service institution as the company secretary.

IX. SHAREHOLDERS' RIGHTS

(I) Shareholders' right to convene an extraordinary general meeting

According to the Company 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 has the right to propose, which should be in written form, the convening of an extraordinary general meeting to the Supervisory Committee.

IX. SHAREHOLDERS' RIGHTS *(CONTINUED)*

(II) Enquiry procedure and available information

According to the Articles of Association of the Company, shareholders may have access to relevant information including:

1. the Articles of Association after paying the cost;

2. Inspect and copy, 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 (domicile); (c) nationality; (d) full-time and all other part-time jobs and titles; (e) identity document and number.

   (3) counterfoil of corporate bonds;

   (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 securities 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 temporary proposal and submit the same to the convener 10 days prior to a general meeting.

畢馬威華振審字第1500652號

All Shareholders of Chongqing Iron and Steel Company Limited:

We have audited the accompanying financial statements of Chongqing Iron and Steel Company Limited ("the Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2014, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2014, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen
(Special General Partnership)

Certified Public Accountants
Registered in the People's Republic of China

Ling Yun

Wan Shu

China Beijing

30 March 2015

Consolidated balance sheet

as at 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

Assets	Note	2014	2013
Current assets			
Cash at bank and on hand	V.1	**1,246,578**	1,553,350
Bills receivable	V.2	**224,614**	340,783
Accounts receivable	V.3	**469,025**	535,906
Prepayments	V.4	**267,484**	364,264
Other receivables	V.5	**922,295**	51,859
Inventories	V.6	**7,990,476**	8,792,179
Other current assets	V.7	**1,561,800**	1,713,216
Total current assets		**12,682,272**	13,351,557
Non-current assets			
Available-for-sale financial assets	V.8	**5,000**	5,000
Long-term equity investments	V.9	**—**	104,752
Fixed assets	V.10	**29,731,154**	24,570,568
Construction in progress	V.11	**1,913,873**	6,977,960
Construction materials	V.12	**12,047**	34,031
Intangible assets	V.13	**2,682,651**	2,860,193
Deferred tax assets	V.14	**17,116**	17,866
Other non-current assets	V.15	**108,320**	124,050
Total non-current assets		**34,470,161**	34,694,420
Total assets		**47,152,433**	48,045,977

The notes on pages 127 to 278 form part of these financial statements.

as at 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

Liabilities and shareholders' equity	Note	2014	2013
Current liabilities			
Short-term loans	V.16	**2,883,600**	4,705,734
Bills payable	V.17	**4,427,532**	2,583,300
Accounts payable	V.18	**12,422,435**	13,506,498
Advances from customers	V.19	**987,979**	2,303,266
Employee benefits payable	V.20	**184,805**	197,105
Taxes payable	V.21	**11,151**	308,379
Interest payable	V.22	**32,332**	68,372
Other payables	V.23	**2,255,707**	1,500,212
Non-current liabilities due within one year	V.24	**3,643,690**	2,355,454
Other current liabilities	V.25	**9,508**	9,445
Total current liabilities		**26,858,739**	27,537,765
Non-current liabilities			
Long-term loans	V.26	**9,909,613**	7,348,938
Debentures payable	V.27	**—**	1,976,699
Long-term payables	V.28	**222,407**	1,083,193
Deferred income	V.29	**168,548**	163,079
Total non-current liabilities		**10,300,568**	10,571,909
Total liabilities		**37,159,307**	38,109,674

The notes on pages 127 to 278 form part of these financial statements.

as at 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

Liabilities and shareholders' equity *(continued)*	*Note*	**2014**	2013
Shareholders' equity			
Share capital	V.30	**4,436,023**	4,436,023
Capital reserve	V.31	**6,655,407**	6,648,883
Other comprehensive income		**—**	—
Specific reserve	V.32	**—**	1,344
Surplus reserve	V.33	**606,991**	606,991
Retained earnings ("( )" for undistributed deficit)	V.34	**(1,724,507)**	(1,775,938)
Total equity attributable to shareholders of the Company		**9,973,914**	9,917,303
Non-controlling interests		**19,212**	19,000
Total shareholders' equity		**9,993,126**	9,936,303
Total liabilities and shareholders' equity		**47,152,433**	48,045,977

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

Balance sheet

as at 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

Assets	*Note*	**2014**	2013
Current assets			
Cash at bank and on hand		**1,238,597**	1,536,656
Bills receivable		**223,914**	329,619
Accounts receivable	XV.1	**440,162**	468,322
Prepayments		**260,849**	93,234
Other receivables	XV.2	**922,272**	46,271
Inventories		**7,990,476**	8,782,016
Other current assets		**1,560,798**	1,712,544
Total current assets		**12,637,068**	12,968,662
Non-current assets			
Available-for-sale financial assets		**5,000**	5,000
Long-term equity investments	XV.3	**101,000**	219,610
Fixed assets		**29,720,783**	24,523,710
Construction in progress		**1,913,873**	6,974,608
Construction materials		**12,047**	34,031
Intangible assets		**2,682,651**	2,856,166
Deferred tax assets		**17,116**	17,116
Other non-current assets		**49,300**	58,750
Total non-current assets		**34,501,770**	34,688,991
Total assets		**47,138,838**	47,657,653

The notes on pages 127 to 278 form part of these financial statements.

as at 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

Liabilities and shareholders' equity	Note	2014	2013
Current liabilities			
Short-term loans		**2,883,600**	4,705,734
Bills payable		**4,427,532**	2,583,300
Accounts payable		**12,463,091**	13,470,028
Advances from customers		**957,526**	1,990,185
Employee benefits payable		**184,766**	193,331
Taxes payable		**10,231**	307,438
Interest payable		**32,332**	68,372
Other payables		**2,254,531**	1,562,280
Non-current liabilities due within one year		**3,643,690**	2,355,454
Other current liabilities		**9,508**	9,445
Total current liabilities		**26,866,807**	27,245,567
Non-current liabilities			
Long-term loans		**9,909,613**	7,348,938
Debentures payable		**—**	1,976,699
Long-term payables		**222,407**	1,083,193
Deferred income		**168,548**	162,286
Total non-current liabilities		**10,300,568**	10,571,116
Total liabilities		**37,167,375**	37,816,683

The notes on pages 127 to 278 form part of these financial statements.

as at 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

Liabilities and shareholders' equity *(continued)*	*Note*	**2014**	2013
Shareholders' equity			
Share capital		**4,436,023**	4,436,023
Capital reserve		**6,686,350**	6,680,331
Other comprehensive income		**—**	—
Surplus reserve		**577,012**	577,012
Retained earnings ("( )" for undistributed deficit)		**(1,727,922)**	(1,852,396)
Total shareholders' equity		**9,971,463**	9,840,970
Total liabilities and shareholders' equity		**47,138,838**	47,657,653

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

Consolidated income statement

for the year ended 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

		Note	2014	2013
I.	**Operating income**	V.35	**12,245,057**	17,563,446
II.	**Less: Operating costs**	V.35	**12,673,573**	17,884,462
	Business taxes and surcharges	V.36	**2,608**	7,296
	Selling and distribution expenses	V.37	**263,506**	349,210
	General and administrative expenses	V.38	**712,157**	853,930
	Financial expenses	V.39	**1,341,579**	840,593
	Impairment losses	V.40	**196,870**	127,977
	Add: Gains from changes in fair value ("( )" for losses)	V.41	**—**	1,556
	Investment income ("( )" for losses)	V.42	**101,926**	(1,505)
	Including: Income from investment in associates and joint ventures		**41**	13
III.	**Operating profit ("( )" for losses)**		**(2,843,310)**	(2,499,971)
	Add: Non-operating income	V.43	**2,909,115**	12,022
	Including: Gains from disposal of non-current assets		**1,132,661**	225
	Less: Non-operating expenses	V.44	**11,265**	7,942
	Including: Losses from disposal of non-current assets		**42**	4,357
IV.	**Profit before income tax ("( )" for losses)**		**54,540**	(2,495,891)
	Less: Income tax expense	V.45	**2,897**	3,127
V.	**Net profit for the year ("( )" for net losses)**		**51,643**	(2,499,018)
	Attributable to:			
	Shareholders of the Company		**51,431**	(2,499,018)
	Non-controlling interests		**212**	—

The notes on pages 127 to 278 form part of these financial statements.

	Note	**2014**	2013
VI. Other comprehensive income, net of tax			
Other comprehensive income (net of tax) attributable to shareholders of the Company			
(1) Items that will not be reclassified to profit or loss:			
1. Remeasurement of Defined benefit plan liability		**—**	—
2. Share of other comprehensive income of the equity-accounted investee		**—**	—
(2) Items that may be reclassified to profit or loss:			
1. Share of other comprehensive income of the equity-accounted investee		**—**	—
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		**—**	—
3. Effective hedging portion of gains or losses arising from cash flow hedging instruments		**—**	—
4. Translation differences arising on translation of foreign currency financial statements		**—**	—
5. Others		**—**	—
Other comprehensive income (net of tax) attributable to non-controlling interests		**—**	—

The notes on pages 127 to 278 form part of these financial statements.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

		Note	2014	2013
VII.	**Total comprehensive income for the year**		**51,643**	(2,499,018)
	Attributable to:			
	Shareholders of the Company		**51,431**	(2,499,018)
	Non-controlling interests		**212**	—
VIII.	**Earnings per share**			
	(1) Basic earnings per share	V.46	**0.012**	(1.252)
	(2) Diluted earnings per share	V.46	**0.012**	(1.252)

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

Income statement

for the year ended 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

	Note	2014	2013
I. Operating income	XV.4	**12,117,812**	17,367,834
Less: Operating costs	XV.4	**12,595,101**	17,731,675
Business taxes and surcharges		**915**	1,074
Selling and distribution expenses		**260,233**	345,618
General and administrative expenses		**670,409**	814,470
Financial expenses		**1,341,564**	837,697
Impairment losses		**196,388**	128,089
Add: Gains from changes in fair value ("( )" for losses)		**—**	1,556
Investment income ("( )" for losses)	XV.5	**176,723**	6,265
Including: Income from investments in associates and joint ventures		**41**	13
II. Operating profit ("( )" for losses)		**(2,770,075)**	(2,482,968)
Add: Non-operating income		**2,905,714**	6,369
Including: Gains from disposal of non-current assets		**1,131,914**	1
Less: Non-operating expenses		**11,165**	3,501
Including: Losses from disposal of non-current assets		**11**	3
III. Profit before income tax ("( )" for losses)		**124,474**	(2,480,100)
Less: Income tax expense		**—**	—
IV. Net profit for the year ("( )" for losses)		**124,474**	(2,480,100)

The notes on pages 127 to 278 form part of these financial statements.

	Note	2014	2013
V. Other comprehensive income, net of tax			
(1) Items that will not be reclassified to profit or loss:			
1. Remeasurement of defined benefit plan liability		—	—
2. Share of other comprehensive income of the equity-accounted investee		—	—
(2) Items that may be reclassified to profit or loss:			
1. Share of other comprehensive income of the equity-accounted investee		—	—
2. Gains or losses arising from changes in fair value of available-for sale financial assets		—	—
3. Effective hedging portion of gains or losses arising from cash flow hedging instruments		—	—
4. Translation differences arising on translation of foreign currency financial statements		—	—
5. Others		—	—
VI. Total comprehensive income for the year		**124,474**	(2,480,100)

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

	Note	2014	2013
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		**13,656,749**	21,495,204
Refund of taxes		**2,282**	3,169
Proceeds from government subsidies		**936,474**	46,700
Proceeds from other operating activities	V.48(1)	**809,904**	7,263
Sub-total of cash inflows		**15,405,409**	21,552,336
Payment for goods and services		**(11,597,130)**	(18,503,825)
Payment to and for employees		**(893,295)**	(1,017,179)
Payment of various taxes		**(104,672)**	(63,614)
Payment for other operating activities	V.48 (2)	**(13,529)**	(12,387)
Sub-total of cash outflows		**(12,608,626)**	(19,597,005)
Net cash inflow from operating activities	V.49 (1)	**2,796,783**	1,955,331
II. Cash flows from investing activities:			
Net proceeds received from disposal of fixed assets, intangible assets and other long-term assets		**967,852**	3,093
Net proceeds from disposal of subsidiaries and other business units	V.49(2)	**4,819**	—
Proceeds from other investing activities	V.48 (3)	**20,696**	20,205
Sub-total of cash inflows		**993,367**	23,298
Payment for acquisition of fixed assets, intangible assets and other long-term assets		**(2,552,844)**	(2,108,064)
Sub-total of cash outflows		**(2,552,844)**	(2,108,064)
Net cash outflow from investing activities		**(1,559,477)**	(2,084,766)

The notes on pages 127 to 278 form part of these financial statements.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

	Note	2014	2013
III. Cash flows from financing activities:			
Proceeds from investors		**—**	1,950,000
Including: Proceeds from non-controlling shareholders of subsidiaries		**—**	—
Proceeds from borrowings		**8,251,711**	6,059,786
Sub-total of cash inflows		**8,251,711**	8,009,786
Repayments of borrowings		**(7,033,135)**	(8,073,100)
Payment for dividends, profit distributions or interest		**(1,369,407)**	(771,179)
Including: Dividends and profits paid to non-controlling shareholders of subsidiaries		**—**	—
Payment for other financing activities	V.48(4)	**(1,461,077)**	(1,910,843)
Sub-total of cash outflows		**(9,863,619)**	(10,755,122)
Net cash outflow from financing activities		**(1,611,908)**	(2,745,336)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**1,689**	(732)
V. Net increase in cash and cash equivalents ("( )" for decreases)	V.49 (1)	**(372,913)**	(2,875,503)
Add: Cash and cash equivalents at the beginning of the year		**519,061**	3,394,564
VI. Cash and cash equivalents at the end of the year	V.49(3)	**146,148**	519,061

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

Cash flow statement

for the year ended 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

	Note	2014	2013
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		**13,469,138**	20,384,404
Refund of taxes		**519**	2,063
Proceeds from government subsidies		**936,023**	45,000
Proceeds from other operating activities		**809,373**	3,598
Sub-total of cash inflows		**15,215,053**	20,435,065
Payment for goods and services		**(11,542,071)**	(17,592,813)
Payment to and for employees		**(777,912)**	(946,931)
Payment of various taxes		**(95,586)**	(20,149)
Payment for other operating activities		**(13,426)**	(6,385)
Sub-total of cash outflows		**(12,428,995)**	(18,566,278)
Net cash inflow from operating activities		**2,786,058**	1,868,787
II. Cash flows from investing activities:			
Investment returns received		**4,174**	7,770
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		**967,335**	2,237
Net proceeds from disposal of subsidiaries and other business units		**5,070**	—
Proceeds from other investing activities		**20,632**	20,148
Sub-total of cash inflows		**997,211**	30,155
Payment for acquisition of fixed assets, intangible assets and other long-term assets		**(2,537,248)**	(2,083,253)
Sub-total of cash outflows		**(2,537,248)**	(2,083,253)
Net cash outflow from investing activities		**(1,540,037)**	(2,053,098)

The notes on pages 127 to 278 form part of these financial statements.

for the year ended 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

	Note	2014	2013
III. Cash flows from financing activities			
Proceeds from investors		**—**	1,950,000
Proceeds from borrowings		**8,251,711**	6,059,786
Sub-total of cash inflows		**8,251,711**	8,009,786
Repayments of borrowings		**(7,033,135)**	(8,008,100)
Payment for dividends, profit distributions or interest		**(1,369,407)**	(768,270)
Payment for other financing activities		**(1,461,077)**	(1,910,843)
Sub-total of cash outflows		**(9,863,619)**	(10,687,213)
Net cash outflow from financing activities		**(1,611,908)**	(2,677,427)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**1,689**	(732)
V. Net increase in cash and cash equivalents (“( )” for decreases)		**(364,198)**	(2,862,470)
Add: cash and cash equivalents at the beginning of the year		**502,366**	3,364,836
VI. Cash and cash equivalents at the end of the year		**138,168**	502,366

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

Consolidated statement of changes in shareholder's equity

for the year ended 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

		2014							
		Attributable to shareholders of the Company							
	Note	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained profit	Non-controlling interests	Total
I. Balance at the beginning of the year		4,436,023	6,648,883	–	1,344	606,991	(1,775,938)	19,000	9,936,303
II. Changes in equity for the year ("( )" for decreases)									
1. Comprehensive income for the year		–	–	–	–	–	51,431	212	51,643
2. Contributions from shareholders		–	6,019	–	–	–	–	–	6,019
— Contributions by ordinary shareholders		–	–	–	–	–	–	–	–
— Others		–	6,019	–	–	–	–	–	6,019
3. Distribution of profit	V.34	–	–	–	–	–	–	–	–
— Extract for surplus reserve		–	–	–	–	–	–	–	–
— Distribution to shareholders		–	–	–	–	–	–	–	–
4. — Specific reserve		–	505	–	(1,344)	–	–	–	(839)
— Accrued		–	–	–	23,022	–	–	–	23,022
— Utilised		–	–	–	(22,976)	–	–	–	(22,976)
— Others		–	505	–	(1,390)	–	–	–	(885)
III. Balance at the end of the year		4,436,023	6,655,407	–	–	606,991	(1,724,507)	19,212	9,993,126

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

		2013							
		Attributable to shareholders of the Company							
	Note	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained profit	Non-controlling interests	Total
I. Balance at the beginning of the year		1,733,127	1,109,163	—	1,615	606,991	723,080	19,000	4,192,976
Add: Changes in accounting policy		—	—	—	—	—	—	—	—
II. Balance at the beginning of the year		1,733,127	1,109,163	—	1,615	606,991	723,080	19,000	4,192,976
III. Changes in equity for the year ("( )" for decreases)									
1. Comprehensive income for the year		—	—	—	—	—	(2,499,018)	—	(2,499,018)
2. Contributions from shareholders		2,702,896	5,539,720	—	—	—	—	—	8,242,616
— Contributions by ordinary shareholders		2,702,896	5,515,115	—	—	—	—	—	8,218,011
— Others		—	24,605	—	—	—	—	—	24,605
3. Distribution of profit	V. 34	—	—	—	—	—	—	—	—
— Extract for surplus reserve		—	—	—	—	—	—	—	—
— Distribution to shareholders		—	—	—	—	—	—	—	—
4. — Specific reserve		—	—	—	(271)	—	—	—	(271)
— Accrued		—	—	—	25,120	—	—	—	25,120
— Utilised		—	—	—	(25,391)	—	—	—	(25,391)
IV. Balance at the end of the year		4,436,023	6,648,883	—	1,344	606,991	(1,775,938)	19,000	9,936,303

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

for the year ended 31 December 2014
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

2014

	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained profit	Total
I. Balance at the beginning of the year	4,436,023	6,680,331	—	—	577,012	(1,852,396)	9,840,970
II. Changes in equity for the year ("( )" for decreases)							
1. Comprehensive income for the year	—	—	—	—	—	124,474	124,474
2. Contributions from shareholders	—	6,019	—	—	—	—	6,019
— Contributions by ordinary shareholders	—	—	—	—	—	—	—
— Others	—	6,019	—	—	—	—	6,019
3. Distribution of profit	—	—	—	—	—	—	—
— Extract for surplus reserve	—	—	—	—	—	—	—
— Distribution to shareholders	—	—	—	—	—	—	—
4. Specific reserve	—	—	—	—	—	—	—
— Accrued	—	—	—	22,830	—	—	22,830
— Utilised	—	—	—	(22,830)	—	—	(22,830)
III. Balance at the end of the year	4,436,023	6,686,350	—	—	577,012	(1,727,922)	9,971,463

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	(Company stamp)
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

2013

	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained profit	Total
I. Balance at the beginning of the year	1,733,127	1,140,611	—	—	577,012	627,704	4,078,454
Add: Changes in accounting policy	—	—	—	—	—	—	—
II. Balance at the beginning of the year	1,733,127	1,140,611	—	—	577,012	627,704	4,078,454
III. Changes in equity for the year ("( )" for decreases)							
1. Comprehensive income for the year	—	—	—	—	—	(2,480,100)	(2,480,100)
2. Contributions from shareholders	2,702,896	5,539,720	—	—	—	—	8,242,616
— Contributions by ordinary shareholders	2,702,896	5,515,115	—	—	—	—	8,218,011
— Others	—	24,605	—	—	—	—	24,605
3. Distribution of profit	—	—	—	—	—	—	—
— Extract for surplus reserve	—	—	—	—	—	—	—
— Distribution to shareholders	—	—	—	—	—	—	—
4. Specific reserve	—	—	—	—	—	—	—
— Accrued	—	—	—	23,355	—	—	23,355
— Utilised	—	—	—	(23,355)	—	—	(23,355)
IV. Balance at the end of the year	4,436,023	6,680,331	—	—	577,012	(1,852,396)	9,840,970

These financial statements were approved by the Board of Directors of the Company on 30 March 2015.

Zhu Jianpai	**Zhang Zongming**	**Zhang Zongming**	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 127 to 278 form part of these financial statements.

I. COMPANY STATUS

Chongqing Iron & Steel Company Limited (the "Company") is a joint stock limited company incorporated in Chongqing. The Company's parent company is Chongqing Iron & Steel Group Company Limited ("Parent Group"). The Company's term of operation is from 11 August 1997 to the permanent, and for the subsidiaries' term of operation, see Note VII.

The principal activities of the Company and its subsidiaries ("the Group") are the production and sale of medium-gauge steel plates, steel billets, steel sections, wire rods, steel billets and coking by-products. The information of subsidiaries, see Note VII.

During the reporting period, the information about decreases in the Group's subsidiaries is disclosed in Note VI.

II. BASIS OF PREPARATION

The financial statements have been prepared on the basis that the Group will continue as a going concern from 1 January 2015 to 31 December 2015.

As at 31 December 2014, the Group's current liabilities exceed current assets by RMB14,176,467,000 (2013: current liabilities exceeded current assets by RMB14,186,208,000). As stated in Note VIII. (2), taking into consideration the credit facility obtained from banks as at 31 December 2014, the financing records subsequent to the balance sheet date, and oral agreements with several financial institutions that short-term loans can be renewed or extended, plus that the Parent Group has promised to provide sufficient financing support for the Group for at least 12 months from 31 December 2014 in order to ensure the Group to operate as a going concern, the management of the Company believes that it is appropriate for the financial statements to be prepared on a going concern basis. The Board of Directors of the Company conducted a detailed assessment with regard to the Group's ability to continue as a going concern, including review of the Group's working capital forecast for 12 months as to 31 December 2015 prepared by the management of the Company. The Board of Directors concludes that the Group has sufficient sources of financing, so as to ensure the abundance of working capital, and satisfy the need of repaying due debt and capital expenditures. Therefore, the Board of Directors agrees with management that it is appropriate for the financial statements to be prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS"). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2014, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014. At the same time, these financial statements also comply with the disclosure requirements of "Hong Kong Companies Ordinance" and the "Listing rules of the Stock Exchange of Hong Kong".

2 Accounting period

The accounting year of the Group is from 1 January to 31 December.

3 Operating cycle

The company takes the period from the acquisition of assets for processing to their realisation in cash or cash equivalents as a normal operating cycle. The operating cycles of the Company's principal businesses are usually shorter than 12 months.

4 Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

5 Accounting treatments for a business combination involving enterprises under and not under common control

(1) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining enterprise obtains control of other combining enterprises.

(2) Business combinations involving enterprises not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

5 Accounting treatments for a business combination involving enterprises under and not under common control *(continued)*

(2) Business combinations involving enterprises not under common control (continued)

For a business combination involving enterprises not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income for the current period. In addition, any amount recognised in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs (see Note III.12(2)(b)).

6 Consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

6 Consolidated financial statements *(continued)*

(1) General principles *(continued)*

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated. In the preparation of the consolidated financial statements, the subsidiary's assets and liabilities based on their carrying amounts in the financial statements of the ultimate controlling party are included in the consolidated balance sheet, and financial performance is included in the consolidated income statement, respectively, from the date that the ultimate parent company of the Company obtains the control of the subsidiary to be consolidated.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

When the Group loses control of a subsidiary, the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any resulting gains or losses are recognised as investment income of the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

6 Consolidated financial statements *(continued)*

(3) Disposal of subsidiaries (continued)

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

— arrangements are entered into at the same time or in contemplation of each other;

— arranges work together to achieve an overall commercial effect;

— the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;

— one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policies for partial disposal of equity investment in subsidiaries where control is retained (see Note III.6(4)).

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8 Foreign currency transactions and translation of financial statements denominated in foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, construction or production of qualifying assets (see Note III.15)). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

9 Financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments (see Note III.12), receivables, payables, loans and borrowings, debentures payable and share capital.

(1) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

9 Financial instruments *(continued)*

(1) Recognition and measurement of financial assets and financial liabilities (continued)

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition financial assets and liabilities are measured as follows:

— Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is a derivative.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

— Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method.

— Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

9 Financial instruments *(continued)*

(1) Recognition and measurement of financial assets and financial liabilities (continued)

— Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sale and other financial assets which do not fall into any of the above categories.

Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein are generally recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income is recognised in profit or loss when the investee approves the dividends. Interest is recognised in profit or loss using the effective interest method (see Note III.20(4)).

— Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Other financial liabilities include liabilities arising from financial guarantee contracts. Financial guarantees are contracts that require the Group (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles for contingent liabilities (see Note III.19).

Liabilities other than those arising from financial guarantee contracts are measured at amortised cost using the effective interest method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

9 Financial instruments *(continued)*

(2) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

— the Group currently has a legally enforceable right to set off the recognised amounts

— the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(3) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

— the carrying amount of the financial asset transferred

— the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in shareholders' equity.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged or cancelled or expires.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

9 Financial instruments *(continued)*

(4) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

Objective evidence that a financial asset is impaired includes, but is not limited to:

(a) significant financial difficulty of the issuer or obligor

(b) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments

(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation

(d) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer

(e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor

(f) a significant decline in the fair value (i.e. a decline of 20%) or prolonged decline in the fair value (i.e. a decline persisting for a period of nine months) of an investment in an equity instrument below its cost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

9 Financial instruments *(continued)*

(4) Impairment of financial assets (continued)

For the calculation method of impairment of receivables, refer to Note III.10. The impairment of other financial assets is measured as follows:

— Held-to-maturity investments

Held-to-maturity investments are assessed for impairment on an individual basis and/or on a collective group basis as follows.

Where impairment is assessed on an individual basis, an impairment loss in respect of a held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

The assessment is made collectively where held-to-maturity investments share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If, after an impairment loss has been recognised on held-to-maturity investments, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years.

— Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis and/or on a collective group basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in shareholders' equity is reclassified to profit or loss even though the financial asset has not been derecognised.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

9 Financial instruments *(continued)*

(4) Impairment of financial assets (continued)

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss on an investment in unquoted equity instrument whose fair value cannot be reliably measured is not reversed.

(5) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

10 Impairment of receivables

Receivables are assessed for impairment on an individual basis and/or on a collective group basis as follows.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If, after an impairment loss has been recognised on receivables, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10 Impairment of receivables *(continued)*

(a) Receivables that are individually significant and assessed individually for impairment:

Judgment basis or criteria for receivables that are individually significant	Accounts receivables that are individually significant are receivables unit amount exceeds RMB20,000,000. Other receivables that are individually significant are receivables unit amount exceeds RMB5,000,000.
Method of provisioning for bad and doubtful debts for receivables that are individually significant and assessed individually	Individually tested, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

(b) Receivables that are individually insignificant but assessed individually for impairment:

Reason for assessing individually for impairment of receivables that are individually insignificant	Except for note (a) stated above of other receivables and accounts receivable from related party due to the special properties of the company and amount, an impairment is assessed on an individual basis.
Method of provisioning for bad and doubtful debts	Individually tested, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

10 Impairment of receivables *(continued)*

(c) Receivables that are collectively assessed for impairment based on credit risk characteristics:

Receivables that have not been individually assessed as impaired in the above assessments in Notes (a) and (b), are included in the collective assessment of impairment for receivables sharing similar credit risk characteristics.

Method of provisioning for receivables with similar credit risk characteristics that are collectively assessed for impairment	
Third party	Ageing analysis method
Related party	No provision

The provisioning for groups of receivables using the ageing analysis method:

Ageing	Percentage of provisions
Within 3 months (inclusive)	0%
4 – 12 months (inclusive)	5%
1 – 2 years (inclusive)	25%
2- 3 years (inclusive)	50%
Over 3 years	100%

(d) For other receivables, impairment is assessed on an individual basis.

11 Inventories

(1) Classification and cost

Inventories include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

11 Inventories *(continued)*

(1) Classification and cost (continued)

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labor costs and an appropriate allocation of production overheads.

Costs of a construction contact comprise the direct and indirect costs attributable to the contract and incurred during the period from the date of entering into the contract to the final completion of the contract. The excess of (a) costs incurred plus recognised profits (less recognised losses) over (b) progress billings is presented in the balance sheet as inventory, or as advance from customers when (b) exceeds (a).

(2) Cost of inventories transferred out

Cost of inventories transferred out is calculated using the weighted average method.

Consumables including low-value consumables and packaging materials are amortized in full when received for use and in installments when they are used. The amortizations are included in the cost of the related assets or recognised in profit or loss for the current period.

(3) Basis for determining the net realizable value and provisioning methods for impairment losses of inventories.

At the balance sheet date, inventories are carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realizable value of materials held for use in the production is measured based on the net realizable value of the finished goods in which they will be incorporated. The net realizable value of the inventory held to satisfy sales or service contracts is measured based on the contract price to the extent of the quantities specified in sales contracts and the excess portion of inventories is measured based on general selling prices.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

11 Inventories *(continued)*

(3) Basis for determining the net realizable value and provisioning methods for impairment losses (continued)

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for the impairment, and is recognised in profit or loss.

(4) Inventory system

The Group maintains a perpetual inventory system.

12 Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

— The initial cost of a long-term equity investment acquired through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted against retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination involving enterprises under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the difference between the initial investment cost of the long-term equity investment recognised in accordance with the above principles and the carrying amount of the long-term equity investment before business combination plus the consideration paid for shares acquired at the combination date is adjusted against the capital premium in the capital reserve, with any excess adjusted against retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

12 Long-term equity investments *(continued)*

(1) *Investment cost of long-term equity investments* *(continued)*

(a) Long-term equity investments acquired through a business combination *(continued)*

— For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying value of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

— A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) *Subsequent measurement of long-term equity investment*

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income in the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of the investments in subsidiaries, refer to Note III.17.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

12 Long-term equity investments *(continued)*

(2) *Subsequent measurement of long-term equity investment* *(continued)*

(a) Investments in subsidiaries *(continued)*

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the policies described in Note III.6.

(b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.12(3)) and rights to the net assets of the arrangement.

An associate is an enterprise over which the Group has significant influence (see Note III.12(3)).

An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

Under the equity method:

— Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

12 Long-term equity investments *(continued)*

(2) Subsequent measurement of long-term equity investment (continued)

(b) Investment in joint ventures and associates *(continued)*

After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

— The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

For the impairment of the investments in joint ventures and associates, refer to Note III.17.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

12 Long-term equity investments *(continued)*

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

— Whether no single participant party is in a position to control the investee's related activities unilaterally

— Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

13 Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.14.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets if the criteria to recognise fixed assets are satisfied, and the carrying amount of the replaced part is derecognise. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

13 Fixed assets *(continued)*

(1) *Recognition of fixed assets* *(continued)*

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life.

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	Estimated useful life *(years)*	Residual value rate *(%)*	Depreciation rate *(%)*
Plant and buildings	30~50 years	3%	1.94%~3.23%
Machinery and equipment	8~22 years	3%~5%	4.32%~12.13%
Motor vehicles	8 years	3%	12.13%

Useful lives, estimated residual value and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of the fixed assets, refer to Note III.17.

(4) For the recognition measurement and depreciation of fixed assets acquired under finance leases, refer to Note III.25 (3).

(5) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

— when the fixed asset is on disposal; or

— when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

14 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is included in construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.17).

For the recognition and measurement of construction in process acquired under finance leases, see the accounting policy set out in Note III.25 (3).

15 Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction of a qualifying asset are capitalised as part of the cost of the asset.

Other borrowing costs are recognised as financial expenses when incurred.

During the capitalization period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

— Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

— To the extent that the Group borrows funds generally and uses them for the acquisition, construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

15 Borrowing costs *(continued)*

During the capitalization period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalization period is the period from the date of commencement of capitalization of borrowing costs to the date of cessation of capitalization, excluding any period over which capitalization is suspended. Capitalization of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalization of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally for a period of more than three months.

16 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.17). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life.

The respective amortization periods for such intangible assets are as follows:

Item	Amortization period (years)
Land use right	50 years
Trademark	10 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

16 Intangible assets *(continued)*

Expenditure on the research phase is expensed when incurred. Expenditure on the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note III.17). Other development expenditure is recognised as an expense in the period in which it is incurred.

17 Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

— fixed assets

— construction in progress and construction materials

— intangible assets

— long-term equity investments

— other non-current assets

If any indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of an asset (or asset group, set of asset groups as below) is the higher of its fair value (see Note III.18) less costs to sell and its present value of expected future cash flows.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

17 Impairment of assets other than inventories and financial assets *(continued)*

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups, are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

18 Fair value measurement

Unless otherwise specified, the Group determines fair value measurement as below:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

19 Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

19 Provisions *(continued)*

— Where the contingency involves a single item, the best estimate is the most likely outcome

— Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

20 Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group.

The revenue and costs can be measured reliably and the following conditions are met:

(1) Sale of goods

Revenue is recognised when all of the general conditions stated above and the following conditions are satisfied:

— Significant risks and rewards of ownership of goods have been transferred to the buyer;

— The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.

(2) Rendering of services

Revenue is measured at the fair value of the consideration received or receivable under the contract or agreement.

Where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognised by reference to the stage of completion based on the progress of work performed or the proportion of costs incurred to date to the estimated total costs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

20 Revenue recognition *(continued)*

(2) Rendering of services (continued)

Where the outcome cannot be estimated reliably, revenues are recognised to the extent of the costs incurred that are expected to be recoverable if the costs incurred are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; otherwise, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(3) Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract expenses associated with the construction contract are recognised using the percentage of completion method.

The stage of completion of a contract is determined based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably:

— If the contract costs can be recovered, revenue is recognised to the extent of contract costs incurred that can be recovered, and the contract costs are recognised as contract expenses when incurred;

— Otherwise, the contract costs are recognised as contract expenses immediately when incurred, and no contract revenue is recognised.

(4) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

21 Employee benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

21 Employee benefits *(continued)*

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

In addition, the Group is also involved in a retirement plan other than the basic pension insurance set up by the Parent Group for its employees. Except for the above contributions (basic pension insurance and retirement plan), the Group does not have any other obligations in this respect.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

— When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal

— When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

22 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contribution from the government in the capacity as an investor in the Group. Specific transfers from the government, such as investment grants that have been clearly defined in official documents as part of "capital reserve" are also dealt with as capital contributions rather than government grants.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

22 Government grants *(continued)*

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

The Group recognized the government grant which is used to construct or form the long term use assets as the government grant related to an asset. The Group recognized the other government grant except for government grant related to an asset as the government grant related to profit. A government grant related to an asset is recognised initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the future is recognised initially as deferred income, and released to profit or loss in the periods in which the expenses are recognised. A grant that compensates the Group for expenses already incurred is recognised in profit or loss immediately.

23 Specific reserve

The Group recognises a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the costs of the related products or expenses. When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. On utilisation of the safety fund for fixed assets, the specific reserve is reduced as the fixed assets are recognised, which is the time when the related assets are ready for their intended use; in such cases, an amount that corresponds to the reduction in the specific reserve is recognised in accumulated depreciation with respect to the related fixed assets. As a consequence, such fixed assets are not depreciated in subsequent periods.

24 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

24 Income tax *(continued)*

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss).

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all the following conditions are met:

— the taxable entity has a legally enforceable right to offset current tax liabilities, and current tax assets;

— they relate to income taxes levied by the same tax authority on either, The same taxable entity; or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

25 Operating leases and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

25 Operating leases and finance leases *(continued)*

(1) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term.

(2) Assets leased out under operating leases

Fixed assets leased out under operating leases except for investment properties are depreciated in accordance with the Group's depreciation policies described in Note III.13(2). Impairment losses are recognised in accordance with the accounting policy described in Note III.17. Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortized in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

(3) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the carrying amount of the leased assets and the minimum lease payments is recognised as unrecognised finance charges. Initial direct costs attributable to a finance lease that are incurred by the Group are added to the carrying amount of the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Notes III.13 (2) and III.17, respectively.

If there is a reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

Unrecognised finance charge under a finance lease is amortized using an effective interest method over the lease term. The amortization is accounted for in accordance with the principles of borrowing costs (see Note III.15).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

25 Operating leases and finance leases *(continued)*

(3) Assets acquired under finance leases (continued)

At the balance sheet date, the long-term payables arising from finance leases, net of the unrecognised finance charges, are analysed and separately presented as long-term payables or non-current liabilities due within one year.

26 Profit distributions to shareholders

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

27 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Company include, but are not limited to:

(a) the Company's parent

(b) the Company's subsidiaries

(c) enterprises that are controlled by the Company's parent

(d) investors that have joint control or exercise significant influence over the Group

(e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group

(f) joint ventures of the Group, including subsidiaries of joint ventures

(g) associates of the Group, including subsidiaries of associates

(h) principal individual investors of the Group and close family members of such individuals

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

27 Related parties *(continued)*

(i) key management personnel of the Group and close family members of such individuals

(j) key management personnel of the Company's parent

(k) close family members of key management personnel of the Company's parent and

(l) other enterprises that are controlled or, jointly controlled by principal individual investors, key management personnel of the Group, or close family members of such individuals.

In addition to the related parties stated above, which are determined in accordance with the requirements of CAS, the following enterprises or individuals (but not limited to) are considered as related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC:

(m) enterprises or persons that act in concert which hold more than 5% of the Company's shares

(n) individuals who directly or indirectly hold more than 5% of the Company's shares and their close family members, supervisors of the listed companies and their close family members

(o) enterprises that satisfied any of the aforesaid conditions in (a), (c) or (m) during the past 12 months or will satisfy them within the next 12 months pursuant to relevant agreements

(p) individuals who satisfied any of the aforesaid conditions in (i), (j) or (n) during the past 12 months or will satisfy them within the next 12 months pursuant to relevant agreements

(q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) or (p), or in which such an individual assumes the position of a director or senior executive.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

28 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meet the following conditions:

— that may earn revenue and incur expenses in daily business activities

— whose operating results are regularly reviewed by the Group's management to allocate its resources and assess its performance, and

— for which discrete financial information on financial positions, operating results and cash flow is available

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of the following conditions:

— the nature of each product and service

— the nature of production processes

— the type or class of customers for the products and services

— the methods used to distribute the products or provide the services

— the influence brought by law, administrative regulations on production of products and rendering of services

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

29 Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Except for Note IV.2 and Note IX contains information about income tax rate for the companies and the assumptions and their risk factors relating to fair value of financial instruments respectively, other key sources of estimation uncertainty are as follows:

— ***Impairment of receivables***

As described in Note III.10, receivables that are measured at amortisation cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in the value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

29 Significant accounting estimates and judgments *(continued)*

— *Provision for impairment of inventories*

As described in Note III.11, the net realisable value of inventories is under management's regular review, and as a result, provision for impairment of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Group takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for impairment of inventories. The net profit or loss may then be affected in the period when the impairment of inventories is adjusted.

— *Impairment of assets other than inventories and financial assets*

As described in Note III.17, assets other than inventories and financial assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably, the recoverable amount was calculated based on the present value of estimated future cash flows. In assessing the present value of estimated future cash flows, significant judgments are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

29 Significant accounting estimates and judgments *(continued)*

— ***Depreciation and amortisation of assets such as fixed assets and intangible assets***

As described in Note III.13 and 16, assets such as fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

— ***Deferred income tax***

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Group recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Group makes reasonable judgements and estimates about the timing and amount of taxable profits to be utilised in the following periods, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. If the actual timing and amount of future taxable profits or the actual applicable tax rates differ from the estimates made by management, the differences affect the amount of deferred tax assets.

30 Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

(a) Description of and reasons for changes in accounting policies

The Company has adopted the following new standards and revised standards from 1 January 2014:

Accounting Standards for Business Enterprises No. 41 – Disclosure of Interests in Other Entities (“CAS 41”)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

30 Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in accounting policies (continued)

(a) Description of and reasons for changes in accounting policies *(continued)*

In addition, the Company has adopted Accounting Rules on Classification between Financial Liabilities and Equity Instruments as well as the Related Accounting Treatment ("Caikuai [2014] No. 13") since 17 March 2014 and Accounting Standards for Business Enterprises No. 37 – Financial Instruments: Presentation and Disclosures ("CAS 37 (2014)") in the 2014 annual financial statements.

The significant accounting policies after adopting the above Accounting Standards for Business Enterprises are summarised in Note III.

Impacts of the adoption of the accounting standards mentioned above are discussed below:

(i) Disclosure of interests in other entities

CAS 41 modifies and specifies disclosure requirements relevant to an enterprise's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group has provided disclosures accordingly in related notes in accordance with this standard.

(ii) Classification between financial liabilities and equity instruments and presentation and disclosures of financial instruments

Caikuai [2014] No. 13 provided guidance on the classification of financial liabilities and equity instruments. The adoption of Caikuai [2014] No. 13 does not have any material impact on the Group's financial statements (including current and comparative periods.

CAS 37 (2014) provided further guidance on the offsetting of a financial asset and a financial liability and revised the disclosure requirements for financial instruments. The offsetting guidance does not have any material impact on the presentation of the Group's financial statements. In addition, the Group has revised disclosures in related notes in accordance with this standard.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

30 Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in accounting policies (continued)

(b) Effect of changes in accounting policies on the financial statements

The changes to the above accounting policies do not have any impact on the financial statements of the Group and the Company.

(2) Changes in accounting estimates

After the transition of the assets by the Group, in April, 2014, in order to optimize the unified management of the assets of the whole iron-making production-line, the Group made a comprehensive tease and review of the whole iron-making production-line assets. According to the relevant provisions of the accounting standards for enterprises and the actual situation of fixed assets in Changshou New Zone, and refer to the depreciation of other comparable iron and steel companies, the company decided to adjust the estimated useful life and estimated net residual value rate of the fixed assets from 1 April 2014 onward. The change in accounting estimates has been approved by the seventy third written proposal of the sixth session of the Board on 25 June 2014 and an announcement has been published:

	Before Adjustment		After Adjustment	
	Estimated useful life (years)	**Residual value rate**	Estimated useful life (years)	Residual value rate
Plant and buildings	**40 years**	**3%**	30-50 years	3%
Machinery and equipment	**8-20 years**	**3%**	8-22 years	3%-5%

The Group applied prospective application to account the changes in accounting estimate. After measurement based on the scope of the existing consolidated financial statements, the change in accounting estimate is expected to increase the total consolidated profit by RMB85,985,000 for year 2014 and increase the total consolidated profit by RMB318,050,000 for year 2015 and subsequent years.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IV. TAXATION

1 Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added Tax (VAT)	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	6%, 11%, 13%, 17%
Business tax	Based on taxable revenue	5%
City maintenance and construction tax	Based on business tax and VAT paid	7%
Corporate income tax	Based on taxable profits	15%, 25%
Land use tax	Based on land area occupied	RMB2~7/m^2
Land appreciation tax	Based on appreciation amount in transferred property and applicable tax rate	40%

The income tax rate applicable to the Company for the year is 15% (2013: 15%).

The income tax rates for the subsidiaries are as follows:

	2014	2013
Jingjiang San Feng Steel Processing & Distribution Company Limited (“San Feng Steel”)	**25%**	25%
Jingjiang Chongqing Iron & Steel East China Trading Co., Ltd. (“East China Trading”)	**25%**	25%
Chongqing Iron & Steel Group Electronics Company Limited (“Chongqing Electronics”)*	**15%**	15%
Chongqing Iron & Steel Group Transportation Company Limited (“Chongqing Transportation”)*	**15%**	15%

* On 24 December 2014, the Company disposed 100% equity interest in Chongqing Electronics and Chongqing Transportation (see Note VI).

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IV. TAXATION *(CONTINUED)*

2 Tax preferential

The preferential tax period pertaining to the development of western China enjoyed by the Company and its subsidiaries ended on 31 December 2010. As at the date of approval of these financial statements, the State Administration of Taxation ("SAT") had extended the preferential tax policies in this regard by issuing the "Notice on Corporate Income Tax Issues Concerning Further Implementation of Western China Development Strategy" (Guo Jia Shui Wu Zong Ju Gong Gao [2012] No.12), stating that "companies in the western region that engage in the industries encouraged by the state can enjoy the preferential corporate income tax rate of 15% from 1 January 2011 to 31 December 2020". The Company and its subsidiaries expected that they can continue to enjoy this preferential tax policy, thus the same tax rates and preferential tax policies were applied by the Company and its subsidiaries this year. As at 31 December 2014, the amount of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Cash at bank and on hand

Item	2014	2013
Cash on hand	**531**	1,062
Deposits with banks	**187,579**	517,500
Other monetary funds	**1,058,468**	1,034,788
Total	**1,246,578**	1,553,350

Including: nil overseas deposits

The balance of cash at bank or other monetary funds which are restricted in their realisation:

Item	2014	2013
Deposits with banks-blocked deposits	**42,520**	–
Other monetary funds-Guarantees for letter of credit	**107,326**	297,599
Other monetary funds-Guarantees for bank acceptance bills	**950,584**	736,690
Total	**1,100,430**	1,034,289

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

2 Bills receivable

(1) *Classification of bills receivable*

Item	2014	2013
Bank acceptance bills	**224,614**	340,783

(2) *At the end of the year, the Group had no pledged bills receivable.*

(3) *Outstanding endorsed or discounted bills that have not matured at the end of year*

Item	Derecognised amount	Not-derecognised amount
Bank acceptance bills	**4,989,825**	—

(4) *At the year end, no bills transferred to accounts receivable due to non-performance of the issuers.*

3 Accounts receivable

(1) *Accounts receivable by customer type are as follows:*

Type	*Note*	2014	2013
Third party		**595,373**	360,054
Related party	X.7(2)	**20,016**	330,503
Sub-total		**615,389**	690,557
Less: Provision for bad and doubtful debts		**146,364**	154,651
Total		**469,025**	535,906

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3 Accounts receivable *(continued)*

(2) The ageing analysis of accounts receivable is as follows:

Ageing	2014	2013
Within 1 year (inclusive)	**313,319**	312,085
Over 1 year but within 2 years (inclusive)	**7,501**	85,134
Over 2 years but within 3 years (inclusive)	**53,127**	141,844
Over 3 years	**241,442**	151,494
Sub-total	**615,389**	690,557
Less: Provisions for bad and doubtful debt	**146,364**	154,651
Total	**469,025**	535,906

The ageing is counted starting from the date when accounts receivable are recognised.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3 Accounts receivable *(continued)*

(3) Accounts receivable by category:

		2014					2013				
		Book value		Provision for bad and doubtful debts		Carrying Amount	Book value		Provision for bad and doubtful debts		Carrying Amount
Category	*Note*	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and assessed individually for impairment	(a)	153,935	25%	7,923	5%	146,012	–	–	–	–	–
Collectively assessed for impairment based on credit risk characteristics*	(b)										
Third party		441,438	72%	135,685	31%	305,753	360,054	52%	151,895	42%	208,159
Related party		17,260	3%	–	–	17,260	327,747	48%	–	–	327,747
Sub-total		458,698	75%	135,685	30%	323,013	687,801	100%	151,895	22%	535,906
Individually insignificant but assessed individually for impairment		2,756	0%	2,756	100%	–	2,756	0%	2,756	100%	–
Total		615,389	100%	146,364	24%	469,025	690,557	100%	154,651	22%	535,906

* This category includes accounts receivable having been individually assessed but not impaired.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3 Accounts receivable *(continued)*

(3) Accounts receivable by category: (continued)

(a) On 18 September 2013, Chongqing Si Gang Steel Co., Ltd ("Chongqing Si Gang") entered into debt restructuring agreements with Chongqing Security Industry Development Group Co., LTD ("Security Industry Group"). On 31 March 2014, Chongqing State-owned Assets Supervision and Administration Commission ("Chongqing SASAC") approved the transaction. Pursuant to these agreements, Security Industry Group will pay on behalf of Chongqing Si Gang for payable of RMB153,935,000 to the Group. On 16 December 2014, Security Industry Group promised to provide assets to the Group as security for repayment after relevant assets ownership has been transferred to Security Industry Group. As at 31 December 2014, Security Industry Group has not settled the payable as the relevant transfer procedures have not been completed. A provision of RMB7,923,000 was made based on the present value of future cash flow.

(b) Accounts receivable which are collectively assessed for impairment using the ageing analysis method at the end of the year:

Ageing	Carrying amount	Provision for bad and doubtful debts	Percentage
Within 1 year			
Including:			
With 3 months (inclusive)	284,897	—	—
Over 4 months but within 1 year (inclusive)	14,781	666	5%
Sub-total	299,678	666	0%
Over 1 year but within 2 years (inclusive)	7,725	1,931	25%
Over 2 years but within 3 years (inclusive)	1,894	947	50%
Over 3 years	132,141	132,141	100%
Total	441,438	135,685	

The group is determined by nature of accounts receivable.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3 Accounts receivable *(continued)*

(4) Addition, recovery or reversal of provision for bad and doubtful debts during the year:

	Note	**2014**	2013
Balance at the beginning of the year		**154,651**	156,437
Addition during the year		**11,593**	1,932
Recovery or reversal during the year		**(2,518)**	(3,718)
Write-off during the year	(a)	**(14,597)**	—
Others		**(2,765)**	—
Balance at the end of the year		**146,364**	154,651

(a) Significant accounts receivable written off during the year

Debtor	Nature of accounts receivable	Written-off amount	Reason for write-off	Approval procedure performed	Accounts receivable resulted from related party transactions (Y/N)
Chongqing organic chemical plant	Sales	14,597	Business license revoked	Management approved	N

(5) Five largest accounts receivable by debtor at the end of the year

The subtotal of five largest accounts receivable of the Group at the end of the year is RMB302,311,000, representing 49% of the total accounts receivable, and the provisions of bad and doubtful debts is RMB8,147,000.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

4 Prepayments

(1) Prepayments by category:

Item	2014	2013
Material prepayments	**244,771**	350,897
Others	**22,713**	13,367
Total	**267,484**	364,264

(2) The ageing analysis of prepayments is as follows:

	2014		2013	
Ageing	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	**251,446**	**94%**	350,358	96%
Over 1 year but within 2 years (inclusive)	**7,686**	**3%**	3,796	1%
Over 2 years but within 3 years (inclusive)	**3,039**	**1%**	1,046	0%
Over 3 years	**5,313**	**2%**	9,064	3%
Total	**267,484**	**100%**	364,264	100%

The ageing is counted starting from the date when prepayments are recognised. Payments aged over one year are the amount of prepayment reclassified from long-term prepayment for raw materials (Note V.15).

(3) Five largest prepayments by debtor at the end of the year

The subtotal of five largest payments of the Group at the end of the year is RMB128,098,000, representing 48% of the total prepayments.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

5 Other receivables

(1) Other receivables by customer type:

Customer type	2014	2013
Third parties	**939,253**	68,817
Less: Provision for bad and doubtful debts	**16,958**	16,958
Total	**922,295**	51,859

(2) The ageing analysis of other receivables is as follows:

Ageing	2014	2013
Within 1 year (inclusive)	**900,373**	20,223
Over 1 year but within 2 years (inclusive)	**2,847**	14,867
Over 2 years but within 3 years (inclusive)	**3,233**	7,864
Over 3 years	**32,800**	25,863
Sub-total	**939,253**	68,817
Less: Provision for bad and doubtful debts	**16,958**	16,958
Total	**922,295**	51,859

The ageing is counted starting from the date when other receivables are recognised.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

5 Other receivables *(continued)*

(3) Other receivables by category

	2014					2013				
	Book value		Provision for bad and doubtful debts		Carrying	Book value		Provision for bad and doubtful debts		Carrying
Category	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)	Amount	Percentage (%)	Amount
Individually significant and assessed individually for impairment	**15,827**	**2%**	**15,827**	**100%**	**—**	15,827	23%	15,827	100%	—
Individually insignificant but assessed individually for impairment	**1,131**	**0%**	**1,131**	**100%**	**—**	1,131	2%	1,131	100%	—
Individually assessed but not impaired	**922,295**	**98%**	**—**	**—**	**922,295**	51,859	75%	—	—	51,859
Total	**939,253**	**100%**	**16,958**	**2%**	**922,295**	68,817	100%	16,958	25%	51,859

(4) Other receivable categorised by nature:

Nature of other receivables	*Note*	2014	2013
Receivables of non-current assets disposal	V.43	**875,076**	—
Others		**64,177**	68,817
Sub-total		**939,253**	68,817
Less: Provision for bad and doubtful debts		**16,958**	16,958
Total		**922,295**	51,859

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

5 Other receivables *(continued)*

(5) *Five largest other receivables by debtor at the end of the year*

Debtor	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of total other receivables *(%)*	Ending balance of provision for bad and doubtful debts
Land Reserve center of Changshou Economic & Technological Development Zone	Receivables of non-current assets disposal	619,590	within 1 year	66%	—
Chongqing Real Estate Group	Receivables of non-current assets disposal	255,486	within 1 year	27%	—
Business related unit 1*	Unrecovered prepayment	10,240	Over 3 years	1%	10,240
Business related unit 2*	Court deduction	5,587	Over 3 years	1%	5,587
Business related unit 3*	Engineering construction	1,131	Over 3 years	0%	1,131
Total		892,034		95%	16,958

* These amounts have been fully provided for.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

6 Inventories

(1) Inventories by category:

	2014			2013		
Item	Book value	Provision for Impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	**6,138,214**	**122,446**	**6,015,768**	6,968,615	101,967	6,866,648
Work in progress	**1,103,362**	**33,476**	**1,069,886**	1,008,832	15,970	992,862
Finished goods	**362,116**	**23,830**	**338,286**	394,118	24,914	369,204
Consumables	**606,651**	**40,115**	**566,536**	590,780	27,315	563,465
Total	**8,210,343**	**219,867**	**7,990,476**	8,962,345	170,166	8,792,179

No capitalised borrowing costs were included in the Group's closing balance of inventories (2013: Nil).

At the year end, no inventory was pledged as security by the Group (2013: Nil).

(2) An analysis of the movements of inventories for the year is as follows:

Item	Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year
Raw materials	6,968,615	9,996,339	10,826,740	6,138,214
Work in progress	1,008,832	13,244,350	13,149,820	1,103,362
Finished goods	394,118	13,496,841	13,528,843	362,116
Consumables	590,780	519,083	503,212	606,651
Sub-total	8,962,345	37,256,613	38,008,615	8,210,343
Less: Provision for impairment of inventories	170,166	201,957	152,256	219,867
Total	8,792,179	37,054,656	37,856,359	7,990,476

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

6 Inventories *(continued)*

(3) Provision impairment of inventories

Item	Balance at the beginning of the year	Additions during the year provision	others	Written back during the year Reversal or write-off	others	Balance at the end of the year
Raw materials	101,967	122,446	—	101,967	—	**122,446**
Work in progress	15,970	33,476	—	15,970	—	**33,476**
Finished goods	24,914	23,830	—	24,914	—	**23,830**
Consumables	27,315	22,205	—	9,405	—	**40,115**
Total	170,166	201,957	—	152,256	—	**219,867**

Part of the production lines of the Group underwent trial operation in 2014 are not available for intended use. At 31 December 2014, the provision for losses arising from the excess of unit cost over the net realizable value of the products under trial operation, totaling RMB14,162,000, was capitalised and included in construction in progress (2013: RMB16,673,000).

As at 31 December 2014, according to the holding purpose, the excess of the cost over the net realizable value of each item of inventories is recognised as a provision for diminution in the value of inventories, and is recognised in profit or loss by the Group.

The net realisable value of the materials and other supplies held for use in the production of inventories based on the net realisable value of the finished products in which they will be incorporated. The net realisable value of the quantity of inventories held to satisfy the products or service contracts is based on the contract price. If the quantity under the sales contracts are less than the inventory quantities on hand, the net realisable value of the excessive quantity is based on general selling prices.

The provision reversed in 2014 is mainly arising from the realization of utilization or sale of the inventories impaired in the past.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

7 Other current assets

Item	2014	2013
Deductible input VAT	**1,561,800**	1,702,012
Others	**—**	11,204
Sub-total	**1,561,800**	1,713,216
Less: Provision for impairment	**—**	—
Total	**1,561,800**	1,713,216

8 Available-for-sale financial assets

(1) Available-for-sale financial assets

	2014			2013		
Item	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale equity instruments						
— At cost	**5,000**	**—**	**5,000**	5,500	500	5,000

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

8 Available-for-sale financial assets *(continued)*

(2) Available-for-sale financial assets at cost at the end of the year

	Carrying amount				Provision for impairment					
Investees	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year	Percentage of shareholding in investees (%)	Cash dividend for the year
Xiamen Shipbuilding Industry Co. Ltd.	5,000	—	—	5,000	—	—	—	—	2%	—
Chongqing Incon Intelligence control Engineering Co. Ltd. ("Chongqing Incon")	500	—	500	—	500	—	500	—	—	—
Total	5,500	—	500	5,000	500	—	500	—		—

As the Company has completely disposed 100% equity interest in Chongqing Electronics this year, see Note VI.1, the equity investment of Chongqing Incon held by Chongqing Electronics are no longer being presented in the consolidated financial statements.

(3) Impairment movements of available-for-sale financial assets are as follows:

Provision for impairments	Available-for-sale equity instruments
Balance at the beginning of the year	500
Charge during the year	—
Including: Amount transferred from other comprehensive income	—
Decrease during the year	500
Including: Amount reversed by increase in fair value in a subsequent period	—
Write-off during the year	—
Reversal during the year	—
Others	500
Balance at the end of the year	—

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

9 Long-term equity investments

(1) Long-term equity investments by category:

Item	2014	2013
Investments in associates	—	104,752
Less: Provision for impairment	—	—
Total	—	104,752

(2) Movements of long-term equity investments for the year are as follows:

		Movements during the year									
Investee	Balance at the beginning of the year	Increase in capital	Decrease in capital	Investment income recognised under equity method	Other comprehensive income	Other equity movements	Declared distribution of cash dividends or profits	Provision for impairment	Other	Balance at the end of the year	Balance of provision for impairment at the end of the year
Associates											
San Feng Jingjiang Logistics Co., Ltd ("San Feng Logistics")	104,752	–	104,793	41	–	–	–	–	–	–	–

The resulting gain arising from the dispose of 10% equity interest of San Feng Logistics is RMB277,000, which is presented as investment income in the consolidated financial statements.

On 21 July 2014, the Group and the Parent Group entered into the Disposal Agreement. Pursuant to and subject to the terms and conditions of the Disposal Agreement, the Company has agreed to dispose 10% equity interest in San Feng Logistics to the Parent Group. As at 24 October 2014, the Group received the consideration of RMB105, 070,000, of which, RMB5,070,000 is received by cash and RMB100,000,000 is received by offsetting borrowings from the Parent Group. The equity transfer procedures like transacted Registration Modification by Administration for Industry and Commerce have been conducted and equity interest transfer has been completed. (See Note X.6)

Upon completion of the Disposal, the Company will cease to hold any equity interest in San Feng Logistics.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

10 Fixed assets

(1) Fixed assets

Item	Plant & buildings	Machinery & equipment	Motor vehicles	Total
Cost				
Balance at the beginning of the year	11,155,322	15,605,484	104,535	26,865,341
Additions during the year				
— Purchases	120	42,026	—	42,146
— Transfer from construction in progress	1,657,590	4,891,412	—	6,549,002
Disposal or write-off during the year	245,460	326,593	75,663	647,716
Balance at the end of the year	12,567,572	20,212,329	28,872	32,808,773
Accumulated depreciation				
Balance at the beginning of the year	553,857	1,673,682	65,755	2,293,294
Charge for the year	266,436	738,722	8,298	1,013,456
Disposal or write-off during the year	35,448	140,639	53,100	229,187
Balance at the end of the year	784,845	2,271,765	20,953	3,077,563
Provision for impairment				
Balance at the beginning of the year	—	286	1,193	1,479
Charge for the year	—	—	—	—
Disposal or write-off during the year	—	286	1,137	1,423
Balance at the end of the year	—	—	56	56
Carrying amounts				
At the end of the year	11,782,727	17,940,564	7,863	29,731,154
At the beginning of the year	10,601,465	13,931,516	37,587	24,570,568

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

10 Fixed assets *(continued)*

(2) Disposal of fixed assets

Item	*Note*	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Disposal of cold-rolled sheet plant	V.43 (2)(b)	392,593	144,922	—	247,671
Disposal of Dabaopo project	V.43 (2)(c)	150,537	21,256	—	129,281
Disposal of subsidiaries		104,205	62,644	1,423	40,138
Others		381	365	—	16
Total		647,716	229,187	1,423	417,106

(3) Temporarily idle fixed assets

Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Motor vehicles	225	164	56	5

(4) Fixed assets acquired under finance leases

	2014			
Item	Cost	Accumulated depreciation	Provision for impairment	Net book value
Machinery and equipment:				
— Sale-and-leaseback	**1,031,982**	**200,541**	**—**	**831,441**
— Direct lease	**1,993,041**	**121,382**	**—**	**1,871,659**
Total	**3,025,023**	**321,923**	**—**	**2,703,100**

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

10 Fixed assets *(continued)*

(4) *Fixed assets acquired under finance leases (continued)*

	2013			
Item	Cost	Accumulated depreciation	Provision for impairment	Net book value
Machinery and equipment:				
— Sale leaseback	3,100,827	752,399	—	2,348,428
— Direct lease	1,720,713	106,168	—	1,614,545
Total	4,821,540	858,567	—	3,962,973

(5) *Fixed assets leased out under operating leases*

Item	Carrying amounts at the end of the year
Plant and buildings	6,217

(6) *Fixed assets pending certificates of ownership*

As at 31 December 2014, the Group was in the process of obtaining ownership certificates of certain plants and buildings with cost of RMB1,220,605,000 and carrying amount of RMB1,151,276,000 (2013: cost of RMB848,556,000 and carrying amount of RMB795,523,000). The reason for pending certificates of ownership is that relevant documents and materials are still in preparation.

(7) *For plant and buildings used as mortgage for bank loans by the Group as at 31 December 2014, see Note V.50.*

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

11 Construction in progress

(1) Construction in progress

	2014			2013		
Project	**Book value**	**Provision for impairment**	**Carrying amount**	Book value	Provision for impairment	Carrying amount
Product restructuring project	**1,094,298**	**—**	**1,094,298**	5,511,877	—	5,511,877
Recycle heat power station	**—**	**—**	**—**	361,240	—	361,240
Dabaopo project	**—**	**—**	**—**	5,859	—	5,859
Equipment upgrade project	**127,013**	**—**	**127,013**	489,037	—	489,037
Railway project	**438,766**	**—**	**438,766**	438,266	—	438,266
Others	**253,796**	**—**	**253,796**	171,681	—	171,681
Total	**1,913,873**	**—**	**1,913,873**	6,977,960	—	6,977,960

The book value of construction in progress at the end of year included capitalised borrowing costs of RMB80,619,000 (2013: RMB287,951,000).

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

11 Construction in progress *(continued)*

(2) *Movements of construction projects in progress during the year*

Project	Budget	Balance at the beginning of the year	Additions during the year	Transfer to fixed assets	Other decrease	Balance at the end of the year	Percentage of actual cost to budget (%)	Project progress	Accumulated capitalised interest	Including: interest capitalised in 2014	Interest rate for capitali-sation in 2014 (%)	Sources of funds
Product restructuring project	6,771,591	5,511,877	1,217,404	5,634,983	—	1,094,298	99%	99%	359,363	117,169	5.80%~ 11.45%	loan/others
Recycle heat power station	375,000	361,240	4,582	365,822	—	—	98%	100%	23,627	4,583	6.06%	loan/others
Dabaopo project	47,580	5,859	—	—	5,859	—	100%	—	—	—	—	loan/others
Equipment upgrade project	742,474	489,037	15,999	378,023	—	127,013	105%	90%	67,500	25,147	6.06%	loan/others
Railway project	401,734	438,266	500	—	—	438,766	109%	100%	—	—	—	loan/others
Others	—	171,681	256,709	170,174	4,420	253,796	—	—	12,792	6,015	6.06%	loan/others
Total		6,977,960	1,495,194	6,549,002	10,279	1,913,873			463,282	152,914		

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

11 Construction in progress *(continued)*

(3) Decrease of Construction in progress

Item	*Note*	Cost	Provision for impairment	Carrying amount
Disposal of cold-rolled sheet plant	V.43 (2) (b)	444	—	444
Disposal of Dabaopo project	V.43 (2) (c)	5,859	—	5,859
Disposal of subsidiaries		3,976	—	3,976
Total		10,279	—	10,279

(4) Construction in progress under finance lease

Item	2014	2013
Machinery and equipment	**287,678**	1,452,738

12 Construction materials

Item	2014	2013
Construction materials for large equipment	**10,934**	31,814
Construction materials for special equipment	**1,113**	2,217
Total	**12,047**	34,031

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

13 Intangible assets

(1) Intangible assets

Item	Land use rights	Trademark	Total
Cost			
Balance at the beginning of the year	2,984,920	6,478	2,991,398
Additions during the year			
— Purchase	219,578	—	219,578
Disposal during the year	354,038	—	354,038
Balance at the end of the year	2,850,460	6,478	2,856,938
Accumulated amortisation			
Balance at the beginning of the year	124,727	6,478	131,205
Charge for the year	66,258	—	66,258
Disposal during the year	23,176	—	23,176
Balance at the end of the year	167,809	6,478	174,287
Carrying amounts			
At the end of the year	2,682,651	—	2,682,651
At the beginning of the year	2,860,193	—	2,860,193

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

13 Intangible assets *(continued)*

(2) Disposal of intangible assets

Item	*Note*	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Disposal of land use right	V.43(2)(a)	321,913	16,806	—	305,107
Disposal of cold-rolled sheet plant assets	V.43(2)(b)	26,957	5,696	—	21,261
Disposal of subsidiaries		4,461	534	—	3,927
Others		707	140	—	567
Total		354,038	23,176	—	330,862

(3) The land use right used as mortgage for bank loans by the Group as at 31 December 2014. See Note V.50.

(4) On 31 December 2014, all of the Group's land use rights are under medium-term leases of mainland.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

14 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and liabilities

	2014		2013	
Item	Deductible or taxable temporary differences ("( )" for taxable temporary difference)	Deferred tax assets/ deferred tax liabilities ("( )" for liabilities)	Deductible or taxable temporary differences ("( )" for taxable temporary difference)	Deferred tax assets/ deferred tax liabilities ("( )" for liabilities)
Deferred tax assets:				
Provision for assets impairment	—	—	4,206	631
Deferred income	—	—	793	119
Payables aged over 2 years	—	—	—	—
Deductible tax losses	2,119,147	317,873	1,026,176	153,927
Sub-total	2,119,147	317,873	1,031,175	154,677
Amount of offsetting	—	(300,757)	—	(136,811)
Balance after offsetting	—	17,116	—	17,866
Deferred tax liabilities:				
Capitalised realised gain or loss arising from trial production	(1,375,828)	(300,757)	(640,309)	(136,811)
Sub-total	(1,375,828)	(300,757)	(640,309)	(136,811)
Amount of offsetting	—	300,757	—	136,811
–Balance after offsetting	—	—	—	—

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

14 Deferred tax assets and deferred tax liabilities *(continued)*

(1) Deferred tax assets and liabilities (continued)

As at 31 December 2014, taking into account of the expected recovery or settlement of the deferred tax assets, the Group computed the book value of the deferred tax assets by adopting the applicable tax rate in the period when the deferred tax assets are expected to be recovered.

(2) Details of unrecognised deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Details of unrecognised deferred tax assets at the end of the year are as follows:

Item	2014	2013
Deductible temporary differences	**808,545**	667,334
Deductible tax losses	**2,607,018**	3,710,356
Total	**3,415,563**	4,377,690

The carrying amount of deferred tax asset is reviewed at each balance sheet date. As at 31 December 2014, the Group recognised deferred tax assets to the extent that it was probable that future taxable profits would be available against which deductible temporary differences can be utilised, and reduced part of the carrying amount of deferred tax asset recognised in the previous year, consider it is no longer probable that sufficient taxable profit in the future would be available to allow all the benefit of deferred tax asset to be utilized.

(3) Expiration of deductible tax losses for unrecognised deferred tax assets

Year	2014	2013
2014	**—**	456,611
2015	**150,133**	150,133
2016	**946,945**	778,016
2017	**—**	—
2018	**1,509,940**	2,325,596
Total	**2,607,018**	3,710,356

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

15 Other non-current assets

Item	Note	2014	2013
Prepayments for construction		**59,020**	65,300
Prepayments for purchase of raw materials		**10,350**	21,150
Guarantee monies for finance lease		**40,300**	46,900
Others		**9,000**	1,500
Sub-total		**118,670**	134,850
Less: Due within one year	V.4	**10,350**	10,800
Total		**108,320**	124,050

Prepayment for construction is prepaid to San Feng Logistics by the Group. Prepayments for the purchase of raw materials will be settled between 2009 and 2015, of which the part of prepayment to be settled in a year was reclassified to Prepayment. Guarantee monies for finance lease will be refunded from the lessor when the finance lease ends.

16 Short-term loans

(1) The Short-term loans by category

Item	2014	2013
Pledged loans	**—**	44,313
Loans secured by mortgages	**244,760**	274,361
Guaranteed loans	**2,313,840**	3,682,487
Unsecured loans	**325,000**	704,573
Total	**2,883,600**	4,705,734

The mortgages for the loans with mortgage of RMB244,760,000 are the plants and land use rights of the Group (Notes V.50), Chongqing Iron & Steel Group Sanfeng Industry Company Limited ("Sanfeng Industry") and the Parent Group on 31 December 2014 (see Note X.4(4)).

As at 31 December 2014, for loans with guarantee are guaranteed by the Parent Group solely, see Note X.4(4).

(2) As at the balance sheet date, no short-term loans were overdue.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

17 Bills payable

Bills payable by category:

Item	2014	2013
Commercial acceptance bills	**2,072,252**	436,000
Bank acceptance bills	**2,355,280**	2,147,300
Total	**4,427,532**	2,583,300

All the bills mentioned above are due within one year.

18 Accounts payable

(1) Details of accounts payable are as follows:

Item	2014	2013
Accounts payable for goods and services	**6,344,912**	6,814,486
Accounts payable for construction and equipment	**6,077,523**	6,692,012
Total	**12,422,435**	13,506,498

(2) Ageing analysis of accounts payable:

	2014		2013	
Aging	Amount	Percentage	Amount	Percentage
Within 1 year (inclusive)	**7,018,076**	**57%**	12,015,426	89%
Over 1 year but within 2 years (inclusive)	**5,025,451**	**40%**	1,150,924	8%
Over 2 years but within 3 years (inclusive)	**265,043**	**2%**	244,612	2%
Over 3 years	**113,865**	**1%**	95,536	1%
Total	**12,422,435**	**100%**	13,506,498	100%

The ageing is counted starting from the date accounts payable is recognised.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

18 Accounts payable *(continued)*

(3) Accounts payable with ageing of more than one year

Item	Balance at the end of the year	Reasons for not being settled
Accounts payable		
— for construction and equipment	4,407,958	Note 1
— for goods and service	996,401	Note 2
Total	5,404,359	

Note 1: Payables for construction and equipment aged over 1 year mainly represented the projects which settlement procedures have not been completed. According to payment schedule, these payables have not step into the final settlement.

Note 2: Payables for goods and service aged over 1 year mainly represented the payables which supplier settlement procedures have not been completed, these payables have not step into the final settlement.

(4) Debt restructing of accounts payable

The Company entered into Debt Restructuring Agreements with each of 7 third party suppliers. Pursuant to the terms of these agreements, the suppliers agreed to accept certain reductions on the accounts payable owed by the Company. The reduced amount generally represented 30% – 35% of the accounts payable before discounting. The suppliers committed to giving up ownership of the reduced amounts and will never claim the rights to the reduced amounts.

The total original book value of the accounts payable mentioned in the debt restructuring agreements is RMB147,528,000. Pursuant to the above agreements, the total balance of accounts payable owed by the Company after adjustments was RMB98,300,000, thus the Company reduced the accounts payable in an amount of RMB49,228,000, and recognized the gain in the non-operating income (see note V.43).

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

19 Advances from customers

(1) Advances are payments prepaid by customers of the Company.

(2) Advances from customers with ageing of more than one year:

Item	Balance at the end of the year	Reasons for not being settled
Long-term advances from customers	428,512	Agreement

According to relevant agreements, the Company received an advance from customers totaling RMB500,000,000 in 2009. Such amounts were settled on a monthly basis during the period from February 2009 to December 2013. The customer was entitled to a certain amount of discount in selling prices every month. Such long-term advance was recognised as financial liabilities, and subsequently measured at amortised cost by adopting the interest rate in agreement. In 2014, the interest rate was 5.40% (2013: 5.40%); interest expense for financial liabilities has been recognised at RMB18,381,000 (2013: RMB18,390,000). According to the new contract agreed by the Company and the customer, the amount which had not been settled will be settled in 2015 and the remaining advances from customers were listed as current liabilities in the balance sheet.

20 Employee benefits payable

(1) Employee benefits payable

Item	Balance at 1 January 2014	Accrued during the year	Decrease during the year	Balance at 31 December 2014
Short-term employee benefits	55,350	1,064,906	1,018,833	101,423
Post-employment benefits				
— defined contribution plans	129,453	101,273	156,800	73,926
Termination benefits	12,302	6,518	9,364	9,456
Total	197,105	1,172,697	1,184,997	184,805

As at 31 December 2014, no termination benefits stated above include the compensation payment for the termination of certain labor contract relationship.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

20 Employee benefits payable *(continued)*

(2) Short-term employee benefits

	Balance at 1 January 2014	Accrued during the year	Decreased during the year	Balance at 31 December 2014
Salaries, bonuses, allowances	31,061	688,604	663,674	55,991
Staff welfare	19,499	59,994	61,493	18,000
Social insurance	—	114,360	114,360	—
Basic Medical insurance	—	76,412	76,412	—
Large quantity Medical Insurance premium	—	8,040	8,040	—
Supplementary medical insurance premium	—	20,836	20,836	—
Work-related injury insurance	—	4,811	4,811	—
Maternity insurance	—	4,261	4,261	—
Housing fund	—	71,305	43,963	27,342
Labour union fee, staff and workers' education fee	4,789	14,662	19,412	39
Labour cost	—	110,080	110,080	—
Other short-term employee benefits	1	5,901	5,851	51
Total	55,350	1,064,906	1,018,833	101,423

(3) Post-employment benefits- defined contribution plans

	Balance at 1 January 2014	Accrued during the year	Decreased during the year	Balance at 31 December 2014
Basic pension insurance	127,359	82,042	139,268	70,133
Supplementary pension insurance premium	—	6,177	6,177	—
Unemployment insurance	2,094	13,054	11,355	3,793
Total	129,453	101,273	156,800	73,926

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

21 Taxes payable

Item	2014	2013
Value added tax	**955**	1,163
Business tax	**5,900**	60
Deed tax	**—**	293,356
Others	**4,296**	13,800
Total	**11,151**	308,379

22 Interests payable

Item	2014	2013
Interest payable for long-term loans with interest paid in installments and principal repaid on maturity	**21,999**	58,039
Interest payable for debentures	**10,333**	10,333
Total	**32,332**	68,372

As at 31 December 2014, the Group has no overdue interest.

23 Other payables

(1) Details of other payables by nature are as follows:

Item	*Note*	2014	2013
Disbursement by Parent Group		**1,585,486**	985,320
Related Party borrowings	X 4(5)	**321,174**	300,000
Other related party payables		**214,101**	86,532
Guarantee monies & deposits		**37,772**	85,698
With holding of social insurance and housing fund		**60,876**	10,252
Others		**36,298**	32,410
Total		**2,255,707**	1,500,212

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

23 Other payables *(continued)*

(2) As at 31 December 2014, significant other payable of the Group ageing of more than one year mainly represents unsettled related party payables of RMB27,383,000 and guarantee monies of RMB18,841,000.

24 Non-current liabilities due within one year

(1) Non-current liabilities due within one year by category are as follows:

Item	2014	2013
Long-term loans due within one year	**749,224**	953,364
Debentures payables due within one year	**1,982,113**	—
Long-term payables due within one year	**912,353**	1,402,090
Total	**3,643,690**	2,355,454

(2) Long-term loans due within one year

Item	2014	2013
Pledged, guaranteed loans & loans secured by mortgages	**80,000**	—
Guaranteed loans & loans secured by mortgages	**74,605**	—
Guaranteed loans	**589,619**	938,364
Unsecured loans	**5,000**	15,000
Total	**749,224**	953,364

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

24 Non-current liabilities due within one year *(continued)*

(2) Long-term loans due within one year (continued)

As at 31 December 2014, Pledged, guaranteed loans & Loans secured by mortgages are pledged by 200,000,000 shares of the Company and other subsidiaries' equity which are held by the Parent Group (See Note X.4(4)). The mortgages are the land use rights, buildings and equipments of the Group (See Note V.50). And the loans are guaranteed by Chongqing Yu Fu Assets Management Group Co., Ltd ("Yu Fu").

As at 31 December 2014, the mortgages for the Guaranteed loans & loans secured by mortgages are equipments of the Group (See Note V.50) and the Parent Group provides guarantee (See Note X.4(4)).

As at 31 December 2014, Guaranteed loans are guaranteed by Chongqing Sanxia Guarantee Group Co., Ltd ("San Xia Guarantee") solely is RMB130,000,000, guaranteed by Yu Fu soley is RMB5,000,000 and solely or jointly guaranteed by the Parent Group and Yu Fu is RMB454,619,000. (See Note X.4(4)).

As at the balance sheet date, no long-term loans due within one year were overdue.

(3) The debentures payable due within one year

Debenture	Par value	Issuance date	Maturity period	Issuance amount	Balance at the beginning of the year	Reclassification	Issuance during the year	Interest accrued based on par value	Amortisation of discounts or premium	Balance at the end of the year
Chongqing Iron and Steel Company Limited 2010 Company Debentures	2,000,000	09/12/2010	7 years	2,000,000	—	1,982,113	—	124,000	5,414	1,982,113

Pursuant to the "Approval for the Public Issue of Corporate Bonds by Chongqing Iron & Steel Company Limited" (Zheng Jian Xu Ke [2010] No.1689) from the China Securities Regulatory Commission ("CSRC"), the Company issued corporate bonds of RMB2,000,000,000 on Shanghai Stock Exchange on 14 December 2010, and the duration of this tranche of corporate bonds is seven years. The holders of bonds can sell full or part of the bonds at the face value to the Company at the fifth year. As at 31 December 2014, the Group reclassified the debentures payable into non-current liabilities due within one year.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

24 Non-current liabilities due within one year *(continued)*

(4) Long-term payables due within one year

As at 31 December 2014, the closing balance of long-term payables due within one year included net obligations under finance leases of RMB912,353,000 (total amount of RMB947,402,000 net of unrecognised finance charges amounted to RMB35,049,000). As at 31 December 2013, the closing balance of long-term payables due within one year included net obligations under finance leases with the amount of RMB1,402,090,000 (total amount of RMB1,467,860,000 net of unrecognised finance charges amounted to RMB65,770,000).

As at 31 December 2014, for the amounts of long-term payables due within one year which were guaranteed by the Parent Group solely or jointly guaranteed by the Parent Group and Yu Fu, of which, the amount are RMB538,455,000. See Note X.4 (4).

As at the balance sheet date, no long-term loans due within one year were overdue.

25 Other current liability

Item	2014	2013
Deferred income — government grant	**3,477**	2,580
Deferred income — unrealised income of Sale-and-leaseback transactions	**6,031**	6,865
Total	**9,508**	9,445

Other current liabilities are the deferred income expected to be realised in one year (Note V.29).

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

26 Long-term loans

(1) Long-term loans by category:

Item	2014 Annual interest rate	2014 Amount	2013 Annual interest rate	2013 Amount
Pledged, guaranteed loans & loans secured by mortgages	**6.15%**	**8,210,000**	—	—
Loans secured by mortgages & guaranteed loans	**5.80%**	**219,895**	—	—
Guaranteed loans	**3 months Libor + 4% ~ 6.42%**	**1,384,718**	3 months Libor + 3.2% ~ 6.77%	7,348,938
Unsecured loans	**6.15%**	**95,000**	—	—
Total		**9,909,613**		7,348,938

As at 31 December 2014, Pledged, guaranteed loans & loans secured by mortgages are pledged by 200,000,000 shares of the Company and other subsidiaries' equity which are held by the Parent Group (See Note X.4(4)). The mortgages are the land use rights, buildings and equipments of the Group (See Note V.50). And the loans are guaranteed by Yu Fu.

As at 31 December 2014, the mortgages for the Guaranteed loans & loans secured by mortgages are the equipments belong to the Group (See Note V.50) and the Parent Group provides guarantee (See Note X.4(4)).

As at 31 December 2014, Guaranteed loans are guaranteed by San Xia Guarantee solely is RMB150,000,000, guaranteed by Yu Fu solely is RMB485,000,000 and solely guaranteed by the Group is RMB749,718,000 (See Note X.4(4)).

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

26 Long-term loans *(continued)*

(2) Details of long-term loans by term of payments

On 31 December 2014, long-term loans will be paid as follows:

	2014	2013
Over 1 year but within 2 years (inclusive)	**1,250,718**	206,938
Over 2 year but within 5 years (inclusive)	**3,968,895**	2,303,000
Over 5 year	**4,690,000**	4,839,000
Total	**9,909,613**	7,348,938

27 Debentures payable

(1) Debentures payable

Item	Note	2014	2013
Chongqing Iron and Steel Company Limited 2010 Company Debentures	V.24 (3)	**—**	1,976,699

28 Long-term payables

Item	Note	2014	2013
Obligations under finance leases		**1,134,760**	2,485,283
Less: obligations under finance lease due within one year	(1)	**912,353**	1,402,090
Total		**222,407**	1,083,193

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

28 Long-term payables *(continued)*

(1) Details of obligations under finance leases included in long-term payables

As at 31 December 2014, the total future minimum lease payments under finance leases are as follows:

Minimum lease payments	2014	2013
Within 1 year (inclusive)	**947,402**	1,467,860
After 1 year but within 2 years (inclusive)	**235,930**	965,255
After 2 years but within 3 years (inclusive)	**—**	239,320
Sub-total	**1,183,332**	2,672,435
Less: Unrecognised finance charges	**48,572**	187,152
Total	**1,134,760**	2,485,283

The above obligations under finance leases due within one year, net of unrecognised finance charges, is disclosed in Note V.24.

(2) As at 31 December 2014, for the amounts of long-term payables which were guaranteed by the Parent Group solely are RMB75,886,000, see Note X.4 (4).

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

29 Deferred income

Item	*Note*	Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year	Reason for formation
Government grant	(1)	62,749	16,890	4,492	75,147	Government grant
Unrealised income of sale-and-leaseback transactions	(2)	109,775	—	6,866	102,909	Sale–and – leaseback transactions
Subtotal		172,524	16,890	11,358	178,056	
Less: expected to realised in one year		9,445	9,508	9,445	9,508	
Total		163,079	7,382	1,913	168,548	

(1) Government grant programmes:

Liability	Balance at the beginning of the year	Additions during the year	Recognition as non-operating income	Other changes	Balance at the end of the year	Related to assets/ income
Grants due for construction of environmental protection equipment and facilities	16,956	16,030	1,527	—	31,459	Asset
Grants for recycle Heat power station	45,000	—	1,312	—	43,688	Asset
Others	793	860	450	(1,203)	—	Income
Total	62,749	16,890	3,289	(1,203)	75,147	

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

29 Deferred income *(continued)*

(2) The Company entered into sale-and-leaseback finance leasing transactions with several financial leasing companies respectively from 2009 to 2014 (see Note V.10(4) and V.11(4)), and the difference between the selling prices and the book value of the assets is deferred, amounted to RMB137,125,000 (2013: RMB137,125,000). This difference is amortised in accordance with the depreciation progress of these assets under finance leasing, as an adjustment to the depreciation cost, and the amortization amounted to RMB6,866,000 in 2014 (2013: RMB6,839,000).

30 Share capital

	Balance at the beginning and end of the year
Total shares	**4,436,023**

31 Capital reserve

Item	*Note*	Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year
Share premiums		6,341,095	—	—	6,341,095
Transfer from items under previous standards		270,127	—	—	270,127
Other capital reserves	(1)	37,661	6,524	—	44,185
Total		6,648,883	6,524	—	6,655,407

(1) The additions of other capital reserves during the year are mainly due from the net value of donations amounting to RMB6,019,000 from the Parent Group. (See Note X.6 (6))

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

32 Specific reserve

Item	Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year
Safety fund	1,344	23,022	24,366	—

33 Surplus reserve

Item	Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year
Statutory surplus reserve	606,991	—	—	606,991

34 Retained earnings

Item	*Note*	**2014**	2013
Retained earnings at the beginning of the year ("( )" for losses)		**(1,775,938)**	723,080
Add: net profits for the year attributable to shareholders of the Company		**51,431**	(2,499,018)
Less: Appropriation for statutory surplus reserve	(1)	**—**	—
Dividends payable on ordinary shares	(2)	**—**	—
Retained earnings at the end of the year	(3)	**(1,724,507)**	(1,775,938)

As at 31 December 2014, the Company's undistributed deficit amounted to RMB1,724,507,000, which shall be shared on a pro-rata basis among all shareholders after the completion of the issuance of A shares in 2007. H shares and A shares rank pari passu in all aspects with each other.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

34 Retained earnings *(continued)*

(1) Appropriation to surplus reserves

According to the Company Law of the PRC, the original Company's Articles of Association and resolutions of the board of directors, the Company is required to appropriate 10% of its net profit to statutory surplus reserve until the reserve reaches 50% of the registered capital. Statutory surplus reserves may be used to make up losses or to increase the capital of the Company upon the approval of related authorities. Except for those used to make up losses, the balance of the statutory surplus reserve must not be less than 25% of the registered capital after being converted into capital. The Company appropriate no statutory surplus reserve this year.

The amount appropriated to discretionary surplus reverse is proposed by the board of directors and subject to the approval by the General Meeting of shareholders. Discretionary surplus reserve may be used to make up losses or to increase the capital of the Company upon relevant approval. As at 31 December 2014, the Company appropriated no discretionary surplus reserve.

(2) Distribution of ordinary share dividends declared during the year

During the board of directors meeting on 30 March 2015, the directors of the Company declare no dividend in respect of 2014 (2013: Nil).

(3) Retained earnings at the end of the year

As at 31 December 2014, the consolidated retained earnings attributable to the Company included an appropriation of RMB684,000 to surplus reserve made by the Company's subsidiaries (2013: RMB4,092,000).

35 Operating income and operating costs

(1) Operating income and operating costs

	2014		2013	
Item	**Income**	**Cost**	Income	Cost
Principal activities	**12,205,022**	**12,660,531**	17,518,052	17,859,520
Other businesses	**40,035**	**13,042**	45,394	24,942
Total	**12,245,057**	**12,673,573**	17,563,446	17,884,462

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

35 Operating income and operating costs *(continued)*

(1) Operating income and operating costs (continued)

Details of operating income

	2014	2013
Operating income from principal activities		
— Selling of goods	**12,115,066**	17,424,371
— Rendering of service	**70,769**	65,600
— Construction contracts	**19,187**	28,081
Subtotal	**12,205,022**	17,518,052
Other business income		
— Disposal of waste materials	**40,035**	45,394
Total	**12,245,057**	17,563,446

Information on income, expenses and profit of principal has been included in Note XIV.1.

36 Business taxes and surcharges

Item	2014	2013
Business tax	**611**	5,018
City maintenance and construction tax	**1,160**	1,320
Education surcharge	**502**	616
Local education surcharge	**335**	342
Total	**2,608**	7,296

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

37 Selling and distribution expenses

Item	2014	2013
Labour cost	**21,104**	22,028
Transportation fee	**128,437**	196,208
Ship inspection fee	**67,146**	85,987
Others	**46,819**	44,987
Total	**263,506**	349,210

38 General and administrative expenses

Item	2014	2013
Labour cost	**112,608**	221,571
Repair fee	**359,068**	457,697
Assets usage fee	**—**	35,358
Amortisation of intangible assets	**66,258**	25,953
Audit and Consult fee	**14,116**	20,871
Tax fee	**77,904**	39,120
Others	**82,203**	53,360
Total	**712,157**	853,930

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

39 Financial expenses

Item	2014	2013
Interest expenses from loans due for payment within 5 years	**370,293**	13,909
Interest expense from other loans	**575,226**	603,978
Interest expense from finance lease	**131,210**	247,968
Other interest expense	**411,643**	231,406
Less: Borrowing costs capitalised	**152,914**	186,942
Net interest expense	**1,335,458**	910,319
Interest income from deposits and receivables	**(20,650)**	(17,205)
Net exchange losses/gains	**13,659**	(61,796)
Other financial expenses	**13,112**	9,275
Total	**1,341,579**	840,593

The interest rate per annum, at which the borrowing costs were capitalised for the current year by the Group, was 5.80%-11.45% (2013: 5.21%-11.45%).

40 Impairments losses

Item	2014	2013
Accounts receivable	**9,075**	(1,786)
Inventories	**187,795**	129,763
Total	**196,870**	127,977

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

41 Gains from changes in fair value ("( )" for losses)

Item	2014	2013
Financial liabilities at fair value through profit or loss	**—**	1,556
Including: Total amount recognised in investment income on derecognition	**—**	1,556

42 Investment income ("( )" for losses)

(1) Investment income by item

Item	2014	2013
Income from long-term equity investments accounted for using the equity method	**41**	13
Investment income from disposal of long-term equity investments	**101,885**	—
Investment income from disposal of financial liabilities measured at fair value through profit or loss	**—**	(1,518)
Total	**101,926**	(1,505)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

43 Non-operating income

(1) Non-operating income by item is as follows:

Item	*Note*	2014	2013	Amount recognised in extraordinary gain and loss in 2014
Total gains on disposal of non-current assets	(2)	**1,132,661**	225	1,132,661
Including:				
Disposal of fixed assets		**286,551**	225	286,551
Disposal of intangible assets		**846,110**	—	846,110
Government grants	(3)	**923,283**	3,932	923,283
Relocation compensation	(4)	**800,000**	—	800,000
Gains from debt restructuring	Note V.18	**49,228**	—	49,228
Received tax refunds, exemptions and reductions	(5)	**2,282**	3,779	2,282
Others		**1,661**	4,086	1,661
Total		**2,909,115**	12,022	2,909,115

(2) Gains on disposal of non-current assets

Item	*Note*	2014
Disposal of land use rights	(a)	750,316
Disposal of cold-rolled sheet plant	(b)	369,560
Disposal of Dabaopo Project	(c)	11,594
Others		1,191
Total		1,132,661

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

43 Non-operating income *(continued)*

(2) Gains on disposal of non-current assets (continued)

(a) Disposal of land use rights

According to the Notice of Chongqing Municipal People's Government on approval for the land reserve of Chongqing Land Group ([2014] No.1588 Yu Fu Di), Chongqing Municipal People's Government has approved Chongqing Land Group to acquired the Group's Land use right which site area of approximately 988.908 mu as reserve regulation. The consideration which was arrived at after arm's length negotiation between the parties by making reference to the Assets Valuation Report prepared by the independent valuer, Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd ("Huakang") is RMB1,055,486,000. The net profit from the disposal after deducting the carrying amounts of land use rights of RMB305,107,000 and disposal fee of RMB63,000 is RMB750,316,000. As at 31 December 2014, the Group has received the consideration of RMB800,000,000 in cash.

(b) Disposal of cold-rolled sheet plant

In December 2014, the Group transferred land use rights which carrying amount of RMB21,261,000, fix assets which carrying amounts of 247,671,000 and Construction in progress which carrying amounts of RMB444,000 of cold-rolled sheet plant to Land Reserve Centre of Changshou Economic and Technological Development Zone. The consideration which was arrived at after arm's length negotiation between the parties by making reference to the Assets Valuation Report prepared by the independent valuer, Huakang is RMB719,590,000. The net profit from the disposal after deducting the relevant tax fee of RMB80,654,000 is RMB369,560,000. As at 31 December 2014, the Group has received the consideration of RMB100,000,000 in cash.

(c) Disposal of Dabaopo project

In May 2014, the Group transferred fixed assets with carrying amounts of RMB129,281,000 and constructions in progress with carrying amounts of RMB5,859,000 of Dabaopo project. to Chongqing Iron & Steel Group Mining Company Limited ("Mining Company"). The consideration which was arrived at after arm's length negotiation between the parties by making reference to the Assets Valuation Report prepared by the independent valuer, Huakang is RMB146,783,000. The net profits from the disposal after deducting the disposal fee of RMB49,000 is RMB11,594,000. (See Note X 6(2)).

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

43 Non-operating income *(continued)*

(3) Government grant

Item	*Note*	**2014**	2013	Relevant to asset/profit
Government grants for environmental relocation	(a)	**506,983**	—	Income
Special government grants for financial expenses	(b)	**133,000**	—	Income
Special grants for environmental protection energy-saving emission reduction & development of new products	(c)	**280,000**	—	Income
Special appropriation for environmental protection		**1,527**	892	Asset
Recycle heat power station funds amortisation		**1,312**	—	Asset
Others		**461**	3,040	Income/Asset
Total		**923,283**	3,932	

(a) Government grants for environmental relocation

Pursuant to Notice of the Finance Bureau of Changshou District of Chongqing City on Granting Fiscal Subsidies to Chongqing Iron & Steel Company Limited (Chang Cai Jing Fa [2014] No. 45) and Notice of the Finance Bureau of Changshou District of Chongqing City on Granting Fiscal Subsidies to Chongqing Iron & Steel Company Limited (Chang Cai Jing Fa [2014] No. 117), issued respectively on 26 March and 24 June of 2014 by the Finance Bureau of Changshou District of Chongqing City, the Company received government subsidies totaling RMB506,983,000 in March and June of 2014. Such subsidies are to cover the environment protection related expenditures, financial expenses, and other operating costs increased arising from the environmental relocation from 2010 through 2013 of the Company.

(b) Special government grants for financial expenses

According to the Notices of Finance Bureau of Changshou District, Chongqing City on allocating the financial interest discount to the Chongqing Iron & Steel Company Limited (Chang Cai Jing Fa [2014] No. 375) for on 24 December 2014. The Company received the financial interest discount amounting to RMB133,000,000 in December 2014 to compensate the financial expense of year 2014.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

43 Non-operating income *(continued)*

(3) Government grants (continued)

(c) Special grants for environmental protection energy-saving emission reduction & development of new products

According to the Written Notice of Management Committee of Changshou Economic Development Zone on Granting rewards and subsidy to Chongqing Iron & Steel Company Limited (Chang Shou Jing Kai Fa [2014] No.30) on 24 December 2014, The Company received the rewards and subsidy amounting to 280,000,000 to covering to properly compensate the operating costs of the Company such as expenses incurred in its promotion of new product development work in 2013 and 2014, and to reward the Company for its contribution in the promotion of new product development and reward the Company for its contribution in environmental protection, energy conservation and emission reduction.

(4) Relocation compensation

In May 2007, the Parent Group entered into Purchase Agreement of the Company's Assets with Yu Fu, arriving at the agreement that Yu Fu would purchase the Parent Group's use right of land for production and operation in Dadukou District and Jiulongpo District of Chongqing. The land included those leased by the Parent Group to the Group located in Dadukou District of Chongqing, where steel production facilities of the Group were situated. In 2010, the Group launched the Environmental Relocation. As at 22 September 2011, the Group shut down its iron and steel production facilities in Dadukou District and relocated its preliminary production site to Changshou District. In December 2014, Yu Fu granted the Group a compensation package of cash RMB800,000,000, in order to reward the Group for its active cooperation and accomplishment of the relocation.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

43 Non-operating income *(continued)*

(5) Received tax refunds, exemptions and reductions

Item	2014	2013
Land use tax refunds	**519**	130
Business tax exemptions and reductions	**—**	2,743
VAT refund upon collection	**1,763**	906
Total	**2,282**	3,779

44 Non-operating expenses

Item	2014	2013	Amount recognised in extraordinary gain and loss in 2014
Losses on disposal of fixed assets	**42**	4,357	42
Donations provided	**200**	—	200
Others	**11,023**	3,585	11,023
Total	**11,265**	7,942	11,265

45 Income tax expenses

Item	*Note*	2014	2013
Current tax expense for the year based on tax law and regulations		**2,943**	3,067
Changes in deferred tax	(1)	**(46)**	26
Difference resulted from tax filing		**—**	34
Total		**2,897**	3,127

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

45 Income tax expenses *(continued)*

(1) The analysis of changes in deferred tax assets is set out below:

Item	2014	2013
Origination and reversal of temporary differences	**94,003**	26
Recognition of previously unrecognised deductible losses	**(119,388)**	—
Reversal of previously recognized deductible losses	**25,339**	—
Total	**(46)**	26

(2) Reconciliation between income tax expense and accounting profits is as follows:

Item	2014	2013
Profit before taxation ("( )" for losses)	**54,540**	(2,495,891)
Expected income tax expense at a tax rate of 15%	**8,181**	(374,384)
Add: Effect of different tax rates applied by certain subsidiaries	**321**	397
Effect of non-deductible cost, expense and loss	**2,177**	5,443
Effect of deferred tax asset for deductible temporary difference or deductible loss unrecognised this year	**(61,400)**	330,874
Difference in final settlement	**—**	34
Tax rate difference at the future reversal of temporary differences	**53,618**	40,763
Income tax expense	**2,897**	3,127

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

46 Basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2014	2013
Consolidated net profit attributable to ordinary shareholders of the Company ("( )" for losses)	**51,431**	(2,499,018)
Weighted average number of ordinary shares outstanding ('000 shares)	**4,436,023**	1,995,401
Basic earnings per share (RMB/share) ("( )" for losses)	**0.012**	(1.252)

Weighted average number of ordinary shares is calculated as follows:

	2014	2013
Issued ordinary shares at 1 January 2014	**4,436,023**	1,733,127
Shares issued during the year	**—**	262,274
Weighted average number of ordinary shares at 31 December 2014	**4,436,023**	1,995,401

(2) Diluted earnings per share

Diluted earnings per share is calculated by dividing adjusted consolidated net profit of the Company attributable to ordinary shareholders by adjusted weighted average number of ordinary shares outstanding. As at 31 December 2014, there were no issuance of dilutive potential ordinary shares (2013: Nil). Therefore, the diluted earnings per share equal to basic earnings per share.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

47 Supplement to income statement

Expenses are analysed by their nature:

Item	2014	2013
Operating income	**12,245,057**	17,563,446
Add: Gains from changes in fair value	**—**	1,556
Investment Income	**101,926**	(1,505)
Less: Changes in inventories of finished goods and work in progress	**(12,195)**	(75,081)
Raw materials and consumables used	**10,606,397**	15,559,869
Employee benefits expenses	**985,535**	1,208,285
Depreciation and amortisation expenses	**1,049,467**	443,987
Assets usage fee	**—**	617,394
Repair fee	**359,068**	457,697
Freight fee	**128,437**	196,208
Impairment losses for non-current assets	**196,870**	127,977
Financial expenses	**1,341,579**	840,593
Other expense	**535,135**	686,539
Operating losses ("( )" for losses)	**(2,843,310)**	(2,499,971)

48 Cash flow statement

(1) Proceeds relating to other operating activities

Item	2014	2013
Relocation compensation from Yu Fu	**800,000**	—
Others	**9,904**	7,263
Total	**809,904**	7,263

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

48 Cash flow statement *(continued)*

(2) *Payment relating to other operating activities*

Item	2014	2013
Bank charges	**13,112**	9,275
Others	**417**	3,112
Total	**13,529**	12,387

(3) *Proceeds relating to other investing activities*

Item	2014	2013
Interest income on deposits of bank	**20,650**	17,205
Others	**46**	3,000
Total	**20,696**	20,205

(4) *Payment relating to other financing activities*

Item	2014	2013
Rent for finance leases	**1,461,077**	1,910,843

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

49 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit (losses) to cash flow from operating activities:

Item	2014	2013
Net profit ("( )" for losses)	**51,643**	(2,499,018)
Add: Impairment provisions for assets	**196,870**	127,977
Depreciation of fixed assets	**983,209**	418,034
Amortization of intangible assets	**66,258**	25,953
Losses on disposal of fixed assets ("( )" for gains)	**(1,132,619)**	4,132
Losses on change in fair value ("( )" for gains)	**—**	(1,556)
Financial expenses ("( )" for income)	**1,310,086**	812,931
Losses arising from investment ("( )" for gains)	**(101,926)**	1,505
Decrease in deferred tax assets ("( )" for increase)	**(46)**	26
Decrease in gross inventories ("( )" for increase)	**597,978**	(1,683,229)
Decrease in operating receivables ("( )" for increase)	**164,782**	1,872,424
Increase in operating payables ("( )" for decrease)	**726,689**	3,561,056
Increase in safety fees ("( )" for decrease)	**—**	(271)
Decrease in restricted cash ("( )" for increase)	**(66,141)**	(684,633)
Net cash flow from operating activities	**2,796,783**	1,955,331

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

49 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

(b) Investing and financing activities not requiring the use of cash or cash equivalents:

(i) Finance lease activities not requiring the use of cash or cash equivalents

Item	2014	2013
Acquisition of construction in progress and construction materials under finance leases	**—**	256,410

(c) Change in cash and cash equivalents:

Item	2014	2013
Cash at the end of the year	**146,148**	519,061
Less: Cash at the beginning of the year	**519,061**	3,394,564
Add: Cash equivalents at the end of the year	**—**	—
Less: Cash equivalents at the beginning of the year	**—**	—
Net increase in cash and cash equivalents (decrease denoted with "( )")	**(372,913)**	(2,875,503)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

49 Supplementary information on cash flow statement *(continued)*

(2) Information on disposal of subsidiaries and other business units during the year

Item	2014	2013
Consideration of disposing subsidiaries and other business units	**179,897**	—
Cash and cash equivalents received this year for disposing subsidiaries and other business units this year	**5,070**	—
Less: Cash and cash equivalents held by disposed subsidiaries and other business units	**251**	—
Including: Chongqing Iron & Steel Group Electronics Company Limited (“Chongqing Electronics”)	**79**	
Chongqing Iron & Steel Group Transportation Company Limited (“Chongqing Transportation”)	**172**	
Net cash received for disposing subsidiaries and other business units	**4,819**	—
Non-cash assets and liabilities held by the disposed subsidiaries and other business units		
— Current assets	**124,319**	—
— Non-current assets	**47,769**	—
— Current liabilities	**91,963**	—
— Non-current liabilities	**1,203**	—

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

49 Supplementary information on cash flow statement *(continued)*

(3) Details of cash and cash equivalents

Item	2014	2013
Cash	**146,148**	519,061
Including: Cash on hand	**531**	1,062
Bank deposits available on demand	**145,059**	517,500
Other monetary fund available on demand	**558**	499
Cash equivalents	**—**	—
Closing balance of cash and cash equivalents	**146,148**	519,061
Including: restricted cash and cash equivalents held by the Company or subsidiaries in the group	**—**	—

50 Assets with restricted ownership or right of use

Item	*Note*	Balance at the beginning of the year	Additions during the year	Decrease during the year	Balance at the end of the year	Reason for restriction
Cash at bank and on hand	V.1	1,034,289	2,443,873	2,377,732	1,100,430	blocked/ collateral
Bills receivable	V.2	62,125	—	62,125	—	Collateral
Fixed assets		47,305	9,355,062	47,305	9,355,062	loans mortgage
Intangible assets		314,405	2,642,682	314,405	2,642,682	loans mortgage
Fixed assets	V.10(4)	3,962,973	725,060	1,984,933	2,703,100	Finance leases
Construction in progress	V.11(4)	1,452,738	—	1,165,060	287,678	Finance leases
Total		6,873,835	15,166,677	5,951,560	16,088,952	

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VI CHANGE OF CONSOLIDATION SCOPE

1 Disposal of subsidiaries

(1) Disposal of investments in subsidiaries through a single transaction resulting in loss of control

Entity name	Consideration for disposal of equity interest	Proportion of equity disposal	Method of equity disposal	Loss-of-control date	Basis of determination of loss-of-control date	Difference between consideration of disposal equity and its share of net assets of consolidated financial statements	Proportion of remaining equity on the date of loss of control	Carrying amount of remaining equity on the date of loss of control	Fair value of remaining equity on the date of loss of control	Gain or loss from remeasurement of remaining equity at fair value	method and key assumptions on the fair value of remaining equity on the date of loss of control	transferred from other comprehensive income related to previous equity investments in subsidiaries
Electronic Company	127,630	100%	Sell	2014.12.24	transfer of control	63,155	–	–	–	–	–	–
Transportation Company	52,267	100%	Sell	2014.12.24	transfer of control	37,569	–	–	–	–	–	–

The Company has realized gain of RMB64,226,000 and gain of RMB37,382,000 respectively from disposal of control rights of Electronic Company and Transportation Company. Such gains are presented in investment income of consolidated income statement.

On 28 November 2014, the Company entered into Equity Transfer Agreement with the Parent Group, and agreed to dispose 100% equity interest in Electronic Company and Transportation Company to the Parent Group. As at 24 December 2014, the Company has received the whole consideration by offsetting borrowings of RMB179,897,000 payable to the Parent Group, and has accomplished equity delivery procedures including Registration Modification by Administration for Industry and Commerce. (see Note X.6)

Upon the completion of the equity transfer, the Company ceases to hold any shares of Electronic Company and Transportation Company.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VII INTERESTS IN OTHER ENTITIES

1 Interests in subsidiaries

(1) Composition of the Group

Name of the Subsidiary	Principal place of business	Registration place	Business nature	Registered capital	Shareholding (or similar equity interest) percentage Direct	Indirect	Acquisition method	Term of operation
San Feng Steel	Jingjiang Jiangsu Province	Jingjiang Jiangsu Province	Steel Processing and Distribution	70,000	73%	—	Establish	23/05/2011 to permanent
East China Trading	Jingjiang Jiangsu Province	Jingjiang Jiangsu Province	Trading of metal products	50,000	100%	—	Establish	06/07/2012 to 05/07/2062

2 Interests in associates

Item	2014	2013
Associates		
— material associates	—	104,752
Total	—	104,752

VIII RISK RELATED TO FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

— Credit risk

— Liquidity risk

— Interest rate risk

— Foreign currency risk

— Other price risk

This note mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, and the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes and other financial assets. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The Group requires prepayment by cash or bills from most of its clients prior to delivery. In respect of receivables, the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. Normally, the Group does not obtain collateral from customers, and has made adequate bad debt provision for accounts receivable and other receivables with limited possibility of retrieval. The ageing analysis and bad debt provision for accounts receivable and other receivables are set out in Note V. 3 and Note V. 5 respectively.

VIII RISK RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

(1) Credit risk *(continued)*

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. Except for the financial guarantees given by the Group as set out in Note XII, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note XII.

(2) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's liquidity management is to ensure adequate liquidity to pay debts before expiry, thus avoiding unacceptable loss or damage to the reputation of the Group. Analysis on liability structure and maturity was carried out on a regular basis by the Group to ensure adequate liquidity. Meanwhile, in order to control liquidity risk, the Group held negotiation with financial institutions for enough banking facilities. The Group's banking facility was granted by several financial institutions in the PRC. As at 31 December 2014, the Group's current liabilities exceeded current assets by RMB14,176,467,000 (2013: current liabilities exceeded current assets by RMB14,186,208,000). As at 31 December 2014, the Group had unutilised credit facility of RMB1,626,245,000. From the balance sheet date to the approval date of the financial statements, the company has obtained the extension or renewal of short terms loans accumulated to RMB351,500,000, and obtained additional credit facility of RMB300,000,000. In addition, the Company has oral agreements with several financial agencies that at the maturity date of the short-term loan in 2015, extension or renewal is permitted according to the funding requirement of the Company. Meanwhile, the Parent group promised to provide financial support to the Group for at least 12 months since 13 December 2014 to ensure the going concern of the Group.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII RISK RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

(2) Liquidity risk *(continued)*

The Board of Directors of the Company has conducted detailed review of the Group's cash flow forecast for 12 months ended as at 31 December 2014. The Board of Directors of the Company believes that the assumptions and sensitivity used in the cash flow forecast are reasonable. Taking into consideration of the Group's business operations, the credit facility obtained from bank, history of financing, good relationships built in the long-term with financial institutions including major banks and vendors, and financial support from the Parent Group, the Board of Directors of the Company believes that the Group will continue to obtain sufficient operating cash flows and sources of financing, so as to ensure the abundance of working capital, and satisfy the need of repaying due debt and capital expenditures.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on undiscounted contractual cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2014 Contractual undiscounted cash flow					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at balance sheet date
Short-term loans	(2,976,775)	—	—	—	(2,976,775)	(2,883,600)
Bills payable	(4,427,532)	—	—	—	(4,427,532)	(4,427,532)
Accounts payable and other payables	(14,678,143)	—	—	—	(14,678,143)	(14,678,142)
Interest payable	(32,332)	—	—	—	(32,332)	(32,332)
Non-current liabilities due within one year	(3,951,944)	—	—	—	(3,951,944)	(3,643,690)
Long-term loans	(591,709)	(1,930,412)	(5,151,515)	(5,171,907)	(12,845,543)	(9,909,613)
Long-term payables	—	(235,930)	—	—	(235,930)	(222,407)
Total	(26,658,435)	(2,166,342)	(5,151,515)	(5,171,907)	(39,148,199)	(35,797,316)

- Due to that part of the long-term loan contracts and exemption letters include requirements of the future financial indicators of the Group, the analysis of the above contract cash-flow period is based on the reasonable estimate of the management that the Group will meet such requirements of financial indicators.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII RISK RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

(2) Liquidity risk *(continued)*

Item	2013 Contractual undiscounted cash flow Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at balance sheet date
Short-term loans	(4,827,910)	—	—	—	(4,827,910)	(4,705,734)
Bills payable	(2,583,300)	—	—	—	(2,583,300)	(2,583,300)
Accounts payable and other payables	(15,006,710)	—	—	—	(15,006,710)	(15,006,710)
Interest payable	(68,372)	—	—	—	(68,372)	(68,372)
Non-current liabilities due within one year	(2,447,558)	—	—	—	(2,447,558)	(2,355,454)
Long-term loans	(479,276)	(682,881)	(3,564,370)	(5,346,273)	(10,072,800)	(7,348,938)
Debentures payable	(124,000)	(124,000)	(2,248,000)	—	(2,496,000)	(1,976,699)
Long-term payables	—	(965,255)	(239,319)	—	(1,204,574)	(1,083,193)
Total	(25,537,126)	(1,772,136)	(6,051,689)	(5,346,273)	(38,707,224)	(35,128,400)

(3) Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The Group does not enter into financial derivatives to hedge interest rate risk.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII RISK RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

(3) Interest rate risk *(continued)*

(a) As at 31 December, the Group held the following interest-bearing financial instruments

Fixed rate instruments:

	2014		2013	
Item	**Effective interest rate**	**Amount**	Effective interest rate	Amount
Financial assets — Cash at bank	**—**	**—**	—	—
Financial liabilities				
— Short-term loans	**3.9%~6.6%**	**(1,162,000)**	2.74%~7.22%	(2,397,161)
— Debentures payable	**—**	**—**	6.20%	(1,976,699)
— Long-term loans	**6.15%**	**(95,000)**	—	—
— Non-current liabilities due within one year	**6.15%~6.2%**	**(1,987,113)**	—	—
Total		**(3,244,113)**		(4,373,860)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII RISK RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

(3) Interest rate risk *(continued)*

(a) As at 31 December, the Group held the following interest-bearing financial instruments *(continued)*

Variable rate instruments:

Item	2014 Effective interest rate	2014 Amount	2013 Effective interest rate	2013 Amount
Financial assets				
— Cash at bank	**0.35%~0.42%**	**187,579**	0.35% ~ 0.385%	517,500
Financial liabilities	**6 months Libor+**		Libor+	
— Short-term loans	**3.00%~7.50%**	**(1,721,600)**	1.40% ~ 6.60%	(2,308,573)
— Non-current liabilities due	**3 months Libor+**		1 month Libor+	
within one year	**4.00%~10.03%**	**(1,656,577)**	3.00%~6.77%	(2,355,454)
— Long-term loans	**3 months Libor+**		6 months Libor+	
	4.00%~6.42%	**(9,814,613)**	3.20% ~ 6.77%	(7,348,938)
— Long-term payables	**5.80%~10.03%**	**(222,407)**	5.21% ~ 12.21%	(1,083,193)
Total		**(13,227,618)**		(12,578,658)
The total effect on net profit of the Company when interest rate increased by 1%		**(132,276)**		(125,787)

(b) Sensitivity analysis

As at 31 December 2014, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's net profit and equity by RMB132,276,000 (2013: RMB125,787,000).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII RISK RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

(4) Foreign currency risk

As the Group's sales of products and purchases of raw material for production are mainly carried out in Renminbi, foreign currency risk is primarily attributable to the foreign currency deposits and loans.

(a) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

	2014		2013	
Item	**Balance at foreign currency**	**Balance at RMB equivalent**	Balance at foreign currency	Balance at RMB equivalent
Cash at bank and on hand				
— USD	**998**	**6,107**	19,065	116,239
— HKD	**70**	**55**	60	47
Short-term loans				
— USD	**(40,000)**	**(244,760)**	(103,470)	(630,848)
Long-term loans				
— USD	**(32,639)**	**(199,718)**	(20,000)	(121,938)
Non-current liabilities due within one year				
— USD	**(22,000)**	**(134,618)**	(76,000)	(463,364)
Gross balance sheet exposure				
— USD	**(93,641)**	**(572,989)**	(180,405)	(1,099,911)
— HKD	**70**	**55**	60	47
Notional amounts of forward exchange contracts used as economic hedges	**—**	**—**	—	—
Net balance sheet exposure				
— USD	**(93,641)**	**(572,989)**	(180,405)	(1,099,911)
— HKD	**70**	**55**	60	47

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII RISK RELATED TO FINANCIAL INSTRUMENTS *(CONTINUED)*

(4) Foreign currency risk *(continued)*

(b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Reporting date mid-spot rate	
	2014	2013	**2014**	2013
USD	**6.1428**	6.1912	**6.1190**	6.0969
HKD	**0.7924**	0.7985	**0.7889**	0.7862

(c) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar at 31 December would have increased (decreased) the Group's equity and net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the year-end date:

	Equity	Net profit
As at 31 December 2014		
USD	**(28,649)**	(28,649)
As at 31 December 2013		
USD	**(46,746)**	(46,746)

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements denominated in foreign currency. The analysis is performed on the same basis for the previous year.

(5) Other price risks

As the Group sells steel and iron products at market prices, it is exposed to market price fluctuations.

IX FAIR VALUE DISCLOSURE

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

As at year end, no assets or liabilities of the Group are measured at fair value.

1 Fair values of financial assets and liabilities not measured at fair value

All financial instruments are carried at amounts not materially different from their fair value as at 31 December 2014.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1 Information on the parent of the Company

Company name	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Percentage of voting rights (%)	Ultimate controlling party of the Company
Chongqing Iron & Steel Group Limited Company	Chongqing	Sintering, iron smelting rolling and the by-products of iron and steel mining, milling, machinery, electronic transportation by automobile, construction, refractory materials	1,650,706	63%	63%	Chongqing State-owned Assets Supervision and Administration Bureau

Neither the parent nor the ultimate controlling party publishes financial statement.

2 Information on the subsidiaries of the Company

For details of information on the subsidiaries of the Company refer to Note VII.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

3 Information on other related parties

Name of other related parties	Related party relationship
Electronic Company	Under the same parent company
Transportation Company	Under the same parent company
San Feng Logistics	Under the same parent company
Chongqing Iron & Steel Group Export and Import Company Limited	Under the same parent company
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Under the same parent company
Chongqing Iron & Steel Group Yingsite Mould Company Limited	Under the same parent company
Mining Company	Under the same parent company
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Under the same parent company
Chongqing Iron & Steel Group Iron Company Limited	Under the same parent company
Chongqing Iron & Steel Group Steel Pipe Company Limited	Under the same parent company
Chongqing Iron & Steel Group Refractory Materials Company Limited	Under the same parent company
Chongqing Iron & Steel Group Doorlead Realty Company Limited	Under the same parent company
Chongqing San Gang Steel Company Limited	Under the same parent company
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	Under the same parent company
Chongqing Si Gang	Under the same parent company
Chongqing Iron & Steel Group Design and Research Institute	Under the same parent company
Chongqing Sanhuan Construct Supervision Consultant Company Limited	Under the same parent company
Chongqing Iron & Steel Group San Feng Industrial Company Limited ("San Feng Industrial")	Under the same parent company
Chongqing Iron & Steel Group Xingang Loading and Transportation Company Limited	Under the same parent company
Chongqing Iron & Steel Group Industrial Company Limited	Under the same parent company
Chongqing Donghua Special Steel Company Limited	Under the same parent company
Chongqing Iron &Steel Research Institute	Under the same parent company
Chongqing Iron &Steel Group TV	Under the same parent company
Chongqing Wuxia Mining Industry Incorporated Company	Under the same parent company
Chongqing Huanya Construction Materials Company Limited	Under the same parent company
Chongqing Hongfa Real Estate Development Company	Under the same parent company
Chongqing Iron & Steel (Hong Kong) Company Limited ("Chonggang HK")	Under the same parent company
Chongqing Sanfeng Huashen Steel Structure Engineering Company Limited	Under the same parent company
Chongqing Chonggang Mining Exploitation and Investment Company Limited ("Chonggang Mining Exploitation and Investment")	Under the same parent company
Chongqing Mining Investment Overseas Company Limited	Under the same parent company
Chongqing Xin Gang Chang Long Logistics Company Limited	Under the joint control of same parent company
Asia Iron & Steel Shareholding Co., Ltd	Under the joint control of same parent company

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

4 Transactions with related parties

(1) Purchase of goods/receiving services received (excluding remuneration of key management personnel)

The Group

Name of related party	Nature of transaction	2014	2013
Chongqing Iron & Steel (Hong Kong) Company Limited ("Chonggang HK") *(note (i))*	Ore and Coal	**2,050,552**	5,173,379
Mining Company	Ore and accessories	**1,997,679**	1,576,817
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Energy	**478,170**	521,641
Chongqing Wuxia Mining Industry Incorporated Company	Coal	**106,935**	233,124
Chongqing Iron & Steel Group Industrial Company Limited	Energy and scrap steel	**45,304**	44,595
Chongqing Iron & Steel Group San Feng Industrial Company Limited	Spare parts and energy	**24,654**	43,288
Chongqing Iron & Steel Group Design and Research Institute	Fixed assets	**24,087**	39,478
San Feng Logistics	Ore, coal and fixed assets	**20,030**	3,177
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Fixed assets and scrap steel	**9,527**	62,538
Chongqing Iron & Steel Group Iron Company Limited	Iron	**6,180**	—
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	Accessories	**1,605**	1,581
Chongqing Iron &Steel Research Institute	Alloy and accessories	**1,407**	5,698
Others		**3,028**	5,136
Total		**4,769,158**	7,710,452

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

4 Transactions with related parties *(continued)*

(1) Purchase of goods/receiving services received (excluding remuneration of key management personnel) *(continued)*

The Company

Name of related party	Nature of transaction	2014	2013
Chongqing Iron & Steel (Hong Kong) Company Limited ("Chonggang HK")*(note (i))*	Ore and Coal	**2,050,552**	5,173,379
Mining Company	Ore and accessories	**1,997,679**	1,576,817
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Energy	**478,159**	521,621
Chongqing Wuxia Mining Industry Incorporated Company	Coal	**106,935**	233,124
Chongqing Iron & Steel Group Industrial Company Limited	Energy and scrap steel	**45,304**	44,513
Chongqing Iron & Steel Group San Feng Industrial Company Limited	Spare parts and energy	**24,573**	43,128
Chongqing Iron & Steel Group Design and Research Institute	Fixed assets	**24,087**	39,478
Electronic Company	Spare parts	**23,340**	13,811
San Feng Logistics	Ore	**11,311**	3,177
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Fixed assets and scrap steel	**9,527**	62,538
Chongqing Iron & Steel Group Iron Company Limited	Iron	**6,180**	—
Chongqing Iron & Steel Research Institute	Alloy and accessories	**1,407**	5,698
Transportation Company	Scrap steel and accessories	**1,197**	2,004
Chongqing Iron & Steel Group Refractory Materials Company Limited	Refractory materials	**687**	1,763
East China Trading	Ore	**—**	19,245
Others		**3,856**	4,608
Total		**4,784,794**	7,744,904

(i) As at year ended 2014 the Chonggang HK purchased iron ore from third party on behalf of the Company at RMB2,050,552,000 (2013: RMB5,173,379,000). The cumulative service fee charged is RMB7,000,000 (2012: RMB23,762,000).

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

4 Transactions with related parties *(continued)*

(1) Purchase of goods/receiving services received (excluding remuneration of key management personnel) (continued)

The price of raw materials and spare parts purchased from related parties were determined with reference to the price for similar transactions between such related and other third parties, sum of costs and profit premium or the bidding price of suppliers. Purchasing price from related party or project price contracted to be built by related parties is defined by the biding price of supplier.

(2) Sale of goods

The Group

Name of related party	Nature of transaction	2014	2013
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Energy and accessories	**265,418**	337,224
Chongqing Iron & Steel Group Mining Company Limited	Energy and accessories	**80,579**	85,611
Chongqing Iron & Steel Group Steel Pipe Company Limited	Steel products	**31,626**	57,379
Chongqing Iron & Steel Group Industrial Company Limited	Steel products and energy	**23,983**	32,405
Chongqing San Gang Steel Company Limited	Steel products and accessories	**16,040**	30,318
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Steel products and energy	**10,236**	11,943
Parent Group	Energy and accessories	**3,556**	10,775
Chongqing Iron & Steel Group San Feng Industrial Company Limited	Energy and accessories	**1,970**	5,119
Others		**3,042**	3,055
Total		**436,450**	573,829

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

4 Transactions with related parties *(continued)*

(2) *Sale of goods/rendering of services* (continued)

The Company

Name of related party	Nature of transaction	2014	2013
East China Trading *(note (i))*	Steel products	**1,527,587**	6,070,507
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Energy and accessories	**265,418**	337,203
Chongqing Iron & Steel Group Mining Company Limited	Energy	**79,623**	84,761
Chongqing Iron & Steel Group Steel Pipe Company Limited	Steel products	**31,626**	57,379
Chongqing Iron & Steel Group Industrial Company Limited	Steel products and energy	**16,692**	23,235
Chongqing San Gang Steel Company Limited	Steel products	**16,036**	30,318
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Steel products and energy	**9,720**	11,091
San Feng Steel (i)	Steel products	**54,805**	—
Chongqing Iron & Steel Group San Feng Industrial Company Limited	Energy and accessories	**1,764**	4,912
Parent Group	Energy	**510**	603
Others		**2,963**	4,251
Total		**2,006,744**	6,624,260

(i) As at 2014, East China Trading sold steel to third party on behalf of the Company at RMB1,527,587,000 (2013: RMB6,070,507,000), San Feng Steel sold steel to third party on behalf of the Company at RMB54,805,000 (2013:Nil).

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

The price of products sold to related parties was determined with reference to price the Company offered to other third party customers or price provided by relevant authorities of Chongqing government.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

4 Transactions with related parties *(continued)*

(3) Leases

In 2014, the Group paid lease rental fees of leasing land and offices to Parent Group and its subsidiaries totalling RMB349,000 (2013: RMB632,000).

In 2014, the Company paid rental fees of offices to the Parent Group and its subsidiaries totalling RMB334,000 (2013: RMB595,000).

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

Lease rental fees paid to the Parent Group and its subsidiaries is still according with Parent Group and its subsidiaries signed rental agreement.

(4) Guarantee

The Group & the Company as the guarantor

Name of guarantee	Amount of guaranty	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
San Feng Logistics *(i)*	851,631	17/04/2012	30/08/2024	N

(i) As at 31 December 2014, the bank loans and finance leases of San Feng Logistics amounting to RMB851,631,000 were guaranteed by the Company (2013: RMB739,038,000).

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

4 Transactions with related parties *(continued)*

(4) ***Guaranty*** *(continued)*

(b) The Group & the Company as the guaranteed

Name of guarantor	Amount of guaranty	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
Parent Group *(i)*	4,046,917	29/09/2009	01/12/2019	N
Parent Group & Sanfeng Industry *(i)*	244,760	30/06/2014	23/06/2015	N
Parent Group and Yufu. *(i)*	8,670,101	12/10/2011	20/09/2022	N

(i) As at 31 December 2014, the short-term and long-term bank loans (including long-term borrowings due within one year) amounting to RMB2,313,840,000 and RMB1,376,457,000 were guaranteed by the Parent Group individually; Short-term bank loans amounting RMB244,760,000 were jointly guaranteed by the Parent Group and San Feng Industrial. The long-term bank loans (including long-term borrowings due within one year) amounting to RMB8,412,380,000 were jointly guaranteed by the Parent Group and Yufu. (2013: short-term bank loan of RMB3,682,487,000 and long-term bank loan (including long-term loan due within 1 year) of RMB281,000,000 were solely guaranteed by the Parent Group. And the long-term loans (including long-term loans due within one year) amounting to RMB158,519,000 were jointly guaranteed by the Group and Yu Fu.)

Liabilities under the lease agreement between the Company and several Financial Leasing companies are (Note V.24 (4), V.28 (1)) amounting to RMB356,620,000 and RMB257,721,000 were respectively guaranteed by the Parent Group individually and jointly guaranteed by the Parent Group and Yufu (2013: RMB965,234,000 and RMB516,577,000 were guaranteed by the Parent Group individually and jointly guaranteed by the Parent Group and Yufu. The guaranteed liabilities include but are not limited to unpaid due rent, default fines, agreed loss amounts (if applicable) and other payables.

The Parent Group and San Feng Industry did not charge the Company in respect of the above pledges and guarantees.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

4 Transactions with related parties *(continued)*

(5) *Related party funding*

The Group and the Company

Name of related party	Beginning balance	Amount of funding	Returned amount	Ending balance	Inception date	Maturity date	Remarks
Funds received							
Chongqing Iron & Steel Group Mining Company Limited	300,000	–	–	300,000	25/12/2014	24/06/2015	
Parent Group	–	400,000	400,000	–	18/03/2014	16/12/2014	Interest rate is agreed loan period corresponding to the People's Bank of China grade benchmark lending rate
Parent Group	–	100,000	100,000	–	21/07/2014	11/08/2014	
Parent Group	–	200,000	200,000	–	20/08/2014	16/12/2014	
Parent Group	–	300,000	278,826	21,174	04/09/2014	03/09/2015	
Parent Group	–	300,000	300,000	–	03/11/2014	19/12/2014	
Total	300,000	1,300,000	1,278,826	321,174			

(i) The Company has entered into extension agreements with Chongqing Chonggang Mining Exploitation and Investment Company Limited on 24 June 2014 and 24 December 2014, respectively.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

4 Transactions with related parties *(continued)*

(6) Rendering of service

The Group

	Note	**2014**	2013
Fees received for supporting services	(i)	**8,159**	25,500

The Company

	Note	**2014**	2013
Fees received for supporting services	(i)	**938**	61

(i) A supporting service income mainly represented interior sporadic leasing services fees charged to the Parent Group and its subsidiaries. The price is determined by reference to a profit mark-up above the cost of providing such services as agreed with the Company and the Parent Group.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

4 Transactions with related parties *(continued)*

(7) Receiving services

The Group

	Note	**2014**	2013
Fees paid for supporting services	(i)	**496,968**	571,718

The Company

	Note	**2014**	2013
Fees paid for supporting services	(i)	**497,939**	573,407
Transportation fee	(ii)	**63,576**	104,327
Labor cost	(ii)	**102,054**	94,896
Total		**663,569**	772,630

(i) Fees paid for supporting services mainly represent fees charged for environmental, maintenance, technical, installation, labor fee, transportation and imports and exports agency services provided by the Parent Group and its subsidiaries. The services were charged at prices determined by reference to market price of such services or a profit mark-up above the cost of providing such services as agreed in accordance with or price provided by relevant authorities of Chongqing government.

(ii) Transportation fee and labor cost mainly included the transportation fee, Metrology inspection fee, equipment maintenance fee and etc. The services were charged at prices determined by reference to market price of such services or a profit mark-up above the cost of providing such services as agreed in accordance with or price provided by relevant authorities of Chongqing government.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

5 Remuneration of key management personnel

The Group and the Company

Remuneration of key Management personnel	Note	Fees	Basic salaries, bonuses and other allowances	Insurance Fees	2014 Total
Director					
Mr. Yuan Jinfu	(7)	—	—	—	—
Mr. Chen Hong	(6)	—	140	10	150
Mr. Sun Yijie	(4)	—	—	—	—
Mr. Li Rensheng		—	181	58	239
Mr. Deng Qiang	(5)	—	—	—	—
Mr. Guan Zhaohui	(3)(12)	—	164	44	208
Mr. Zhang Liquan	(2)(10)	—	172	58	230
Mr. Zhu Jianpai	(1)(10)	—	—	—	—
Mr. Zhou Hong	(10)	—	—	—	—
Mr. Yao Xiaohu	(13)	—	15	15	30
Mr. Liu Tianni		71	—	—	71
Mr. Zhang Guolin	(11)	71	—	—	71
Mr. Ran Maosheng	(11)	71	—	—	71
Mr. Xu Yixiang	(13)	—	—	—	—
Mr. Xin Qingquan	(13)	—	—	—	—
Supervisors					
Ms. Chen Hong		—	136	58	194
Mr. Li Zheng		—	—	—	—
Mr. Li Meijun		—	—	—	—
Mr. Dou Hui		—	145	58	203
Mr. Xia Tong	(1)(3)	—	200	58	258
Key management personnel					
Mr. You Xiaoan		—	136	58	194
Ms. Gong Jun	(9)	—	84	15	99
Mr. Zhang Zongming	(9)	—	60	44	104
Mr. Zeng Jing	(8)	—	51	49	100
Total		213	1,484	525	2,222

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

5 Remuneration of key management personnel *(continued)*

The Group and the Company *(continued)*

Remuneration of key Management personnel	Note	Fees	Basic salaries, bonuses and other allowances	Insurance Fees	2013 Total
Director					
Mr. Deng Qiang	(5)	—	—	—	—
Mr. Yuan Jinfu	(7)	—	—	—	—
Mr. Chen Hong	(6)	—	223	53	276
Mr. Sun Yijie	(4)	—	150	29	179
Mr. Li Rensheng		—	190	53	243
Mr. Guan Zhaohui	(3) (12)	—	189	53	242
Mr. Ran Maosheng	(11)	71	—	—	71
Mr. Liu Tianni		71	—	—	71
Mr. Zhang Guolin	(11)	71	—	—	71
Supervisors					
Mr. Zhu Jianpai	(1) (10)	—	—	—	—
Ms. Chen Hong		—	147	53	200
Mr. Li Zheng		—	—	—	—
Mr. Li Meijun		—	—	—	—
Mr. Dou Hui		—	158	52	210
Mr. Xia Tong	(1)(3)	—	212	41	253
Key management personnel					
Mr. You Xiaoan		—	148	53	201
Ms. Gong Jun	(9)	—	157	53	210
Mr. Zhang Liquan	(2) (10)	—	80	36	116
Total		213	1,654	476	2,343

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

5 Remuneration of key management personnel *(continued)*

The Group and the Company *(continued)*

(1) On 2 April 2013, Mr. Zhu Jianpai resigned as Chairman of the Board of Supervisors and Representative Supervisor for shareholders due to job change. On the same day, Mr. Xia Tong resigned as Director, Vice Board Chairman, and Member of Strategy Committee due to work commitment.

(2) On 23 April 2013, the appointment of Mr. Zhang Liquan as Vice General Manager was given to pass in the 30th written resolution at the meeting of the 6th Board of Directors.

(3) The appointment of Mr. Guan Zhaohui as Director and Mr. Xia Tong as Supervisor was approved at the General Meetings of Shareholders 2012 convened on 13 June 2013.

(4) On 11 July 2013, Mr. Sun Yijie resigned as Director and Member of Strategy Committee due to work commitment.

(5) On 24 January 2014, Mr. Deng Qiang resigned as Director, Chairman of Board of Directors, Chairman of Strategy Committee and Chairman of Nominating Committee due to job change.

(6) On 12 February 2014, Mr. Chen Hong resigned as Director, General Manager and Member of Strategy Committee due to age.

(7) On 17 March 2014, Mr. Yuan Jinfu resigned as Director, Member of Remuneration and Appraisal Committee due to job change.

(8) On 19 March 2014, the appointment of Mr. Zeng Jing as Vice General Manager was given to pass in the 8th meeting of the 6th Board of Directors.

(9) On 3 April 2014, the resignation of Ms. Gong Jun as head of accounting department and appointment of Zhang Zongming as head of accounting department were given to pass in the 69th written resolution at the meeting of the 6th Board of Directors.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

5 Remuneration of key management personnel *(continued)*

(10) On 16 May 2014, the Board Resolutions to elect Mr. Zhu Jianpai as Chairman of the Board, and to elect Mr. Zhou Hong and Mr. Zhang Liquan as Members of Strategy Committee were given to pass at the 10th meeting of the 6th Board of Directors.

(11) On 8 July 2014, Mr. Zhang Guolin and Mr. Ran Maosheng resigned from the duties of Independent Directors of the Company.

(12) On 22 September 2014, Mr. Guan Zhaohui resigned as Director, Member of Strategy Committee and Vice General Manager due to job change.

(13) On 4 December 2014, the Board Resolution to elect Mr. Yao Xiaohu as Director, and to elect Mr. Xu Yixiang and Mr. Xin Qingquan as Independent Directors was given to pass at the first Interim Meetings of Shareholders of year 2014.

(14) According to contracts entered with the Company in 2012 and 2014, the salaries of Mr. Deng Qiang, Mr. Yuan Jinfu, Mr. Li Zheng, Mr. Li Meijun, Mr. Zhu Jianpai, and Mr. Zhou Hong will not be paid by the Company.

Among the five persons with the highest salaries, three are directors, two are Supervisors (Year 2013: three are Directors, one is Supervisor, and one is Key Management Personnel). Compensations of such personnel are already disclosed above.

In 2014, the Company has not given any compensation to Directors or Supervisors as reward or resignation benefit to encourage them to join the Company.

In 2014, there have been no situations in which Directors have abandoned or agreed to abandon any salary arrangement. (2013: Nil)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

6 Other related party transactions

(1) The Company has joined the Parent Group's supplementary pension insurance and made contributions accordingly. The total amount of contribution to pension insurance is based on the total salaries/wages paid to the Company's employees and the applicable benchmarks and rates for basic pension insurance stipulated by the government. After deducting the contributions to relevant social security agencies for basic pension insurance, the remaining amount is transferred to the Parent Group for centralised management and the Parent Group will be responsible for paying the supplementary retirement benefits to the Company's employees. Pursuant to the "Entrusted Retired Staff Management Agreement" signed between the Company and the Parent Group, the Company contributes to the supplementary pension insurance managed by the Parent Group to allow the Company's retired staff to enjoy additional retirement benefits. The benefits provided by the Parent Group include: food subsidy, subsidy for water and electricity bills, seniority payments, birthday expenses, living expenses of surviving family members of deceased retired employees, Spring Festival bonuses, etc. These benefits are paid by the Parent Group using the Company's contributions, with any shortfall borne by the Parent Group.

Pursuant to the relevant requirements, the Company makes contributions to the supplementary medical insurance centrally managed by the Parent Group. Such contributions are used to pay for medical expenses of the Company's employees with great financial burden and retired employees.

Pursuant to the relevant requirements, the Company pays for labour union fees centrally managed by the Parent Group. Such contributions are used to pay for the expenses of labour union activities.

In 2014, the Company's contributions to the supplementary pension insurance, supplementary medical insurance and part of labour union fees amounted to RMB34,513,000 (2013: RMB49,190,000).

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

6 Other related party transactions *(continued)*

According to the "Reply to the Request of Chongqing Iron & Steel (Group) Co., Ltd. Regarding Split Medical Insurance Premiums" issued by Chongqing Medical Insurance Management Center in October 2008, the Company and the Parent Group do not split their medical insurance premiums for the time being. According to the "Agreement on Withholding and Remitting Large-Amount Medical Insurance Premiums and Agreement on Withholding and Remitting Large Amount of Basic Medical Insurance Premiums" signed between the Company and the Parent Group, the Company makes its contributions to the basic medical insurance and large-amount medical insurance based on the amount of salaries/wages accrued to the Company's employees and the applicable benchmarks and rates stipulated by the government, the Parent Group then pays the amount to the Chongqing Medical Insurance Management Center. In 2014, the Company's contributions in this regard withheld and remitted by the Parent Group amounted to RMB84,358,000 (2013: RMB81,055,000). The Parent Group did not charge any fees on the above transactions.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

(2) On 26 May 2014, the Company and Chongqing Iron & Steel Group Mining Company Limited entered into the Asset Transfer Agreement. Pursuant to and subject to the terms and conditions of the Asset Transfer Agreement, the Company has agreed to transfer a portion of machinery, equipment, building, construction in progress, etc which are invested in Da Bao Po Limestone Mine of Chongqing Iron & Steel Group Mining Company Limited to Chongqing Iron & Steel Group Mining Company Limited. Pursuant to the Assets Valuation Report — Chong Kang Ping Bao Zi (2014) No. 81 issued by Chongqing Huakang, which has been filed and confirmed by Chongqing State-owned Asset Supervision and Administration Commission, the disposal price agreed on by both parties is RMB146,783,000, and the gain on disposal of such assets net of tax is RMB11,594,000.

On 26 May 2014, the transfer proposal stated above was approved by the seventy-twice written resolution of the sixth session of the Board. On 27 May 2014, Announcement No. 2014-022 regarding the asset transfer stated above was made on the website of Shanghai Stock Exchange by the Company.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

6 Other related party transactions *(continued)*

(3) On 21 July 2014, the Company and the Parent Group entered into the Disposal Agreement. Pursuant to and subject to the terms and conditions of the Disposal Agreement, the Company has agreed to dispose 10% equity interest in San Feng Jingjiang Logistics to the Parent Group. The transaction was sanctioned by Chongqing State-owned Asset Supervision and Administration Commission on 6 August 2014, pursuant to its document "Reply regarding Chongqing Iron & Steel Company Limited disposing 10% equity interest of San Feng Jingjiang Port Logistics Company Limited on agreement" (Yu Guo Zi (2014) No. 279). Pursuant to "Assets Valuation Report on the Assets Appraisal Project regarding the overall interests of shareholders of San Feng Jingjiang Port Logistics Company Limited involving the equity to be transferred by Chongqing Iron & Steel Company Limited — Chong Kang Ping Bao Zi (2014) No. 89" prepared by the independent appraiser, Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd., the appraised fair value of the equity to be transferred as at 30 April 2014 is based was RMB1,050,702,000. Pursuant to the Disposal Agreement, the equity transfer consideration is based on the appraised value. Pursuant to the Assets Valuation Report, the equity transfer consideration of San Feng Jingjiang Logistics is RMB105,070,000. As at 24 October 2014, the Company has received the consideration of RMB5,070,000 in cash, has received the consideration of RMB100,000,000 by offsetting borrowings payable to the Parent Group, and has accomplished equity delivery procedures including Registration Modification by Administration for Industry and Commerce. The Group has thereafter completed the equity transfer and realized gain of RMB277,000 on disposal of long-term equity investment.

On 21 July 2014, the transfer proposal stated above was approved by the seventy-ninth written resolution of the sixth session of the Board. On 22 July 2014, Announcement No. 2014-029 regarding the equity transfer stated above was made on the website of Shanghai Stock Exchange by the Company.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

6 Other related party transactions *(continued)*

(4) On 28 November 2014, the Company and the Parent Group entered into the Equity Transfer Agreement. Pursuant to and subject to the terms and conditions of the Electronic Company Transfer Agreement, the Company has agreed to dispose 100% equity interest in Electronic Company to the Parent Group. The transaction was sanctioned by Chongqing State-owned Asset Supervision and Administration Commission on 11 December 2014, pursuant to its document "Approving Chongqing Iron & Steel (Group) Company Limited to receive equity of Electronic Company held by Chongqing Iron & Steel Company Limited" (Yu Guo Zi (2014) No. 585). Pursuant to the auditors' report of Chongqing Iron & Steel (Group) Electronic Company Limited Reform — Ruihua Yu Zhuan Shen Zi (2014) No. 50020033 issued by Ruihua Certified Public Accountants, and "Assets Valuation Report on the Assets Appraisal Project regarding the overall interests of shareholders of Chongqing Iron & Steel (Group) Electronic Company Limited involving the equity to be transferred by Chongqing Iron & Steel Company Limited — Chong Kang Ping Bao Zi (2014) No. 199" prepared by the independent appraiser, Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd., the audited book value of net assets of Transportation Company and the appraised fair value of the equity to be transferred as at 31 August 2014 is based was RMB61,306,000 and RMB127,630,000, respectively. Pursuant to the Equity Transfer Agreements, the equity transfer price is based on the appraised value. Pursuant to the Assets Valuation Report, the equity transfer consideration of Electronic Company is RMB127,630, 000. As at 24 December 2014, the Company has received the whole consideration of RMB127,630,000 by offsetting borrowings payable to the Parent Group, and has accomplished equity delivery procedures including Registration Modification by Administration for Industry and Commerce. The Group has thereafter completed the equity transfer and realized gain of RMB64,226,000 on disposal of long-term equity investment.

On 28 November 2014, the transfer proposal stated above was approved by the ninety-fourth written resolution of the sixth session of the Board. On 29 November 2014, Announcement No. 2014-044 regarding the equity transfer stated above was made on the website of Shanghai Stock Exchange by the Company.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

6 Other related party transactions *(continued)*

(5) On 28 November 2014, the Company and the Parent Group entered into the Equity Transfer Agreement. Pursuant to and subject to the terms and conditions of the Transportation Company Transfer Agreement, the Company has agreed to dispose 100% equity interest in Transportation Company to the Parent Group. The transaction was sanctioned by Chongqing State-owned Asset Supervision and Administration Commission on 11 December 2014, pursuant to its document "Approving Chongqing Iron & Steel (Group) Company Limited to receive equity of Transportation Company held by Chongqing Iron & Steel Company Limited" (Yu Guo Zi (2014) No. 584). Pursuant to the auditors' report of Chongqing Iron & Steel (Group) Transportation Company Limited Reform — Ruihua Yu Zhuan Shen Zi (2014) No. 50020034 issued by Ruihua Certified Public Accountants, and "Assets Valuation Report on the Assets Appraisal Project regarding the overall interests of shareholders of Chongqing Iron & Steel (Group) Transportation Company Limited involving the equity to be transferred by Chongqing Iron & Steel Company Limited — Chong Kang Ping Bao Zi (2014) No. 200" prepared by the independent appraiser, Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd., the audited book value of net assets of Transportation Company and the appraised fair value of the equity to be transferred as at 31 August 2014 is based was RMB12,989,000 and RMB52,267,000, respectively. Pursuant to the Equity Transfer Agreements, the equity transfer price is based on the appraised value. Pursuant to the Assets Valuation Report, the equity transfer consideration of Transportation Company is RMB52,267,000. As at 24 December 2014, the Company has received the whole consideration of RMB52,267,000 by offsetting borrowings payable to the Parent Group, and has accomplished equity delivery procedures including Registration Modification by Administration for Industry and Commerce. The Group has thereafter completed the equity transfer and realized gain of RMB37,382,000 on disposal of long-term equity investment.

On 28 November 2014, the transfer proposal stated above was approved by the ninety-fourth written resolution of the sixth session of the Board. On 29 November 2014, Announcement No. 2014-045 regarding the equity transfer stated above was made on the website of Shanghai Stock Exchange by the Company.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

6 Other related party transactions *(continued)*

(6) In year 2014, the amount of value added tax to be deducted received by the Company relating to the significant asset reform exceeded the amount the Company has negotiated with the Parent Group by RMB6,019,000. The Company takes the amount as non-cash contribution the Parent Group made to the Company, and reckons it as capital reserve.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14 A of the Stock Exchange of Hong Kong.

7 Receivables from and payables to related parties

(1) Bills receivable

The Group and the Company

Related party	2014	2013
Chongqing San Gang Steel Company Limited	**—**	1,986

(2) Accounts receivable

The Group

Related party	2014	2013
Chongqing Iron & Steel Group Industrial Company Limited	**10,442**	80
Chongqing Iron & Steel Group San Feng Industrial Company Limited	**4,801**	2,213
Chongqing Iron & Steel Group Yingsite Mould Company Limited	**2,756**	2,756
Chongqing Iron & Steel Group Steel Pipe Company Limited	**1,871**	74,967
Chongqing San Gang Steel Company Limited	**137**	91,587
Chongqing Si Gang	**—**	154,577
Chongqing Iron & Steel Group Construction and Engineering Company Limited	**—**	1,256
Chongqing Sanfeng Huashen Steel Structure Engineering Company Limited	**—**	2,273
Others	**9**	794
Sub-total	**20,016**	330,503
Less: Provision for bad and doubtful debts	**2,756**	2,756
Total	**17,260**	327,747

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

7 Receivables from and payables to related parties *(continued)*

(2) Accounts receivable (continued)

The Company

Related Party	2014	2013
Chongqing Iron & Steel Group Industrial Company Limited	**10,442**	—
Chongqing Iron & Steel Group San Feng Industrial Company Limited	**4,801**	2,213
Chongqing Iron & Steel Group Yingsite Mould Company Limited	**2,756**	2,756
Chongqing Iron & Steel Group Pipe Company Limited	**1,871**	74,967
Chongqing San Gang Steel Company Limited	**137**	91,587
Chongqing Si Gang	**—**	153,935
Others	**9**	10
Sub-total	**20,016**	325,468
Less: Provision for bad and doubtful debts	**2,756**	2,756
Total	**17,260**	322,712

(3) Prepayments

The Group and the Company

Related party	2014	2013
Chongqing Iron & Steel Group San Feng Industrial Company Limited	**6,609**	—
Chongqing Iron & Steel Group Export and Import Company Limited	**8**	—
San Feng Logistics	**—**	11,901
Total	**6,617**	11,901

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

7 Receivables from and payables to related parties *(continued)*

(4) Other non-current liabilities

The Group

Related party	2014	2013
San Feng Logistics	**59,020**	65,300

(5) Accounts payables

The Group

Related party	2014	2013
Parent Group	**959,975**	994,082
Chongqing Iron & Steel Group Mining Company Limited	**516,561**	63,062
Chongqing Iron & Steel Group Construction and Engineering Company Limited	**471,408**	572,672
Chonggang HK	**352,760**	1,344,190
Chongqing Iron & Steel Group Design and Research Institute	**142,344**	88,475
Chongqing Sanhuan Construct Supervision Consultant Company Limited	**47,827**	59,837
Chongqing Iron & Steel Group Electronics Company Limited	**10,888**	—
San Feng Logistics	**2,492**	—
Chongqing Wuxia Mining Industry Incorporated Company	**—**	2,467
Others	**643**	—
Total	**2,504,898**	3,124,785

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

7 Receivables from and payables to related parties *(continued)*

(5) ***Accounts payables*** *(continued)*

The Company

Related party	2014	2013
Parent Group	**959,975**	994,082
Chongqing Iron & Steel Group Mining Company Limited	**516,561**	62,808
Chongqing Iron & Steel Group Construction and Engineering Company Limited	**471,408**	572,358
Chonggang HK	**352,760**	1,344,190
Chongqing Iron & Steel Group Design and Research Institute	**142,344**	88,475
Chongqing Sanhuan Construct Supervision Consultant Company Limited	**47,827**	59,837
East China Trading	**45,487**	33,586
Chongqing Iron & Steel Group Electronics Company Limited	**10,888**	—
Chongqing Wuxia Mining Industry Incorporated Company	**—**	2,467
Others	**643**	—
Total	**2,547,893**	3,157,803

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

7 Receivables from and payables to related parties *(continued)*

(6) *Other payables*

The Group

Related party	2014	2013
Parent Group	**1,606,660**	985,320
Chongqing Chonggang Mining Exploitation and Investment Company Limited	**300,000**	300,000
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	**166,463**	11,184
Chongqing Donghua Special Steel Company Limited	**20,658**	20,658
Chongqing Iron & Steel Group Transportation Company Limited	**6,686**	—
San Feng Logistics	**6,123**	28,685
Chongqing Xin Gang Chang Long Logistics Company Limited	**5,071**	171
Chongqing Sanhuan Construct Supervision Consultant Company Limited	**4,713**	—
Chongqing Iron & Steel Group Industrial Company Limited	**3,734**	24,329
Others	**653**	1,505
Total	**2,120,761**	1,371,852

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

7 Receivables from and payables to related parties *(continued)*

(6) Other payables (continued)

The Company

Related party	2014	2013
Parent Group	**1,606,660**	985,320
Chongqing Chonggang Mining Exploitation and Investment Company Limited	**300,000**	300,000
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	**166,463**	11,184
Chongqing Donghua Special Steel Company Limited	**20,658**	20,658
Chongqing Iron & Steel Group Transportation Company Limited	**6,686**	29,263
Chongqing Xin Gang Chang Long Logistics Company Limited	**5,071**	171
Chongqing Sanhuan Construct Supervision Consultant Company Limited	**4,713**	—
San Feng Logistics	**4,623**	25,626
Chongqing Iron & Steel Group Industrial Company Limited	**3,734**	24,159
Chongqing Iron & Steel Group Electronics Company Limited	**—**	44,663
Others	**998**	1,501
Total	**2,119,606**	1,442,545

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

7 Receivables from and payables to related parties *(continued)*

(7) Bills payable

The Group and the Company

Related party	2014	2013
San Feng Logistics	**2,000**	—
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	**247,000**	—
Chongqing Iron & Steel Group Mining Company Limited	**—**	100,000
Total	**249,000**	100,000

(8) Interest payables

The Group and the Company

Related party	2014	2013
Chongqing Chonggang Mining Exploitation and Investment Company Limited	**16,987**	—

(9) The Group and Company has no collaterals, guarantees for the inter-company balances with related parties, and no fixed period for repayment.

XI CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group defines "capital" as including all components of equity less unaccrued proposed dividends. The balances of related party transactions are not regarded by the Group as capital.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, and expected capital expenditure, etc. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

The Group's capital structure is monitored on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes short-term and long-term loans, debentures payable, and obligations under finance leases) plus unaccrued proposed dividends, less related-party loans with no fixed repayment terms and cash and cash equivalents.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XI CAPITAL MANAGEMENT *(CONTINUED)*

The adjusted net debt-to-capital ratio is as follows:

		The Group		The Company	
	Note	**2014**	2013	**2014**	2013
Current liabilities					
Short-term loans	V.16	**2,883,600**	4,705,734	**2,883,600**	4,705,734
Long-term loans due within one year	V.24(2)	**749,224**	953,364	**749,224**	953,364
Obligations under finance leases due within one year	V.24(4)	**912,353**	1,402,090	**912,353**	1,402,090
Debentures payables due within one year	V.24(3)	**1,982,113**	—	**1,982,113**	—
Sub-total		**6,527,290**	7,061,188	**6,527,290**	7,061,188
Non-current liabilities					
Long-term loans	V.26	**9,909,613**	7,348,938	**9,909,613**	7,348,938
Debentures payable	V.27	**—**	1,976,699	**—**	1,976,699
Long-term payables- Obligations under finance leases	V.28	**222,407**	1,083,193	**222,407**	1,083,193
Sub-total		**10,132,020**	10,408,830	**10,132,020**	10,408,830
Total debt		**16,659,310**	17,470,018	**16,659,310**	17,470,018
Add: Proposed dividends	V.34	**—**	—	**—**	—
Less: Cash and cash equivalents	V.1	**146,148**	519,061	**138,168**	502,366
Adjusted net debt		**16,513,162**	16,950,957	**16,521,142**	16,967,652
Shareholders' equity		**9,993,126**	9,936,303	**9,971,463**	9,840,970
Less: Proposed dividends	V.34	**—**	—	**—**	—
Adjusted capital		**9,993,126**	9,936,303	**9,971,463**	9,840,970
Adjusted net debt-to-capital ratio		**1.65**	1.71	**1.66**	1.72

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII COMMITMENTS AND CONTINGENCIES

1 Significant commitments

(1) Capital commitments

Item	2014	2013
Significant construction contracts entered into under performance or preparation of performance	**4,300,495**	3,111,219
Significant construction contracts authorized but not yet contracted for	**275,108**	1,536,321
Finance leases contracts entered into under performance or preparation of performance	**1,508,367**	2,672,434
Total	**6,083,970**	7,319,974

During the year 2014, the Group paid RMB926,500,000 for construction contracts and equipment which has been disclosed in capital commitment of 2013.

(2) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of operating leases of land use right were payable as follows:

Item	2014	2013
Within 1 year (inclusive)	—	25
After 1 year but within 2 years (inclusive)	—	25
After 2 years but within 3 years (inclusive)	—	25
After 3 years	—	200
Total	—	275

XII COMMITMENTS AND CONTINGENCIES *(CONTINUED)*

2 Contingencies

(1) Contingent liabilities

At the balance sheet date, the Company did not provide any guarantee for the bank loans of its subsidiaries (2013: Nil). The guarantees for the bank loans and finance lease of its associate provided by the Company is amounted to RMB851,631,000 (2013: RMB739,038,000).

The board of directors of the Company considered that the company will not undertake any risk for such guarantees.

XIII. POST BALANCE SHEET DATE EVENTS

1 Material non-adjusting post balance sheet date events

On 16 February 2015, the Group received an advance of RMB800,000,000 from Chonggang Mining Exploitation and Investment.

2 Profit appropriation after the balance sheet date

During the Board of Directors meeting on 30 March 2015, the directors of the Company declare no dividend in respect of 2014 (2013: Nil).

XIV. OTHER SIGNIFICANT ITEMS

1 Segment reporting

The Group has three reportable segments, which are iron and steel, electronic construction and installation and logistics segment, determined based on the structure of its internal organization, management requirements and internal reporting system. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies. The financial information of the different segments is regularly reviewed by the Group's management to make decisions about resources to be allocated to each segment and assess its performance. Transfer price between each reportable segment is measured as the price selling to third parties, and indirect expenses will be allocated to each segment based on revenue.

XIV. OTHER SIGNIFICANT ITEMS *(CONTINUED)*

1 Segment reporting *(continued)*

(1) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's management regularly reviews the assets, liabilities, revenue, expenses and financial performance, attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible, other non-current and current assets, such as accounts receivable, with the exception of deferred tax assets and other unallocated corporate assets. Segment liabilities include payables, prepayments and bank borrowings attributable to the individual segments.

Financial performance is the amount of revenue after deducting expenses, depreciation, amortization and impairment losses attributable to the individual segments, and interest income and expense from cash balances and borrowings managed directly by the segments. Inter-segment sales are determined with reference to prices charged to external parties for similar orders. Non-operating income and expenses and tax expenses are not allocated to individual segments.

Information regarding the Group's reportable segments set out below is the measure of segment profit or loss and segment assets and liabilities reviewed by the chief operating decision maker or is otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment profit or loss and segment assets and liabilities:

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XIV. OTHER SIGNIFICANT ITEMS *(CONTINUED)*

1 Segment reporting *(continued)*

(2) Reportable information on the Group's reporting segments in 2014 is set out as follows:

Item	Iron and steel		Electronic construction and installation		Logistics and Processing		Elimination among segments		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Operating income from external customers	**12,099,873**	17,469,461	**32,877**	44,982	**112,307**	49,003	**—**	—	**12,245,057**	17,563,446
Inter-segment operating income	**55,814**	20,834	**114,662**	104,888	**78,530**	110,431	**(249,006)**	(236,153)	**—**	—
Interest in the profit or loss of associate and joint ventures	**41**	13	**—**	—	**—**	—	**—**	—	**41**	13
Impairment for the year	**196,388**	128,089	**482**	(112)	**—**	—	**—**	—	**196,870**	127,977
Depreciation and amortisation	**1,041,956**	436,764	**892**	902	**6,619**	6,321	**—**	—	**1,049,467**	443,987
Interest income from bank deposits	**20,653**	17,191	**(10)**	6	**7**	8	**—**	—	**20,650**	17,205
Interest expense	**1,335,458**	910,161	**—**	—	**—**	158	**—**	—	**1,335,458**	910,319
Profit before income tax ("( )" for losses)	**126,619**	(2,476,136)	**12,032**	8,064	**(9,315)**	(20,049)	**(74,796)**	(7,770)	**54,540**	(2,495,891)
Income tax expense	**725**	1,794	**1,806**	1,184	**366**	149	**—**	—	**2,897**	3,127
Net profit ("( )" for losses)	**125,894**	(2,477,930)	**10,226**	6,880	**(9,681)**	(20,198)	**(74,796)**	(7,770)	**51,643**	(2,499,018)
Total assets	**47,220,267**	48,015,441	**—**	92,117	**79,008**	162,083	**(146,842)**	(223,664)	**47,152,433**	48,045,977
Total liabilities	**37,196,919**	38,119,833	**—**	31,530	**8,228**	67,116	**(45,840)**	(108,805)	**37,159,307**	38,109,674

In 2014, the Operating income from external customers of the Group is all from PRC (2013 : PRC).

As at 31 December 2014, the Group has no non-current overseas assets. (2013: Nil)

(3) Major customers

The Group has one customer (2013: two) from which the operating income is over 10% of the Group's total operating income. The operating income from the customers represents approximately 21% of the Group's total operating income (2013: 21%), which is summarised in the table below:

Customer	**2014**	2013
Customer 1	**2,584,494**	1,892,230
Customer 2	**Below 10% of the Group's total operating income**	1,685,313

The major customers' income is all from iron and steel segment in 2014. (2013: iron and steel segment).

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1 Accounts receivable

(1) *Accounts receivable by customer type:*

Type	Note	2014	2013
Third party		**566,510**	295,222
Related party	X.7(2)	**20,016**	325,468
Sub-total		**586,526**	620,690
Less: Provision for bad and doubtful debts		**146,364**	152,368
Total		**440,162**	468,322

(2) *The ageing analysis of accounts receivables is as follows:*

Ageing	2014	2013
Within 1 year (inclusive)	**284,456**	249,175
Over 1 year but within 2 years (inclusive)	**7,501**	82,751
Over 2 years but within 3 years (inclusive)	**53,127**	140,821
Over 3 years	**241,442**	147,943
Sub-total	**586,526**	620,690
Less: Provisions for bad and doubtful debt	**146,364**	152,368
Total	**440,162**	468,322

The ageing is counted starting from the date when accounts receivable are recognised.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

1 Accounts receivable *(continued)*

(3) Accounts receivable by category:

Category	*Note*	2014 Book value Amount	2014 Book value Percentage *(%)*	2014 Provision for bad and doubtful debts Amount	2014 Provision for bad and doubtful debts Percentage *(%)*	2014 Carrying amount	2013 Book value Amount	2013 Book value Percentage *(%)*	2013 Provision for bad and doubtful debts Amount	2013 Provision for bad and doubtful debts Percentage *(%)*	2013 Carrying amount
Individually significant and assessed individually for impairment	(a)	**153,935**	**27%**	**7,923**	**5%**	**146,012**	–	–	–	–	–
Collectively assessed for impairment based on credit risk characteristics*											
Third party	(b)	**412,575**	**70%**	**135,685**	**33%**	**276,890**	295,222	48%	149,612	51%	145,610
Related party		**17,260**	**3%**	**–**	**–**	**17,260**	322,712	52%	–	–	322,712
Sub-total		**429,835**	**73%**	**135,685**	**32%**	**294,150**	617,934	100%	149,612	24%	468,322
Individually insignificant but assessed individually for impairment		**2,756**	**0%**	**2,756**	**100%**	**–**	2,756	0%	2,756	100%	–
Total		**586,526**	**100%**	**146,364**	**25%**	**440,162**	620,690	100%	152,368	25%	468,322

* This category includes accounts receivable having been individually assessed but not impaired.

(a) On 18 September 2013, Chongqing Si Gang entered into debt restructuring agreements with Security Industry Group. On 31 March 2014, Chongqing SASAC approved the transaction. Pursuant to these agreements, Security Industry Group will pay on behalf of Chongqing Si Gang for payable of RMB153,935,000 to the Group. On 16 December 2014, Security Industry Group promised to provide assets to the Group as security for repayment after relevant assets ownership has been transferred to Security Industry Group. As at 31 December 2014, Security Industry Group has not settled the payable as the relevant transfer procedures have not been completed. A provision of RMB7,923,000 was made based on the present value of future cash flow.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

1 Accounts receivable *(continued)*

(3) Accounts receivable by category: (continued)

(b) Accounts receivable which are collectively assessed for impairment at the end of the year using the ageing analysis method:

Ageing	Carrying amount	Provision for bad and doubtful debts	Percentage of provision
Within 1 year			
Including:			
With 3 months (inclusive)	256,584	—	—
Over 4 months but within 1 year (inclusive)	14,231	666	5%
Sub-total	270,815	666	0%
Over 1 year but within 2 years (inclusive)	7,725	1,931	25%
Over 2 years but within 3 years (inclusive)	1,894	947	50%
Over 3 years	132,141	132,141	100%
Total	412,575	135,685	

The Group is determined by nature of accounts receivable.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

1 Accounts receivable *(continued)*

(4) Addition, recovery or reversal of provision for bad and doubtful debts during the year:

	Note	**2014**	2013
Balance at the beginning of the year		**152,368**	154,042
Addition during the year		**11,111**	2,044
Recovery or reversal during the year		**(2,518)**	(3,718)
Write-off during the year	(a)	**(14,597)**	—
Balance at the end of the year		**146,364**	152,368

(a) Significant accounts receivable written off during the year

Debtor	Nature of accounts receivable	Written-off amount	Reason for write-off	Write-off procedure performed	Accounts receivable resulted from related party transactions (Y/N)
Chongqing organic chemical plant	Sales	14,597	Business license revoked	Management approved	N
Total		14,597			

(5) Five largest accounts receivable by debtor at the end of the year

The subtotal of five largest accounts receivable of the Group at the end of the year is RMB302,311,000, representing 52% of the total accounts receivable, and the provisions of bad and doubtful debts is RMB8,147,000.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

2 Other receivables

(1) *Other receivables by customer type:*

Customer type	2014	2013
The third parties	**939,230**	63,229
Sub-total	**939,230**	63,229
Less: Provision for bad and doubtful debts	**16,958**	16,958
Total	**922,272**	46,271

(2) *The ageing analysis of other receivables is as follows:*

Ageing	2014	2013
Within 1 year (inclusive)	**900,350**	15,292
Over 1 year but within 2 years (inclusive)	**2,847**	14,344
Over 2 years but within 3 years (inclusive)	**3,233**	7,808
Over 3 years	**32,800**	25,785
Sub-total	**939,230**	63,229
Less: Provision for bad and doubtful debts	**16,958**	16,958
Total	**922,272**	46,271

The ageing is counted starting from the date when other receivables are recognised.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

2 Other receivables *(continued)*

(3) Other receivables by category

		2014					2013				
		Book value		Provision for bad and doubtful debts		Carrying	Book value		Provision for bad and doubtful debts		Carrying
Category	*Note*	Amount	Percentage (%)	Amount	Percentage (%)	amount	Amount	Percentage (%)	Amount	Percentage (%)	amount
Individually significant and assessed individually for impairment		**15,827**	**2%**	**15,827**	**100%**	**—**	15,827	25%	15,827	100%	—
Individually insignificant but assessed individually for impairment		**1,131**	**0%**	**1,131**	**100%**	**—**	1,131	2%	1,131	100%	—
Individually assessed but not impaired		**922,272**	**98%**	**—**	**—**	**922,272**	46,271	73%	—	—	46,271
Total		**939,230**	**100%**	**16,958**	**2%**	**922,272**	63,229	100%	16,958	27%	46,271

(4) Other receivable categorised by nature:

Nature	*Note*	2014	2013
Receivable of non-current assets disposal	V.43	**875,076**	—
Others		**64,154**	63,229
Sub-total		**939,230**	63,229
Less: Provision for bad and doubtful debts		**16,958**	16,958
Total		**922,272**	46,271

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

2 Other receivables *(continued)*

(5) Five largest other receivables by debtor at the end of the year

Debtor	Nature of the receivables	Balance at the end of the year	Ageing	Percentage of total other receivables *(%)*	Ending balance of provision for bad and doubtful debts
Land reserve center of Changshou Economic & Technological Development Zone	Receivables of non-current assets disposal	619,590	within 1 year	66%	—
Chongqing real Estate Group	Receivables of non-current assets disposal	255,486	within 1 year	27%	—
Business related unit 1*	Unrecovered prepayment	10,240	Over 3 years	1%	10,240
Business related unit 2*	Court deduction	5,587	Over 3 years	1%	5,587
Business related unit 3*	Engineering construction	1,131	Over 3 years	0%	1,131
Total		892,034		95%	16,958

* These amounts have been fully impaired.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

3 Long-term equity investments

(1) *Long-term equity investments by category:*

Item	2014 Book value	2014 Provision for impairment	2014 Carrying amount	2013 Book value	2013 Provision for impairment	2013 Carrying amount
Investments in subsidiaries	**101,000**	**—**	**101,000**	189,589	—	189,589
Investments in joint ventures and associates	**—**	**—**	**—**	30,021	—	30,021
Total	**101,000**	**—**	**101,000**	219,610	—	219,610

(2) *Investments in subsidiaries*

Subsidiary	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year	Provision made during the year	Impairment at the end of the year
Electronic Company	41,290	—	41,290	—	—	—
San Feng Steel	51,000	—	—	51,000	—	—
Transportation Company	47,299	—	47,299	—	—	—
East China Trading	50,000	—	—	50,000	—	—
Total	189,589	—	88,589	101,000	—	—

For information about the subsidiaries of the Company, refer to Note VII.

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

3 Long-term equity investments *(continued)*

(3) Investments in associates

Name of investee	Balance at the beginning of the year	Movements during the year: Increase in investments	Decrease in investments	Investment income under equity method	Other comprehensive income	Other changes in equity	Cash dividend or profit distribution	Provisions for impairment	Others	Balance at the end of the year	Impairment at the end of the year
San Feng Logistics	30,021	—	30,062	41	—	—	—	—	—	—	—

4 Operating income and operating costs

(1) Operating income and operating costs

Item	2014 Operating income	2014 Operating costs	2013 Operating income	2013 Operating costs
Principal activities	**12,078,075**	**12,582,029**	17,322,356	17,706,474
Other operating activities	**39,737**	**13,072**	45,478	25,201
Total	**12,117,812**	**12,595,101**	17,367,834	17,731,675

Breakdown of operating income:

	2014	2013
Operating income from principal activities		
— Products sold	**12,078,075**	17,322,356
Other operating income		
— Disposal of waste materials	**39,737**	45,478
Total	**12,117,812**	17,367,834

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(CONTINUED)*

5 Investment income

Item	2014	2013
Income from long-term equity investments accounted for using cost method	**10,366**	7,770
Income from long-term equity investments accounted for using equity method	**41**	13
Investment income from disposal of long-term equity investments	**166,316**	—
Investment income transfer from disposal of financial liabilities at fair value through profit or loss	**—**	(1,518)
Total	**176,723**	6,265

1 EXTRAORDINARY GAIN AND LOSS IN 2014

Items	2014	2013
Disposal of non-current assets	**1,132,619**	(4,132)
Tax refunds, exemptions and reductions	**2,282**	3,779
Government grants recognized through profit or loss	**923,283**	3,932
Debt restructuring	**49,228**	—
Enterprise restructuring costs	**—**	(5,506)
Relocation reward	**800,000**	—
Reversal of provision for bad and doubtful debts which assessed individually	**—**	1,786
Investment income	**101,926**	(1,505)
Others items qualified as extraordinary gain and loss	**45,365**	—
Other non-operating income and expenses besides items above	**(9,562)**	2,057
Less: Amount of effect on taxation	**456,770**	111
Total	**2,588,371**	300

Note: The above extraordinary gain and loss items are before taxation

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) issued by the CSRC and relevant accounting standards, the Group's return on net assets and earnings per share are calculated as follows:

Profit for the reporting period	Weighted average return on net assets *(%)*	Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary equity Shareholders ("( )"for losses)	0.52%	0.012	0.012
Net profit deducted extraordinary gain and loss attributable to the Company's ordinary equity Shareholders ("( )"for losses)	(25.51%)	(0.572)	(0.572)

Documents Available for Inspection

1. The financial statements signed and stamped by Legal Representative, Chief Financial Officer and Chief Accountant.

2. The original copy of the auditor's report stamped by the accounting firm and signed and stamped by certified public accountant.

3. The original copies of all documents and announcements of the Company which have been publicly disclosed in newspapers designated by CSRC during the Reporting Period.

Head of the Company: **Zhu Jian Pai**
Chongqing Iron & Steel Company Limited

30 March 2015