



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)



2015 INTERIM REPORT

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IMPORTANT

1. The Board, the Supervisory Committee, and the directors, supervisors and senior management of the Company guarantee the truthfulness, accuracy and completeness of the contents of this interim report, and that there is no false record, misleading statement contained in or material omission from this interim report and collectively and individually accept legal liability.
2. All directors of the Company attended the Board meetings.
3. The interim report is unaudited.
4. Li Rensheng (acting Chairman), person-in-charge of the Company, and Zhang Zongming, person-in-charge of the accounting work, and Zhang Zongming, person-in-charge of the accounting body (head of accounting), hereby declare that: they guarantee the truthfulness, accuracy and completeness of the financial report in the interim report.
5. The proposal on profit distribution and the proposal on transferring capital reserve to share capital with provident fund during the reporting period were reviewed and considered by the Board.

The Company does not propose to distribute cash dividend, issue bonus share, or transfer capital reserve to share capital with provident fund.
6. Risk disclaimer of the forward-looking statements

The forward-looking statements in this interim report, such as the future plans, are subject to uncertainties and do not constitute the Company's substantive undertakings to investors. Investors should pay attention to investment risks.
7. Any appropriation of fund by the controlling shareholder or its related parties for non-operating purpose?

No
8. Any provision of external guarantee in violation of the stipulated decision making procedure?

No
9. Others

The financial data in the report are prepared in accordance with the PRC GAAP.

Definitions

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

Definitions of common 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 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
Companies Law	the Companies Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Reporting Period	From January to June in 2015
RMB, RMB'000	RMB yuan, RMB thousand yuan

I. COMPANY INFORMATION

Chinese name of the Company	重慶鋼鐵股份有限公司
Chinese abbreviated name of the Company	重慶鋼鐵
English name of the Company	Chongqing Iron & Steel Company Limited
English abbreviated name of the Company	CISL
Legal representative of the Company	Li Rensheng (acting legal representative)

II. CONTACT PERSON AND INFORMATION

	Secretary to the Board	Securities representative
Name	You Xiaolan	Peng Guoju
Correspondence address	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Telephone	86-23-6887 3311	86-23-6898 3482
Fax	86-23-6887 3189	86-23-6887 3189
E-mail address	yxa@email.cqgt.cn	clarapeng@email.cqgt.cn

III. CHANGES IN BASIC INFORMATION

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

IV. CHANGE IN DISCLOSURE OF INFORMATION 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 posting interim reports	www.sse.com.cn
Place for inspection of interim report	Secretariat of the Board of the Company

Company Profile (Continued)

V. STOCK PROFILE

Classification of stock	Listing stock exchange	Abbreviated name	Stock Code	Stock name before change
A share	Shanghai Stock Exchange	Chongqing Iron	601005	/
H share	The Stock Exchange of Hong Kong Limited	Chongqing Iron	01053	/

VI. CHANGE IN REGISTRATION INFORMATION OF THE COMPANY DURING THE REPORTING PERIOD

There was no change in the registration information of the Company during the Reporting Period.

VII. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	KPMG Huazhen LLP
	Office address	8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
	Name of accountants signing-off the report	Ling Yun, Wan Shu

Summary of Accounting Data and Financial Indicators

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

Unit: RMB'000

Key accounting data	This reporting period (January to June)	Same period last year	Change from the same period of last year to this reporting period (%)
Operating income	4,505,619	6,024,856	-25.22%
Net profit attributable to shareholders of the Company	-2,227,578	-945,237	-135.66%
Net profit attributable to shareholders of the Company after extraordinary gains and losses	-2,223,022	-1,377,764	-61.35%
Net cash flow generated from operating activities	-731,329	1,556,024	-147.00%

	At the end of the reporting period	At the end of last year	Change from the end of last year to the end of the reporting period (%)
Net assets attributable to shareholders of the Company	7,746,769	9,973,914	-22.33%
Total assets	46,413,390	47,152,433	-1.57%

(II) Key Financial Indicators

Key financial indicators	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this reporting period (%)
Basic earnings per share (RMB per share)	-0.502	-0.213	-135.68%
Diluted earnings per share (RMB per share)	-0.502	-0.213	-135.68%
Basic earnings per share after extraordinary gains and losses (RMB per share)	-0.501	-0.311	-61.09%
Weighted average return on net assets (%)	-25.09	-10.01	-15.08%
Weighted average return on net assets after extraordinary gains and losses(%)	-25.03	-14.59	-10.44%

Summary of Accounting Data and Financial Indicators (Continued)

II. DISCREPANCIES IN ACCOUNTING DATA UNDER THE PRC AND OVERSEAS ACCOUNTING STANDARDS

Applicable Not applicable

III. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB'000

Non-recurring profit and loss items	Amount	Note (where applicable)
Government grants included in the profit or loss for the period (except for those closely related to the ordinary businesses of the Company, in compliance with the requirements under the State's policies, and continuously entitled to quantitative or qualitative government grants according to certain standards)	2,004	
Other non-operating income and expenses apart from the above-mentioned	-6,254	
Income tax implications	-306	
Total	-4,556	

Report of the Board of Directors

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

During the first half of the year, under various difficulties including the consistently sluggish domestic steel products market, tight liquidity and heavy financial burden of the Company, with the unweaving support from Chongqing Iron & Steel Group, the Company dedicatedly worked around the core mission for the year of “one target, four key issues”, by exerting tight cost control over while increasing profit in both supply and sales, undergoing production with scale of economy, adjusting the product structure and strengthening management while deepening reform, so as to ensure steady production and operation, fully implement the five innovative visions, adopt all positive means and gear up for turnaround from loss to profit making:

Optimization of production processes for guaranteed economy of scale in production. Firstly, we duly performed all incident supervision and control work, by organizing production according to the economy of scale so as to guarantee safe production. During the first half of the year, the Company was in full control of all kinds of incidents, such that production was stable in general. Secondly, we enhanced balance and coordination within our production plans with a focus on the stable and smooth operation of the blast furnace, with each production plant conducting its in-process flows and coordination with a view to achieving back-covering among all processes, such that all production indicators has been improved steadily. Thirdly, we strengthened the management of our key indicators such as hitting rate and rollout rate, which provided favourable conditions for the efficient implementation of our contracts. As of the end of June, the one-off hitting rate reached 95.46% and the rollout rate reached 83.34%, both were maintained at a relatively satisfactory level.

Further tightening of cost control over processes. Firstly, we have strengthened our cost management before iron making, which effectively controlled the cost of iron smelt by optimizing coal blending and ore proportioning, adjusting structure of solvent and optimizing procurement according to the economic models of ore. Secondly, we had implemented cost cutting measures on steel smelting and rolling. Through cost cutting measures such as reduction in steel and iron consumption, alloy consumption, auxiliary material, endurable material, power and energy, spare parts and components, maintenance and examination expenses and tool and mold expenses, our key consumption indicators for steel smelting process had met the industry average standards. Thirdly, we had successfully completed mechanical and energy cost cutting. Through strengthening the management of power generation equipment, secondary energy recycling and system reform in proprietary repair, maintenance and inspection system, indicators such as comparable repair expenses per ton of steel and power procurement per ton of steel had seen remarkable improvements. In particular, only RMB311 of power procurement expenses per ton of steel had been incurred in May, which set the best record in our history.

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD *(Continued)*

Proactively implementing product structural adjustment and enlarging the proportion of product offering high added value. During the first half of the year, the Company focused on the production, sale and research of our key products, to improve our product structure and adjust the project-based management mechanism, with a view to materialize the integration of production, research and sale. We have achieved considerable breakthrough in (amongst others) the production and market development of traditionally advantageous products such as steel plates for boilers and pressure vessel plates, and the proportion of high value-added products had increased. The proportion of our variety steel reached 48.41%, in which medium-gauge plates accounted for 55.46% and hot-roll plates accounted for 43.20%.

Deepening of reform while incentivizing the organic growth of the enterprise. During the first half of the year, the Company focused on the reform of marketing system and reform of maintenance and inspection system, improved the performance assessment and appraisal oriented allocation measures so as to implement cost and marginal benefits linked total salary, thus achieving optimization and adjustment of human resources structure, which endeavored to increase our labor productivity.

Strengthening management and enhancing execution capability. Firstly, on the basis of simulated market calculation system, we improved the cost control system, imposed risk accountability and achieved a cost reduction system involving all staff. Secondly, we strengthened the management of external economic contracts, enhanced contract review and approval, management and control of key factors and the inspection on contract implementation, avoided legal risks and protected the Company's interests. Thirdly, we cleared up and improved the relevant management system and strengthened the inspection and supervision to ensure the effectiveness of the system and the effective implementation of various resolutions and key missions.

During the period, the Group produced an aggregate of 870,000 tons choke coal, 3.21 million tons of sinter ore, 1.77 million tons of pig iron, 1.79 million tons of steel, 1.62 million tons of steel products. The production volume of iron, steel and steel products decreased by 15.68%, 13.55% and 15.62% respectively from the same period last year. The average selling price of steel products stood at RMB2,450/ton, representing a decrease of 22% from the same period last year. Sales revenue amounted to RMB4.5 billion, representing a decrease of 25% from the same period last year.

Report of the Board of Directors (Continued)

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD *(Continued)*

(I) Analysis of principal operations

1 Analysis table on changes of relevant items in financial statements

Unit: RMB'000

Items	For the period	For the same Period last year	Change (%)
Operating income	4,505,619	6,024,856	-25.22%
Operating costs	5,599,926	6,324,670	-11.46%
Selling and distribution expenses	118,000	123,488	-4.44%
General and administrative expenses	383,116	397,711	-3.67%
Financial expenses	627,353	631,866	-0.71%
Net cash flow from operating activities	-731,329	1,556,024	-147.00%
Net cash flow from investing activities	74,552	-2,065,088	103.61%
Net cash flow from financing activities	871,485	447,961	94.54%
Research and development expenses	142,570	174,721	-18.4%

Description on reasons for changes in net cash flow from operating activities: Amid challenging environment due to significant price drop of steel products, and operating losses suffered by the Company, the Group strengthened capital planning and management with a view to increasing revenue yet cutting cost, while determining payments on the basis of income so as to achieve break-even. During the first half of 2015, net cash outflow from operating activities amounted to RMB731,329 thousand, which was mainly due to the effect of an increase in operating losses. Net cash inflow from fund raising activities amounted to RMB871,485 thousand, mainly due to the new bank borrowings and financial assistance from Chongqing Iron & Steel Group.

Report of the Board of Directors (Continued)

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD (Continued)

(I) Analysis of principal operations (Continued)

2 Others

- (1) Detail description on significant changes in the components of profit or sources of profit of the Company

During the first half of 2015, the Group realized RMB4,505,619 thousand of operating income, representing a year-on-year decrease of 25.22%, RMB4,494,689 thousand of revenue from principal operations, representing a year-on-year decrease of 25.19%, and RMB-2,227,504 thousand of total profit, representing a year-on-year increase in losses of 135.66%, mainly due to the following reasons:

- ① During the first half of 2015, the sales revenue of the Group's steel billets products amounted to RMB3,982,409 thousand, representing a decrease year-on-year by RMB1,578,758 thousand. Firstly, it was due to the decrease in selling price. The Group's average selling price of steel billets products during the first half year amounted to RMB2,438/ton, representing a year-on-year decrease of 22.31% from last year, which resulted in a decrease in revenue of RMB1,036,406 thousand. Secondly, it was due to the decrease in sales volume. The Group sold 1,633.2 thousand tons of steel billets during the first half year, representing a year-on-year decrease of 7.85%, which resulted in a decrease in revenue of RMB542,352 thousand.

Type	Revenue for first half of 2015		Revenue for first half of 2014		Year-on-year growth (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plate products	1,875,941	41.74	2,307,819	38.41	-18.71
Hot rolled coil	1,953,475	43.46	3,170,393	52.77	-38.38
Rod products	21,504	0.48	-	-	-
Wire products	72,932	1.62	-	-	-
Cool rolled sheet	-	0.00	49,867	0.83	-100.00
Steel billets	58,557	1.30	33,088	0.55	76.97
Sub-total	3,982,409	88.60	5,561,167	92.56	-28.39
Others	512,280	11.40	447,220	7.44	14.55
Total	4,494,689	100.00	6,008,387	100.00	-25.19

Report of the Board of Directors (Continued)

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD (Continued)

(I) Analysis of principal operations (Continued)

2 Others (Continued)

(1) Detail description on significant changes in the components of profit or sources of profit of the Company (Continued)

① (Continued)

Item	Selling price for first half of 2015 RMB/ton	Selling price for first half of 2014 RMB/ton	Year-on-year growth (%)	Revenue increase (RMB thousand)
Plate products	2,678	3,367	-20.46	-482,645
Hot rolled coil	2,270	2,995	-24.21	-623,790
Rod products	1,777	–	–	21,502
Wire products	2,572	–	–	73,045
Cool rolled sheet	–	3,195	-100.00	–
Steel billets	1,839	2,610	-29.54	-24,518
Total	2,438	3,138	-22.31	-1,036,406

Item	First half of 2015 (Ton 0'000)	First half of 2014 (Ton 0'000)	Year-on-year growth (%)	Revenue increase (RMB thousand)
Plate products	70.05	68.55	2.19	50,505
Hot rolled coil	86.04	105.86	-18.72	-593,609
Rod products	1.21	–	–	–
Wire products	2.84	–	–	–
Cool rolled sheet	–	1.56	-100.00	-49,842
Steel billets	3.18	1.27	150.39	49,851
Total	163.32	177.24	-7.85	-542,352

Report of the Board of Directors (Continued)

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD (Continued)

(I) Analysis of principal operations (Continued)

2 Others (Continued)

- (1) Detail description on significant changes in the components of profit or sources of profit of the Company (Continued)
- ② The principal operations realized RMB-1,102,325 thousand of gross profit, representing a year-on-year decrease of RMB790,938 thousand; mainly due to a decrease in the sales volume and selling price of the steel products (billets) of the Group during the first half year, which led to a year-on-year decrease of 25.19% in revenue from principal operations. The cost of steel product (billets) principal operations decreased by 11.44% year-on-year. However, the decrease in cost of principal operations is smaller than the decrease in revenue of principal operations, which led to a decrease in the gross profit of the principal operations for the current period.
- ③ The Group incurred expenses in the amount of RMB1,128,469 thousand during the first half year, representing a decrease year-on-year by RMB24,596 thousand.

Item	Amount for the period	Amount for the last period	Percentage change from the same period last year to this period (%)
Selling and distribution expenses	118,000	123,488	-4.44
Management expenses	383,116	397,711	-3.67
Financial expenses	627,353	631,866	-0.71

- ④ The Group realized RMB4,250 thousand of net non-operating expenses during the first-half year, representing a year-on-year decrease by RMB513,105 thousand, which is mainly due to the effect of RMB0.5 billion of government grants received during the first half of 2014.

Report of the Board of Directors (Continued)

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD (Continued)

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

1. Principal operations by industry and product

Unit: RMB'000

By industry	Operating income	Operating costs	Principal operations by industry			
			Gross profit margin (%)	Change in operating income from last year (%)	Change in operating costs from last year (%)	Change in gross profit margin from last year (%)
Iron and steel	4,466,410	5,570,296	-24.72	-25.23	-11.38	Decreased by 19.51 percentage points
Electronic services	–	–	–	-100.00	-100.00	–
Transportation services	28,279	26,718	5.52	56.11	26.70	Increased by 21.93 percentage points

By product	Operating income	Operating costs	Principal operations by product			
			Gross profit margin (%)	Change in operation income from last year (%)	Change in operation costs from last year (%)	Change in gross profit margin from last year (%)
Steel products (billets)	3,982,409	5,071,521	-28.39	-24.80	-14.07	Decreased by 21.22 percentage points
By-products	484,001	498,775	-3.05	17.27	30.03	Decreased by 10.11 percentage points
Electronic engineering design and installation	–	–	–	-100.00	-100.00	–
Logistics, distribution and finishing	28,279	26,718	5.52	56.11	26.70	Increased by 21.93 percentage points

2. Principal operations by region

Unit: RMB'000

Region	Operating Income	Change in operating income from last year (%)
Southwestern region	1,988,542	-22.60
Other regions	2,477,868	-27.22
Total	4,466,410	-25.23

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD *(Continued)*

(III) Analysis of core competitiveness

The Company's competitive strengths are evidenced in the following four aspects:

1. **Strength offered by product variety**

Medium-gauge plate products, the Company's core products, are of dominant position in the industry with a full range of varieties and specifications, in which, specialized plates account for a relatively larger (75%) proportion, in particular, mostly are made up by ship plates. Currently, the Company is the largest domestic manufacturer for ship steel plate.

In addition, the Company offers a wide range of long products with good compatibility. For example, the flat-bulb steel produced by the Steel Section Plant of the Company not only offers a comprehensive range of specifications, but also capable of producing under both of the international standards and EU standards. The Q420 angle steel products are of leading standards in China; our production lines for rod products can produce products with specifications ranging from $\varnothing 12\text{mm}$ to 150mm and are capable of producing structural alloy steel, most of which could only be produced by special steel production plants in the past, making the Company an important rod products production base in southwestern China.

2. **Strength offered by our brand**

The Company became the first among domestic steel plants to have obtained certifications from classification societies of nine countries for its ship steel plates. The TMCP-model ship plates developed in the recent years offer a full coverage of ordinary, high and ultra-high strength levels. In particular, the E47 70mm ultra-high strength ship plate is of leading standard domestically. Flat-bulb steel-series products for shipbuilding developed according to the EU standards have made up the 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, which were originally produced by the Company, received certification for exemption from safety and quality inspection by the General Administration of Quality Supervision, Inspection and Quarantine and became the first steel plate products exempted from inspection in China.

Steel plates for both boilers and pressure vessels as well as hull structural steel plates were recognized as "China Well-Known Product" in 2006, making the Company the first enterprise in the iron and steel industry in China having two products recognized as "China Well-Known Product" in the same year.

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD *(Continued)*

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

3. Strength offered by customer resources

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

4. Strength offered by geographical location

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

(IV) Analysis of investment positions

1. General analysis of external equity investment

During the Reporting Period, the Company had no external equity investment.

(1) Information on security investment

Applicable Not applicable

(2) Information on shareholdings in other listed companies

Applicable Not applicable

(3) Information on shareholdings in financial institutions

Applicable Not applicable

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD *(Continued)*

(IV) Analysis of investment positions *(Continued)*

2. **Entrusted wealth management with non-financial institutions and derivative investment**

During the Reporting Period, the Company had no entrusted wealth management and derivative products investment.

(1) Information on entrusted wealth management

Applicable Not applicable

(2) Information on entrusted loan

Applicable Not applicable

(3) Other investment in wealth management and derivatives

Applicable Not applicable

3. **Information on use of proceeds**

(1) Information on use of proceeds in general

Applicable Not applicable

(2) Information on commitment of proceeds

Applicable Not applicable

(3) Information on changes in proceeds

Applicable Not applicable

(4) Others

The Company raised funds of RMB1,949,999,997.46 in total by way of a non-public issuance of shares in 2013, and such funds had been fully utilized in 2013 and 2014.

As of 30 June 2015, the Company has applied the funds in an aggregate amount of RMB1,950,162,232.06 and received interest on deposits in the amount of RMB203,367.98, with the balance of the designated funds account amounted to RMB41,333.38. During the Reporting Period, the Company had neither raised any funds nor applied the funds raised in the prior periods in the current period.

Report of the Board of Directors (Continued)

I. DIRECTORS' DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD (Continued)

(IV) Analysis of investment positions (Continued)

4. Analysis of major subsidiaries and investees

Unit: RMB'000

Name of subsidiary/investee	Principal operations	Registered		Total assets	Net assets	Net profit
		capital	Shareholdings %			
Jingjiang Sanfeng Steel Processing & Distribution Co., Ltd. (靖江三峰鋼材加工配送有限公司)	Processing and distribution of steel products, manufacturing and sale of steelwork	70,000	72.86	75,845	70,901	122
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	Sale of metal and metal ore, manufacturing and sale of environmental pollution prevention and control equipment, etc.	50,000	100	79,805	50,149	-457
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司)	Sale of metal and metal products, amongst others	10,000	100	33,889	-310	-310
Guizhou CIS Iron and Steel Sales Co., Ltd. (貴州重鋼鋼鐵銷售有限責任公司)	Sale of metal and metal products, amongst others	10,000	100	11,672	370	370
Xi'an CIS Sales Co., Ltd. (西安重鋼銷售有限責任公司)	Sale of metal and metal products, amongst others	10,000	100	844	-259	-259

5. Information on capital other than fund raising proceeds

Applicable Not applicable

Unit: RMB'000

Name of project	Amount of project	Progress of project	Amount invested		Earnings of project
			during the Reporting Period	Cumulative actual invested amount	
Product mix adjustment project	6,771,591	99%	56,356	6,785,637	Not applicable
Revamp project	742,474	92%	4,661	784,849	Not applicable
Railway project	401,734	100%	-	438,766	Not applicable
Others	-	-	33,362	475,852	Not applicable
Total	7,915,799	/	94,379	8,485,104	/

II. PROPOSAL ON PROFIT DISTRIBUTION AND THE PROPOSAL ON TRANSFERRING CAPITAL RESERVE TO SHARE CAPITAL WITH PROVIDENT FUND

(I) The implementation of or adjustment to the profit distribution plan effective during the Reporting Period

The Company convened the annual general meeting on 4 June 2015 and considered and passed the profit distribution plan for 2014 of the Company, that is:

the Company would neither distribute profit by way of cash dividends nor transfer capital reserve to share capital with provident fund. Such issue had been disclosed in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times and on the websites of Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited as required.

The formulation and execution of this plan were in compliance with the requirements of the Articles of Association and the resolution at the general meeting. The relevant decision-making procedures and mechanisms were complete where the independent directors discharged their duties diligently and duly performed their roles.

(II) Proposed interim proposals on profit distribution and the proposal on transferring capital reserve to share capital with provident fund

III. OTHER DISCLOSURE

(I) Warning and description of a forecast of recording a loss-making aggregate net profit from the beginning of the year to the end of next reporting period or recording a substantial year-on-year change

Applicable Not applicable

The Group has made efforts in cost reduction and loss containment, such as targeting potential exploration and product mix adjustment, which resulted in remarkable results. However, as the steel market is yet to experience a fundamental turnaround, it is expected that the Group would still record loss in aggregate net profit till the end of next reporting period (i.e. the third quarter).

(II) Explanation from the Board and Supervisory Committee on the “Non-standard Audit Report” issued by the accounting firm

Applicable Not applicable

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

Applicable Not applicable

(I) Information on litigation and arbitration not disclosed in the interim announcement or subsequent events

Applicable Not applicable

Unit: RMB'0,000

During the Reporting Period:

Suitor (sue)	Defendant (being sued)	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to the litigation (arbitration) (including relevant interest, costs)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Shanxi Coal International Energy Group Qingdao Co., Ltd. (山煤國際能源集團青島有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Default of payment in trading, defaulted amount: 4,009.143377	4,009.143377	Costs: 12.605106	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Daye Sanlin Trade Co., Ltd. (大冶市 三林貿易有限 公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 4,145.685431	4,145.685431	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Daye Shenglin Trade Co., Ltd. (大冶市 盛林貿易有限 公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 2,818.354022	2,818.354022	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Huangshi Tonghai Trading Co., Ltd. (黃石通海商貿有 限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 5,012.978915	5,012.978915	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
China Coal & Coke Holdings Limited (中煤焦化控股有 限責任公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 1,769.565664	1,769.565664	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled

Significant Events (Continued)

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS WIDELY QUESTIONED BY THE MEDIA (Continued)

(I) Information on litigation and arbitration not disclosed in the interim announcement or subsequent events (Continued)

Suitor (sue)	Defendant (being sued)	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to the litigation (arbitration) (including relevant interest, costs)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and Implementation	
							implication of the litigation (arbitration)	of ruling of the litigation (arbitration)
Chongqing Master Imp-Exp Trade Co., Ltd. (重慶馬 思德進出口貿易有 限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 42,069,457	42,069,457	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Henan Xibao Metallurgy Materials Group Co., Ltd. (河南省 西保冶材集團有限 公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 4,323,318,585	4,323,318,585	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Sichuan Lifting Equipment Co., Ltd. (四川川起 重設備有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 259,3498	259,3498	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Chongqing Huaya Furniture Co., Ltd. (重慶華亞家私 有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 28,3217	28,3217	0.5329	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Guangzhou Mechanical Engineering Research Institute Co., Ltd. (廣州機 械科學研究院有限 公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 56,3578	56,3578	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled

Significant Events (Continued)

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS WIDELY QUESTIONED BY THE MEDIA (Continued)

(I) Information on litigation and arbitration not disclosed in the interim announcement or subsequent events (Continued)

Suitor (sue)	Defendant (being sued)	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to		Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
				the litigation (arbitration) (including relevant interest, costs)	Provisions and relevant amount of the litigation (arbitration)			
Hunan Changzhong Machine Co., Ltd. (湖南長重機器股份有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 94	94	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Xishui Yufeng Trade Co., Ltd. (滄水宇豐貿易有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 214.670784	214.670784	0	It has been settled and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Chongqing Tonghao Trading Co., Ltd. (重慶市同浩貿易有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 285.32837	285.32837	As of 30 June 2015, incurred interest in the amount of approximately 20.5564, costs: 2.263	Judgment has been effective and is under implementation	Properties of the Company have been frozen	Pending
Chongqing Yadongya Group Transformer Co. Ltd (重慶市亞東亞集團變壓器有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 893.7434	893.7434	As of 30 June 2015, incurred interest in the amount of approximately 15.8595, costs: 3.7181	Judgment has been effective and is under implementation	Properties of the Company have been frozen	Pending
C&D (Shanghai) Co., Ltd. (建發(上海)有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 544.96415	544.96415	As of 30 June 2015, incurred interest in the amount of approximately 70 costs: 5.792389	Judgment has been effective and is under implementation	Properties of the Company have been frozen	Pending

Significant Events (Continued)

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS WIDELY QUESTIONED BY THE MEDIA (Continued)

(I) Information on litigation and arbitration not disclosed in the interim announcement or subsequent events (Continued)

Suitor (sue)	Defendant (being sued)	Category of the litigation and arbitration		Amount subject to the litigation (arbitration) (including relevant interest, costs)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
		Basic information on the litigation (arbitration)						
China Shipbuilding Industry Equipment and Materials (Chongqing) Co., Ltd. (中船重工物資貿易集團重慶有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: RMB21,889.79124	21,889.79124		Trial of second instance in progress	Properties of the Company have been frozen	
Chongqing Juan Industry™ Co., LTD (重慶市胡安工貿有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: RMB1,296.314539	1,296.314539		It has been settled in July 2015 and the judgment is being satisfied	No implication	The settlement agreement has been satisfied as scheduled
Dalian Tongda Mining & Metallurgical Machinery Co., Ltd. (大連通達礦冶機械有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 267.45	267.45		Ruling of the trial of first instance has been awarded and pending implementation	No definitive implication	
Chongqing Qin Mou Technology Development Co., Ltd. (重慶秦謀科技開發有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 1,072.696486	1,072.696486		Trial of first instance in progress but ruling has not been awarded	No definitive implication	
Nantong River-East Carbon Joint Stock Co., Ltd. (南通江東碳素有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 31.513705	31.513705		Pending for trial of first instance	No definitive implication	

Significant Events (Continued)

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS WIDELY QUESTIONED BY THE MEDIA (Continued)

(I) Information on litigation and arbitration not disclosed in the interim announcement or subsequent events (Continued)

Suitor (sue)	Defendant (being sued)	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to the litigation (arbitration) (including relevant interest, costs)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Nantong Yangzi Carbon Co., Ltd. (南通揚子碳素股份有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 59,078,762	59,078,762		Pending for trial of first instance	No definitive implication	
CITIC Metal Ningbo Energy Co., Ltd. (中信金屬寧波能源有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 1,458,807,726	1,458,807,726		Pending for trial of first instance	No definitive implication	
Qijiang County Hongyun Minerals Transportation and Sale Division (綦江縣鴻運礦運銷處)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 546,640,062	546,640,062		Pending for trial of first instance	No definitive implication	
Hubei Dade Environmental Protection Equipment Co., Ltd. (湖北大地環保設備有限公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over purchase and sale contract, defaulted amount: 514,687,91	514,687,91		Pending for trial of first instance	No definitive implication	
Sichuan Zigong Gebosi Technology Co., Ltd. (四川省自貢市格博斯科技有限公司)	Chongqing Iron & Steel Company Limited; Sichuan Zigong Conveying Machine Group Co., Ltd. (四川省自貢運輸機械集團股份有限公司)	Litigation	Dispute over debt assignment contract, defaulted amount: 250.4	250.4		Pending for trial of first instance	No definitive implication	
Chongqing Jiangong Shizheng Jiaotong Engineering Co., Ltd. (重慶建市市政交通工程有限責任公司)	Chongqing Iron & Steel Company Limited	Litigation	Dispute over construction work contract, defaulted amount: 770,427,463	770,427,463		Pending for trial of first instance	No definitive implication	

Significant Events (Continued)

II. BANKRUPTCY AND COMPOSITION RELATED ISSUES

Applicable Not applicable

III. ASSETS TRADING AND BUSINESS COMBINATION ISSUES

Applicable Not applicable

IV. INFORMATION ON AND IMPLICATIONS OF THE SHARE INCENTIVE SCHEME OF THE COMPANY

Applicable Not applicable

V. MATERIAL RELATED-PARTY TRANSACTIONS

Applicable Not applicable

(I) **Related-party transaction in relation to the ordinary course of business (Continuing related-party transaction)**

1. Matters which had been disclosed in the interim announcement but subsequent developments or changes developed during the implementation

Service and Supply Agreement

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

1. Pursuant to the Service and Supply Agreement, the Group agreed to provide products and services to the Parent Group as summarized below:
 - (a) production materials such as water, electricity, natural gas, steel billets, steel products and auxiliary materials (including, amongst others, cement, hardware, timber);
 - (b) transportation, technical services (software development services) and other services.

V. MATERIAL RELATED-PARTY TRANSACTIONS *(Continued)*

(I) Related-party transaction in relation to the ordinary course of business (Continuing related-party transaction) *(Continued)*

1. **Matters which had been disclosed in the interim announcement but subsequent developments or changes developed during the implementation** *(Continued)*

Service and Supply Agreement *(Continued)*

2. Pursuant to the Service and Supply Agreement, the Parent Group agreed to provide products and services to the Group as summarized below:
 - (a) raw materials such as pig iron, iron ore, coal, scrap steel, refractory materials and auxiliary materials (including dolomite and limestone);
 - (b) water and road transportation and technical services (including (amongst others) construction, design and supervision, and labor services);
 - (c) electricity, water, industrial gas, equipment and spare parts;
 - (d) social welfare services (mainly including (amongst others) medical insurance and pensions funds management services), with the aforementioned fees paid by the Company through Parent Company but no fees would be charged by the Parent Company for managing such social welfare services for the Company's staff.
3. Pursuant to the Service and Supply Agreement, the Group and the Parent Group will allow each other to use and occupy their respective factory premises.

V. MATERIAL RELATED-PARTY TRANSACTIONS *(Continued)*

(I) **Related-party transaction in relation to the ordinary course of business (Continuing related-party transaction) *(Continued)***

1. ***Matters which had been disclosed in the interim announcement but subsequent developments or changes developed during the implementation*** *(Continued)*

Service and Supply Agreement *(Continued)*

4. Pricing basis of Service and Supply Agreement:

- (a) according to the price stipulated by the PRC Government (including the municipal government and other regulatory bodies which regulate such transactions);
- (b) if no such PRC Government stipulated price is available, then the price shall not be lower than the guidance prices set by the PRC Government for such transactions; or
- (c) if no such PRC Government stipulated or guidance price is available, then choose the following methods, as appropriate, depending on the circumstances:
 - I. for products and services provided by the Parent Company to the Company, not higher than the open market price between independent parties on normal commercial terms in comparable markets,
 - II. for products and services provided to the Parent Company by the Company, no less favorable than the open market price between independent parties on normal commercial terms in comparable markets;

V. MATERIAL RELATED-PARTY TRANSACTIONS *(Continued)*

(I) Related-party transaction in relation to the ordinary course of business (Continuing related-party transaction) *(Continued)*

1. **Matters which had been disclosed in the interim announcement but subsequent developments or changes developed during the implementation** *(Continued)*

Service and Supply Agreement *(Continued)*

4. Pricing basis of Service and Supply Agreement: *(Continued)*

(d) if no comparable market price is available, then choose the following methods, as appropriate, depending on the circumstances:

- I. for products and services provided by the Parent Company to the Company, not higher than the open market price between independent parties on common normal commercial terms in the PRC,
- II. for products and services provided to the Parent Company by the Company, no less favorable than the open market price between independent parties on common normal commercial terms in the PRC;

(e) if no such PRC Government stipulated or guidance prices is available, and no open market price is available for such transactions, then the parties shall negotiate on normal commercial terms for such supply transactions based on the actual or reasonable costs of such transactions (whichever is lower) plus a reasonable profit.

Significant Events (Continued)

V. MATERIAL RELATED-PARTY TRANSACTIONS (Continued)

(I) Related-party transaction in relation to the ordinary course of business (Continuing related-party transaction) (Continued)

2. Issues not disclosed in the interim announcement

Applicable Not applicable

Unit: RMB'000

Party to the related-party transaction	Relationship	Type of related-party transaction	Substance of related-party transaction	Pricing principle of related-party transaction	Amount of related-party transaction	Percentage to the amount of transactions of the same class (%)
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Ore and auxiliary materials	With reference to market price	544,597	37.08%
Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Ore and coal	With reference to market price	528,612	20.36%
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Energy	With reference to market price	143,903	22.55%
Chongqing Iron & Steel Group Iron Company Limited (重慶鋼鐵集團鐵業有限責任公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Pig iron	With reference to market price	35,856	1.38%
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Fixed assets	With reference to market price	17,525	10.58%
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Fixed assets and scrape steel	With reference to market price	17,451	10.46%

Significant Events (Continued)

V. MATERIAL RELATED-PARTY TRANSACTIONS (Continued)

(I) Related-party transaction in relation to the ordinary course of business (Continuing related-party transaction) (Continued)

2. Issues not disclosed in the interim announcement (Continued)

Unit: RMB'000

Party to the related-party transaction	Relationship	Type of related-party transaction	Substance of related-party transaction	Pricing principle of related-party transaction	Amount of related-party transaction	Percentage to the amount of transactions of the same class (%)
Chongqing Wuxia Mining Industry Incorporated Company (重慶巫峽礦業股份有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Coal	With reference to market price	17,295	1.28%
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Spare parts of devices and energy	With reference to market price	8,067	1.00%
Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Spare parts	With reference to market price	6,561	3.96%
Chongqing Steel Group Industrial Co., Ltd. (重慶鋼鐵集團產業有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Energy and scrap steel	With reference to market price	3,385	0.53%
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited (重慶鋼鐵集團中興實業有限責任公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Ancillary parts	With reference to market price	996	0.60%
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of product	Alloy and ancillary parts	With reference to market price	807	0.23%
Others	Others	Purchase of product			7,268	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of product	Energy and auxiliary materials	With reference to market price	115,312	71.70%
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of product	Steel product and energy	With reference to market price	53,519	1.22%

Significant Events (Continued)

V. MATERIAL RELATED-PARTY TRANSACTIONS (Continued)

(I) Related-party transaction in relation to the ordinary course of business (Continuing related-party transaction) (Continued)

2. Issues not disclosed in the interim announcement (Continued)

Party to the related-party transaction	Relationship	Type of related-party transaction	Substance of related-party transaction	Pricing principle of related-party transaction	Amount of related-party transaction	Percentage to the amount of transactions of the same class (%)
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of product	Energy and auxiliary materials	With reference to market price	22,784	14.17%
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of product	Steel products	With reference to market price	4,410	0.10%
Chongqing Steel Group Industrial Co., Ltd. (重慶鋼鐵集團產業有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of product	Steel product and energy	With reference to market price	4,203	0.10%
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of product	Energy and auxiliary materials	With reference to market price	977	0.61%
The Parent Group (重鋼集團)	Parent Company	Sale of product	Energy and auxiliary materials	With reference to market price	80	0.05%
Others	Others	Sale of product		With reference to market price	2,647	

The necessity and continuity of the related-party transactions and the reasons for entering into transactions with the related parties (instead of other parties in the market)

Continuing related party transactions occurred during ordinary production and operation of the Company and the Parent Group

The implication of the related party transactions to the independence of the Company

Transactions entered into at fair market price, without interfering the independence of the Company

V. MATERIAL RELATED-PARTY TRANSACTIONS *(Continued)*

(II) Related party transaction arising from acquisition and disposal of assets

The Company had no related party transaction arising from acquisition and disposal of assets during the Reporting Period.

1. *Issues not disclosed in the interim announcement*

Applicable Not applicable

(III) Material related party transaction of joint overseas investment

The Company had no related party transaction of joint overseas investment during the reporting period.

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF

1. Custody, contracting and leasing

Applicable Not applicable

(1) *Custody*

Applicable Not applicable

(2) *Contracting*

Applicable Not applicable

Significant Events (Continued)

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF (Continued)

1. Custody, contracting and leasing (Continued)

(3) Leasing

Applicable Not applicable

Unit: RMB'000

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Commencement date of lease	Expiry date of lease	Gain on lease	Basis of recognition of such gain	Implication of gain on lease on the Company	Related party transaction	Connected relations
Chongqing Iron & Steel Company Limited (重慶鋼鐵股份有限公司)	Chengdu Chuangmeijia Decoration Work Co., Ltd. (成都創美家裝飾工程有限公司)	Normal	5,989	1 January 2015	31 December 2015	648.1	Bank-in slip	Constitute other operating income	No	Others
Chongqing Iron & Steel Company Limited (重慶鋼鐵股份有限公司)	Chongqing Zhanqin Machinery Co., Ltd. (重慶展欽機械有限公司)	Normal	133	1 January 2015	31 December 2015	2.4	Bank-in slip	Constitute other operating income	No	Others

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF (Continued)

2. Information on guarantee

Applicable Not applicable

Unit: RMB'000

External guarantees provided by the Company (excluding those for subsidiaries)													
Guarantor	Relationship between the guarantor and the Company	Guaranteed party	Guarantee amount	Effective date of guarantee			Guarantee type	Performance		Amount over due	Availability of counter guarantee	Guarantee provided to related party?	Related transaction
				(date of executing the agreement)	Inception date of the guarantee	Expiry date of the guarantee		completed or not	Over due or not				
Chongqing Iron & Steel	Home office of the Company	Sanfeng Logistics	900,000	2012-4-17	2012-4-17	2024-8-30	Regular guarantee	No	No		Yes	Yes	Holding subsidiary of the Parent Company

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF (Continued)

2. Information on guarantee (Continued)

Total guarantees incurred during the Reporting Period (excluding those for subsidiaries)

Total guarantee balance at the end of the Reporting Period (A) (excluding those for subsidiaries)	829,293
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Guarantees provided by the Company for subsidiaries

Total guarantees for subsidiaries incurred during the Reporting Period	
Total guarantee balance for subsidiaries at the end of the Reporting Period (B)	

Total guarantees provided by the Company (including those for subsidiaries)

Total amount of guarantees (A+B)	829,293
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)	829,293
Amount of debt guarantees directly or indirectly provided for guaranteed parties with a gearing ratio exceeding 70% (D)	
Amount of the total guarantees exceeding 50% of net assets (E)	
Total amount of the above three guarantees (C+D+E)	829,293
Descriptions on outstanding guarantee which may subject to joint liability	

Description on guarantee	In 2015, the Company did not offer external guarantee but only 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 the guarantee were approved at the general meeting). The Company performed its information disclosure obligation. As at the end of the Reporting Period, the balance of the Company for such guarantee amounted to RMB829 million.
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VII. COMPLIANCE WITH UNDERTAKINGS

Applicable Not applicable

(I) Undertakings of the Company, Shareholders holding 5% or more of its shares, controlling shareholders and de facto controller during or up to the Reporting Period

Background	Category of undertaking	Undertaking Party	Substance	Time and period of undertaking	Subject to expiry or not	Timely and strict compliance
Undertakings in relation to the material assets reorganization	To address peers competition	Chongqing Iron & Steel Group	The Chongqing Iron & Steel Group made the following undertakings for the avoidance of peers competition with Chongqing Iron & Steel after the material assets reorganization: (1) This company and the enterprises which this company exerts control over and makes equity participation in do not have business which constitutes or may constitute, directly or indirectly, competitive relationship with the principal businesses of Chongqing Iron & Steel at present. And it shall not engage in any business in PRC or elsewhere overseas by any means (including but not limited to investment, acquisition, joint venture, joint operation, contracting, operating lease or otherwise owns shares or interests) which constitutes or may constitute, directly or indirectly, competitive relationship with the principal businesses of Chongqing Iron & Steel after the Reorganization. (2) where this company and the enterprises which this company exerts control over or makes equity participation in engages, involves or invests in any business or project which constitutes or may constitute, directly or indirectly, competitive relationship with the principal businesses of Chongqing Iron & Steel, Chongqing Iron & Steel is entitled to require this company to end the above-mentioned competing business and cease its investment in relevant enterprises or projects, and has the right of first refusal over the related business assets, investment interests or project assets. (3) The above undertakings are valid as long as this company remains the controlling shareholder or de facto controller of Chongqing Iron & Steel. This company is willing to accept any liability for indemnification of damages for any prejudice to the interest of Chongqing Iron & Steel arising from its violation of the above-mentioned undertakings.	3 May 2012	No	Yes
Undertakings in relation to the material assets reorganization	To address related party transactions	Chongqing Iron & Steel Group	(1) To guarantee the business independence and assets entirety of Chongqing Iron & Steel, together with an independent and comprehensive manufacturing, supply and sales system equipped with other auxiliary and complementary functions, so as to avoid and minimize unnecessary related party transactions; (2) for unavoidable related party transactions, the transaction prices shall be determined in strict compliance with the principles of open, fair and just with reference to the prevailing standards in the market, and contracts of related party transactions shall be executed according to the law; (3) strictly observe the Articles of Association and relevant requirements of the regulatory authorities, with the interested shareholders and interested Directors abstained from voting, while allowing the independent Directors to express their independence opinion on the related party transaction, so as to ensure that the procedures of the related transactions are lawful and the results of the related party transactions are fair and reasonable; (4) strictly comply with the requirements of information disclosure in respect of related party transactions.	3 May 2012	No	Yes

Significant Events (Continued)

VII. COMPLIANCE WITH UNDERTAKINGS (Continued)

(I) Undertakings of the Company, Shareholders holding 5% or more of its shares, controlling shareholders and de facto controller during or up to the Reporting Period (Continued)

Background	Category of undertaking	Undertaking Party	Substance	Time and period of undertaking	Subject to expiry or not	Timely and strict compliance
Undertakings in relation to the material assets reorganization	Divestiture of debts	Chongqing Iron & Steel Group	(1) Where any of the creditors does not issue their "Reply Slip" to Chongqing Iron & Steel Group before the closing date of this reorganization, agreeing to the taking over of the rights and obligations of the relevant debts by the Company and asserts its rights to Chongqing Iron & Steel Group after the closing date of this reorganization, Chongqing Iron & Steel Group shall, within two days from the date notified by such creditor of its assertion of rights, issue written notification to Chongqing Iron & Steel and pass on such rights assertion to Chongqing Iron & Steel for handling; where the aforesaid creditor disagrees with the transfer of the rights and obligations of the relevant debts to Chongqing Iron & Steel, Chongqing Iron & Steel Group shall notify Chongqing Iron & Steel in writing to participate in joint action. Under this proposition, Chongqing Iron & Steel can choose to directly repay such debts to the creditor, or repay such debts through Chongqing Iron & Steel Group; if the aforesaid creditor request Chongqing Iron & Steel Group to provide guarantee, Chongqing Iron & Steel Group shall provide guarantee to the aforesaid creditor. (2) Where Chongqing Iron & Steel assumes any responsibility or suffers any loss in the general assumption of the entire specific rights and obligations of the relevant debts contemplated under the general assumption, Chongqing Iron & Steel Group shall fully indemnify Chongqing Iron & Steel within five working days from the date it receives the written notification and relevant evidence of obligation from Chongqing Iron & Steel.	22 October 2012 to such time when the relevant creditors assert their rights	Yes	Yes
Undertakings in relation to the material assets reorganization	Lock-up period	Chongqing Iron & Steel Group	Chongqing Iron & Steel Group undertakes, in respect of the lock-up period of its subscription of the share issued by Chongqing Iron & Steel Company Limited in this reorganization, that: "The A shares issued by Chongqing Iron & Steel that are subscribed for in the reorganization, including those A shares of Chongqing Iron & Steel subsequently derived from the abovementioned shares by way of (amongst other) bonus issue, shall not be transferred or entrusted to others for management or repurchased by Chongqing Iron & Steel within 36 months from the share issuance date. Where it is otherwise required by laws and regulations or regulatory bodies of the securities industry, such requirements shall prevail."	25 November 2013 to 24 November 2016	Yes	Yes

VII. COMPLIANCE WITH UNDERTAKINGS (Continued)

(I) Undertakings of the Company, Shareholders holding 5% or more of its shares, controlling shareholders and de facto controller during or up to the Reporting Period (Continued)

Background	Category of undertaking	Undertaking Party	Substance	Time and period of undertaking	Subject to expiry or not	Timely and strict compliance
Undertakings in relation to the initial public offering	To address related party transactions	Chongqing Iron & Steel Group	As long as the shares of Chongqing Iron & Steel remain listed in any securities exchange in China or Hong Kong, and Chongqing Iron & Steel Group holds 30% or above of Chongqing Iron & Steel's issued shares, or deemed to be a controlling shareholder according to the requirements of the relevant security exchange or relevant laws, Chongqing Iron & Steel Group and its subsidiaries or any company that Chongqing Iron & Steel Group, directly or indirectly, makes equity participation in or exerts control over shall not engage in any business or activity in PRC or elsewhere overseas or otherwise (including but not limited to sole proprietorship, through joint operation, or owns shares or other interests in another company or enterprise) which competes or may compete with the reorganized business.	2 September 1997	No	Yes
Other undertakings	Dividend	The Company	The specific mid-to-long term dividends distribution plan of the Company: "1. The Company shall implement proactive profit appropriation measures to guarantee reasonable investment return for the investors. 2. The Company shall distribute its dividend by way of cash or a combination of cash and shares, and allow for interim distribution in light of its capital requirements. Subject to the satisfaction of capital requirement for normal production and operation of the Company, in the absence of (amongst others) material investment plan or the occurrence of significant cash expenditure, the profit distributed by way of cash by the Company each year shall be no less than 10% of the distributable profit realized during the current year, and shall follow the principle that the profit distributed cumulatively by way of cash in any three consecutive years shall not fall below 30% of the average annual distributable profit realized during the last three year. 3. The Board of the Company shall put forward the annual profit distribution proposal and submit to the general meeting for voting after the end of each accounting year. If it is profitable for the year, and the Board does not put forward a proposal for distribution of profit by way of cash, the Board shall describe in detail the reasons for not distributing the dividend and the usage of the funds retained by the Company instead of distributing as dividend in the annual report of the current year, and the independent Directors shall issue and disclose to the public their independent opinion thereof. 4. Where there is misappropriation of funds of the Company by any shareholder, the Company shall withhold the cash dividend of such shareholder for the repayment of their misappropriated funds."	30 August 2012	No	Yes

Significant Events (Continued)

VIII. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

Applicable Not applicable

Information on the appointment and removal of accounting firm

Unit: RMB'000

Whether another accounting firm has been appointed: No

	Former appointment	Exiting appointment
Name of the domestic accounting firm	KPMG Huazhen LLP	KPMG Huazhen LLP
Remuneration of the domestic accounting firm	3,700	3,700
Term of service of the domestic accounting firm	9	9
Name of the international accounting firm	KPMG Huazhen LLP	KPMG Huazhen LLP
Remuneration of the international accounting firm	3,700	3,700
Term of service of the international accounting firm	9	9

	Name	Remuneration
Accounting firm for audit of internal control	KPMG Huazhen LLP	1,500

IX. INFORMATION ON THE PENALTIES AND RECTIFICATION MEASURES IMPOSED ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS SENIOR MANAGEMENT AND SHAREHOLDERS HOLDING 5% OR MORE OF ITS SHARES, DE FACTO CONTROLLER AND PURCHASER

Applicable Not applicable

No such issues occurred during the Reporting Period.

X. PARTICULARS OF CONVERTIBLE CORPORATE BONDS

Applicable Not applicable

XI. INFORMATION ON CORPORATE GOVERNANCE

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as the code for trading of the Company’s securities by Directors. All Directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2015.

To the best of knowledge of the Board, the Company had complied with the requirements of the “Corporate Governance Code”, Appendix 14 of the Rules Governing the Listing of Shares of the Hong Kong Stock Exchange during the reporting period, and no deviation from the Code has been identified.

XII. DESCRIPTION ON OTHER SIGNIFICANT EVENTS

(I) Analysis and Description on Changes in Accounting Policies, Accounting Estimates or Accounting Methods by the Board

Applicable Not applicable

(II) Analysis and Description on Reasons for Correction of Significant Mistakes in Prior Periods and Implications

Applicable Not applicable

XII. DESCRIPTION ON OTHER SIGNIFICANT EVENTS *(Continued)*

(III) Others

1. ***Purchase, Sale and Redemption of Listed Securities of the Company***

None of the Company and any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2015.

2. ***Audit Committee***

The Audit Committee is comprised of three independent non-executive Directors, namely, Mr. Xin Qing Quan, Mr. Xu Yi Xiang and Mr. Wong Chun Wa with Mr. Xin Qing Quan acting as the chairman of the Audit Committee.

The unaudited interim financial report of the Group for the six months ended 30 June 2015 had been reviewed by the members of the Audit Committee on 27 August before submitting to the Board for approval

3. ***Approval of the Continuing Related Party Transactions***

On 30 March 2015, in the sixth meeting of the fifth session of the Audit Committee of the Company, the Audit Committee reviewed the 2014 annual report and approved (amongst others) continuing connected transaction for the year 2014, and confirmed that such continuing connected transactions:

- (1) have been entered into in the ordinary and usual course of business of the listed issuer's Group;
- (2) have been entered into on normal commercial terms or better; and
- (3) according to the agreement governing relevant transactions on terms that are fair and reasonable and in the interests of the listed issuer's shareholders as a whole.

XII. DESCRIPTION ON OTHER SIGNIFICANT EVENTS *(Continued)*

(III) Others *(Continued)*

3. Approval of the Continuing Related Party Transactions *(Continued)*

KPMG Huazhen Certified Public Accountants, the Company's auditor, had been engaged to issue the report on continuing connected transactions according to the relevant engagement standards issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the Hong Kong Listing Rules. KPMG Huazhen Certified Public Accountants had issued confirmation letter with unqualified opinion for the above mentioned continuing connected transactions as disclosed by the Group in accordance with the requirements of Rule 14A.38 of the Listing Rules of the Hong Kong Stock Exchange. The confirmation letter of the auditor had been submitted to the Hong Kong Stock Exchange by the Company.

The related party transactions disclosed in section V(I)1 and V(II)1 in the Annual Report 2014 of the Company constitute discloseable connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Stock Exchange's Listing Rules. The Company has complied with the relevant requirements in respect thereof.

4. Shares pledged by the controlling shareholder

As of the date of this report, Chongqing Iron & Steel Group accumulatively pledged 590,000,000 A shares of the Company, accounted for 13.30% of the total share capital of the Company

5. Payment arrangement of the corporate debts

The Company attaches great importance to the repayment of corporate debts and is now raising funds by various ways, so as to ensure that the corporate debts can be repaid when due.

Movement of Shares and the Particulars of Shareholders

I. INFORMATION ON CHANGES IN SHARE CAPITAL

(I) Table of movement of shares

1. Table of movement of shares

During the Reporting Period, the total number of shares and the structure of the share capital of the Company remained unchanged.

2. Description on the Movements of Shares

During the Reporting Period, the total number of shares and the structure of the share capital of the Company remained unchanged.

(II) Information on Changes in Lock-up Shares

During the Reporting Period, the lock-up shares of the Company remained unchanged.

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders

Total number of shareholders as of the end of the Reporting Period	230,028
Total number of preferential shareholders with resumed voting rights as of the end of the Reporting Period	0

Movement of Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (Continued)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period

Unit: share

Name of shareholder (full name)	Shareholdings of top 10 shareholders				Pledged or frozen		
	Change during the Reporting Period	Shareholdings as of the end of the period	Percentage (%)	Number of shares held with trading limitations	Status of the Shares	Number	Nature of Shareholder
Chongqing Iron & Steel (Group) Co., Ltd.	-700,000,000	2,096,981,600	47.27	1,996,181,600	Pledged	530,000,000	State-owned legal person
HKSCC NOMINEES LIMITED	1,445,700	529,895,370	11.95	0	Unknown		Foreign legal person
Bank of Ningbo Co., Ltd. – Yinhua return flexible configuration hybrid initiated regular open type securities investment fund (寧波銀行股份有限公司- 銀華回報靈活配置定期開放混合型發起式證券投資基金)	0	14,981,121	0.34	0	Unknown		Unknown
Yinhua Fund – ICBC – Yinhua Leshan Rating No. 1 asset management plan (銀華基金-工商銀行- 銀華樂山一號分級資產管理計劃)	0	13,146,434	0.30	0	Unknown		Unknown
Jiang Zhengyi	0	10,009,270	0.23	0	Unknown		Domestic natural person
Liu An	0	7,551,753	0.17	0	Unknown		Domestic natural person
Cao Xingwu	0	6,477,000	0.15	0	Unknown		Domestic natural person
Wang Zhenyuan	0	5,421,500	0.12	0	Unknown		Domestic natural person
Ma Chane	0	5,300,200	0.12	0	Unknown		Domestic natural person
Li Yujun	0	5,196,900	0.12	0	Unknown		Domestic natural person

Movement of Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (Continued)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period (Continued)

Shareholdings of Top Ten Shareholders Without Trading Limitations				
Name of shareholder	Shareholdings of tradable shares without trading limitations	Type and number of shares		
		Type	Number	
HKSCC NOMINEES LIMITED	529,895,370	Overseas listed foreign share	529,895,370	
Chongqing Iron & Steel (Group) Co., Ltd.	100,800,000	RMB denominated ordinary shares	100,800,000	
Bank of Ningbo Co., Ltd. – Yinhua return flexible configuration hybrid initiated regular open type securities investment fund (寧波銀行股份有限公司– 銀華回報靈活配置定期開放混合型發起式證券投資基金)	14,981,121	RMB denominated ordinary shares	14,981,121	
Yinhua Fund – ICBC – Yinhua Leshan Rating No. 1 asset management plan (銀華基金–工商銀行– 銀華樂山一號分級資產管理計劃)	13,146,434	RMB denominated ordinary shares	13,146,434	
Jiang Zhengyi	10,009,270	RMB denominated ordinary shares	10,009,270	
Liu An	7,551,753	RMB denominated ordinary shares	7,551,753	
Cao Xingwu	6,477,000	RMB denominated ordinary shares	6,477,000	
Wang Zhenyuan	5,421,500	RMB denominated ordinary shares	5,421,500	
Ma Chane	5,300,200	RMB denominated ordinary shares	5,300,200	
Li Yujun	5,196,900	RMB denominated ordinary shares	5,196,900	

Movement of Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (Continued)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period (Continued)

Description on the related relationship or acts in concert of the above shareholders

There is no related relationship between the parent company and the other 9 shareholders and they are not parties acting in concert as stipulated in Administrative Measures for Management of Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies. The Company is also not aware of whether there is any related relationship among the other 9 shareholders or whether they are parties acting in concert.

Descriptions on the preferential shareholders with resumed voting rights and shareholding Nil

Unit: shares

Shareholdings and Trading Limitations of Top Ten Shareholders with Trading Limitations					
Sequent	Name of shareholder with trading limitations	Shareholdings of shares with trading limitations	Information on tradable time when shares with trading limitations		
			Tradable time	Number of tradable new share	Trading limitations
1	Chongqing Iron & Steel (Group) Co., Ltd	1,996,181,600	25 November 2016	0	New shares under material asset reorganization which are subject to 36 months of lock-up period

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

Applicable Not applicable

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE DE FACTO CONTROLLER

Applicable Not applicable

Information on Preference Shares

Applicable Not applicable

Information on Directors, Supervisors and Senior Management

I. INFORMATION ON CHANGES IN SHAREHOLDINGS

- (I) **Changes in shareholdings of directors, supervisors and senior management currently holding office or resigned during the reporting period**

Applicable Not applicable

- (II) **Information on incentive share option granted to directors, supervisors and senior management during the reporting period**

Applicable Not applicable

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not applicable

Name	Position	Change	Reason
Liu Tianni	Independent Director	Resignation	Completion of tenure
Zhu Jianpai	Chairman, Director	Resignation	Mr. Zhu Jianpai resigned from the offices of the Directors, Chairman, chairman of the Strategic Committee, chairman of the Nomination Committee and member of the Remuneration and Review Committee due to re-designation of duties.

Consolidated balance sheet

as at 30 June 2015
(Unit: RMB'000)

Assets	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand	V.1	1,442,227	1,246,578
Bills receivable	V.2	87,664	224,614
Accounts receivable	V.3	664,071	469,025
Prepayments	V.4	175,403	267,484
Other receivables	V.5	570,147	922,295
Inventories	V.6	8,068,317	7,990,476
Other current assets	V.7	1,510,352	1,561,800
Total current assets		12,518,181	12,682,272
Non-current assets:			
Available-for-sale financial assets	V.8	5,000	5,000
Fixed assets	V.9	29,106,897	29,731,154
Construction in progress	V.10	1,992,204	1,913,873
Construction materials	V.11	11,573	12,047
Intangible assets	V.12	2,651,720	2,682,651
Deferred tax assets	V.13	17,116	17,116
Other non-current assets	V.14	110,699	108,320
Total non-current assets		33,895,209	34,470,161
Total assets		46,413,390	47,152,433

The notes on pages 66 to 180 form part of these financial statements.

Consolidated balance sheet (Continued)

as at 30 June 2015
(Unit: RMB'000)

Liabilities and shareholders' equity	Note	Closing balance	Opening balance
Current liabilities:			
Short-term loans	V.15	3,272,920	2,883,600
Bills payable	V.16	2,937,708	4,427,532
Accounts payable	V.17	12,977,787	12,422,435
Receipts in advance	V.18	1,812,808	987,979
Employee remuneration payable	V.19	248,766	184,805
Tax payable	V.20	8,576	11,151
Interest payable	V.21	121,525	32,332
Other payables	V.22	3,658,170	2,255,707
Non-current liabilities due within one year	V.23	4,209,230	3,643,690
Other current liabilities	V.24	9,677	9,508
Total current liabilities		29,257,167	26,858,739
Non-current liabilities:			
Long-term loans	V.25	9,212,500	9,909,613
Bonds payable		–	–
Long-term payables	V.26	14,766	222,407
Deferred income	V.27	162,943	168,548
Total non-current liabilities		9,390,209	10,300,568
Total liabilities		38,647,376	37,159,307

The notes on pages 66 to 180 form part of these financial statements.

Consolidated balance sheet (Continued)

as at 30 June 2015
(Unit: RMB'000)

Liabilities and shareholders' equity (Continued)	Note	Closing balance	Opening balance
Shareholders' equity:			
Share capital	V.28	4,436,023	4,436,023
Capital reserve	V.29	6,655,840	6,655,407
Special reserve	V.30	–	–
Surplus reserve	V.31	606,991	606,991
Retained profit (“()” for denotes deficit to be covered)	V.32	(3,952,085)	(1,724,507)
Total equity attributable to shareholders of the Company		7,746,769	9,973,914
Minority interests		19,245	19,212
Total shareholders' equity		7,766,014	9,993,126
Total liabilities and shareholders' equity		46,413,390	47,152,433

These financial statements were approved by the Board on 27 August 2015.

Li Rensheng	Zhang Zongming	Zhang Zongming	
Legal Representative	The person in charge of accounting functions	The person in charge of the accounting body	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 66 to 180 form part of these financial statements.

Balance sheet

as at 30 June 2015
(Unit: RMB'000)

Assets	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		1,440,337	1,238,597
Bills receivable		85,109	223,914
Accounts receivable	XII.1	644,158	440,162
Prepayments		169,199	260,849
Other receivables	XII.2	569,891	922,272
Inventories		8,041,612	7,990,476
Other current assets		1,505,409	1,560,798
Total current assets		12,455,715	12,637,068
Non-current assets:			
Available-for-sale financial assets		5,000	5,000
Long-term equity investments	XII.3	101,000	101,000
Fixed assets		29,096,782	29,720,783
Construction in progress		1,992,204	1,913,873
Construction materials		11,573	12,047
Intangible assets		2,651,720	2,682,651
Deferred income tax assets		17,116	17,116
Other non-current assets		49,300	49,300
Total non-current assets		33,924,695	34,501,770
Total assets		46,380,410	47,138,838

The notes on pages 66 to 180 form part of these financial statements.

Balance sheet (Continued)

as at 30 June 2015
(Unit: RMB'000)

Liabilities and shareholders' equity	Note	Closing balance	Opening balance
Current liabilities:			
Short-term loans		3,272,920	2,883,600
Bills payable		2,937,708	4,427,532
Accounts payable		13,020,166	12,463,091
Receipts in advance		1,761,732	957,526
Employee remuneration payable		248,682	184,766
Tax payable		8,077	10,231
Interest payable		121,525	32,332
Other payables		3,654,325	2,254,531
Non-current liabilities due within one year		4,209,230	3,643,690
Other current liabilities		9,677	9,508
Total current liabilities		29,244,042	26,866,807
Non-current liabilities:			
Long-term loans		9,212,500	9,909,613
Bonds payable		—	—
Long-term payables		14,766	222,407
Deferred income		162,943	168,548
Total non-current liabilities		9,390,209	10,300,568
Total liabilities		38,634,251	37,167,375

The notes on pages 66 to 180 form part of these financial statements.

Balance sheet (Continued)

as at 30 June 2015
(Unit: RMB'000)

Liabilities and shareholders' equity (Continued)	Note	Closing balance	Opening balance
Shareholders' equity:			
Share capital		4,436,023	4,436,023
Capital reserve		6,686,783	6,686,350
Surplus reserve		577,012	577,012
Retained earnings (“()” denotes deficit to be covered)		(3,953,659)	(1,727,922)
Total shareholders' equity		7,746,159	9,971,463
Total liabilities and shareholders' equity		46,380,410	47,138,838

These financial statements were approved by the Board on 27 August 2015.

<u>Li Rensheng</u>	<u>Zhang Zongming</u>	<u>Zhang Zongming</u>	
Legal Representative	The person in charge of accounting functions	The person in charge of the accounting body	(Company stamp)
(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 66 to 180 form part of these financial statements.

Consolidated income statement

January to June 2015
(Unit: RMB'000)

	Note	Jan-Jun 2015	Jan-Jun 2014
I. Operating income	V.33	4,505,619	6,024,856
II. Less: Operating costs	V.33	5,599,926	6,324,670
Business tax and surcharges		478	1,192
Selling and distribution expenses		118,000	123,488
General and administrative expenses		383,116	397,711
Financial expenses		627,353	631,866
Impairment losses		–	–
Add: Gains on changes in fair value “()” denotes losses)		–	–
Investment income (“()” denotes losses)		–	–
Including: Investment income from associates and joint ventures		–	–
III. Operating profit (“()” denotes losses)		(2,223,254)	(1,454,071)
Add: Non-operating income	V.34	2,109	509,056
Including: Gains on disposal of non-current assets		–	154
Less: Non-operating expenses	V.35	6,359	201
Including: Losses from disposal of non-current assets		–	–
IV. Total profit (“()” denotes losses)		(2,227,504)	(945,216)
Less: Income tax expenses	V.36	41	21
V. Net profit (“()” denotes losses)		(2,227,545)	(945,237)
Attributable to shareholders of the Company		(2,227,578)	(945,237)
Profit or loss attributable to minority shareholders		33	–

The notes on pages 66 to 180 form part of these financial statements.

Income statement

January to June 2015
(Unit: RMB'000)

	Note	Jan-Jun 2015	Jan-Jun 2014
I. Operating income	XII.4	4,277,875	5,988,352
Less: Operating costs	XII.4	5,376,947	6,303,510
Business tax and surcharges		432	417
Selling and distribution expenses		114,415	121,956
General and administrative expenses		381,513	376,634
Financial expenses		627,366	631,873
Asset impairment loss		–	–
Add: Gains on changes in fair value “()” denotes losses)		–	–
Investment income (“()” denotes losses)		1,279	10,366
Including: Investment income from associates and joint venture		–	–
II. Operating profit (“()” denotes losses)		(2,221,519)	(1,435,672)
Add: Non-operating income		2,109	508,782
Including: Gains on disposal of non- current assets		–	154
Less: Non-operating expenses		6,327	200
Including: Losses from disposal of non- current assets		–	–
III. Total Profit (“()” denotes losses)		(2,225,737)	(927,090)
Less: Income tax expense		–	–
IV. Net profit for the period (“()” denotes losses)		(2,225,737)	(927,090)

The notes on pages 66 to 180 form part of these financial statements.

Income statement (Continued)

January to June 2015
(Unit: RMB'000)

	Note	Jan-Jun 2015	Jan-Jun 2014
V. Net other comprehensive income after tax			
(1) Other comprehensive income that will not be reclassified to profit or loss:			
1. Remeasurement of changes in net liabilities or net assets of defined benefit schemes		-	-
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		-	-
(2) Other comprehensive income that will be reclassified to profit or loss:			
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		-	-
2. Profit or loss from changes in fair value of available-for sale financial assets		-	-
3. Effective portion of profit or loss from cash flow hedging		-	-
4. Translation differences of foreign currency denominated financial statements		-	-
5. Others		-	-
VI. Total comprehensive income		(2,225,737)	(927,090)

These financial statements were approved by the Board on 27 August 2015.

<u>Li Rensheng</u>	<u>Zhang Zongming</u>	<u>Zhang Zongming</u>	
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(Signature and stamp)	(Signature and stamp)	(Signature and stamp)	

The notes on pages 66 to 180 form part of these financial statements.

Consolidated cash flow statement

January to June 2015
(Unit: RMB'000)

	Note	Jan-Jun 2015	Jan-Jun 2014
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services la=bor		6,134,353	7,458,659
Refund of tax received		–	519
Government subsidies received		–	507,437
Other cash received relating to operating activities		105	11,869
Sub-total of cash inflow from operating activities		6,134,458	7,978,484
<hr/>			
Cash paid for purchase of goods and services received		(6,303,571)	(5,844,333)
Cash paid to and on behalf of employees		(499,700)	(530,503)
Payments of all types of tax and levy		(50,941)	(26,009)
Other cash paid relating to operating activities		(11,575)	(21,615)
Sub-total of cash outflow from operating activities		(6,865,787)	(6,422,460)
<hr/>			
Net cash flow generated from operating activities	V.38(1)	(731,329)	1,556,024
<hr/>			
II. Cash flows generated from investing activities:			
Net cash recovered from disposals of fixed assets, intangible assets and other long-term assets		355,486	147,447
Other cash received from investment activities		12,381	12,385
Sub-total of cash inflows from investment activities		367,867	159,832
<hr/>			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(293,315)	(2,224,920)
Sub-total of cash outflows from investment activities		(293,315)	(2,224,920)
<hr/>			
Net cash flow generated from investing activities		74,552	(2,065,088)

The notes on pages 66 to 180 form part of these financial statements.

Consolidated cash flow statement (Continued)

January to June 2015
(Unit: RMB'000)

	Note	Jan-Jun 2015	Jan-Jun 2014
III. Cash flows generated from financing activities:			
Cash received from borrowings obtained		3,120,380	4,995,377
Sub-total of cash inflow from financing activities		3,120,380	4,995,377
Cash paid for debt services		(1,222,174)	(2,993,991)
Cash paid for distribution of dividends, profit or interest expenses		(518,624)	(613,858)
Other cash payments related to financing activities		(508,097)	(939,567)
Sub-total of cash outflow from financing activities		(2,248,895)	(4,547,416)
Net cash flow generated from financing activities		871,485	447,961
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			
		(5,328)	(1,542)
V. Net increase in cash and cash equivalents (“()” denotes net decreases)			
Add: Balance of cash and cash equivalents at the beginning of the period	V.38(1) V.38(1)	209,380 146,148	(62,645) 519,061
VI. Balance of cash and cash equivalents at the end of the period			
	V.38(2)	355,528	456,416

These financial statements were approved by the Board on 27 August 2015.

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The notes on pages 66 to 180 form part of these financial statements.

Cash flow statement

January to June 2015
(Unit: RMB'000)

	Note	Jan-Jun 2015	Jan-Jun 2014
I. Cash flows generated from operating activities:			
Cash received from sale of goods and rendering of labor services		5,819,802	7,396,661
Refund of tax received		–	519
Government subsidies received		–	507,437
Other cash received relating to operating activities		105	12,268
Sub-total of cash inflow from operating activities		5,819,907	7,916,885
<hr/>			
Cash paid for purchase of goods and services received		(5,989,791)	(5,833,493)
Cash paid to and on behalf of employees		(498,231)	(489,226)
Payments of all types of tax and levy		(49,201)	(18,480)
Other cash paid relating to operating activities		(11,562)	(21,612)
Sub-total of cash outflow from operating activities		(6,548,785)	(6,362,811)
Net cash flow generated from operating activities		(728,878)	1,554,074
<hr/>			
II. Cash flows generated from investing activities:			
Cash received from recovery of investments		1,279	4,174
Net cash recovered from disposals of fixed assets, intangible assets and other long-term assets		355,486	146,934
Other cash received from investment returns obtained		12,362	12,372
Sub-total of cash inflows from investment activities		369,127	163,480
<hr/>			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(290,936)	(2,213,627)
Sub-total of cash outflows from investment activities		(290,936)	(2,213,627)
Net cash flow generated from investing activities		78,191	(2,050,147)

The notes on pages 66 to 180 form part of these financial statements.

Cash flow statement (Continued)

January to June 2015
(Unit: RMB'000)

	Note	Jan-Jun 2015	Jan-Jun 2014
III. Cash flows generated from financing activities:			
Cash received from borrowings obtained		3,120,380	4,995,377
Sub-total of cash inflow from financing activities		3,120,380	4,995,377
Cash paid for debt services		(1,222,174)	(2,993,991)
Cash paid for distribution of dividends, profit or interest expenses		(518,624)	(613,858)
Other cash payments related to financing activities		(508,097)	(939,567)
Sub-total of cash outflow from financing activities		(2,248,895)	(4,547,416)
Net cash flows generated from financing activities		871,485	447,961
IV. Effect of changes in foreign exchange rate cash and cash equivalents			
		(5,328)	(1,542)
V. Net increase in cash and cash equivalents (“()” denotes net decreases)			
		215,470	(49,654)
Add: Balance of cash and cash equivalents at the beginning of the period		138,168	502,366
VI. Balance of cash and cash equivalents at the end of the period			
		353,638	452,712

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The notes on pages 66 to 180 form part of these financial statements.

Consolidated statement of changes in shareholder's equity

January to June 2015
(Unit: RMB'000)

	Shareholders' equity attributable to the Company								Total Shareholders' equity
	Note	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Minority interest interests	
I. Opening balance of the current year		4,436,023	6,655,407	-	-	606,991	(1,724,507)	19,212	9,993,126
II. Increase/decrease in the current year									
("-" denotes decrease)		-	-	-	-	-	-	-	-
(I) Total comprehensive income		-	-	-	-	-	(2,227,578)	33	(2,227,545)
(II) Capital contribution by Shareholders		-	433	-	-	-	-	-	433
1. Ordinary shares contribution by Shareholders		-	-	-	-	-	-	-	-
2. Others		-	433	-	-	-	-	-	433
(III) Profit appropriation	V.32	-	-	-	-	-	-	-	-
1. Transfer to surplus reserves		-	-	-	-	-	-	-	-
2. Appropriation to shareholders		-	-	-	-	-	-	-	-
(IV) Special reserve		-	-	-	-	-	-	-	-
1. Transferred during the current year		-	-	-	8,534	-	-	-	8,534
2. Utilized during the year		-	-	-	(8,534)	-	-	-	(8,534)
3. Others		-	-	-	-	-	-	-	-
III. Closing balance for the year		4,436,023	6,655,840	-	-	606,991	(3,952,085)	19,245	7,766,014

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The notes on pages 66 to 180 form part of these financial statements.

Consolidated statement of changes in shareholder's equity (Continued)

January to June 2015
(Unit: RMB'000)

	Note	Shareholders' equity attributable to the Company						Minority interest interests	Total Shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit		
I. Opening balance of the current period		4,436,023	6,648,883	-	1,344	606,991	(1,775,938)	19,000	9,936,303
II. Increase/decrease in the current period ("(-)" denotes decrease)									
(I) Total comprehensive income		-	-	-	-	-	(945,237)	-	(945,237)
(II) Capital contribution by Shareholders		-	1,689	-	-	-	-	-	1,689
1. Ordinary shares contribution by Shareholders		-	-	-	-	-	-	-	-
2. Others		-	1,689	-	-	-	-	-	1,689
(III) Profit appropriation	V.32	-	-	-	-	-	-	-	-
1. Transfer to surplus reserves		-	-	-	-	-	-	-	-
2. Appropriation to shareholders		-	-	-	-	-	-	-	-
(IV) Special reserve		-	-	-	(342)	-	-	-	(342)
1. Transferred during the current period		-	-	-	11,533	-	-	-	11,533
2. Utilized during the period		-	-	-	(11,875)	-	-	-	(11,875)
3. Others		-	-	-	-	-	-	-	-
III. Closing balance for the period		4,436,023	6,650,572	-	1,002	606,991	(2,721,175)	19,000	8,992,413

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The notes on pages 66 to 180 form part of these financial statements.

Statement of changes in shareholder's equity

January to June 2015
(Unit: RMB'000)

	Shareholders' equity attributable to the Company						Total Shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
I. Opening balance of the current period	4,436,023	6,686,350	-	-	577,012	(1,727,922)	9,971,463
II. Increase/decrease in the current period (“-” denotes decrease)							
(I) Total comprehensive income		-	-	-	-	(2,225,737)	(2,225,737)
(II) Capital contribution by Shareholders	-	433	-	-	-	-	433
1. Ordinary shares contribution by Shareholders	-	-	-	-	-	-	-
2. Others	-	433	-	-	-	-	433
(III) Profit appropriation	-	-	-	-	-	-	-
1. Transfer to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to shareholders	-	-	-	-	-	-	-
(IV) Special reserve	-	-	-	-	-	-	-
1. Transferred during the current period	-	-	-	8,534	-	-	8,534
2. Utilized during the period	-	-	-	(8,534)	-	-	(8,534)
III. Closing balance for the period	4,436,023	6,686,783	-	-	577,012	(3,953,659)	7,746,159

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The notes on pages 66 to 180 form part of these financial statements.

Statement of changes in shareholder's equity (Continued)

January to June 2015
(Unit: RMB'000)

	Shareholders' equity attributable to the Company							Total Shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit		
I. Opening balance of the current period	4,436,023	6,680,331	-	-	577,012	(1,852,396)	9,840,970	
II. Increase/decrease in the current period ("(-)" denotes decrease)								
(I) Total comprehensive income	-	-	-	-	-	(927,090)	(927,090)	
(II) Capital contribution by Shareholders	-	1,689	-	-	-	-	1,689	
1. Ordinary shares contribution by Shareholders	-	-	-	-	-	-	-	
2. Others	-	1,689	-	-	-	-	1,689	
(III) Profit appropriation	-	-	-	-	-	-	-	
1. Transfer to surplus reserves	-	-	-	-	-	-	-	
2. Appropriation to shareholders	-	-	-	-	-	-	-	
(IV) Special reserve	-	-	-	-	-	-	-	
1. Transferred during the current period	-	-	-	11,415	-	-	11,415	
2. Utilized during the period	-	-	-	(11,415)	-	-	(11,415)	
III. Closing balance for the period	4,436,023	6,682,020	-	-	577,012	(2,779,486)	8,915,569	

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The notes on pages 66 to 180 form part of these financial statements.

Notes to the financial statements

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

I. BASIC INFORMATION ON THE COMPANY

Chongqing Iron & Steel Company Limited (hereinafter referred to as the “Company”) is a joint stock limited company established in Chongqing headquartered in Chongqing. The Company’s parent company is Chongqing Iron & Steel Group Company Limited (hereinafter referred to as the “Chongqing Iron & Steel Group”). The Company’s term of operation started from 11 August 1997, with a permanent term. Please refer to note VII for the terms of operation of the subsidiaries.

The Company and its subsidiaries (hereinafter referred to as the “Group”) principally engage in the production and sale of steel plate products, section products, wire products, steel billets and choking by-products. Please refer to note VII for the relevant information of the subsidiaries of the Company.

Please refer to note VI for the participation of the Group in the subsidiaries during the Reporting Period.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group prepared its financial statements on a going concern basis.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY

1. Statement of compliance with the Accounting Standards for Business Enterprises (“ASBE”)

These financial statements complied with the requirements of the ASBE issued by the Ministry of Finance of the People’s Republic of China (“MOF”), and gives a true and complete view on the Company’s consolidated financial position and financial position of as at 30 June 2015, consolidated operating results and operating results and consolidated cash flows and cash flows during January to June 2015.

Moreover, the financial statements of the Company also complied with the disclosure requirements in respect of financial statements and its notes in the China Securities Regulatory Commission (hereinafter referred to as the “CSRC”)’s “Standard for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.15–General Requirements on Financial Report”, which revised in 2014. These financial statements are also in compliance with the requirements of the Hong Kong Companies Ordinance and disclosure requirements applicable under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

2. Accounting period

An accounting year runs with the Gregorian calendar which lasts from 1 January to 31 December.

3. Operating cycle

The company takes the period from the acquisition of assets for processing to their realization of 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 (RMB), RMB has been adopted for the preparation of these financial statements. The Company and its subsidiaries selected the currency in which prices are denominated and income and expenses are settled for their principal operations as their functional currencies.

5. Accounting treatment for business combinations under and not under common control

(1) Business combinations under common control

A business combination under common control is a business combination in which the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. Assets and liabilities obtained by the combining party in business combinations are measured at the carrying amounts as recorded in the consolidated financial statement of the ultimate controlling party at the date of the combination. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration paid for the combination (or the aggregate par value of the share issued) is adjusted against the share premium in the capital reserve. If the share premium in the capital reserve is insufficient to offset the difference, any excess is adjusted against retained earnings. Various directly related expenses incurred for business combination purpose are charged to profit or loss in the current period as incurred. The date of the combination is the date on which the combining party obtains control of the combined party.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

5. Accounting treatment for business combinations under and not under common control (Continued)

(2) Business combinations not under common control

A business combination not under common control is a business combination in which the combining parties are not ultimately controlled by the same party or parties both before and after the combination. Where difference between the sum of the fair value at the acquisition date of the assets paid (including the equity interest of the acquiree held before the date of acquisition), the liabilities incurred or assumed and the equity securities issued by the Group, as the acquirer, to obtain the control of the acquiree, less the fair value of the attributable net identifiable assets of the acquiree acquired in the combination at the acquisition date is positive, it is recognized as goodwill, where it is negative, it is included in the profit or loss for the current period. The transaction fees for the equity securities or debt securities issued by the Group as the consideration of the combination are included in the initial recognized amount of the equity securities or debt securities. Other direct expenses incurred for business combination purpose are included in the profit or loss for the current period. The difference between the fair value of the assets paid and its carrying amount is included in the profit or loss for the current period. The acquiree's identifiable assets, liabilities and contingent liabilities acquired that meet the recognition criteria, is recognized by the Group at fair value at the acquisition date. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For the equity interest in the acquiree held before the acquisition date in respect of a business combination not under common control which achieved by phases through multiple transactions, it is remeasured by the Group on the basis of the fair value of such equity interest on the acquisition date, the difference between the fair value and its carrying amount is included in the profit or loss for the current period. Other comprehensive income that will be reclassified to profit or loss involved in the equity interest in the acquiree held before the date of acquisition and other changes in owners' equity accounted for by equity method (please refer to note III.12(2)(b)) are transferred to investment income for the current period on the date of acquisition.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

6. Preparation method of the consolidated financial statements (Continued)

(1) General principles

The scope of consolidation of the consolidated financial statements is determined on the basis of control, comprising of the Company and the subsidiaries controlled by the Company. Control means the Group has the power over an investee and has the rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its amount of returns. The Group only considers the substantive interest (including the substantive interest entitled by the Group itself and entitled by other parties) related to the investee in determining whether it has the power over the investee. The financial position, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the date such control starts to the date such control ceases.

The total interest, profit or loss and comprehensive income attributable to the minority interest of a subsidiary is separately presented under the shareholders' equity in the consolidated balance sheet and below the net profit and total comprehensive income in the consolidated income statement.

Where the losses of a subsidiary attributable to the minority shareholders for the current period exceeds the minority shareholders' attributable owners' equity of the subsidiary at the beginning of the period, the balance is still charged against minority interests.

When there is inconsistency between the accounting periods or accounting policies adopted by a subsidiary and that of the Company, the financial statements of the subsidiary are adjusted as necessary according to the accounting periods or accounting policies of the Company. All intra-group transactions and balance, including unrealized profit or loss from intra-group transactions, are eliminated as consolidated. For unrealized loss from intra-group transactions, such loss is recognized in full if there is evidence indicating that such loss is the impairment loss of relevant asset.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

6. Preparation method of the consolidated financial statements (Continued)

(2) Subsidiaries acquired through combination

For a subsidiary acquired through a business combination under common control, the consolidated financial statements for the current period are prepared as if the combined subsidiary is included under the Company's scope of consolidation from the time it begin subject to the control of the ultimate controlling party of the Company, and the beginning balance of the consolidated financial statements and the statements of comparison for the prior period are adjusted accordingly. In preparing the consolidated financial statements, the Company consolidates the carrying amount of various assets and liabilities of the combined subsidiary in the ultimate controlling party to the consolidated balance sheet of the Company at the time the combined subsidiary begin subject to the control of the ultimate controlling party of the Company, with the operating results of the combined subsidiary included in the Company's consolidated income statement.

For a subsidiary acquired through business combination not under common control, the acquired subsidiary is included in the scope of consolidation of the Company from the acquisition date on the basis of the fair value of the identifiable assets and liabilities of the acquired subsidiary determined on the acquisition date in preparing the consolidated financial statements for the period.

(3) Disposal of subsidiaries

The Group derecognizes the assets, liabilities, minority interest and other relevant items in the equity related to a subsidiary when it loses the control over the former subsidiary. The remaining equity investment after the disposal is remeasured by the Group at the fair value on the date it loses control, any gain or loss arising thereof is included in the investment income for the current period of losing the control.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

6. Preparation method of the consolidated financial statements (Continued)

(3) Disposal of subsidiaries (Continued)

For disposal of a long term equity investment in a subsidiary which achieved by phases through multiple transactions until the time loses its control, it is determined if it is a “bundled transaction” according to the following principles:

- these transactions are entered into simultaneously or after considering their implications to each other;
- these transactions, only taken as a whole, are able to achieve a complete commercial results;
- the occurrence of a transaction is subject to the occurrence of at least one other transaction;
- a transaction is not economical if considered separately, but it is economical when considered together with other transactions.

If the transactions do not constitute a “bundled transaction”, the various transactions entered into before losses control over the subsidiary are accounted for using the accounting policies for partial disposal of equity investment in a subsidiary without losing control (please see note III.6(4)).

If the transactions constitute a “bundled transaction”, the various transactions are accounted for as a disposal of a former subsidiary with control being lose. The difference between the each sum of disposal consideration before losing control and the carrying amount of the net assets of such subsidiary accrued continuously from the acquisition date attributable to the disposed investment is included in other comprehensive income in the consolidated financial statement, and transferred, at the time losing control, to the profit or loss for the current period of losing control

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

6. Consolidated financial statements (Continued)

(4) Changes in minority interest

The difference between the investment cost of the long-term equity newly obtained for the purchase of minority interest by the Company and the portion of identifiable net assets attributable to a subsidiary as calculated on the basis of additional shareholdings, and the different between the disposal consideration obtained from partial disposal of the equity investment in the subsidiary without losing control and the net assets of the subsidiary attributable to the disposed long-term equity investment, are adjusted against the capital reserve (share premium) in the consolidated balance sheet, where the capital reserve (share premium) is insufficient to offset the difference, any excess is adjusted against retained earnings.

7. Recognition criteria of cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits readily available for payments and short-term highly liquid investments which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

8. Translation of operations and financial statements denominated in foreign currencies

The Group translates the capital contributions denominated in foreign currencies into RMB upon receipt from the investor at the spot exchange rate at that date. Other transactions denominated in foreign currency are translated, on initial recognition, at the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated at the spot exchange rates at that date. Exchange differences, other than exchange differences in principal and interest of specific-purpose borrowings in relation to the acquisition and construction of assets that qualify for capitalization (please refer to note III.15), are recognized in profit or loss for the current period. Non-monetary items denominated in foreign currency measured at historical cost will remain translated at the spot exchange rates on the date of transaction.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

9. Financial instruments

Financial instruments of the Group include (amongst others) cash at bank and on hand, equity investment other than long-term equity investment (please see note III.12), receivables, payables, borrowings, bonds payable and share capital.

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

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the contractual provision of relevant 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 measured at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Both financial assets and financial liabilities are measured at fair value at initial recognition. The related transaction expenses of a financial asset or financial liability measured at fair value through profit or loss are directly included in the profit or loss for the current period; the related transaction expenses of other categories of financial assets and financial liabilities are included in the initial recognized amount. Financial assets and financial liabilities are subsequently measured as follows after initial recognition:

- Financial assets and financial liabilities at fair value through profit or loss for the current period (including financial assets or financial liabilities held for trading)

A financial asset and financial liability held by the Group for the purpose of selling or repurchasing it in the near term is a derivative belong to this category.

A financial asset or financial liability measured at fair value through profit or loss is measured at fair value subsequent to initial recognition, and gain or loss from changes in fair value is included in profit or loss for the current period.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

9. Financial instruments (Continued)

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

– Receivables

Receivables refer to the non-derivative financial assets with fixed or determinable recoverable amount that are not quoted in an active market.

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

– Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable recoverable amount that the Group has definite intention and ability to hold to maturity as held-to-maturity investments.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method after initial recognition.

– Available-for-sale financial assets

The Group classifies non-derivative financial assets that are designated as available-for sale upon initial recognition and financial assets remain unclassified into other category as available-for-sale financial assets.

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. For gain or loss from changes in fair value, gain or loss, other than impair losses and exchange difference from monetary financial assets denominated in foreign currency which are included in profit or loss for the current period, is included in other comprehensive income, and is transferred out and included in the profit or loss for the current period upon the derecognition of the available-for-sale financial assets. Cash dividends of the available-for-sale investments in equity instruments are included in the profit or loss for the current period upon the investee's announcement of dividend distribution. The interests of available-for-sale financial assets as calculated by effective interest method are included in the profit or loss for the current period (please refer to note III.20(4)).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

9. Financial instruments (Continued)

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

- Other financial liabilities

Other financial liabilities refers to the financial liabilities other than those measured at fair value through profit or loss with changes included in profit or loss for the current period.

Other financial liabilities include liabilities under financial guarantee contracts. A financial guarantee contract refers to a contract between the Group (as the guarantor) and the creditor agreeing that the Group shall serve the debt or assume the responsibilities according to the agreement upon non-performance of the obligor. The liabilities under a financial guarantee contract are subsequently measured by the balance of the amount upon initial recognition less accumulated amortization amount and the anticipated amount of liabilities determined according to the principles of contingency (please see note III.19) (whichever is higher).

Other financial liabilities save as mentioned above are measured at amortized cost by the adoption of effective interest method after initial recognition.

(2) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet without offsetting. However, they are offset with the net amount presented in the balance sheet when both of the following conditions are satisfied:

- the Group has the currently enforceable legal rights to offset the recognized amounts;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

9. Financial instruments (Continued)

(3) Derecognition of financial assets and financial liabilities

The Group derecognize a financial asset when the contractual right to receive the cash flows from the financial assets ceases or if substantially all the risks and rewards of ownership of the financial asset are transferred.

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

- the carrying amount of the financial asset transferred;
- the consideration received from the transfer and any cumulative changes in fair value that previously included directly in shareholders' equity.

The Group derecognize a financial liability fully or partly if its present obligation has been released in whole or in part.

(4) Impairment of financial assets

The Group reviewed the carrying amount of its financial assets other than financial assets measured at fair value with changes included in the profit or loss for the current period at the balance sheet date, an impairment provision is made if there is objective evidence indicating that the financial asset has been impaired.

Objective evidences of impairment for financial assets include, but not limited to, the followings:

- (a) significant financial difficulty experienced by the issuer or obligor;
- (b) breach of contract terms by the obligor, such as default or delinquency in interest or principal payments;
- (c) it becomes probable that the obligor will close down or enter into other financial reorganisations;
- (d) the financial asset cannot be traded on an active market because of significant financial difficulties of the issuer;

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

9. Financial instruments (Continued)

(4) Impairment of financial assets (Continued)

- (e) significant adverse changes occur in the technological, market, economic or legal environment in which the issuer of the equity instrument operates, and that the investment cost may become irrecoverable by the investors of the equity instrument;
- (f) A significant (i.e. over 20% of decline in fair value) or prolonged (i.e. a consistent decline in the fair value for nine months) decline in the fair value of an investment in an equity instrument, amongst others.

Please refer to note III.10 for the impairment method related to receivables, impairment methods of other financial assets are set out as below:

- Held-to-maturity investments

Impairment loss of held-to-maturity investments are assessed by the principles set forth below on individual or collective basis.

Where it is assessed on individual basis, the Group writes down the carrying amount of a held-to-maturity investment to its present value when the present value of the expected future cash flows (excluding future credit loss that has not been incurred) of such held-to-maturity investment as discounted by the original effective interest rate is lower than its carrying amount. The amount written down is recognized as asset impairment loss and include in the profit or loss for the current period.

Where impairment losses of held-to-maturity investments are assessed on a collective basis, the amount of impairment loss is determined according to the historical experience of loss from the held-to-maturity investments with similar credit risk characteristics (including the assessment of held to maturity investment that is not impaired on individual basis), as adjusted by observable data that reflect the current economic conditions.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

9. Financial instruments (Continued)

(4) Impairment of financial assets (Continued)

– Held-to-maturity investments (Continued)

If, subsequent to the recognition of an impairment loss on a held-to-maturity investment, there is objective evidence indicating that the value of the financial assets has been recovered, and can be related objectively to an event subsequent to the recognition of such loss, the Group reverses the impairment loss as originally recognized and includes it in the profit or loss for the current period. The carrying amount after the reversal shall not exceed the amortized cost of such financial asset which would otherwise exist as at the date of reversal should no impairment provision has been made.

– Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment loss on an individual basis and on a collective basis. When an available-for-sale financial asset is impaired, the Group transfers out the cumulative loss arising from decline in fair value that has been recognized directly in shareholders' equity from the shareholders' equity and included in the profit or loss for the current period, even such financial asset has not been derecognized.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value increased in subsequent accounting period and can be related objectively to an event subsequent to the recognition of such loss, the Group reverses the impairment loss as originally recognized and includes it in the profit or loss for the current period. The impairment loss incurred by an available-for-sale equity instrument investment is irreversible through profit or loss. However, reversal of an equity instrument investment that is not quoted in an active market and its fair value cannot be reliably measured is not allowed.

(5) Equity instrument

Consideration for the issuance of equity instrument, net of transaction expenses, is included in shareholders' equity. The consideration and transaction expenses paid for the repurchase of the Company's equity instrument are charged against the shareholders' equity.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

10. Bad debt provision for receivables

Impairment loss are assessed by the principles set forth below on individual or collective basis.

Where it is assessed on individual basis, the Group writes down the carrying amount of the receivables to its present value when the present value of the expected future cash flows (excluding future credit loss that has not been incurred) of such receivables as discounted by the original effective interest rate is lower than its carrying amount. The amount written down is recognized as asset impairment loss and include in the profit or loss for the current period.

Where impairment losses of receivables are assessed on a collective basis, the amount of impairment loss is determined according to the historical experience of loss from the receivables with similar credit risk characteristics (including the assessment of receivables that is not impaired on individual basis), as adjusted by observable data that reflect the current economic conditions.

If, subsequent to the recognition of an impairment loss on receivables t, there is objective evidence indicating that the value of the financial assets has been recovered, and can be related objectively to an event subsequent to the recognition of such loss, the Group reverses the impairment loss as originally recognized and includes it in the profit or loss for the current period. The carrying amount after the reversal shall not exceed the amortized cost of such financial asset which would otherwise exist as at the date of reversal should no impairment provision has been made.

(a) Individually significant receivables for which bad-debt provision is separately made

Basis or monetary criteria for determination of individually significant Individually significant receivable refers to an individual overdue amount of RMB20,000 thousand or above.

Individually significant other receivables refers to an individual overdue amount of RMB5,000 thousand.

Method of provision for bad debts that are individually significant and for which bad debt provision is individually made

Where it is tested individually for impairment, when the present value of the expected future cash flows (excluding future credit loss that has not been incurred) of such receivables as discounted by the original effective interest rate is lower than its carrying amount, the Group recognizes impairment loss for such difference and makes bad debt provision for receivables.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

10. Bad debt provision for receivables (Continued)

(b) Individually insignificant receivables for which bad-debt provision is separately made

Reason for making individual bad-debt provision for individually insignificant receivables	Although it is individually insignificant, there is objective evidence indicating that, as the company or amount is of special nature, receivables with special impairment may exist, and bad-debt provision has been made on individual assessment basis. Bad-debt provision is also made on individual assessment basis for individually insignificant other receivables.
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Method of provision for bad debts	Where it is tested individually for impairment, when the present value of the expected future cash flows (excluding future credit loss that has not been incurred) of such receivables as discounted by the original effective interest rate is lower than its carrying amount, the Group recognizes impairment loss for such difference and makes bad debt provision for receivables.
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(c) Receivables for which bad debt provision is made on group basis by similar credit risk characteristics

For receivables in (a) and (b) above that are not impaired in individual impairment tests, the Group also includes them in groups of receivables with similar credit risk characteristics and reassessed for impairment.

Method for bad debt provision made in groups by credit risk characteristics

Third party receivables	Aging analysis method
Related party receivables	No bad debt provision

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

10. Bad debt provision for receivables (Continued)

(c) Receivables for which bad debt provision is made on group basis by similar credit risk characteristics (Continued)

Bad debt provision has been made in groups using the aging analysis method:

Age	Percentage
Within 3 months (third month inclusive)	0%
4–12 months (first year inclusive)	5%
1–2 years (second year inclusive)	25%
2–3 years (third year inclusive)	50%
Over 3 years	100%

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

11. Inventories

(1) Classification and cost of inventories

Inventories include raw materials, work-in-progress, semi-finished products, finished products and materials turnover. Materials turnover refer to low-value consumables, packaging materials and other materials that are reusable but do not satisfy the definition of fixed assets.

Inventories are initially measured at cost. Cost of inventories include procurement cost, processing cost and other expenses incurred for bringing the inventory to the present location and state. In addition to the procurement costs of raw materials, work-in-progress and finished products also include direct salary and appropriate proportion of production and manufacturing overheads.

Costs of a construction contract comprise the direct and indirect expenses associated with the implementation of the contract incurred during the period from the execution of the contract to the completion of the contract. For a contract for construction in progress, the accumulated costs incurred and accumulated gross profit (or loss) recognized and the amount of consideration of the contract of construction in progress which has been settled are reflected in the balance sheet as the difference after elimination. Where the accumulated cost incurred and recognized gross profit (or loss) exceed the amount of settled consideration of a contract for construction in progress, the different is presented in inventory. Where the amount of settled consideration of a contract for construction in progress exceed the accumulated cost incurred and recognized gross profit (or loss) of the contract for construction in progress, the difference is presented in receipts in advance.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

11. Inventories (Continued)

(2) Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is determined by applying the weighted average method.

Materials turnover such as low-value consumables and packaging materials apply the immediate write-off method and phased amortization method in amortisation. And include in the cost of the related assets or profit or loss for the current period.

(3) Basis for determination of net realisable value of inventories and method of provision for impairment of inventories

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

Net realisable value refers to the amount of estimated selling price of the inventories less the estimated costs to completion, the estimated costs of sale and relevant taxes during the ordinary course of business. The net realizable value of raw materials held for production is determined on the basis of the net realizable value of the finished goods that it produced. The net realizable value of the inventories held for the implementation of sale contract or labor contract is calculated on the basis of contract price. When the amount of inventories held exceed the relevant number of orders placed under relevant contract, the net realizable value of the surplus inventories are calculated on the basis of regular sales price.

Provision for inventory impairment is made on the basis of the excess of the costs of inventories over its net realisable value on an item-by-item basis, and included in the profit or loss for the current period.

(4) Inventory taking system

The Group maintains a perpetual inventory system as its inventory taking system.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

12. Long-term equity investments

(1) Determination of investment cost of long-term equity investments

- (a) Long-term equity investments derived from a business combination
- For a long-term equity investment in a subsidiary derived from a business combination under common control, the initial investment cost of such long-term equity investment is the attributable share of the carrying amount of the owners' equity of the combined party in the consolidated financial statements of the ultimate controlling party obtained at the date of combination. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration paid is adjusted against the share premium in the capital reserve. If the share premium in the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings. For a long-term equity investment in a subsidiary derived from a business combination under common control which achieved by phases through multiple transactions (which do not constitute bundled transactions), the difference between the initial investment cost of the long-term equity investment recognized by the Company according to the above principles and the carrying amount of the long-term equity investment before combination plus the carrying amount of the newly paid consideration for obtaining further shares at the combination date is adjusted against the share premium in the capital reserve. If the share premium in the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.
 - For a long-term equity investment in a subsidiary derived from a business combination not under common control, the Company takes the initial investment costs of such investment as the fair value of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Group to obtain the control of the acquiree at the acquisition date. For a long-term equity investment in a subsidiary derived from a business combination not under common control which achieved by phases through multiple transactions (which do not constitute bundled transactions), its initial investment cost is the sum of the carrying amount of the equity investment in the acquiree held by the Company before the acquisition date and the new additional investment cost at the acquisition date.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

12. Long-term equity investments (Continued)

(1) Determination of investment cost of long-term equity investments (Continued)

(b) Long-term equity investment acquired by other means

- At initial recognition of long-term equity investment acquired otherwise than by a business combination, the Group takes the initial investment cost of long-term equity investment acquired by cash payment as the effective acquisition consideration paid; the Group takes the initial investment cost of long-term equity investment acquired by issuance of equity securities as the fair value of the equity securities issued.

(2) Subsequent measurement and recognition of profit or loss of long-term equity investment

(a) Investment in subsidiaries

In the Company's individual financial statements, the Company adopts the cost method for subsequent measurement of the long-term equity investment in the subsidiary, the portion of cash dividend or profit distribution declared by the investee attributable to the Company is recognized as investment income for the current period, except for cash dividend or profit declared but not distributed in the price or consideration effectively paid in acquiring the investment

The investments in subsidiaries are stated in the balance sheet at cost less provision for impairment.

For the method of impairment test and method for making impairment provision in respect of investment in a subsidiary, please refer to note III.17.

In the Group's consolidated financial statements, long-term equity investments in subsidiaries are accounted for in accordance with note III.6.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

12. Long-term equity investments (Continued)

(2) Subsequent measurement and recognition of profit or loss of long-term equity investment (Continued)

(b) Investment in joint ventures and associates

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

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

A long-term equity investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment meet the criteria of held for sale.

The specific accounting treatments of the Group in adopting the equity method include:

- Where the initial investment cost of long term equity investment exceeds the attributable fair value of the investee's identifiable net assets at the time of investment, the former is taken as the cost of the long term equity investment. Where the initial investment cost of long term equity investment is less than the attributable fair value of the investee's identifiable net assets at the time of investment, the latter is taken as the cost of the long term equity investment. The difference between the cost and the initial investment cost of the long term equity investment is included in the profit or loss for the current period.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

12. Long-term equity investments (Continued)

(2) Subsequent measurement and recognition of profit or loss of long-term equity investment (Continued)

(b) Investment in joint ventures and associates (Continued)

After acquiring investment in joint ventures and associates, the Company recognizes gain or loss and other comprehensive income from investment and adjusts the carrying amount of the long term equity investment, respectively, in accordance with the attributable net profit or loss and other comprehensive income realized by the investee entitled or shared by the Group. In light of the profit or cash dividend distribution declared by the investee, it also calculates its attributable share and reduce the carrying amount of the long-term equity investment by a corresponding amount. Other changes in owners' equity other than net profit or loss, other comprehensive income and profit allocation in joint venture or associates (hereinafter referred to as "other changes in owners' equity") are accounted for by the Group according to the attributable portion entitled or shared and included in the shareholders' equity, the carrying amount of the long-term equity investment is adjusted at the same time.

In calculating its entitled or shared attributable portion of net profit or loss, other comprehensive income and other changes in owners' equity realized by the investee, the Group recognizes its investment income and other comprehensive income, adjusted according to the Group's accounting policies or accounting period as necessary, on the basis of the fair value of the identifiable net assets of the investee when acquiring the investment. The unrealized profit or loss arising from the intra-group transactions between the Group and associates and joint-ventures attributable by the Group as calculated in proportion to its entitlement is eliminated as accounted for under equity method. The unrealized loss arising from intra-group transaction are fully recognized if there is evidence indicating that such loss is the impairment loss of relevant assets.

- The net losses incurred by the joint ventures or associates are recognized to the extent that the carrying amount of the long-term equity investment and other long-term equity that in substance form a net investment in the joint ventures or associates is written down to zero, except that the Group is obliged to assume additional losses. Where subsequent net profits are realised by the joint ventures or associates, the Group resumes recognising attributable profits after attributable losses not recognised are made good by attributable profits.

For the method of impairment test and method for making impairment provision in respect of investment in joint ventures or associates, please refer to Note III.17.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

12. Long-term equity investments (Continued)

(3) Criteria for determining joint control and significant influence over an investee

Joint control refers to the common control over a particular arrangement as agreed by relevant agreement, and that the decisions on relevant activities (activities with significant implication on the returns of the arrangement) under such arrangement are subject to the unanimous consent by the parties sharing the joint control.

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

- Whether no single participating party is in a position to control the investee's related activities unilaterally;
- Whether decisions relating to the investee's related activities require the unanimous consent of all participating parties sharing the control.

Significant influence refers to the power to participate in the decision of financial and operating policies of an investee, but cannot control or, together with other parties, jointly control the formulation of these policies.

13. Fixed assets

(1) Recognition criteria of fixed assets

Fixed assets represent the tangible assets held by the Group for production of goods, provision of labour services or operational and administrative purposes, with useful life of over one accounting year.

The initial cost of fixed assets procured from external parties include purchase price, related taxes and charges and any expenditure attributable to such assets incurred for bringing such assets to intended working conditions. The initial costs of self-constructed fixed assets are determined according to note III.14.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

13. Fixed assets (Continued)

(1) Recognition criteria of fixed assets (Continued)

Where the components which constitute a fixed asset have different useful lives or provide economic benefits to the Group in different ways and applies different depreciation rates or methods, the Group recognizes each component as a separate fixed asset.

The subsequent expenses of a fixed asset, including expenses in relation to the replacement of a particular component of a fixed asset, are included in the costs of fixed asset, and reduced by the carrying amount of the replaced part; the expenses in relation to the daily maintenance of fixed assets are included in the profit or loss for the current period as incurred.

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

(2) Depreciation methods of fixed assets

The Group depreciates the cost a fixed asset net of estimated net residual value and accumulated impairment provision over its useful life using the straight-line method.

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

Class	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	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 net residual value and depreciation methods of fixed assets are reviewed at least at each year-end.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

13. Fixed assets (Continued)

- (3) **For the method of impairment test and method for making impairment provision, please refer to Note III.17.**
- (4) **For the basis of recognition, pricing and method of depreciation of fixed assets acquired under finance leases, please refer to note III.25(3).**
- (5) **Disposal of fixed assets**

The Group derecognizes a fixed asset when it satisfied either of the following conditions.

- when the fixed asset is about to be disposed of; or
- when no economic benefit is expected to be generated from the use or disposal of the fixed asset.

Gain or loss arising from the retirement or disposal of an item of fixed asset is the difference between the net disposal proceeds and the carrying amount of the item, and is recognized in profit or loss on the date of retirement or disposal.

14. Construction in progress

The cost of a self-constructed fixed asset includes the cost of materials for construction, direct wages, borrowing costs which satisfied the conditions for capitalization (please refer to note III.15), and necessary expenses incurred to bring the asset to the working condition for its intended use.

The self-constructed fixed asset is transferred to fixed assets when it is ready for its intended use, it is included under construction-in-progress and no depreciation is provided for.

Construction-in-progress is presented in the balance sheet at cost less impairment provision (please refer to note III.17).

For the basis of recognition and pricing of construction-in-progress acquired by finance lease, please see note III.25(3).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

15. Borrowing costs

Borrowing costs incurred by the Group which is directly attributable to the acquisition and construction of a qualifying asset are capitalized as part of the cost of the asset.

Apart from the above borrowing, other borrowing costs are recognized as financial expenses when incurred.

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

- For specific-purpose borrowings for the acquisition and construction of a qualifying asset, the Group determines the amount of interest of the specific-purpose borrowing to be capitalized as the amount derived from deducting interest expense for the current period calculated using effective interest rates by any interest income received from unused borrowing being deposited in bank or investment gain generated from the temporary investment of unused borrowing.
- For general –purpose borrowings applied for the acquisition and construction of a qualifying asset, the Group determines the amount of interest of the general –purpose borrowings to be capitalized as the amount determined according to the weighted average of the excess of its accumulated asset expenses over the asset expenses of specific borrowings, multiplied by the capitalisation rate of the general purpose borrowings utilised. The capitalization rate is calculated and determined according to the weighted average interest rates of general-purpose borrowings.

In determining the effective interest rate of the borrowings, the Group use the interest rate that being used to discount future cash flows of the borrowing over its expected subsisting period or, where appropriate, a shorter period to the initial recognition amount of such borrowings.

During the period of capitalization, exchange differences related to the principal and interest of a specific-purpose borrowing denominated in foreign currency are capitalized and included in 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 denominated in foreign currency are recognized as a financial expense and included in the profit or loss for the current period.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

15. Borrowing costs (Continued)

The capitalization period refers to the period from the time of commencement of capitalization of borrowing costs to the time of cessation of capitalization, excluding any period over which capitalization is suspended. Capitalization of borrowing costs commences when capital outlay and borrowing costs are being incurred and the acquisition and construction necessary to bring the asset ready for intended use commences. Capitalization of borrowing costs ceases when the qualifying asset being acquired and constructed is ready for intended use. Where a qualifying asset experiences abnormal interruption for over 3 consecutive months during the course of acquisition and construction, the Group suspends the capitalization of such borrowing costs.

16. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortization (only to the extent the useful life is finite) and impairment losses (please refer to note III.17). For an intangible asset with finite useful life, its cost less estimated net residual value and accumulated impairment provision is amortized by the Group 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 rights	10 years

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

16. Intangible assets (Continued)

The Group regards an intangible asset as having an indefinite useful life and this asset will not be amortized when it is impossible to foresee its time limit for generating future economic benefit. As of the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

The Group's expenditure on an internal research and development project is classified into research phase expenditure and development phase expenditure.

Research phase expenditure is included in profit or loss for the current period as incurred. Development phase expenditure is capitalised if the product or process derived from the development is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development and development costs can be measured reliably. Capitalised development expenditure are stated in the balance sheet at cost less impairment provision (please refer to 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 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

Where any indication of impairment exists for an asset, the Group conducts impairment test for and estimate the recoverable amount of the asset.

The recoverable amount refers to the higher of the fair value (please refer to note III.18) net of disposal expenses and present value of expected future cash flows of an asset (or asset group, set of asset groups, as below).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

17. Impairment of assets other than inventories and financial assets (Continued)

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 relating to cash-generation. Identification of an asset group is mainly based on whether cash inflows can be generated by the asset group independently and also considers how management manages its production and operations and makes decisions about the usage or disposal of the Group's assets.

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

Where an estimation on recoverable amount indicates that the recoverable amount of an asset is less than its carrying amount, its carrying amount is written down to its recoverable amount, with the amount written down recognized as asset impairment loss in profit or loss for the current period. At the same time, a provision for impairment of the asset is made accordingly. Impairment losses related to an asset group or a set of asset groups, are applied 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 assets other than goodwill in the asset group or set of asset groups on a pro rata basis. However, after such reduction, the carrying amount of an asset would not reduce below the highest of its fair value net of costs to sell (if determinable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognized for an asset, it is irreversible in a subsequent period.

18. Fair value measurement

Unless otherwise specified, the Group measures its fair value according to the following principles:

Fair value refers to the price receivable for the sale of an asset or the price payable for the transfer of a liability in an orderly transaction between market participant at the measurement date.

When estimating 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 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. Valuation techniques mainly include the market approach, the income approach and the cost approach.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

19. Provisions

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

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 by the Group 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:

- 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

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

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 capital contributions from shareholders. Revenue is recognised when the revenue and costs can be measured reliably, it is probable that the relevant economic benefits will flow to the Group and the following recognition conditions for different type of revenue are met:

(1) Revenue from sale of goods

Revenue from sale of goods is recognised by the Group when all of the general conditions for revenue recognition stated above and the following conditions are satisfied:

- significant risks and rewards of ownership of goods have been transferred by the Group 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 determined as the fair value of the consideration received or receivable under the contract or agreement.

(2) Rendering of labor services

Revenue from rendering of labor services 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 labor services can be estimated reliably, revenue from rendering of labor services is recognised by percentage of completion method with 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.

Where the outcome cannot be estimated reliably, revenues from rendering of labor services are recognised to the extent of the costs of labor services incurred of a transaction involving the rendering of labor service if the costs incurred are expected to be recoverable, and charged the same to profit or loss as service cost; if the costs incurred are irrecoverable, the costs of labor services incurred are included in profit or loss for the current period and no revenue from rendering of labor services is recognised.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

20. Revenue recognition (Continued)

(3) Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract expenses are recognised using the percentage of completion method at the balance sheet date.

The progress of completion of a contract is determined based on the proportion of accumulated contract costs actually incurred to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, the Group cope with it as follows:

- If the contract costs are recoverable, revenue from the contract is recognised to the extent of the recoverable actual contract costs, and the contract costs are recognised as contract expenses when incurred;
- If the contract costs are irrecoverable, the contract costs are recognised as contract expenses as incurred immediately, 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.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

21. Employee benefits

(1) Short Term remuneration

The practically incurred employee wages, bonuses, social security contributions such as medical insurance premium, work injury insurance premium, maternity insurance premium and housing provident fund, paid for the employees according to the stipulated benchmark and percentage, recognized as liabilities for the accounting period the employees provide services, and included in profit or loss for the period or costs of the relevant assets.

(2) Post-employment benefits – defined contribution plans

The Group participated in a defined contribution plan according to the relevant requirements of the regulations of PRC, the employees of the Group participate in a basic pension insurance plan under the social security system established and administered by the government authorities. The contributions to the basic pension insurance are calculated in accordance with the benchmark and percentage as stipulated by the State. The Group recognizes the payable contributions as liabilities during the accounting period the employees provide services, and included in profit or loss for the period or costs of the relevant assets.

In addition, the Group also participates in a retirement benefit plan established by Chongqing Iron & Steel Group for the employees apart from the basic pension insurance. The Group has no further payment obligation after paying for the above mentioned basic pension insurance and the retirement benefit plan of Chongqing Iron & Steel Group.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or proposes to provide compensation under an offer to encourage employees to accept voluntary redundancy, the liabilities arising from such termination benefits are recognized and included in profit or loss for the current period at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal;
- When the Group has a detailed formal restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that the Group will carry out the restructuring by starting to implement that plan or announcing its key information to those affected by it.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

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. Where specific transfers from the government such as investment grants have been stipulated in relevant official documents to be treated as “capital reserve”, are also deemed as capital contributions in nature rather than government grants.

A government grant is recognised when the Group complies with the conditions attaching to the grant and that the grant will be received.

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

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

23. Special reserve

The Group includes the safety production fee appropriated pursuant to relevant government stipulations in the cost of relevant products or profit or loss for the current period and also includes in the special reserve. When the Group utilizes the special reserve, those belongs to expense type expenditure is directly written down against the special reserve, those resulted in fixed assets is recognized as fixed asset when relevant asset is ready for its intended use and the special reserve is written down by the costs to derive such fixed assets, and recognizes accumulated depreciation in the same amount. The fixed asset is not subject to subsequent depreciation.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

24. Income tax

The Group's current income tax and deferred income tax are included in profit or loss for the current period otherwise than pursuant to a business combination or transactions or events included directly in owners' equity (including other comprehensive income).

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

At the balance sheet date, current income tax assets and liabilities are presented in net amount after elimination if the Group has a legally enforceable right to settle them on a net basis and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred income tax assets and deferred income tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities and their tax bases, which include the deductible losses and tax credits that can be carried forward to subsequent periods. Deferred income 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 income tax will not be derived from the temporary differences arising from 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, the carrying amount of the assets and liabilities of deferred income tax is measured based on the expected manner of recovery or settlement of the deferred income tax according to the tax rate applicable during the period for recovery of such assets or settlement of such liabilities, pursuant to the promulgated requirements of tax law.

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 sufficient taxable profit could be obtained for the utilization of the related tax benefits of the deferred income tax assets. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

24. Income tax (Continued)

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

- the taxable entity has a legal right to settle current tax liabilities and current income tax assets on a net basis;
- the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority on either, the same taxable entity; or different taxable entities, but they intend either to settle the current income tax assets and current income tax liabilities 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 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 the 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.

(1) Assets leased under operating leases

Rental payments for assets leased under operating leases are recognised as the cost of 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 are depreciated in accordance with the depreciation policies described in note III.13(2), with impairment provisions made in accordance with the accounting policy described in note III.17. Rental income from operating leases is recognised as revenue using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out under the operating lease are material, the costs are capitalised and subsequently amortized in profit or loss over the lease term on the same basis as the lease income recognized. Where the amount is smaller, the costs are charged to profit or loss immediately.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

25. Operating leases and finance leases (Continued)

(3) Assets acquired under finance leases

As at the inception date of the lease term, the assets acquired by the Group under a finance lease are accounted for at the lower of the fair value of the leased assets on the inception date of the lease and the present value of the minimum lease payment. The difference for those accounted for by the minimum lease payment, as a long-term payable, is recognized as unrecognized finance charges. The Group includes the initial direct costs incurred for the finance lease in the amount of the assets acquired. The assets acquired under finance lease are depreciated according to the depreciation policy as described in note III.13(2), and impairment provision is made according to the accounting policy described in note III.17.

If it is reasonably certain that the ownership of a leased asset can be obtained by the expiry of the lease term, the leased asset is depreciated over its useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and the useful life of the leased asset.

The Group adopts effective interest rate method to amortize unrecognized finance costs over each period in the lease term, and accounted for according to the principles of borrowing costs (please refer to note III.15).

As at the balance sheet date, the difference between the long-term payables less unrecognized finance costs in respect of the finance lease is presented by the Group as long-term liabilities and long-term liabilities due within one year, respectively.

26. Dividend distribution

The dividend or profit proposed to be distribute under the profit distribution proposal considered and approved subsequent to the balance sheet date are not recognized as liabilities as at the balance sheet date and are separately disclosed in the notes.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

27. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or where two or more parties are subject to common control or joint control from another party, they constitute 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 do not constitute related parties of the Group. Related parties of the Group and the Company include, but are not limited to:

- (a) the Company's parent company;
- (b) the Company's subsidiaries;
- (c) other enterprises that are controlled by the same parent company as the Company;
- (d) investors that have joint control or exercise significant influence over the Group;
- (e) enterprises or individuals that controlled or jointly controlled by the same party as 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;
- (i) key management personnel of the Group and close family members of such individuals;
- (j) key management personnel of the Company's parent company;
- (k) close family members of key management personnel of the Company's parent company;
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.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

27. Related parties (Continued)

In addition to the related parties stated above, which are determined as the related parties of the Group or the Company in accordance with the relevant requirements of ASBE, the following enterprises or individuals (including but not limited to) are considered as related parties based on the requirements of Administrative measures for Information Disclosures of Listed Company 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; and
- (q) enterprises, other than the Company and its controlling subsidiaries, which are controlled directly or indirectly by (i), (j), (n) or (p), or in which such an individual assumes the position of a director or senior executive.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

28. Segment reporting

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

- the component may generate revenue and incur expenses in daily activities;
- the component's operating results are regularly assessed by the Group's management to allocate its resources and assess its performance;
- the Group can obtain accounting information including (amongst others) financial positions, operating results and cash flows.

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

- the nature of each product and labor service;
- the nature of production processes;
- the type of customers for the products or labor services;
- the ways to sell products or provide labor services;
- the implications of laws and administrative regulations on production of products and rendering of services.

In preparing segment reporting revenue from inter-segmental transactions are measured on the basis of actual transaction price. Accounting policies adopted in the preparation of segment reporting are consistent with those adopted in the preparation of the financial statements of the Group.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

29. Significant accounting estimates and judgements

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

Save for note IV.2 which contains information about income tax rate, uncertainties of other key estimated amounts are as follows:

– Impairment of receivables

As described in note III.10, receivables that are measured at amortisation cost are reviewed by the Group at each balance sheet date to determine whether there is impairment, the specific amount of impairment loss is assessed where there is any impairment. Objective evidence of impairment include (amongst others) observable data indicating that the expected future cash flows of an individual or a collective group of receivables experience significant decrease, observable data indicating that the financial status of an obligor of an individual or a collective group of receivables has significant adverse change. If there is evidence indicating a recovery in the value of such receivables which can be related objectively to an event occurring after the recognition of the loss, the previously recognised impairment loss is reversed.

– Provision for impairment of inventories

As described in note III.11, the Group conducts regular review on the net realisable value of inventories, and recognized the excess of the costs of inventories over the net realizable value as the inventories' impairment loss. When making estimates of net realisable value, the Group takes into consideration the purpose of holding inventories and applies information available as the basis of assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs to completion and selling expense and taxes may subject to the changes in market sales conditions, manufacturing process and the actual usage of the inventories, therefore resulting in the changes in provision for impairment of inventories. Adjustment to the impairment provision of inventories will affect the profit or loss for the period during which the changes take place.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

29. Significant accounting estimates and judgements (Continued)

- 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 by the Group to determine whether the recoverable amount of the assets falls below the carrying amount. If it indicates that the carrying amount of the long-term assets may not be fully recovered, the relevant assets are deemed to be impaired and, an corresponding impairment loss is recognised.

The recoverable amount refers to the higher of the fair value net of disposal expenses and present value of expected future cash flows of an asset (or asset group). Since a public market price of the asset (or the asset group) cannot be obtained reliably by the Group, and the fair value of the asset cannot be estimated reliably, therefore the Group takes, the recoverable amount as the present value of estimated future cash flows. The estimation of the present value of the future cash flows requires the exercise of significant judgments over the production volume and selling price of the products manufactured by the asset (or asset group), relevant operating costs and the discount rate in calculating the present value. The Group adopts all available relevant information in estimating the recoverable amount, including the forecast of related production volume, selling price and relevant operating cost according to reasonable and supportable assumptions.

- 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 their residual value. The useful lives of relevant assets are regularly reviewed to determine the depreciation and amortisation charges charged in each reporting period. The useful lives of the assets are determined based on the Group's historical experience of similar assets and the estimated technical changes. If there have been significant changes in the previous estimation, the depreciation or amortisation charges are revised prospectively.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (Continued)

29. Significant accounting estimates and judgements (Continued)

- Deferred income tax assets

When estimating whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Group calculates and recognises related deferred income tax assets to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using income tax rates that would apply in the period when the asset would be recovered. It requires the Group to exercise judgment to estimate the timing and amount of taxable profits in the future, and exercise reasonable estimation and judgment on income tax rate that would apply in the future according to existing taxation policies and other relevant policies, so as to determine the amount of deferred income tax asset to be recognized. If the actual timing and amount of future profits or the effective applicable income tax rates differ from the estimates made by management, the differences affect the amount of deferred tax assets

IV. TAXATION

1. Main types of taxes and tax rates

Tax type	Tax calculation basis	Tax rate
Value-added Tax (VAT)	Output VAT is calculated on sale of goods and taxable services revenue according to requirements of tax laws, The difference after subtracting the deductible input VAT of the period, is VAT payable.	6%, 11%, 13%, 17%
Business tax	Calculated and levied on taxable revenue on taxable revenue	5%
City maintenance and construction tax	Calculated and levied on actual business tax paid and VAT payables	7%
Corporate income tax	Calculated and levied on taxable profits	15%, 25%
Land use tax	Calculated and levied on actual land area occupied	RMB2–7/m ²
Land appreciation tax	Based on appreciation amount in transferred property and stipulated tax rate	40%

The income tax rate applicable to the Company for the period is 15% (2014: 15%).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IV. TAXATION (Continued)

1. Main types of taxes and tax rates (Continued)

The income tax rates applicable to the subsidiaries of the Company are as follows:

	2015	2014
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%
Guizhou Chonggang Sales Co., Ltd. (“Guizhou Chonggang”)*	25%	n/a
Chongqing Chonggang Buliding Materials Sales Co., Ltd. (“Chonggang Materials”)*	25%	n/a
Xi’an Chonggang Sales Co., Ltd. (“Xi’an Chonggang”)*	25%	n/a

*: See Note VI.

2. Preferential tax treatment

The preferential tax treatment pertaining to China’s western development entitled by the Company and some of its subsidiaries had been expired on 31 December 2010. As of the date of approval of these financial statements, as stated in the “Notice on Corporate Income Tax Issues Concerning Further Implementation of China’s Western Development Strategy” (SAT Announcement [2012] No. 12) issued by the State Administration of Taxation (“SAT”) in respect of the extension of preferential tax policies pertaining to China’s western development, “companies located in the western region that fall into the catalogue of encouraged industries are subject to a reduced Corporate Income Tax rate of 15% from 1 January 2011 to 31 December 2020”. The Group anticipates that it is most likely that such preferential policy will continue in the future, thus in this year, the Group’ tax rates and preferential tax policies remain unchanged as compared to last year. At the same time, as at 30 June 2015, the carrying amount of such deferred tax assets and liabilities was measured in light of the expected methods of recovery or settlement of deferred tax assets and liabilities, in accordance with the expected tax rate applicable during the expected period for recovery of such assets and settlement of such liability.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	Closing balance	Opening balance
Cash on hand	820	531
Bank deposits	429,981	187,579
Other monetary funds	1,011,426	1,058,468
Total	1,442,227	1,246,578

Including: no deposit is placed overseas.

The closing balance of restricted cash at bank and on hand:

Item	Closing balance	Opening balance
Bank deposits – frozen bank deposits	76,182	42,520
Other monetary funds – Guarantees for letter of credit	289,933	107,326
Other monetary funds – Guarantees for bank acceptance bills	720,584	950,584
Total	1,086,699	1,100,430

Notes to the financial statements (Continued)

(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

Type	Closing balance	Opening balance
Bank acceptance bills	87,664	224,614

(2) At the end of the period, the Group had no pledged bills receivable.

(3) Endorsed or discounted bills receivables outstanding as at the balance sheet date at the end of the period:

Type	Amount derecognized at the end of the period	Amount remained recognized at the end of the period
Bank acceptance bills	3,104,438	–

(4) At the end of the period, no bill has been transferred to accounts receivable due to non-performance of issuer.

3. Accounts receivable

(1) Accounts receivable by customer categories are as follows:

Customer category	Note	Closing balance	Opening balance
Third party		713,985	595,373
Related party	VIII.5(1)	96,450	20,016
Sub-total		810,435	615,389
Less: Provision for bad debts		146,364	146,364
Total		664,071	469,025

Notes to the financial statements (Continued)

(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:

Age	Closing balance	Opening balance
Within 1 year (first year inclusive)	511,279	313,319
1 year to 2 years (second year inclusive)	4,943	7,501
2 years to 3 years (third year inclusive)	58,915	53,127
Over 3 years	235,298	241,442
Sub-total	810,435	615,389
Less: Bad debt provision	146,364	146,364
Total	664,071	469,025

The age is calculated from the date accounts receivable is recognised.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(3) Accounts receivable disclosure by category:

Category	Note	Closing balance				Carrying amount	Opening balance				Carrying amount
		Balance of carrying amount		Bad debt provision			Balance of carrying amount		Bad debt provision		
		Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant accounts receivable for which bad-debt provision was separately made	(a)	153,935	19%	7,923	5%	146,012	153,935	25%	7,923	5%	146,012
Accounts receivable for which bad-debt provision was collectively made in groups with similar credit risk characteristics*	(b)										
Third party accounts receivable		560,050	69%	135,685	24%	424,365	441,438	72%	135,685	31%	305,753
Related party accounts receivable		93,694	12%	-	-	93,694	17,260	3%	-	-	17,260
Sub-total of group		653,744	81%	135,685	19%	518,059	458,698	75%	135,685	30%	323,013
Individually insignificant accounts receivable but for which bad-debt provision was separately made		2,756	0%	2,756	100%	-	2,756	0%	2,756	100%	-
Total		810,435	100%	146,364	18%	664,071	615,389	100%	146,364	24%	469,025

* This category includes accounts receivable that were not impaired upon separate impairment test.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(3) Accounts receivable disclosure by category: (Continued)

- (a) On 18 September 2013, Chongqing Si Gang Steel Co., Ltd (hereinafter referred to as “Chongqing Si Gang”) entered into a composition of arrangement with Chongqing Security Industry Development Group Co., LTD (hereinafter referred to as “Security Industry Group”). On 31 March 2014, State-owned Assets Supervision and Administration Commission of Chongqing (“Chongqing SASAC”) replied and approved the transaction. The parties agreed that Security Industry Group will assume and continue to repay the RMB153,935 thousand of amount owed by Chongqing Si Gang to the Group. On 16 December 2014, Security Industry Group undertook to provide corresponding assets security to the Group as guarantee for repayment, subject to the transfer of relevant assets under the composition of arrangement. As of 30 June 2015, Security Industry Group has not paid the relevant amount as the relevant transfer procedures have not been completed. A provision of RMB7,923 thousand was made by the Group on the basis of the estimated present value of expected future cash flows of the accounts receivable.
- (b) Accounts receivable for which bad debt provision has been collectively made in groups using the aging analysis method:

Age	Book value	Bad debt provision	Provision percentage
Within 1 year			
Including: Within 3 months (third month inclusive)	380,025		
4 months to 12 months (first year inclusive)	34,804		
Sub-total — within 1 year	414,829	–	–
1 to 2 years (second year inclusive)	4,943	897	18%
2 to 3 year (third year inclusive)	8,137	2,647	33%
Over 3 years	132,141	132,141	100%
Total	560,050	135,685	24%

The Group determined the groups by nature of the accounts receivable.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(4) Five largest accounts receivable by debtor according to balance at the end of the period

The Group's five largest accounts receivable in terms of balance at the end of the period amounted to RMB409,822 thousand in aggregate, representing 51% of the total balance of accounts receivable at the end of the period, and the balance of the corresponding bad debt provision made at the end of the year was RMB7,923 thousand.

4. Prepayments

(1) Prepayments presented by category as follows:

Item	Closing balance	Opening balance
Material prepayments	151,497	244,771
Others	23,906	22,713
Total	175,403	267,484

(2) Prepayments presented by age as follows:

Age	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (first year inclusive)	148,700	85%	251,446	94%
1 to 2 years (second year inclusive)	21,848	12%	7,686	3%
2 to 3 years (third year inclusive)	1,195	1%	3,039	1%
Over 3 years	3,660	2%	5,313	2%
Total	175,403	100%	267,484	100%

The age is calculated from the date of recognition of prepayment. Payments aged over one year are mainly part of the amount under long-term prepayments for raw materials which are expected to be settled within one year (please refer to note V.14).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayments (Continued)

(3) Five largest prepayments by creditor according to balance at the end of the period

The Group's five largest prepayments in terms of balance at the end of the period amounted to RMB93,482 thousand in aggregate, representing 53% of the total balance of prepayments at the end of the period.

5. Other receivables

(1) Other receivables analysed by customer type as follows:

Customer type	Closing balance	Opening balance
The third parties	587,105	939,253
Less: Bad debt provision	16,958	16,958
Total	570,147	922,295

(2) The ageing analysis of other receivables is analysed as follows:

Age	Closing balance	Opening balance
Within 1 year (first year inclusive)	549,702	900,373
1 to 2 years (second year inclusive)	1,289	2,847
2 to 3 years (third year inclusive)	3,213	3,233
Over 3 years	32,901	32,800
Sub-total	587,105	939,253
Less: Bad debt provision	16,958	16,958
Total	570,147	922,295

The age is calculated from the date of recognition of other receivables.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(3) Other receivables disclosure by category:

Category	Closing balance					Opening balance				
	Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant other receivables for which bad-debt provision was separately made	15,827	3%	15,827	100%	-	15,827	2%	15,827	100%	-
Individually insignificant other receivables but for which bad-debt provision was separately made	1,131	0%	1,131	100%	-	1,131	0%	1,131	100%	-
Other receivables that were not impaired upon separate impairment test	570,147	97%	-	-	570,147	922,295	98%	-	-	922,295
Total	587,105	100%	16,958	3%	570,147	939,253	100%	16,958	2%	922,295

(4) Other receivables categorised by nature

Nature of amount	Closing balance	Opening balance
Receivables of non-current assets disposal	519,590	875,076
Others	67,515	64,177
Sub-total	587,105	939,253
Less: Bad debt provision	16,958	16,958
Total	570,147	922,295

Notes to the financial statements (Continued)

(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 according to balance at the end of the period

Name of debtor	Nature of the amount	Closing amount	Age	Percentage of the total other receivables at the end of the period (%)	Balance of bad debt provision at the end of period
Land Reserve center of Changshou Economic & Technological Development Zone	Receivables of non-current assets disposal	319,590	within 1 year	54%	-
Chongqing Real Estate Group	Receivables of non-current assets disposal	200,000	within 1 year	34%	-
Business associates 1*	Prepayments to be recovered	10,240	Over 3 years	2%	10,240
Business associates 2*	Court withholding amount	5,587	Over 3 years	1%	5,587
Business associates 3*	Engineering construction	1,131	Over 3 years	0%	1,131
Total		536,548		91%	16,958

* The impairment of these amounts have been fully provided for.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Inventories

(1) Inventories by category:

Category of Inventory	Closing Balance			Opening Balance		
	Balance of carrying amount	Provision for impairment	Carrying amount	Balance of carrying amount	Provision for impairment	Carrying amount
Raw materials	5,952,046	15,589	5,936,457	6,138,214	122,446	6,015,768
Work in progress	1,134,610	3,665	1,130,945	1,103,362	33,476	1,069,886
Commodity stocks	449,214	10,498	438,716	362,116	23,830	338,286
Turnover materials	602,314	40,115	562,199	606,651	40,115	566,536
Total	8,138,184	69,867	8,068,317	8,210,343	219,867	7,990,476

(2) An analysis of the movements of inventories for the period is as follows:

Category of Inventory	Opening balance	Additions for the period	Reductions for the period	Closing balance
Raw materials	6,138,214	3,752,346	3,938,514	5,952,046
Work in progress	1,103,362	9,049,439	9,018,191	1,134,610
Commodity stocks	362,116	5,316,153	5,229,055	449,214
Turnover materials	606,651	346,541	350,878	602,314
Sub-total	8,210,343	18,464,479	18,536,638	8,138,184
Less: Provision for impairment	219,867	–	150,000	69,867
Total	7,990,476	18,464,479	18,386,638	8,068,317

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories (Continued)

(3) Provision for impairment of inventories

Type of Inventory	Opening balance	Additions during for the period		Reduction for the period		Closing balance
		Provision	Others	Write down or write-off	Others	
Raw materials	122,446	-	-	106,857	-	15,589
Work in progress	33,476	-	-	29,811	-	3,665
Commodity stocks	23,830	-	-	13,332	-	10,498
Turnover materials	40,115	-	-	-	-	40,115
Total	219,867	-	-	150,000	-	69,867

As at 30 June 2015, the Group recognized the excess of the costs over the net realizable value of inventories as provision for impairment on the basis of the holding purpose.

The net realizable value of raw materials held for production was determined on the basis of the net realizable value of the finished goods that it produced. The net realizable value of the inventories held for the implementation of sale contract or labor contract was calculated on the basis of contract price. When the amount of inventories held exceed the relevant number of orders placed under relevant contract, the net realizable value of the surplus inventories were calculated on the basis of regular sales price.

The provision for impairment of inventory written-off during the period were mainly transfers from provision for impairment of inventory upon consumption or sale of inventory in respect of those for which impairment has been made.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other current assets

Item	Closing balance	Opening balance
Deductible VAT	1,510,352	1,561,800
Less: Provision for impairment	—	—
Total	1,510,352	1,561,800

8. Available-for-sale financial assets

(1) Information on available-for-sale financial assets

Item	Closing balance			Opening balance		
	Balance of carrying amount	Provision for impairment	Carrying amount	Balance of carrying amount	Provision for impairment	Carrying amount
Available-for-sale equity instruments						
– Measured at cost	5,000	—	5,000	5,000	—	5,000

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

Investees	Balance of carrying amount				Provision for impairment				Percentage of shareholding in investees (%)	Cash dividend for the period
	Opening balance	Increase	Decrease	Closing balance	Opening balance	Increase	Decrease	Closing balance		
		during the period	during the period			during the period	during the period			
Xiamen Shipbuilding Industry Co.Ltd.	5,000	—	—	5,000	—	—	—	—	2%	—
Total	5,000	—	—	5,000	—	—	—	—		—

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Fixed assets

(1) Information on fixed assets

Item	Buildings and structures	Machinery, and other equipment	Motor vehicles	Total
Cost				
Balance at the beginning of the period	12,567,572	20,212,329	28,872	32,808,773
Additions for the period				
Addition	–	818	–	818
Transfer from construction in progress	10,268	5,780	–	16,048
Other reduction during the period	7,179	37,641	–	44,820
Balance at the end of the period	12,570,661	20,181,286	28,872	32,780,819
Accumulated depreciation				
Balance at the beginning of the period	784,845	2,271,765	20,953	3,077,563
Charge for the period	145,542	449,586	1,175	596,303
Disposal or retirement during the period	–	–	–	–
Balance at the end of the period	930,387	2,721,351	22,128	3,673,866
Provision for impairment				
Balance at the beginning of the period	–	–	56	56
Charge for the period	–	–	–	–
Disposal or retirement during the period	–	–	–	–
Balance at the end of the period	–	–	56	56
Carrying amounts				
At the end of the period	11,640,274	17,459,935	6,688	29,106,897
At the beginning of the period	11,782,727	17,940,564	7,863	29,731,154

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Fixed assets (Continued)

(2) Information on temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount
Motor vehicles	225	164	56	5

(3) Information on fixed assets acquired under finance leases

Item	Closing balance				Opening balance			
	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment								
- Sale and leaseback	1,031,982	222,823	-	809,159	1,031,982	200,541	-	831,441
- Direct lease	1,993,041	164,414	-	1,828,627	1,993,041	121,382	-	1,871,659
Total	3,025,023	387,237	-	2,637,786	3,025,023	321,923	-	2,703,100

(4) Fixed assets leased out under operating leases

Item	Carrying amount at the end of the year
Buildings and structures	6,122

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Fixed assets (Continued)

(5) Fixed assets pending title certificates

As of 30 June 2015, the Group was in the process of obtaining building ownership certificates of certain plants and buildings with original book value of RMB1,220,605 thousand and carrying amount of RMB1,138,681 thousand (2014: original book value of RMB1,220,605 thousand and carrying amount of RMB1,151,276 thousand). The reason for pending title certificates is that relevant documents and materials are still in preparation.

(6) For fixed assets used as security for bank borrowings by the Group as at 30 June 2015, see Note V.39.

10. Construction in progress

(1) Information on construction in progress

Project	Closing balance			Opening balance		
	Balance of carrying amount	Provision for impairment	Carrying amount	Balance of carrying amount	Provision for impairment	Carrying amount
Product restructuring project	1,150,654	-	1,150,654	1,094,298	-	1,094,298
Transformation project	120,970	-	120,970	127,013	-	127,013
Railway project	438,766	-	438,766	438,766	-	438,766
Others	281,814	-	281,814	253,796	-	253,796
Total	1,992,204	-	1,992,204	1,913,873	-	1,913,873

The carrying amount of construction in progress of the Group at the end of period included capitalized borrowing costs of RMB99,020 thousand (2014: RMB80,619 thousand).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Construction in progress (Continued)

(2) Changes in the Group's major constructions in progress for the period

Project name	Budget	Opening balance	Additions during the period	Transfer to fixed assets during the period	Decrease in others	Closing balance	Percentage of accumulated investment to budget	Project progress	Accumulated capitalised interest	Including: interest capitalised during the period	Interest rate for capitalisation during the period	Sources of funds
Product restructuring project	6,771,591	1,094,298	56,356	-	-	1,150,654	100%	99%	368,976	9,613	5.80% - 11.45%	loan/others
Transformation project	742,474	127,013	4,661	10,704	-	120,970	106%	92%	71,062	3,562	6.06%	loan/others
Railway project	401,734	438,766	-	-	-	438,766	109%	100%	-	-	6.06%	loan/others
Others		253,796	33,362	5,344	-	281,814			18,476	5,684	6.06%	loan/others
Total		1,913,873	94,379	16,048	-	1,992,204			458,514	18,859		

(3) Construction in progress leased under finance lease

Item	Closing balance	Opening balance
Machinery and equipment	287,678	287,678

11. Construction materials

Item	Closing balance	Opening balance
Construction materials for large equipment	10,460	10,934
Construction materials for special equipment	1,113	1,113
Total	11,573	12,047

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Intangible assets

(1) Information on intangible assets

Item	Land use rights	Trademark	Total
Original book value			
Opening balance	2,850,460	6,478	2,856,938
Additions during the period	–	–	–
– addition	–	–	–
Disposal during the period	–	–	–
Closing balance	2,850,460	6,478	2,856,938
Accumulated amortisation			
Opening balance	167,809	6,478	174,287
Charge for the period	30,931	–	30,931
Disposal during the period	–	–	–
Balance at the end of the period	198,740	6,478	205,218
Net carrying amount			
At the end of the period	2,651,720	–	2,651,720
At the beginning of the period	2,682,651	–	2,682,651

(2) *The land use right used as security for bank borrowings by the Group as at 30 June 2015 is presented under note V.39.*

(3) *On 30 June 2015, all of the Group's land use rights are under medium-term leases held in mainland China.*

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Deferred income tax assets

(1) Deferred income tax assets and deferred income tax liabilities

Item	Closing balance		Opening balance	
	Deductible or taxable temporary differences (“()” denotes taxable temporary difference)	Deferred tax assets/liabilities (“()” denotes liabilities)	Deductible or taxable temporary differences (“()” denotes taxable temporary difference)	Deferred tax assets/liabilities (“()” denotes liabilities)
Deferred income tax assets:				
Deductible tax losses	2,119,147	317,873	2,119,147	317,873
Sub-total	2,119,147	317,873	2,119,147	317,873
Elimination	-	(300,757)	-	(300,757)
Balance after elimination	-	17,116	-	17,116
Deferred tax liabilities:				
Capitalized gain or loss arising from trial production	(1,375,828)	(300,757)	(1,375,828)	(300,757)
Sub-total	(1,375,828)	(300,757)	(1,375,828)	(300,757)
Elimination	-	300,757	-	300,757
Balance after elimination	-	-	-	-

As at 30 June 2015, the Group measured the carrying amount of such deferred income tax assets in light of the expected methods of recovery or settlement of deferred tax assets in accordance with the expected tax rate applicable during the expected period for recovery of such assets.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Other non-current assets

Item	Note	Closing balance	Opening balance
Prepayments for construction		61,399	59,020
Prepayments for raw materials		5,200	10,350
Guarantee for finance lease		40,300	40,300
Others		9,000	9,000
Sub-total		115,899	118,670
Less: Due within one year	V.4	5,200	10,350
Total		110,699	108,320

Prepayments for construction is the construction fee prepaid to San Feng Jingjiang Logistics Co., Ltd (hereinafter referred to as "San Feng Logistics") by the Group. Prepayments for raw materials will be settled between 2009 and 2015 as agreed, of which the part of prepayments expected to be settled in a year was reclassified to Prepayments. The guarantees for finance lease will be refunded by the lessor when the term of finance lease ends.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Short-term borrowings

(1) *The Short-term borrowings by category:*

Item	Closing balance	Opening balance
Secured borrowings	–	244,760
Guaranteed borrowings	2,712,240	2,313,840
Credit borrowings	255,000	325,000
Pledged and secured borrowings	305,680	–
Total	3,272,920	2,883,600

As at 30 June 2015, the guaranteed borrowings were guaranteed by Chongqing Iron & Steel Group, please see note VIII.4(4).

As at 30 June 2015, pledged and secured borrowings were under the pledge offered by 90 million shares of the Company held by Chongqing Iron & Steel Group (please see note VIII.4(4)), the security offered by the Group's land use right (please see note V.39) and the security offered by the land use right of Chongqing Iron & Steel Group San Feng Industrial Company Limited and Chongqing Iron & Steel Group (please see note VIII.4(4)).

(2) *As at the 30 June 2015, no short-term loans were overdue.*

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Bills payable

(1) *Bills payable are set out as below:*

Item	Closing balance	Opening balance
Commercial acceptance bills	1,569,478	2,072,252
Bank acceptance bills	1,368,230	2,355,280
Total	2,937,708	4,427,532

All of the above amounts are bills payable due within one year.

17. Accounts payable

(1) *Set follow below is information on accounts payable:*

Item	Closing balance	Opening balance
Goods and labor services payables	7,419,542	6,344,912
Construction equipment payables	5,558,245	6,077,523
Total	12,977,787	12,422,435

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Accounts payable (Continued)

(2) Accounts payable presented by age:

Age	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year (first year inclusive)	7,263,953	56%	7,018,076	57%
1 to 2 years (second year inclusive)	5,127,379	40%	5,025,451	40%
2 to 3 years (third year inclusive)	443,023	3%	265,043	2%
Over 3 years	143,432	1%	113,865	1%
Total	12,977,787	100%	12,422,435	100%

The age is calculated from the date of recognition of accounts payable.

(3) Accounts payable aged over one year

Item	Closing balance	Reasons for not being settled
Construction and equipment procurement payables	4,411,851	Note 1
Goods and service procurement payables	1,301,983	Note 2
Total	5,713,834	

Note 1: Construction and equipment procurement payables aged over 1 year mainly due to the construction settlement procedures to be completed. According to the payment schedule of the construction and equipment payables, the final settlements of such payables are yet to be completed.

Note 2: Goods and service procurement payables aged over 1 year mainly due to the supplier's settlement procedures to be completed, the final settlements of such payables are yet to be completed.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Receipts in advance

(1) *Receipts in advances are payments prepaid by customers of the Company.*

(2) *Receipts in advance with ageing of more than one year:*

Item	Balance at the end of the period	Reasons for not being settled
Long-term Receipts in advance	433,379	Agreement

According to a relevant agreement, the Company received long-term receipts in advance for goods in an aggregate amount of RMB500,000 thousand in 2009 from a customer. Such amounts were settled on a monthly basis during the period from February 2009 to December 2013 as agreed in the contract. At the same time, the customer had been provided with certain amount of discount in selling prices on a monthly basis. The Company applied a contractual interest rate to such long-term receipts in advance for goods, which are taken as financial liabilities, and subsequently measured the financial liabilities at amortized cost. Currently, according to the renewed sales plan agreed by the Company and the customer, the outstanding amount under such contract is expected to be completely settled in 2015 and the remaining receipts in advance were presented as current liabilities at the balance sheet date.

19. Employee remunerations payable

(1) *Employee remunerations payable presented as follows:*

Item	Opening balance	Additions for the period	Reductions for the period	Closing balance
Short-term remunerations	101,423	501,057	500,656	101,824
Post-employment benefits				
– defined contribution plans	73,926	69,681	6,116	137,491
Termination benefits	9,456	34	39	9,451
Total	184,805	570,772	506,811	248,766

As at 30 June 2015, “termination benefits” stated above did not include compensation for the termination of certain labor relationship.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Employee benefits payable (Continued)

(2) Short-term employee remuneration

	Opening balance	Additions for the period	Reductions for the period	Closing balance
Salaries, bonuses, allowances and subsidies	55,991	347,624	350,873	52,742
Staff welfare	18,000	3,872	5,418	16,454
Social security contributions	–	57,087	57,074	13
Including: Basic medical insurance premium	–	36,130	36,120	10
Large amount medical Insurance premium	–	7,166	7,165	1
Supplementary medical insurance premium	–	9,853	9,851	2
Work-related injury insurance premium	–	2,142	2,142	–
Maternity insurance premium	–	1,796	1,796	–
Housing provident fund	27,342	3,813	1,422	29,733
Labour union fee, staff and workers' education fee	39	11,599	9,092	2,546
Labour cost	–	73,809	73,809	–
Other short-term remuneration	51	3,253	2,968	336
Total	101,423	501,057	500,656	101,824

(3) Post-employment benefits – defined contribution plans

	Opening balance	Additions for the period	Reductions for the period	Closing balance
Basic pension insurance premium	70,133	57,299	–	127,432
Supplementary pension insurance premium	–	9,604	3,095	6,509
Unemployment insurance premium	3,793	2,778	3,021	3,550
Total	73,926	69,681	6,116	137,491

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Tax payable

Item	Closing balance	Opening balance
Value added tax	511	955
Business tax	5,879	5,900
Others	2,186	4,296
Total	8,576	11,151

21. Interests payable

Item	Closing balance	Opening balance
Interest of long-term borrowings with interest paid in installments and principal repaid on maturity	49,192	21,999
Interest of corporate bonds	72,333	10,333
Total	121,525	32,332

As at 30 June 2015, the Group has no overdue interest.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Other payables

(1) *Other payables presented by nature are as follows:*

Item	Note	Closing balance	Opening balance
Disbursement by Chongqing Iron & Steel Group		1,633,516	1,585,486
Related Party borrowings	VIII.4(5)	1,818,654	321,174
Other related party payables		39,900	214,101
Guarantee monies and deposits payables		37,414	37,772
Withholding of "5 social insurance and housing fund" payables		95,482	60,876
Others		33,204	36,298
Total		3,658,170	2,255,707

(2) *As at 30 June 2015, significant other payables of the Group aged over one year mainly represents outstanding related party payables of RMB639,624 thousand and guarantee monies of RMB16,446 thousand.*

23. Non-current liabilities due within one year

(1) *Non-current liabilities due within one year by category are as follows:*

Item	Note	Closing balance	Opening balance
Long-term borrowing due within one year	(2)	1,575,746	749,224
Bonds payables due within one year	(3)	1,984,982	1,982,113
Long-term payables due within one year	(4)	648,502	912,353
Total		4,209,230	3,643,690

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Non-current liabilities due within one year (Continued)

(2) Long-term loans due within one year

Item	Closing balance	Opening balance
Pledged, secured and guaranteed borrowings	190,000	80,000
Secured and guaranteed borrowings	124,000	74,605
Guaranteed borrowings	1,166,746	589,619
Credit borrowings	95,000	5,000
Total	1,575,746	749,224

As at 30 June 2015, pledged, secured and guaranteed borrowings were under the pledge offered by 0.2 billion shares of the Company held by Chongqing Iron & Steel Group (please see note VIII.4(4)), the security offered by the Group's land use right, buildings and structures and machinery and equipment (please see note V.39) and was guaranteed by Chongqing Yu Fu Assets Management Group Co., Ltd (hereinafter referred to as "Yu Fu").

As at 30 June 2015, pledged and guaranteed borrowings were under the security offered by the Group's machinery and equipment (please see note V.39), with a guarantee provided by Chongqing Iron & Steel Group (please see note VIII.4(4)).

As at 30 June 2015, guaranteed borrowings of RMB250,000 thousand was guaranteed by Chongqing Sanxia Guarantee Group Co., Ltd (hereinafter referred to as "San Xia Guarantee"), RMB5,500 thousand was guaranteed by Yu Fu, RMB911,246 thousand was guaranteed solely by Chongqing Iron & Steel Group or jointly by Chongqing Iron & Steel Group and Yu Fu (please see note VIII.4(4)).

As at 30 June 2015, no long-term borrowing due within one year was overdue.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Non-current liabilities due within one year (Continued)

(3) The debentures payable due within one year

Bonds payable due within one year:

Name of bond	Par value	Issuance date	Maturity	Issuance amount	Opening balance	Reclassification for the year	Issuance during the year	Interest accrued based on par value	Amortization of transaction fee	Balance at the end of the period
Chongqing Iron and Steel Company Limited										
2010 Corporate bonds	2,000,000	09/12/2010	7 years	2,000,000	1,982,113	-	-	62,000	2,869	1,984,982

Upon approval by the Zheng Jian Xu Ke [2010] No.1689 document from the China Securities Regulatory Commission, the Company issued RMB2 billion of corporate bonds with a maturity of 7 years at the Shanghai Stock Exchange on 14 December 2010. The bondholders are entitled to resell the bonds held by them, in whole or in part, at par to the issuer on the interest payment date of the fifth year during the bond's subsisting period. As at 30 June 2015, the Group reclassified the balance of bonds payable to non-current liabilities due within one year.

(4) Long term payables due within one year

As at 30 June 2015, included in the long-term payables due within one year was net finance lease payables of RMB648,502 thousand (i.e. the net amount by deducting unrecognized finance costs of RMB18,287 thousand from the total amount of RMB666,789 thousand). As at 31 December 2014, included in the long-term payables due within one year was net finance lease payables of RMB912,353 thousand (i.e. the net amount by deducting unrecognized finance costs of RMB35,049 thousand from the total amount of RMB947,402 thousand).

As at 30 June 2015, RMB203,733 thousand in the long-term payables due within one year was guaranteed solely by Chongqing Iron & Steel Group, please refer to note VIII.4(4).

As at 30 June 2015, no long-term payable due within one year was overdue.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Other current liability

Item	Closing balance	Opening balance
Deferred income – government grant	3,646	3,477
Deferred income – unrealised profit or loss from sale-and-leaseback transactions	6,031	6,031
Total	9,677	9,508

Other current liabilities are part of the deferred income expected to be realised in one year (please refer to note V.27).

25. Long-term borrowings

(1) Long-term borrowings by category

Item	Closing Balance		Opening Balance	
	Interest rate per annum	Amount	Interest rate per annum	Amount
Pledged, secured and guaranteed borrowings	5.40%	8,060,000	6.15%	8,210,000
Secured and guaranteed borrowings	5.25%	170,500	5.80%	219,895
Guaranteed borrowings	5.25%–5.62%	982,000	3 months Libor + 4%–6.42%	1,384,718
Credit borrowings		–	6.15%	95,000
Total		9,212,500		9,909,613

As at 30 June 2015, pledged, secured and guaranteed borrowings were under the pledge offered by 0.2 billion shares of the Company held by Chongqing Iron & Steel Group (please see note VIII.4(4)), the security offered by the Group's land use right, buildings and structures and machinery and equipment (please see note V.39) and was guaranteed by Yu Fu.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Long-term loans (Continued)

(1) Long-term loans by category: (Continued)

As at 30 June 2015, pledged and guaranteed borrowings were under the security offered by the Group's machinery and equipment (please see note V.39), with a guarantee provided by Chongqing Iron & Steel Group (please see note VIII.4(4)).

As at 30 June 2015, guaranteed borrowings of RMB482,000 thousand was guaranteed by Yu Fu, RMB500,000 thousand was guaranteed by Chongqing Iron & Steel Group (please see note VIII.4(4)).

(2) Long-term loans – by repayment terms

On 30 June 2015, long-term loans is repayable according to the following period:

	Closing balance	Opening balance
1 to 2 years (second year inclusive)	630,500	1,250,718
2 to 5 years (fifth year inclusive)	4,592,000	3,968,895
Over 5 years	3,990,000	4,690,000
Total	9,212,500	9,909,613

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Long-term payables

	Closing balance	Opening balance
Finance leases payables	663,268	1,134,760
Less: Finance leases payables due within a year	648,502	912,353
Total	14,766	222,407

(1) Details of finance leases payables included in long-term payables

The future minimum lease payments payable under finance leases after 30 June 2015 are as follows:

Minimum lease payments	Closing balance	Opening balance
Within 1 year (first year inclusive)	666,789	947,402
1 to 2 years (second year inclusive)	16,089	235,930
Sub-total	682,878	1,183,332
Less: Unrecognised finance charges	19,610	48,572
Total	663,268	1,134,760

The above net amount of the finance lease payables due within one year less the unrecognized finance costs has been disclosed in note V.23.

(2) As at 30 June 2015, RMB14,766 thousand under the long-term payables was guaranteed by Chongqing Iron & Steel Group, please see note VIII.4(4).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Deferred income

Item	Note	Opening balance	Additions for the period	Reductions for the period	Closing balance	Reason for deriving
Government grants	(1)	75,147	-	2,004	73,143	Government grant
Unrealised profit or loss from sale-and-leaseback transactions	(2)	102,909	-	3,432	99,477	Sale-and-leaseback transactions
Subtotal		178,056	-	5,436	172,620	
Less: Deferred income expected to realized in one year		9,508	4,932	4,763	9,677	
Total		168,548	(4,932)	673	162,943	

(1) Government grant projects:

Liability project	Opening balance	Additions for the period	Recognition during the period non-operating income	Included in other changes	Closing balance	Related to assets/income
Grants for environmental protection governance project	31,459	-	879	-	30,580	Asset
Grants for recycle heat electricity generation project	43,688	-	1,125	-	42,563	Asset
Total	75,147	-	2,004	-	73,143	

(2) **The Company entered into separate sale-and-leaseback finance lease transactions with certain finance leasing companies during 2009 to 2014 (please refer to note V.9(3) and note V.10(3)). Difference between the selling price and the carrying amount of the assets of the transactions in an aggregate amount of RMB137,125 thousand has been deferred (2014: RMB137,125 thousand) and amortized according to the depreciation rate of the leased assets under these finance lease as adjustments to the depreciation charges. The amortization charges in 2015 amounted to RMB3,432 thousand (2014: RMB6,866 thousand).**

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Share capital

	Opening and closing balance
Total number of shares	4,436,023

29. Capital reserve

Item	Opening balance	Additions for the period	Reductions for the period	Closing balance
Share premiums	6,341,095	-	-	6,341,095
Transfer from capital reserve under the former system	270,127	-	-	270,127
Other capital reserves	44,185	433	-	44,618
Total	6,655,407	433	-	6,655,840

The additions to the other capital reserve during the period was mainly a donation of RMB433 thousand received from the Chongqing Iron & Steel Group (please refer to note VIII.4(9)).

30. Special reserve

Item	Opening balance	Additions for the period	Reductions for the period	Closing balance
Safety production fee	-	8,534	8,534	-

31. Surplus reserve

Item	Opening balance	Additions for the period	Reductions for the period	Closing balance
Statutory surplus reserve	606,991	-	-	606,991

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Undistributed profit

Item	Closing balance	Opening balance
Undistributed profit at the beginning of the period (“()” denotes losses to be recovered)	(1,724,507)	(1,775,938)
Add: net profits attributable to shareholders of the Company of the period	(2,227,578)	51,431
Less: Appropriation for statutory surplus reserve	–	–
Dividends payable on ordinary shares	–	–
Losses to be recovered at the end of period	(3,952,085)	(1,724,507)

33. Operating income and operating costs

(1) Operating income and operating costs

Item	Jan-Jun 2015		Jan-Jun 2014	
	Income	Cost	Income	Cost
Principal activities	4,494,689	5,597,014	6,008,387	6,319,774
Other businesses	10,930	2,912	16,469	4,896
Total	4,505,619	5,599,926	6,024,856	6,324,670

Details of operating income:

	Jan-Jun 2015	Jan-Jun 2014
Revenue from principal activities		
– Sale of goods	4,490,659	5,973,894
– Rendering of labor service	4,030	19,190
– Construction contracts	–	15,303
Subtotal	4,494,689	6,008,387
Revenue from other business		
– Disposal of waste and obsolete materials	10,930	16,469
Total	4,505,619	6,024,856

Information on income, expenses and profit of principal activities have been included in note XI.1.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Non-operating income

(1) Non-operating income by item as set out below:

Item	Note	Jan-Jun 2015	Jan-Jun 2014	Included in the non-recurring profit or loss during January to June 2015
Gains on disposal of non-current assets		-	154	-
Including: Gains on disposal of fixed assets		-	154	-
Government grants	(2)	2,004	508,620	2,004
Others		105	282	105
Total		2,109	509,056	2,109

(2) Government grants

Item of grants	Jan-Jun 2015	Jan-Jun 2014	Related to asset/profit
Environmental relocation grants	-	506,983	Profit
Amortization of grants for environmental protection governance project	879	476	Asset
Amortization of grants for recycle heat electricity generation project	1,125	188	Asset
Others	-	973	Profit/Asset
Total	2,004	508,620	

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Non-operating expenses

Item	Jan-Jun 2015	Jan-Jun 2014	Included in the non-recurring profit or loss during January to June 2015
Losses on disposal of fixed assets	-	-	-
External donations	-	200	-
Others	6,359	1	6,359
Total	6,359	201	6,359

36. Income tax expenses

Item	Jan-Jun 2015	Jan-Jun 2014
Tax expense for the current period based on tax law and corresponding regulations	41	21
Changes in deferred income tax	-	-
Total	41	21

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. 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 Company's weighted average number of ordinary shares outstanding:

	Jan-Jun 2015	Jan-Jun 2014
Consolidated net profit attributable to ordinary shareholders of the Company ("()" denotes losses)	(2,227,578)	(945,237)
The Company's weighted average number of issued ordinary shares outstanding ('000 shares)	4,436,023	4,436,023
Basic earnings per share (RMB/share) ("()" denotes losses)	(0.502)	(0.213)

(2) Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the Company as adjusted by the dilutive potential ordinary shares by the Company's weighted average number of issued ordinary share outstanding. During January to June 2015, the Company had nil dilutive potential ordinary shares (January to June 2014: nil), and therefore, the diluted earnings per share was the same as the basic earnings per share.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Relevant Information on cash flow statement

(1) Supplemental information on cash flow statement

(a) Reconciliation of net profit to cash flow from operating activities:

Supplemental information	Jan-Jun 2015	Jan-Jun 2014
Net profit (“()” denotes net losses)	(2,227,545)	(945,237)
Add: Impairment provisions for assets	–	–
Depreciation of fixed assets	592,871	508,912
Amortization of intangible assets	30,931	32,137
Losses on disposal of fixed assets “()” denotes gains)	–	(154)
Finance costs (“()” denotes income)	620,728	602,018
Decrease in inventories (“()” denotes additions)	(77,841)	(336,329)
Decrease in operating receivables “()” denotes increase)	126,020	92,099
Increase in operating payables “()” denotes decrease)	189,776	1,256,237
Increase in safety production fees	–	(342)
Decrease in restricted cash “()” denotes increase)	13,731	346,683
Net cash flow from operating activities	(731,329)	1,556,024

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Relevant Information on cash flow statement (Continued)

(1) Supplemental information on cash flow statement (Continued)

(b) Changes in cash and cash equivalents:

	Jan-Jun 2015	Jan-Jun 2014
Cash at the end of the period	355,528	456,416
Less: Cash at the beginning of the year	146,148	519,061
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 ("()" denotes decrease)	209,380	(62,645)

(2) Components of cash and cash equivalents

Item	Jan-Jun 2015	Jan-Jun 2014
Cash	355,528	456,416
Including: Cash on hand	820	429
Bank deposits readily available for payments	353,799	455,207
Other monetary fund readily available for payments	909	780
Cash equivalents	–	–
Balance of cash and cash equivalents at the end of the period	355,528	456,416
Including: Restricted cash and cash equivalent of the Company and subsidiaries of in the Group	–	–

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Assets with restricted ownership or right of use

Item	Note	Opening balance	Additions for the period	Reductions for the period	Closing balance	Reason for restriction
Cash at bank and on hand	V.1	1,100,430	1,011,566	1,025,297	1,086,699	Frozen/collateral
Fixed assets		9,355,062	–	207,733	9,147,329	Security of borrowing
Intangible assets		2,642,682	–	32,941	2,609,741	Security of borrowing
Fixed assets	V.9(3)	2,703,100	–	65,314	2,637,786	Leased under finance lease
Construction in progress	V.10(3)	287,678	–	–	287,678	Leased under finance lease
Total		16,088,952	1,011,566	1,331,285	15,769,233	

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VI. CHANGE OF CONSOLIDATION SCOPE

1. Acquiring subsidiaries through establishment

Three new subsidiaries, Guizhou Chonggang, Chonggang Materials and Xi'an Chonggang, have been newly set up by the Group during the period and newly included under the scope of consolidation.

Full name of subsidiary	Type of the subsidiary	Place of registration	Legal representative	Business nature	Registered capital	Business scope	Balance of other items which effectively constitute net		Shareholding percentage	Voting rights	Consolidated	Amount of minority interest offsetting		Term of operation
							Actual capital contributed at the period end	Investment in the subsidiary				Minority interest at the end of the year	profit or loss of minority interest during the year	
Guizhou Chonggang	Limited liability company	Guiyang, Guizhou Province	Zhang Tao	Trading of metal products	10,000	Sale of metal and metal products, machinery equipment, electronic products, power cable, coal, ore products, special equipment for environmental pollution governance, steel wire	-	-	100%	100%	Yes	-	-	23/12/2014 with a permanent term
Chonggang Materials	Limited liability company	Chongqing	Peng Tongqing	Trading of metal products	10,000	Sale of metal materials, metal products, mineral products, chemical raw materials and products, construction materials, refractory materials, general machinery and equipment and parts and components; freight agency; processing of metal structures	-	-	100%	100%	Yes	-	-	20/01/2015 with a permanent term
Xi'an Chonggang	Limited liability company	Xi'an, Shanxi Province	Ye Jianping	Trading of metal products	10,000	Wholesaling of metal materials, metal products, rubber products, chemicals raw materials and products, hardware and electrical materials, electronic products, telecommunication devices, technical and electrical equipment, building materials, decoration materials, clothes and accessories, furniture and home appliances, daily commodity	-	-	100%	100%	Yes	-	-	23/01/2015 with a permanent term

Notes to the financial statements (Continued)

(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 subsidiary	Principal place of business	Place of registration	Business nature	Registered capital	Shareholdings (or similar equity interest) (%)		Acquisition method	Term of operation
					Direct	Indirect		
San Feng Steel	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Steel Processing and Distribution	70,000	73%	–	Establishment	23/05/2011 with a permanent term
East China Trading	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Trading of metal products	50,000	100%	–	Establishment	06/07/2012 to 05/07/2062
Guizhou Chonggang	Guiyang, Guizhou Province	Guiyang, Guizhou Province	Trading of metal products	10,000	100%	–	Establishment	23/12/2014 with a permanent term
Chonggang Materials	Chongqing	Chongqing	Trading of metal products	10,000	100%	–	Establishment	20/01/2015 with a permanent term
Xi'an Chonggang	Xi'an, Shaanxi Province	Xi'an Shaanxi Province	Trading of metal products	10,000	100%	–	Establishment	23/01/2015 with a permanent term

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Information on the parent company of the Company

Name of parent company	Place of registration	Business nature	Registered capital (RMB'000)	Shareholding percentage of parent company in the company (%)	Percentage of voting rights of parent company in the company (%)	Ultimate controlling party of the Company
Chongqing Iron & Steel Group	Chongqing	Sintering, iron smelting, steel smelting and rolling and the by-products of iron and steel, mining and processing, machinery, electronic, construction, transportation by automobile, refractory materials	1,650,706	47.27%	47.27%	State-owned Assets Supervision and Administration Commission of Chongqing

None of the Company's parent Company and the ultimate controlling party's financial statements are publicly available.

2. Information on the subsidiaries of the Company

For particulars on the subsidiaries of the Company, see note VII.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

3. Information on other related parties

Name of other related parties	Related party relationship
Chongqing Iron & Steel Group Electronics Company limited ("Electronic Company")	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Transportation Company limited ("Transportation Company")	Under common control of Chongqing Iron & Steel Group
San Feng Logistics	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Export and Import Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Yingsite Mould Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Mining Company Limited ("Mining Company")	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Iron Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Steel Pipe Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Refractory Materials Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Doorlead Realty Company Limited("Doorlead Realty")	Under common control of Chongqing Iron & Steel Group
Chongqing San Gang Steel Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Si Gang	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Design and Research Institute	Under common control of Chongqing Iron & Steel Group
Chongqing Sanhuan Construct Supervision Consultant Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group San Feng Industrial Company Limited ("San Feng Industrial")	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Xingang Loading and Transportation Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group Industrial Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Donghua Special Steel Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Research Institute	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel Group TV	Under common control of Chongqing Iron & Steel Group
Chongqing Wuxia Mining Industry Incorporated Company	Under common control of Chongqing Iron & Steel Group
Chongqing Huanya Construction Materials Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Hongfa Real Estate Development Company	Under common control of Chongqing Iron & Steel Group
Chongqing Iron & Steel (Hong Kong) Company Limited ("Chonggang HK")	Under common control of Chongqing Iron & Steel Group
Chongqing Sanfeng Huashen Steel Structure Engineering Company Limited	Under common control of Chongqing Iron & Steel Group
Chongqing Chonggang Mining Exploitation and Investment Company Limited ("Chonggang Mining Exploitation and Investment")	Under common control of Chongqing Iron & Steel Group
Chongqing Mining Investment Overseas Company Limited	Under joint control of Chongqing Iron & Steel Group
Chongqing Xin Gang Chang Long Logistics Company Limited	Under joint control of Chongqing Iron & Steel Group
Asia Iron & Steel Shareholding Co., Ltd	Under joint control of Chongqing Iron & Steel Group

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions

(1) Purchase of goods (excluding remuneration of key management personnel)

(a) The Group

Related party	Nature of transaction	Jan-Jun 2015	Jan-Jun 2014
Mining Company	Ore and accessories	544,597	1,232,278
Chonggang HK (note (i))	Ore and Coal	528,612	1,359,129
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Energy	143,903	177,740
Chongqing Iron & Steel Group Iron Company Limited	Pig iron	35,856	-
Chongqing Iron & Steel Group Design and Research Institute	Fixed assets	17,525	-
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Fixed assets and scrap steel	17,451	4,401
Chongqing Wuxia Mining Industry Incorporated Company	Coal	17,295	72,682
San Feng Industrial	Meters, accessories and energy	8,067	8,435
Electronic Company	Accessories	6,561	-
Chongqing Iron & Steel Group Industrial Company Limited	Energy and scrap steel	3,385	22,349
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	Accessories	996	555
Chongqing Iron & Steel Research Institute	Alloy and accessories	807	509
Chongqing Iron & Steel Group Refractory Materials Company Limited	Refractory materials	-	293
Others		7,268	606
Total		1,332,323	2,878,977

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(1) Purchase of goods (excluding remuneration of key management personnel) (Continued)

(b) The Company

Related party	Nature of transaction	Jan-Jun 2015	Jan-Jun 2014
Chongqing Iron & Steel Group Mining Company Limited	Ore and accessories	544,597	1,232,278
Chonggang HK	Ore and Coal	528,612	1,359,129
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Energy	143,903	177,733
Chongqing Iron & Steel Group Iron Company Limited	Pig iron	35,856	-
Chongqing Iron & Steel Group Design and Research Institute	Fixed assets	17,525	-
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Fixed assets and scrap steel	17,451	4,401
Chongqing Wuxia Mining Industry Incorporated Company	Coal	17,295	72,682
San Feng Industrial Electronic Company	Meters, accessories and energy	8,067	8,391
Chongqing Iron & Steel Group Industrial Company Limited	Accessories	6,561	6,508
Chongqing Iron & Steel Group Industrial Company Limited	Energy and scrap steel	3,385	22,349
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	Accessories	996	555
Chongqing Iron & Steel Research Institute	Alloy and accessories	807	509
Chongqing Iron & Steel Group Refractory Materials Company Limited	Refractory materials	-	293
Others		7,268	8,644
Total		1,332,323	2,893,472

- (i) During January to June 2015, Chonggang HK purchased ore from third party on behalf of the Company of RMB528,612 thousand (Jan-Jun 2014: RMB1,359,129 thousand). The agency service fee charged to the Company during the period is RMB2,228 thousand (Jan-Jun 2014: RMB5,194 thousand).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(1) Purchase of goods (excluding remuneration of key management personnel) (Continued)

(b) The Company (Continued)

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the above mentioned transactions constitute related party transactions or continuing related party transactions.

The considerations for raw materials and parts and components purchased from related parties are determined with reference to the considerations of similar transactions entered into between the related party and other third parties or on cost-plus basis, or tender price of suppliers. The considerations for fixed assets and construction-in-progress purchased from related party or undertaken by related party for construction are determined with reference to the tender price of the suppliers.

(2) Sale of goods

(a) The Group

Related party	Nature of transaction	Jan-Jun 2015	Jan-Jun 2014
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Energy and accessories	115,312	148,115
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Steel products and energy	53,519	8,202
Mining Company	Energy and accessories	22,784	40,112
Chongqing Iron & Steel Group Steel Pipe Company Limited	Steel products	4,410	14,336
Chongqing Iron & Steel Group Industrial Company Limited	Steel products and energy	4,203	5,658
San Feng Industrial	Energy and accessories	977	-
Chongqing Iron & Steel Group	Energy and accessories	80	3,549
Chongqing San Gang Steel Company Limited	Steel products and energy	-	6,766
Others		2,647	2,318
Total		203,932	229,056

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(2) Sale of goods (Continued)

(b) The Company

Related party	Substance of related party transaction	Jan-Jun 2015	Jan-Jun 2014
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Energy and accessories	115,312	148,072
East China Trading (note (i))	Steel products	80,492	771,471
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Steel products and energy	53,519	8,066
Chonggang Materials (note (i))	Steel products	42,017	-
Mining Company	Energy and accessories	22,784	39,855
Guizhou Chonggang (note (i))	Steel products	13,265	-
Chongqing Iron & Steel Group Steel Pipe Company Limited	Steel products	4,410	14,336
Chongqing Iron & Steel Group Industrial Company Limited	Steel products and energy	4,203	4,289
Xi'an Chonggang (note (i))	Steel products	1,412	-
San Feng Industrial	Energy and accessories	977	-
Chongqing Iron & Steel Group	Energy and accessories	80	-
Chongqing San Gang Steel Company Limited	Steel products and energy	-	6,762
Others		2,647	2,664
Total		341,118	995,515

- (i) In the first half of 2015, the Company sold steel products of RMB80,492 thousand (2014: RMB771,471 thousand) to third parties through East China Trading, and sold steel products of RMB42,017 thousand, RMB13,265 thousand and RMB1,412 thousand (2014: nil) to third parties through newly added subsidiaries Chonggang Materials, Guizhou Chonggang and Xi'an Chonggang, respectively.

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the above mentioned transactions constitute related party transactions or continuing related party transactions.

The considerations for sales to related parties are determined with reference to the prices charged by the Company to other third parties or as stipulated by the competent authorities of the Chongqing municipal government.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(3) Related party leases

During January to June 2015, the Group's rental payment in respect of lands and office buildings leased from Chongqing Iron & Steel Group and its subsidiaries amounted to RMB294 thousand in aggregate (January to June 2014: RMB375 thousand).

During January to June 2015, the Company's rental payment in respect of office buildings leased from Chongqing Iron & Steel Group and its subsidiaries amounted to RMB294 thousand in aggregate (January to June 2014: RMB294 thousand).

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the above mentioned transactions constitute related party transactions or continuing related party transactions.

The rental payments paid to Chongqing Iron & Steel Group are determined in accordance with the lease agreement entered into by the Group and its subsidiaries and Chongqing Iron & Steel Group.

(4) Related party guarantee:

(a) The Group and the Company as the guarantor

Guaranteed party	Amount of guarantee	Inception date of guarantee	Maturity date of guarantee	Whether the guarantee had been completely performed
San Feng Logistics (i)	829,293	17/04/2012	30/08/2024	No

(i) As at 30 June 2015, the bank borrowings and finance leases of San Feng Logistics amounted to RMB829,293 thousand were guaranteed by the Company (2014: RMB851,631 thousand).

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the above mentioned transactions constitute related party transactions or continuing related party transactions.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(4) Guarantee (Continued)

(b) The Group and the Company as the guaranteed parties

Guarantor	Amount of guarantee	Inception date of guarantee	Maturity date of guarantee	Whether the guarantee had been completely performed
Chongqing Iron & Steel Group (i)	4,544,780	26/09/2010	04/05/2020	No
Jointly guaranteed by Chongqing Iron & Steel Group and Sanfeng Industry (i)	305,680	30/06/2015	30/06/2016	No
Jointly guaranteed by Chongqing Iron & Steel Group and Yufu (i)	8,341,705	20/09/2012	20/09/2022	No
Jointly guaranteed by Chongqing Iron & Steel Group and Sanfeng Industry	244,760	30/06/2014	23/06/2015	Yes

(i) As at 30 June 2015, the Company's short-term bank borrowings and long-term bank borrowings (including long-term borrowings due within one year) in the amount of RMB2,712,240 thousand and RMB1,614,041 thousand, respectively, were solely guaranteed by Chongqing Iron & Steel Group, short-term bank borrowings in the amount of RMB305,680 thousand were jointly guaranteed by Chongqing Iron & Steel Group and Sanfeng Industry, long term bank borrowings (including long-term borrowings due within one year) in the amount of RMB8,341,705 thousand were jointly guaranteed by Chongqing Iron & Steel Group and Yufu. (2014: short-term bank borrowings and long-term bank borrowings (including long-term borrowings due within one year) in the amount of RMB2,313,840 thousand and RMB1,376,457 thousand, respectively, were solely guaranteed by Chongqing Iron & Steel Group, short-term bank borrowings in the amount of RMB244,760 thousand were jointly guaranteed by Chongqing Iron & Steel Group and Sanfeng Industry, long term bank borrowings (including long-term borrowings due within one year) in the amount of RMB8,412,380 thousand were jointly guaranteed by Chongqing Iron & Steel Group and Yufu).

Debts under the finance lease agreements between the Company and several finance leasing companies (please refer to note V.23(4), V.26(1)) owed in the amount of RMB218,499 thousand were solely guaranteed by Chongqing Iron & Steel Group (2014: debts of RMB356,620 thousand were solely guaranteed by the Chongqing Iron & Steel Group. Debts of RMB257,721 thousand were jointly guaranteed by the Chongqing Iron & Steel Group and Yufu). The scope of guarantee offered to these debts includes but not limited to overdue rent, default liquidated damages, agreed damages (if applicable) and other payables.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(5) Inter-related party capital lending

The Group and the Company

Related party	Opening balance	Amount borrowed	Repaid during the period	Closing balance	Inception date	Maturity date	Remarks
Chonggang Mining Exploitation and Investment	300,000	-	-	300,000	24/06/2015	23/12/2015	All interest rates of the borrowings are benchmark lending interest rates
Chonggang Mining Exploitation and Investment	-	800,000	-	800,000	15/02/2015	14/02/2016	interest rates of People's Band of China prevailing at the agreed term of borrowing
Chongqing Iron & Steel Group	21,174	-	21,174	-	04/09/2014	03/09/2015	
Chongqing Iron & Steel Group	-	300,000	-	300,000	16/06/2015	15/06/2016	
Chongqing Iron & Steel Group	-	300,000	-	300,000	19/06/2015	18/06/2016	
Doorlead Realty	-	118,654	-	118,654	29/06/2015	28/06/2016	
Total	321,174	1,518,654	21,174	1,818,654			

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the above mentioned transactions constitute related party transactions or continuing related party transactions.

(6) Rendering of labor service

(a) The Group

	Note	Jan-Jun 2015	Jan-Jun 2014
Revenue from supporting services	(i)	331	5,656

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(6) Rendering of labor service (Continued)

(b) The Company

	Note	Jan-Jun 2015	Jan-Jun 2014
Revenue from supporting services	(i)	331	624

(i) Revenue from supporting services received were mainly internal individual lease services provided to Chongqing Iron & Steel Group and its subsidiaries. The considerations were determined with reference to the cost-plus pricing agreed with Chongqing Iron & Steel Group for the provision of such services.

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the above mentioned transactions constitute related party transactions or continuing related party transactions.

(7) Receiving labor services

(a) The Group

	Note	Jan-Jun 2015	Jan-Jun 2014
Expenses paid for supporting services	(i)	215,418	242,965
Total		215,418	242,965

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(7) Receiving labor services (Continued)

(b) The Company

	Note	Jan-Jun 2015	Jan-Jun 2014
Expenses paid for supporting services	(i)	215,418	396,259
Total		215,418	396,259

(i) Expenses paid for supporting services were mainly transportation fee, environmental protection fee, repair fee, technical and engineering work installation fee, import and export agency fee and other labor expenses payable to Chongqing Iron & Steel Group and its subsidiaries. The prices of these services were determined with reference to the market price of these services or the agreed cost-plus pricing for the provision of these services, or prices stipulated by the competent authorities of the Chongqing municipal government.

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the above mentioned transactions constitute related party transactions or continuing related party transactions.

(8) Remuneration of key management personnel

The Group

Item	Jan-Jun 2015	Jan-Jun 2014
Remuneration of key management personnel	1,175	1,267

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(9) Other related party transactions

- (a) The Company has joined the supplementary pension insurance plan implemented by Chongqing Iron & Steel Group and paid supplementary pension insurance premium. The total pension insurance premium of the Company is calculated and contributed on the basis of the salary paid during the year and the basic pension insurance premium contribution percentage as stipulated by the State, in which, after deducting the basic pension insurance premium payable to the social security authorities, the remaining balance is passed on to Chongqing Iron & Steel Group as the supplementary pension insurance premium for retired employees of the Company for centralized administration, and in turn, Chongqing Iron & Steel Group will pay relevant supplementary pension to the retired employees of the Company. Pursuant to an agreement related to the entrusted administration of the retired personnel signed by the Company and Chongqing Iron & Steel Group, the Company shall pay supplementary pension insurance premium to Chongqing Iron & Steel Group, and the retired personnel of the Company is entitled to supplementary pension treatment. Supplementary pension paid by Chongqing Iron & Steel Group to the retired personnel of the Company include: expenses such as “food basket” allowance, utilities allowance, tenure-based salary, birthday allowance, living expenses for dependents of deceased retired employees, Chinese new year gift money. The above expenses are funded by the supplementary pension insurance premium paid by the Company to Chongqing Iron & Steel Group, with shortfalls borne by Chongqing Iron & Steel Group.

The Company passes on the supplementary medical insurance premium as provided for according to the relevant requirements to Chongqing Iron & Steel Group, and administered centrally by Chongqing Iron & Steel Group for the payment of medical expenses of the Company's employees with heavy individual financial burdens and retired personnel.

The Company passes on the labor union fee calculated according to the relevant requirements to Chongqing Iron & Steel Group, and administered centrally by Chongqing Iron & Steel Group for the payment of the operation expenses of the labor union of the Company.

During January to June 2015, the above supplementary pension insurance premium, supplementary medical insurance premium and part of the labor union fee passes on by the Company to Chongqing Iron & Steel Group for centralized administration amounted to RMB17,840 thousand in aggregate (January to June 2014: RMB24,122 thousand).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on related party transactions (Continued)

(9) Other related party transactions (Continued)

(a) (Continued)

Pursuant to the “Reply on Request from Chongqing Iron & Steel (Group) Co., Ltd. for the Separate Contribution of Medical Insurance Premium” issued by the Chongqing Medical Insurance Management Center in October 2008, the separate administration of medical insurance premium of the Company and Chongqing Iron & Steel Group is not advisable for the time being. According to the “Agreement on the Representative Collection and Payment of Basic Medical Insurance” and the “Agreement on the Representative Collection and Payment of Large Amount Medical Insurance” entered into between the Company and Chongqing Iron & Steel Group, the Company’s basic medical insurance and large amount medical insurance are calculated and passed on to Chongqing Iron & Steel Group on the basic salary paid during the year and the percentage as stipulated by the State, and in turn paid by Chongqing Iron & Steel Group to the Medical Insurance Management Center on behalf of the Company. During January to June 2015, the basic medical insurance premium and the large amount medical insurance premium collected and paid by the Company through Chongqing Iron & Steel Group amounted to RMB43,285 thousand (January to June 2014: RMB40,630 thousand). Chongqing Iron & Steel Group has not charged any handling fee for the above transactions.

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the above mentioned transactions constitute related party transactions or continuing related party transactions.

- (b) During January to June 2015, the Company received RMB433 thousand of deductible input VAT in relation to the assets under the material assets reorganization, which exceeded the agreed amount between the Company and Chongqing Iron & Steel Group, the Company included it in the capital reserve as a non-cash asset donation from Chongqing Iron & Steel Group to the Company.

Under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the above mentioned transactions constitute related party transactions.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Receivables from and payables to related parties

(1) Accounts receivable

(a) The Group

Related party	Closing balance	Opening balance
Chongqing Iron & Steel Group Construction and Engineering Company Limited	66,966	-
Chongqing Iron & Steel Group Industrial Company Limited	12,250	10,442
San Feng Industrial	9,931	4,801
Chongqing Iron & Steel Group Yingsite Mould Company Limited	2,756	2,756
Chongqing Iron & Steel Group Steel Pipe Company Limited	662	1,871
Chongqing San Gang Steel Company Limited	-	137
Others	3,885	9
Sub-total	96,450	20,016
Less: Bad debt provision	2,756	2,756
Total	93,694	17,260

(b) The Company

Related party	Closing balance	Opening balance
Chongqing Iron & Steel Group Construction and Engineering Company Limited	66,966	-
Chongqing Iron & Steel Group Industrial Company Limited	12,250	10,442
San Feng Industrial	9,931	4,801
Chongqing Iron & Steel Group Yingsite Mould Company Limited	2,756	2,756
Chongqing Iron & Steel Group Steel Pipe Company Limited	662	1,871
Chongqing San Gang Steel Company Limited	-	137
Others	3,674	9
Sub-total	96,239	20,016
Less: Bad debt provision	2,756	2,756
Total	93,483	17,260

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Receivables from and payables to related parties (Continued)

(2) Accounts prepayments

The Group and the Company

Related party	Closing balance	Opening balance
San Feng Industrial	1,700	6,609
Chongqing Iron & Steel Group Export and Import Company Limited	8	8
Total	1,708	6,617

(3) Other non-current assets

The Group

Related party	Closing balance	Opening balance
San Feng Logistics	61,399	59,020

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Receivables from and payables to related parties (Continued)

(4) Accounts payables

(a) The Group

Related party	Closing balance	Opening balance
Chongqing Iron & Steel Group Mining Company	1,194,151	959,975
Chongqing Iron & Steel Group Construction and Engineering Company Limited	486,624	516,561
Chonggang HK	424,247	471,408
Chongqing Iron & Steel Group Design and Research Institute	230,512	352,760
Chongqing Sanhuan Construct Supervision Consultant Company Limited	133,318	142,344
Electronic Company	44,827	47,827
San Feng Logistics	11,720	10,888
Others	–	2,492
	548	643
Total	2,525,947	2,504,898

(b) The Company

Related party	Closing balance	Opening balance
Chongqing Iron & Steel Group Mining Company	1,194,151	959,975
Chongqing Iron & Steel Group Construction and Engineering Company Limited	486,624	516,561
Chonggang HK	424,247	471,408
Chongqing Iron & Steel Group Design and Research Institute	230,512	352,760
Chongqing Sanhuan Construct Supervision Consultant Company Limited	133,318	142,344
East China Trading	44,827	47,827
Electronic Company	57,643	45,487
Guizhou Chonggang	11,720	10,888
Xi'an Chonggang	11,357	–
Others	398	–
	554	643
Total	2,595,351	2,547,893

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Receivables from and payables to related parties (Continued)

(5) Receipts in advance

The Group and the Company

Related party	Closing balance	Opening balance
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	584,498	–
Others	7	–
Total	584,505	–

(6) Other payables

(a) The Group

Related party	Closing balance	Opening balance
Chongqing Iron & Steel Group	2,233,516	1,606,660
Chongqing Chonggang Mining Exploitation and Investment	1,100,000	300,000
Chongqing Iron & Steel Group Doorlead Realty Company Limited	118,654	–
Chongqing Donghua Special Steel Company Limited	20,658	20,658
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	5,525	166,463
Transportation Company	4,707	6,686
Chongqing Sanhuan Construct Supervision Consultant Company Limited	4,656	4,713
San Feng Logistics	3,622	6,123
Chongqing Xin Gang Chang Long Logistics Company Limited	–	5,071
Chongqing Iron & Steel Group Industrial Company Limited	–	3,734
Others	732	653
Total	3,492,070	2,120,761

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Receivables from and payables to related parties (Continued)

(6) Other payables (Continued)

(b) The Company

Related party	Closing balance	Opening balance
Chongqing Iron & Steel Group	2,233,516	1,606,660
Chongqing Chonggang Mining Exploitation and Investment	1,100,000	300,000
Chongqing Iron & Steel Group Doorlead Realty Company Limited	118,654	–
Chongqing Donghua Special Steel Company Limited	20,658	20,658
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	5,525	166,463
Transportation Company	4,707	6,686
Chongqing Sanhuan Construct Supervision Consultant Company Limited	4,656	4,713
San Feng Logistics	2,116	4,623
Chongqing Xin Gang Chang Long Logistics Company Limited	–	5,071
Chongqing Iron & Steel Group Industrial Company Limited	–	3,734
Others	727	998
Total	3,490,559	2,119,606

(7) Bills payable

The Group and the Company

Related party	Closing balance	Opening balance
San Feng Logistics	–	2,000
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	–	247,000
Total	–	249,000

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Receivables from and payables to related parties (Continued)

(8) Interest payables

The Group and the Company

Related party	Closing balance	Opening balance
Chonggang Mining Exploitation and Investment	39,851	16,987
Chongqing Iron & Steel Group	298	–
Total	40,149	16,987

(9) *The balances between the Group and the Company and the related parties are unsecured, unguaranteed and without fixed repayment term.*

IX. CAPITAL MANAGEMENT

The Group's primary objectives of capital management 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 ensuring access to finance at reasonable finance costs.

The Group defines "capital" as shareholders equity less unrecognized proposed dividends distributions. The Group's capital excludes balances of related party transactions.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and returns to shareholders. Factors taken into account by the Group 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 where changes develops in economic conditions and affects the Group.

The Group's capital structure is monitored by an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes short-term borrowings and long-term borrowings, bonds payable, and finance lease payables) plus unrecognized proposed dividends distributions, less related-party loans with no fixed repayment terms and cash and cash equivalents.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. CAPITAL MANAGEMENT (Continued)

The adjusted net debt-to-capital ratio is as follows:

	Note	The Group		The Company	
		Closing balance	Opening balance	Closing balance	Opening balance
Current liabilities					
Short-term borrowings	V.15	3,272,920	2,883,600	3,272,920	2,883,600
Long-term borrowings due within one year	V.23(2)	1,575,746	749,224	1,575,746	749,224
Finance leases payables due within one year	V.23(4)	648,502	912,353	648,502	912,353
Bonds payables due within one year	V.23(3)	1,984,982	1,982,113	1,984,982	1,982,113
Sub-total		7,482,150	6,527,290	7,482,150	6,527,290
Non-current liabilities					
Long-term borrowings	V.25	9,212,500	9,909,613	9,212,500	9,909,613
Finance leases payables	V.26	14,766	222,407	14,766	222,407
Sub-total		9,227,266	10,132,020	9,227,266	10,132,020
Total debt		16,709,416	16,659,310	16,709,416	16,659,310
Add: Proposed dividends distribution	V.32	-	-	-	-
Less: Cash and cash equivalents	V.1	355,528	146,148	361,866	138,168
Adjusted net debt		16,353,888	16,513,162	16,347,550	16,521,142
Shareholders' equity		7,766,014	9,993,126	7,746,159	9,971,463
Less: Proposed dividends distribution	V.32	-	-	-	-
Adjusted capital		7,766,014	9,993,126	7,746,159	9,971,463
Adjusted net debt-to-capital ratio		2.11	1.65	2.11	1.66

None of the Company and its subsidiaries are subject to externally imposed mandatory capital requirements.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Item	Closing balance	Opening balance
Contracted large amount outsourcing contracts performing or preparing to perform	3,441,154	4,300,495
Large amount outsourcing contracts authorized but not contracted for	189,216	275,108
Contracted finance leases contracts performing or preparing to perform	801,639	1,508,367
Total	4,432,009	6,083,970

2. Contingencies

(1) Contingent liabilities

Contingent liabilities derived from external guarantee

As at 30 June 2015, the Company had nil guarantee provided for the debts of its subsidiaries (2014: Nil). The guaranties for the bank loans and finance lease of San Feng Logistics provided by the Company amounted to RMB829,293 thousand (2014: RMB851,631 thousand).

The directors of the Company considered that the Company will not assume any risk for such guarantees.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XI. OTHER MATERIAL EVENTS

1. Segment reporting

The Group determined three reportable segments, which are iron and steel business, electronic engineering design and installation business and logistics business, based on the its internal organization and structure, management requirements and internal reporting system. Each reportable segment is a separate business segment which offers different products. As each segment requires separate management for their assessment requirement of different technology and marketing strategies. The financial information of different segments is regularly reviewed by the Group's management to decide upon resources to be allocated to each segment and for performance. Prices for intra-segmental transfers are determined with reference to the prices adopted in sales to third parties, expenses indirectly attributable to each segment are allocated among segments according to the respective percentage of revenue.

(1) **Information on profit or loss and assets and liabilities of reporting segments**

For the purpose of assessing the segmental results of and allocating resources to each segment, the management of the Group regularly reviews the segmental assets, liabilities, revenue, expenses and operating results attributable to each segment, the basis of preparing these information are set out as below:

Segment assets include all tangible assets, intangible assets, other long-term assets and current assets such as receivables, but exclude deferred income tax assets and other unallocated total assets attributable to each segment. Segment liabilities include payables, receipts in advance and bank borrowings attributable to each segment.

Segmental operating results refer to net amount of the total revenue generated by each segment (include revenue from external transactions and revenue from intra-segmental transactions) less expenses incurred by each segment, depreciation and amortization and impairment loss incurred by the assets attributable to each segment, net interest expenses derived from bank deposits and bank borrowings directly attributable to a particular segment. The pricing of intra-segmental revenue transfer is calculated on terms similar to other external transactions. The Group does not allocate non-operating income and expenses and income tax expenses to each segment.

The information of each reporting segment of the Group disclosed below are the information applied by the management of the Group in measuring the profit(loss), assets and liabilities of the reporting segments, or information that has not been applied but regularly provided to the management of the Group.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XI. OTHER MATERIAL EVENTS (Continued)

1. Segment reporting (Continued)

(2) Information on profit or loss and assets and liabilities of the main segments during January to June 2015 of the Group is set out as below:

Item	Iron and steel segment		Electronic engineering design and installation segment		Logistics, distribution and processing segment		Intra-segmental eliminations		Total	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue from external transactions	4,477,340	5,990,126	-	16,378	28,279	18,352	-	-	4,505,619	6,024,856
Revenue from intra-segmental transactions	119,852	233	-	56,625	-	31,504	(119,852)	(88,362)	-	-
Investment income from associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Assets less impairment losses for the current period	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization charges	623,664	537,436	-	452	20	3,161	-	-	623,684	541,049
Interest income from bank deposits	12,366	12,380	-	5	15	2	-	-	12,381	12,387
Interest expense	626,918	485,916	-	-	-	-	-	-	626,918	485,916
Total profit	(2,226,391)	(928,221)	-	6,082	162	(12,711)	(1,275)	(10,366)	(2,227,504)	(945,216)
Income tax charges	-	6	-	15	41	-	-	-	41	21
Net profit	(2,226,391)	(928,227)	-	6,067	121	(12,711)	(1,275)	(10,366)	(2,227,545)	(945,237)
Total assets	46,506,619	48,260,119	-	81,207	75,845	172,901	(169,074)	(219,453)	46,413,390	48,294,774
Total liabilities	38,710,507	39,295,223	-	21,075	4,944	90,657	(68,075)	(104,594)	38,647,376	39,302,361

During January to Jun 2015, all revenue from external transaction obtained by the Group were derived in China (2014: China).

As of 30 June 2015, the Group had nil (2014: nil) non-current assets possessed overseas.

(3) Largest customers

Among all customers of the Group, the Group has no customer from whom the revenue derived accounted for 10% or more of the total revenue of the Group (2014: 1, accounted for 17% of the total revenue of the Group).

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII. NOTES TO KEY ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) *Set out below are accounts receivable by customer type:*

Type	Note	Closing balance	Opening balance
Third party		694,283	566,510
Related party	VIII.5(1)	96,239	20,016
Sub-total		790,522	586,526
Less: Bad debt provision		146,364	146,364
Total		644,158	440,162

(2) *The ageing analysis of accounts receivable is as follows:*

Age	Closing balance	Opening balance
Within 1 year (first year inclusive)	645,851	284,456
1 to 2 years (second year inclusive)	4,393	7,501
2 to 3 years (third year inclusive)	8,137	53,127
Over 3 years	132,141	241,442
Sub-total	790,522	586,526
Less: Bad debt provision	146,364	146,364
Total	644,158	440,162

The age is calculated from the date of recognition of accounts receivable.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII. NOTES TO KEY ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

(Continued)

1. Accounts receivable (Continued)

(3) Accounts receivable by category:

Category	Note	Closing balance					Opening balance				
		Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
		Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant accounts receivable for which bad-debt provision was separately made	(a)	153,935	20%	7,923	5%	146,012	153,935	27%	7,923	5%	146,012
Accounts receivable for which bad-debt provision was collectively made in groups with similar credit risk characteristics (*)											
Third party accounts receivable	(b)	540,348	68%	135,685	25%	404,663	412,575	70%	135,685	33%	276,890
Related party accounts receivable		93,483	12%	—	—	93,483	17,260	3%	—	—	17,260
Sub-total of group		633,831	80%	135,685	21%	498,146	429,835	73%	135,685	32%	294,150
Individually insignificant accounts receivable but for which bad-debt provision was separately made		2,756	0%	2,756	100%	—	2,756	0%	2,756	100%	—
Total		790,522	100%	146,364	19%	644,158	586,526	100%	146,364	25%	440,162

* This category includes accounts receivable that were not impaired upon separate impairment test.

(a) On 18 September 2013, Chongqing Si Gang entered into a composition of arrangement with Security Industry Group. On 31 March 2014, Chongqing SASAC replied and approved the transaction. The parties agreed that Security Industry Group will assume and continue to repay the RMB153,935 thousand of amount owed by Chongqing Si Gang to the Company. On 16 December 2014, Security Industry Group undertook to provide corresponding assets security to the Company as guarantee for repayment, subject to the transfer of relevant assets under the composition of arrangement. As of 30 June 2015, Security Industry Group has not paid the relevant amount as the relevant transfer procedures have not been completed. A provision of RMB7,923 thousand was made by the Company on the basis of the estimated present value of expected future cash flows of the accounts receivable.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII. NOTES TO KEY ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

(Continued)

1. Accounts receivable (Continued)

(3) Accounts receivable by category: (Continued)

- (b) Accounts receivable for which bad debt provision has been collectively made in groups using the aging analysis method:

Age	Book value	Bad debt provision	Provision percentage
Within 1 year			
Including: Within 3 months (third month inclusive)	380,025	–	–
4 months to 12 months (first year inclusive)	15,652	–	–
Sub-total — within 1 year	395,677	–	–
1 to 2 years (second year inclusive)	4,393	897	20%
2 to 3 year (third year inclusive)	8,137	2,647	33%
Over 3 years	132,141	132,141	100%
Total	540,348	135,685	25%

The Company determined the groups by nature of the accounts receivable.

(4) Five largest accounts receivable by debtor according to balance at the end of the period

The Company's five largest accounts receivable in terms of balance at the end of the period amounted to RMB409,822 thousand in aggregate, representing 52% of the total balance of accounts receivable at the end of the period, and the balance of the corresponding bad debt provision made at the end of the year was RMB7,923 thousand.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables

(1) *Other receivables analysed by customer type as follows:*

Customer type	Closing balance	Opening balance
The third parties	586,849	939,230
Sub-total	586,849	939,230
Less: Total bad debt provision	16,958	16,958
Total	569,891	922,272

(2) *The ageing analysis of other receivables is analysed as follows:*

Age	Closing balance	Opening balance
Within 1 year (first year inclusive)	549,446	900,350
1 to 2 years (second year inclusive)	1,289	2,847
2 to 3 years (third year inclusive)	3,213	3,233
Over 3 years	32,901	32,800
Sub-total	586,849	939,230
Less: Bad debt provision	16,958	16,958
Total	569,891	922,272

The age is calculated from the date of recognition of other receivables.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables (Continued)

(3) Other receivables disclosure by category:

Category	Closing balance					Opening balance				
	Book value		Bad debt provision		Carrying amount	Book value		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant other receivables for which bad-debt provision was separately made	15,827	3%	15,827	100%	-	15,827	2%	15,827	100%	-
Individually insignificant other receivables but for which bad-debt provision was separately made	1,131	0%	1,131	100%	-	1,131	0%	1,131	100%	-
Other receivables that were not impaired upon separate impairment test	569,891	97%	-	-	569,891	922,272	98%	-	-	922,272
Total	586,849	100%	16,958	3%	569,891	939,230	100%	16,958	2%	922,272

(4) Other receivables categorised by nature

Nature	Closing balance	Opening balance
Receivable of non-current assets disposal	519,590	875,076
Others	67,259	64,154
Sub-total	586,849	939,230
Less: Bad debt provision	16,958	16,958
Total	569,891	922,272

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables (Continued)

(5) Five largest other receivables by debtor according to balance at the end of the period

Name of debtor	Nature of the amount	Closing amount	Age	Percentage of the total other receivables at the end of the period (%)	Balance of bad debt provision at the end of period
Land Reserve center of Changshou Economic & Technological Development Zone	Receivables of non-current assets disposal	319,590	Within 1 year	54%	–
Chongqing Real Estate Group	Receivables of non-current assets disposal	200,000	Within 1 year	34%	–
Business associates 1*	Prepayments to be recovered	10,240	Over 3 years	2%	10,240
Business associates 2*	Court withholding amount	5,587	Over 3 years	1%	5,587
Business associates 3*	Engineering construction	1,131	Over 3 years	0%	1,131
Total		536,548		91%	16,958

* The impairment of these amounts have been fully provided for.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

(Continued)

3. Long-term equity investment

(1) Set out below are long-term equity investments by category:

Item	Closing Balance			Opening Balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	101,000	–	101,000	101,000	–	101,000

(2) Investments in subsidiaries:

Name of entity	Opening balance	Additions during the period	Reduction during the period	Closing balance	Impairment provided for during the period	Closing balance of impairment provision
San Feng Steel	51,000	–	–	51,000	–	–
East China Trading	50,000	–	–	50,000	–	–
Total	101,000	–	–	101,000	–	–

For information about the subsidiaries of the Company, refer to note VII.

Notes to the financial statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

(Continued)

4. Operating income and operating costs

(1) Operating income and operating costs

Item	Jan-Jun 2015		Jan-Jun 2014	
	Income	Costs	Income	Cost
Principal activities	4,266,945	5,374,035	5,972,102	6,298,652
Other activities	10,930	2,912	16,250	4,858
Total	4,277,875	5,376,947	5,988,352	6,303,510

Breakdown of operating income:

	Jan-Jun 2015	Jan-Jun 2014
Revenue from principal activities		
– Sale of goods	4,266,945	5,972,102
Revenue from other business		
– Disposal of waste and obsolete materials	10,930	16,250
Total	4,277,875	5,988,352

1. STATEMENT OF EXTRAORDINARY GAIN AND LOSS

Item	Jan-Jun 2015	Jan-Jun 2014
Profit or loss from disposal of non-current assets	–	154
Tax refund, reduction and exemption	–	–
Government grants include in profit or loss for the current period	2,004	508,620
Reversal of impairment provision of receivables under individual impairment test	–	–
Investment income	–	–
Other profit or loss item that satisfied the definition of non-recurring profit or loss	–	–
Other non-operating income and expenses other than the above items	(6,254)	81
Less: Effect of income tax	306	76,328
Total	(4,556)	432,527

Note: the above non-recurring profit and loss item are presented at its before tax amount.

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

The Group's return on net assets and earnings per share as calculated according to the "The Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.9 – Calculation and Disclosure of Net Asset Income Ratio and Each Share Profit" (revised 2010) are as follows:

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company ("()" denotes net loss)	(25.09%)	(0.502)	(0.502)
Net profit attributable to ordinary shareholders of the Company after non-recurring profit or loss ("()" denotes net loss)	(25.03%)	(0.501)	(0.501)

Documents Available for Inspection

1. A copy of interim report, containing the signature of the Chairman.
2. A copy of financial report, containing the signatures of and sealed by the person-in-charge of the Company, the person-in-charge of the accounting work and the person-in-charge of the accounting body.
3. Copies of all documents which publicly disclosed in the publications designated by the CSRC during the Reporting Period.
4. Copies of summary of interim report published in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and preliminary results announcement published on the website of Hong Kong Stock Exchange.

Chairman: Li Rensheng (acting Chairman)

Approved by the Board for reporting and submission: 27 August 2015