



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

ANNUAL REPORT

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IMPORTANT NOTICE

1. The board of directors (the "Board"), the supervisory committee, and directors, supervisors and senior management of the Company warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.
2. All directors of the Company attended Board meetings.
3. Pan-China Certified Public Accountants (special general partnership) issued a standard unqualified audit report for the Company.
4. Mr. Liu Da Wei, head of the Company, Mr. Tu De Ling, the Chief Financial Officer and Mr. Zhang Zhong Ming, the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the annual report.
5. The profit distribution proposal or proposal to transfer capital reserve to share capital for the reporting period as considered by the Board
The Board proposed neither to distribute profit for the Reporting Period nor to transfer the capital reserve to share capital.
6. Risk warning in respect of forward-looking statements
The forward-looking statements set out in this annual report such as future plans involve uncertainties and do not constitute the Company's substantial commitment to investors. Investors are advised to be aware of investment risks.
7. Is there any non-operational fund occupancy by the controlling shareholder or its related party?
No
8. Is there any provision of external guarantee by the Company in violation of the stipulated decision making procedure?
No
9. Major Risk Warning
No major risk warning issued during the Reporting Period.
10. Others
No

Definitions

I. 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	2015
RMB, RMB'000	RMB yuan, RMB thousand yuan

Company Profile and Major Financial Indicator

I. COMPANY INFORMATION

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

II. CONTACT INFORMATION

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

III. BASIC INFORMATION

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

Company Profile and Major Financial Indicator (Continued)

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for publishing annual reports	www.sse.com.cn
Place for inspection of annual reports	Secretariat of the Board of the Company

V. BASIC INFORMATION ABOUT THE SHARES OF THE COMPANY

Basic Information about the Shares of the Company

Class of shares	Place of listing	Abbreviated name	Stock code	Abbreviated name before change
A shares	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	/
H shares	The Stock Exchange of Hong Kong Limited	Chongqing Iron & Steel	1053	/

VI. OTHER RELATED INFORMATION

Auditor of the Company (domestic)	Name	Pan-China Certified Public Accountants (special general partnership)
	Office address	3F, Block B, Bld. 2, Fortune Park, Fortune Center, 13 Caifu Dadao, New North Zone, Chongqing
	Signing accountants	Zhang Kai, Huang Qiaomei
Auditor of the Company (international)	Name	Pan-China Certified Public Accountants (special general partnership)
	Office address	3F, Block B, Bld. 2, Fortune Park, Fortune Center, 13 Caifu Dadao, New North Zone, Chongqing
	Signing accountants	Zhang Kai, Huang Qiaomei

Company Profile and Major Financial Indicator (Continued)

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

(I) Major financial data

Unit: RMB'000

Major financial data	2015	2014	Increase/ decrease from last year (%)	2013
Operating income	8,350,022	12,245,057	-31.81	17,563,446
Net profit attributable to shareholders of the Company	-5,987,248	51,431	-11,741.32	-2,499,018
Net profit after extraordinary gain and loss attributable to shareholders of the Company	-9,302,935	-2,536,940	-266.70	-2,499,318
Net cash flow from operating activities	-1,678,179	2,796,783	-160.00	1,955,331

	At the end of 2015	At the end of 2014	Increase/ decrease at the end of the year from the end of last year (%)	At the end of 2013
Net assets attributable to shareholders of the Company	3,988,873	9,973,914	-60.01	9,917,303
Total assets	39,228,079	47,152,433	-16.81	48,045,977
Period-end total share capital	4,436,023	4,436,023	0	4,436,023

Company Profile and Major Financial Indicator (Continued)

VII. MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS *(Continued)*

(II) Major financial indicators

Major financial indicators	2015	2014	Increase/ decrease from last year (%)	2013
Basic earnings per share <i>(Yuan/share)</i>	-1.35	0.012	-11,350.00	-1.252
Diluted earnings per share <i>(Yuan/share)</i>	-1.35	0.012	-11,350.00	-1.252
Basic earnings per share after non-recurring profit and loss <i>(Yuan/share)</i>	-2.10	-0.572	-267.13	-1.253
Weighted average return on net assets (%)	-85.76	0.52	Reduction of 86.28 percent points	-72.46
Weighted average return on net assets after non-recurring profit and loss (%)	-133.25	-25.51	Reduction of 107.74 percent points	-72.46

Explanation on the major financial data and financial indicators for the latest three years at the end of the Reporting Period

No

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

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

Applicable Not applicable

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

Applicable Not applicable

Company Profile and Major Financial Indicator (Continued)

VIII. DIFFERENCE IN ACCOUNTING DATA BETWEEN THE PRC ACCOUNTING STANDARDS AND OVERSEAS ACCOUNTING STANDARDS *(Continued)*

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

No

IX. MAJOR FINANCIAL DATA OF EACH QUARTER OF 2015

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

Applicable Not applicable

X. NON-RECURRING GAINS AND LOSSES ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB'000

Non-recurring items	Amount for 2015	Note (where applicable)	Amount for 2014	Amount for 2013
Gain or loss arising from disposal of non-current assets	-3,490		1,132,619	-4,132
Tax refund or relief arising from unauthorized approval, without official approval or on an occasional basis	2,282		3,779	
Government subsidies (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to profits and losses for the period	969,206		923,283	3,932
Capital occupancy fee from non-financial enterprises recognized through profit or loss				
Profits and losses arising from business combination when the combination cost is less than the recognized fair value of net assets of the combined company				

Company Profile and Major Financial Indicator (Continued)

X. NON-RECURRING GAINS AND LOSSES ITEMS AND AMOUNTS *(Continued)*

Non-recurring items	Amount for 2015	Note (where applicable)	Amount for 2014	Amount for 2013
Profit or loss of non-monetary asset exchange				
Profit or loss from entrusting others to invest or manage the assets				
Provision of impairment of assets due to force majeure such as suffering from natural disaster				
Profit or loss of debt restructuring	2,350,000		49,228	
Enterprise restructuring expenses such as employee resettlement compensation and integration expense				-5,506
Profit or loss from transactions with obvious unfair transaction price				
Subsidiaries' year-to-date net profit/loss arising from business combination of entities under common control				
Profits or losses arising from contingencies which are not related to company' s main business				
Profits or losses on change in fair value from financial assets and financial liabilities held for trading, as well as investment income from disposal of financial assets and financial liabilities held for trading and financial assets available for sales except for effective hedging related with normal businesses of the Company				
Reversal of impairment provision for account receivables individually tested for impairment				
Profits or losses from outside entrusted loans				
Profits or losses from change in fair value of investment real estate adopting the fair value mode to do the follow-up measurement				

Company Profile and Major Financial Indicator (Continued)

X. NON-RECURRING GAINS AND LOSSES ITEMS AND AMOUNTS *(Continued)*

Non-recurring items	Amount for 2015	Note (where applicable)	Amount for 2014	Amount for 2013
The influence of the one-off adjustment of current period profits or losses on the profits or losses in current period in accordance with the laws and rules of tax and accounting				
Fee and commission incomes arising from trusted customer asset management business				
Other non-operating income and expenses except as listed above	-36		-9,562	2,057
Other gain and loss items falling within the definition of non-recurring profit and loss			54,441	
Relocation incentives			800,000	
Investment income			101,926	-1,505
Reverse of impairment provision for receivables			-9,075	1,786
Effect of minority interest	3			-111
Effect of income tax	4			-456,771
Total	3,315,687		2,588,371	300

XI. ITEMS MEASURED AT FAIR VALUE

No

Company Business Summary

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

The Company's main business: Production, processing and sales of sheets, profiles, wires, billets and coke coal chemical products, tap water, comprehensive application of resources, power generation, iron and grain slag, steel slag, and steel scrap. The Company belongs to ferrous metal smelting and rolling processing industries. Its main business includes: Production, processing, and sales of sheets, profiles, wires, rods, billets and steel stripes. As China's large iron and steel enterprise and one of China's largest cut deal manufacturers, the Company is characterized by complete production process, independent supply, production and marketing system, advanced technology, and excellent product quality. It has had its shipbuilding steel plate, pressure vessel steel plate, and boiler steel plate win multiple quality awards and domestic and international professional agencies' quality authentication, with its Sanfeng trademark products selling well in China.

For the steel sale of the Company, the purchase orders were mainly secured through face-to-face business negotiations between the regional sale branches and subsidiaries of the Company and the market participants or end users. Upon signing of the sale contracts, the Company formulated production plans and conducted product marketing activities based on sale-driven production. Forward sale was generally adopted for the main products by way of the scheduled contracts and the pricing policies were based on pre-determined price or after-settlement. The non-planned products, utilized products, scrap materials and other by-products derived from the production were mainly sold through auction or as a package.

With sluggish global economic recovery and increasing downward pressure on domestic economy as well as the overcapacity of the steel industry, steel prices are repeatedly hitting record lows. In 2015, steel prices maintained the downward trend in 2014. The composite steel price index was continuously hitting record lows, decreasing from 83.09 at the end of last year to 66.69 at the end of June 2015. The lingering low prices materially affect the transformation, upgrading and innovative development of the steel industry.

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

Provision for asset impairment

In 2015, due to depressed steel market, steel product selling price continued to fall and the market price of main raw materials dropped greatly; meanwhile some inventories of the Company cannot be used normally due to relatively low quality. The Company has carried out impairment test for inventory. There shall be provision for inventory impairment in 2015 of RMB4.345 billion.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Chongqing Iron & Steel was one of the pilot entities for recycling economy designated by the National Development and Reform Commission and the advanced entity in the third session of “Energy Conservation Enterprises in China”, ranking 10th in the green rating results for Chinese iron and steel enterprises in 2015. Its major competitive advantages are as follows:

1. Its environmental relocation was officially approved by the National Development and Reform Commission and was included amongst third batch of pilot enterprises recycling economy by the National Development and Reform Commission. It passed the environmental assessment and acceptance of the Ministry of Environmental Protection upon commencement of operation.
2. It was one of the industry leaders in energy-saving and emission-reduction as its environmental indicators (including SO₂, chemical oxygen demand, smoke and dust emission) as well as emission-reduction indicators (including coal gas emission of coke furnaces or blast furnaces, fresh water consumption per tonne) reached advanced level in the industry, with more than 70% of power generated by itself.
3. Technologies such as the “one molten iron tank” in the steel making techno-interface method, dry-type vacuum metallurgical technology (“幹式真空冶金技術”) and the distributed residue heat power generation technology were widely acclaimed in the industry and its innovative achievements with proprietary intellectual property rights were widely recognized and rapidly spread.
4. Its innovation platforms and mechanisms were continuously improving, while the combination of the industry, University, Research and application was further pressed ahead. With product structure being continuously upgraded, progresses were made in market exploration, production and research and development of the high strength shipbuilding steel, oriented silicon steel and other high value-added product.
5. It basically achieved the conditions required for the modern steel plant, namely “modern process, cohesive procedure, large-scale equipment, recycling resources and efficient energy-saving and emission-reduction”. Its principal working procedures were equipped with domestic first-class processes and equipment.
6. It owned conspicuous brand advantages and its product quality was traditionally advanced, with brand value and cultural connotation further extended and customer’s recognition and brand loyalty further enhanced.

Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, impacted by domestic steel production capacity excesses, continued deterioration of the steel market and steel price sharp falling, the domestic steel industry was faced with enormous pressure on the operation. To ensure normal operation of the Company, the Board worked hard, centering on corporate governance, improving the modern enterprise management system, and promoting corporate breakthrough initiatives.

- (I) According to the modern enterprise management system, the Company established proper corporate governance mechanism consisting of general meeting of shareholders, the board of directors, supervisory committee and managers, constantly improving the rules of procedure, decision-making and implementation, duties and powers of the regulatory body, forming rational and effective mechanisms of responsibilities, checks and balances, earnestly safeguarding the legitimate rights and interests of all shareholders, especially minority shareholders.
- (II) The Company actively promoted strategic management. According to the national industrial policy and regulatory initiatives, the Board made objective analysis, combined with the actual situation, examined the Company's "Thirteenth Five-Year Plan" strategic planning. In the "Thirteenth Five-Year Plan" period, the Company will fully implement innovation-driven development, promote scientific and technological progress, vigorously adjust structure, strengthen accurate sales, enhance branding, improve services and cost efficiency, strengthen management, comprehensively further reform, strengthen team building, developing into an automotive steel and structural steel production center in the Upper Yangtze River and a large iron and steel enterprise with high market competitiveness.
- (III) The Company authorized the management to take charge of annual production and operation. Under the guidance of the Board, the management focused on "structural adjustment, cost reduction" and commenced a lot of work.

First, it centered on cost efficiency, with the 10 cost reduction and efficiency initiatives of "cost reduction by scale, procurement, process, management, capital, reform, finance refinement and policy efficiency improvement by sales and resources", effectively supporting the Company's economic performance.

Second, it vigorously adjusted marketing strategies, expanding regional market sales ratio, achieving the sales target of making hot rolling cover more than 90%, cut deal cover about 50% of the local market share last year.

Third, it vigorously improved product structure. Last year, it developed 16 new products, with a development and trial production amount of new products and products with special requirements of 261,000 tons (including 85,000 tons for new products), and an output value of RMB680 million. It had the sales proportion of vessel plate, wear plate, bridge plate and other key products and regional Chongqing market share steadily increase, that of ship plate decreased to 65%, 10% lower than that in 2014.

Management Discussion and Analysis (Continued)

I. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Fourth, it strengthened quality control, effectively improving product quality. It completed main quality indicators annual target rate of 92.59%, with a year-on-year increase of 5.49 percentage points.

Fifth, it actively carried out resource guarantee, optimizing resources procurement channels to balance resource stable structure, seeking procurement financing to make up funding gap, strengthening management to improve risk control capacity, ensuring supply of the required raw materials and reducing procurement costs.

Sixth, it promoted reform and management, forming an institutional reform program, summarizing potential risks harming the Company's interests, strengthening management and control of cases involved in lawsuit, effectively responding to and resolving all kinds of conflicts.

During the reporting period, the Company produced 1.74 million tons of coke, 3.52 million tons of iron, 3.59 million tons of steel, 3.3 million tons of rolled steel, with a year-on-year decrease of 19.7%, 20.6%, 17.3% and 17.7% respectively, achieving an operating income of RMB8,350.022 million, with a year-on-year decrease of 31.81%.

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Company witnessed significant decrease in selling volume and price as compared to previous year due to the ongoing sluggish steel market and substantial fall in steel price. The Company recorded operating income of RMB8,350,022,000 for the year, 31.81% lower than previous year.

(I) Main business analysis

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

Unit: RMB'000

Subject	For the period	For the corresponding period of last year	Change (%)
Operating income	8,350,022	12,245,057	-31.81
Operating cost	10,509,209	12,673,573	-17.08
Selling expenses	248,554	263,506	-5.67
Administrative expenses	1,266,607	712,157	77.86
Financial expenses	1,264,709	1,341,579	-5.73
Net cash flow from operating activities	-1,678,179	2,796,783	-160.00
Net cash flow from investing activities	613,201	-1,559,477	139.32
Net cash flow from financing activities	946,545	-1,611,908	158.72
R&D spending	481,328	464,371	3.65

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Main business analysis (Continued)

1. Income and Cost Analysis

1) Analysis of factors driving changes in business income

In 2015, impacted by continued deterioration in the steel market, the Company had its rolled steel production and sales volume, and sales prices dropped significantly, resulting in a substantial decline in sales.

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

In 2015, the Company had rolled steel products (billets) sales income of RMB7,767.538 million, with a year-on-year decrease of RMB3,462.864 million. First, the sales prices fell. The Company had an annual rolled steel billet average price of RMB2,267/ton, with a year-on-year decrease of 25.87%, reducing income of RMB2,547.485 million. Second, sales decreased. The Company had total annual sales of rolled steel billet of 3.4269 million tons, with a year-on-year decrease of 6.71%, reducing sales income of RMB915.379 million.

Item	In 2015 RMB/ton	In 2014 RMB/ton	Year-on-year growth rate (%)	Income increase (RMB'000)
Plate	2,677	3,244	-17.48	-809,267
Hot rolling	1,973	2,918	-32.39	-1,799,417
Bars	1,856			26,154
Wires	2,528			72,584
Cold-rolled plate		3,195	-100.00	
Billet	1,672	2,428	-31.14	-37,540
Total	2,267	3,058	-25.87	-2,547,485

Item	2015 (10,000 tons)	2014 (10,000 tons)	Growth rate (%)	Income increase (RMB'000)
Plate	142.93	161.63	-11.57	-606,873
Hot rolling	190.52	200.32	-4.89	-286,199
Bars	1.41			-
Wires	2.87			
Cold-rolled plate		1.56	-100.00	-49,867
Billet	4.97	3.83	29.77	27,560
Total	342.69	367.35	-6.71	-915,379

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Main business analysis (Continued)

1. Income and Cost Analysis (Continued)

3) Major buyers

Proportions of the total sales of the Company attributable to the Company's major buyers:

Proportion of the total sales attributable to the largest buyer : 20%

Proportion of the total sales attributable to the five largest buyers: 48%

(1) Main business by sectors, products and regions

Unit: RMB'000

Main operations by sectors

By sectors	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year gross profit (%)
Iron and steel	8,322,292	10,504,616	-26.22	-31.31	-16.56	Reduction by 22.31 percentage points

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Main business analysis (Continued)

1. Income and Cost Analysis (Continued)

3) Major buyers (Continued)

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

Main business by products

By products	Operating income	Operating cost	Gross margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year gross profit (%)
Rolled steel billet	7,767,538	9,937,755	-27.94	-30.83	-16.52	Reduction by 21.94 percentage points
By-products	554,754	566,861	-2.18	-37.29	-17.25	Reduction by 24.75 percentage points

Main business by regions

By region	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease in operating revenue from last year (%)	Increase/decrease in operating cost from last year (%)	Increase/decrease in gross profit margin from last year (%)
Southwest	4,205,079	/	/	-10.70	/	/
Other regions	4,117,213	/	/	-45.08	/	/
Total	8,322,292	/	/	-31.81	/	/

Note to main business by sectors, products and regions

None

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Main business analysis (Continued)

1. Income and Cost Analysis (Continued)

3) Major buyers (Continued)

(2) Table of production and sales analysis

Main products	Production	Sales amount	Inventory	Year-on-year increase/decrease in production (%)	Year-on-year increase/decrease in sales (%)	Year-on-year increase/decrease in inventory (%)
Plates	1.3992 million tons	1.43 million tons	30,000 tons	-13.35	-12	-40
Hot rolling	1.8697 million tons	1.91 million tons	10,000 tons	-6.82	-5	-59
Bars	0	10,000 tons	0	0		-82
Wires	31,500 tons	30,000 tons	0	-91.13		-100

Note to production and sales

None

(3) Cost analysis table

Unit: RMB'000

By sectors

By industry	Costs component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)	Explanation
Iron and steel	Raw material	6,627,031	63.09	9,564,175	75.54	-30.71	No
Iron and steel	Energy	1,239,965	11.80	1,144,189	9.04	8.37	No
Iron and steel	Labor and other costs	2,637,620	25.11	1,880,587	14.85	40.26	No
Electronic engineering design and installation	Labor and other costs	-	0.00	22,037	0.17	-100.00	No
Transport service	Labor and other costs	-	0.00	49,543	0.39	-100.00	No

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Main business analysis (Continued)

1. Income and Cost Analysis (Continued)

3) Major buyers (Continued)

(3) Cost analysis table (Continued)

By products

By products	Costs component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)	Explanation
Rolled steel billet	Raw material and energy costs	9,937,755	94.60	11,903,962	94.02	-16.52	No
By-products	Raw material and energy costs	566,861	5.40	684,989	5.41	-17.25	No
Electronic engineering design and installation	Labor costs		0.00	22,037	0.17	-100.00	No
Transport	Labor costs		0.00	49,543	0.39	-100.00	No

Cost analysis and explanation

Major suppliers

Proportions of the total purchase amount of the Company attributable to the Company's major suppliers:

Proportion of the total purchase amount attributable to the largest supplier: 12%

Proportion of the total purchase amount attributable to the five largest suppliers: 31%

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Main business analysis (Continued)

2. Expenses

Unit: RMB'000

Item	Amount for the period	Amount for the corresponding period of last year	Year-on-year change (%)
Selling expenses	248,554	263,506	-5.67
Administrative expenses	1,266,607	712,157	77.86
Financial expenses	1,264,709	1,341,579	-5.73

3. R&D investment

Table of R&D investment

Unit: RMB'000

Expensed research and development expenses for the period	386,608
Capitalized research and development expenses for the period	94,720
Total R&D investment	481,328
Percentage of the total R&D investment in operating income (%)	5.76
Percentage of total R&D investment in net assets (%)	12.01

Explanation

None

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(I) Main business analysis (Continued)

4. Cash flow

Against rolled steel product prices sharp falling and the Company's operating losses, the Company strengthened financial planning and payment rhythm control. In 2015, it had a net cash flow from operating activities of RMB-1.678179 billion, a net cash income caused by new bank loans and bill financing and other financing activities of RMB946.545 million, and a net income from investment activities by land assignment of RMB613.201 million. The Company had a net decrease of current cash and cash equivalents of RMB113.772 million.

Items from cash flow statement

Unit: RMB'000

Items	January to December 2015	January to December 2014	Main reasons for changes
Net cash flow from operating activities	-1,678,179	2,796,783	Enhancement of fund planning and management, appropriate payment of payables to suppliers, increase of net outflow from operating activities
Net cash flows from investing activities	613,201	-1,559,477	Receiving payment from real estate group and Changshou Economic & Technological Development Zone land reserve center and increasing net flow from investing activities
Net cash flow from financing activities	946,545	-1,611,908	Having new loans and bill financing from Agricultural Bank of China and Industrial and Commercial Bank of China, increasing net cash flow from financing activities
Net increase of cash and cash equivalents	-113,772	-372,913	None

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(I) Main business analysis *(Continued)*

5. Others

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

In 2015, the Company had a net profit of RMB-5,987,186,000, with a year-on-year increase of RMB-6,038,829,000 from that of the previous year of RMB51.643 million, with the following main reasons:

- ① The Company had an operating gross profit of RMB-2,159,187,000, with a year-on-year increase of RMB-1,730,671,000, which was caused by the decrease of 25.87% in the selling price of the Group's rolled steel products (billets).
- ② The Company had costs of RMB2,779,870,000, with a year-on-year increase of RMB462,628,000 mainly because of the loss from the shutdown of some equipment in 2015 of RMB402,064,000.
- ③ The Company had an asset impairment loss of RMB4,344,728,000, with a year-on-year increase of RMB4,147,858,000, mainly caused by rolled steel market doldrums, continued price falling and severe write-down of inventories.

(II) Explanation on material change in profit due to non-principal business

Applicable Not applicable

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(III) Analysis of assets and liabilities

Assets and liabilities

Unit: RMB'000

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of previous period in total assets (%)	Year-on-year increase/ decrease (%)	Explanation
Cash at bank and on hand	925,471	2.36	1,246,578	2.64	-25.76	No
Bills receivable	45,863	0.12	224,614	0.48	-79.58	No
Accounts receivable	503,202	1.28	469,025	0.99	7.29	No
Prepayments	39,924	0.10	267,484	0.57	-85.07	No
Other receivables	40,376	0.10	922,295	1.96	-95.62	No
Inventories	2,775,858	7.08	7,990,476	16.95	-65.26	No
Other current assets	501	0.00	1,561,800	3.31	-99.97	No
Available-for-sale financial assets	5,000	0.01	5,000	0.01		No
Fixed assets	30,306,394	77.26	29,731,154	63.04	1.93	No
Construction in progress	128,949	0.33	1,913,873	4.06	-93.26	No
Construction materials	10,651	0.03	12,047	0.03	-11.59	No
Intangible assets	2,712,264	6.91	2,682,651	5.69	1.10	No
Other non-current assets	1,733,626	4.42	108,320	0.23	1,500.47	No
Deferred tax assets			17,116	0.04	-100	No
Short-term loans	3,492,152	8.90	2,883,600	6.12	21.10	No
Bills payable	3,663,417	9.34	4,427,532	9.39	-17.26	No
Accounts payable	10,532,063	26.85	12,422,435	26.35	-15.22	No
Advance from customers	653,721	1.67	987,979	2.1	-33.83	No
Employee compensation payable	311,835	0.79	184,805	0.39	68.74	No
Taxes payable	8,679	0.02	11,151	0.02	-22.17	No
Interest payable	30,900	0.08	32,332	0.07	-4.43	No
Other payables	2,702,833	6.89	2,255,707	4.78	-19.82	No
Non-current liabilities due within one year	1,796,250	4.58	3,643,690	7.73	-50.70	No
Long-term loans	9,849,988	25.11	9,909,613	21.02	-0.60	No
Debentures payable	1,987,882	5.07		0.00		No
Long-term payables			222,407	0.47	-100.00	No
Deferred income	175,158	0.45	168,548	0.36	3.92	No
Other current liabilities	15,054	0.04	9,508	0.02	58.33	No

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

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

Others

1. The decrease in the balance of bills receivable was mainly due to the increase in discount and endorsement of the bills by the Company in 2015.
2. The decrease in the balance of prepayments was mainly due to the transfer of construction in progress into fixed assets of the Company in 2015.
3. The decrease in the balance of other receivables was mainly due to receipt of the consideration payment by the Company in 2015 for disposal of lands and the assets of Cold Rolling Plant in 2014.
4. The decrease in the balance of inventories was mainly due to the provision for inventory impairment by the Company in 2015.
5. The decrease in the balance of other current assets was mainly due to the transfer of withholding tax into non-current assets by the Company in 2015.
6. The decrease in the balance of construction in progress was mainly due to the transfer of construction in progress into fixed assets of the Company in 2015.
7. The increase in the balance of other non-current assets was mainly due to the transfer of withholding tax into non-current assets by the Company in 2015.
8. The decrease in the balance of advance from customers was mainly due to reclassification of payments for goods by the Company in 2015.
9. The increase in the balance of employee compensation payable was mainly due to delayed payment of wage surcharges by the Company in 2015.
10. The decrease in the balance of non-current liabilities due within one year was mainly due to reversal of debentures payable following the extension of maturity of the Company's debentures in 2015.
11. The increase in the balance of other current liabilities was mainly due to transfer from other non-current liabilities following the Company's adjustment of the deferred income due within one year in 2015.
12. The increase in the balance of debentures payable was mainly due to the transfer-back from non-current liabilities due within one year following the extension of the maturity of the Company's debentures in 2015.

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(III) Analysis of assets and liabilities (Continued)

Others (Continued)

13. The decrease in the balance of long-term payables was mainly due to the transfer to the non-current liabilities due within one year following the Company's adjustment of long-term payables due within one year in 2015.
14. The decrease in the balance of long-term payables was mainly due to the transfer to the non-current liabilities due within one year following the Company's adjustment of long-term payables due within one year in 2015.

(IV) Analysis on industry operating information

In 2015, impacted by factors such as domestic steel production capacity excesses and the weak macroeconomic growth, the domestic steel industry remained sluggish and the steel price fell significantly. In the year, the CSPI (consolidated price index for domestic steel products) fell to a historical low level at 54.48 and the price for most of the steel products fell below RMB2,000 per tonne, which continuously reduced the profitability of steel enterprises and brought the whole industry at loss level. According to China Iron and Steel Association, a total loss of RMB64.534 billion was recorded by 50.5% of its steel enterprise members in 2015, especially the mainland enterprises, among which the expected loss for listed steel enterprise Jiu Steel was RMB6.96 billion, Wuhan Steel RMB6.8 billion, Maanshan Iron and Steel RMB4.8 billion and Angang RMB4.376 billion.

Steel and Iron Industry Operational Information Analysis

1. Manufacturing and Sales of Steel Material Based on Processing Techniques

Applicable Not applicable

2. Manufacturing and Sales of Steel Material Based on Forms of Finished Products

Applicable Not applicable

Unit: RMB Million

Types Based on Forms of Finished Products	Production volume (tonnes)		Sales volume (tonnes)		Revenue		Operating costs		Gross profit margin (%)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Plates and strips	329	363	334	362	7,585,772	11,087,528	9,299,467	11,729,469	-24.49	-5.38
Others	3	-	4	-	98,738	-	182,189	-	-93.67	

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(IV) Analysis on industry operating information (Continued)

Steel and Iron Industry Operational Information Analysis (Continued)

3. *Steel Material Sales Based on Sales Channels*

Applicable Not applicable

4. *Manufacturing and Sales of Special Steel Products*

Applicable Not applicable

5. *Supply Source of Iron Ore*

Applicable Not applicable

6. *Others*

Applicable Not applicable

(V) Investment Analysis

1. **General analysis of external equity investment**

No

(1) *Significant Equity Investment*

No

(2) *Significant Non-Equity Investment*

No

(3) *Financial Assets Measured at Fair Value*

No

(VI) Major Assets and Equity Disposal

No

Management Discussion and Analysis (Continued)

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD (Continued)

(VII) Analysis of major controlled companies and investees

Name of subsidiary	Principal place of business	Place of registration	Business nature	Shareholdings (%)		Acquisition method
				Direct	Indirect	
Jingjiang San Feng Steel Processing & Distribution Company Limited	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Steel Processing and Distribution	72.86%		Establishment by capital contribution
Jingjiang Chongqing Iron & Steel East China Trading Co., Ltd.	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Trading	100%		Establishment by capital contribution
Guizhou Chonggang Sales Co., Ltd.	Guiyang, Guizhou Province	Guiyang, Guizhou Province	Trading	100%		Establishment by capital contribution
Xi'an Chonggang Sales Co., Ltd.	Beilin District, Xi'an	Beilin District, Xi'an	Trading	100%		Establishment by capital contribution Chongqing
Chonggang Buliding Materials Sales Co., Ltd.	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Trading	100%		Establishment by capital contribution

(VIII) Structured entities under the control of the Company

No

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

(I) Industry Competition Pattern and Development Trend

With sluggish global economic recovery and increasing downward pressure on domestic economy as well as the overcapacity of the steel industry, steel prices are repeatedly hitting record lows. In 2015, steel prices maintained the downward trend in 2014. The composite steel price index was continuously hitting record lows, decreasing from 83.09 at the end of last year to 66.69 at the end of June 2015. The lingering low prices materially affect the transformation, upgrading and innovative development of the steel industry. Losses of steel enterprises from their principal business keep growing. In the first half of 2015, China's medium and large steel enterprises recorded revenue totaling RMB1.5 trillion, representing a year-on-year decrease of 17.9%, and suffered a total loss of RMB21.68 billion from principal business.

(II) Corporate Development Strategy

The Company strives to achieve innovation-driven development, make technological progress, prioritize restructuring, boost targeted sales, promote its brand, improve services and cost efficiency, strengthen management, comprehensively deepen reform, enhance team building, and build up an automobile steel and structural steel production base for upper Yangtze River region, in an effort to build a competitive super-large steel enterprise.

(III) Operating Plans

Guided by the ideology of “cost reduction, restructuring and loss control”, production facilities shall arrange production activities by “making precise plans, responding to the market flexibly and strengthening process control”, so as to achieve systemic balance, stable operation, safe and economical production.

First, adjust production scale and ensure smooth operation to improve production organization.

Second, adjust structure and reduce costs to adapt to the market crisis.

Third, develop technology and focus on research and development to enhance technological innovation capacity.

Fourth, improve systems and control processes to raise product quality.

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

(III) Operating Plans *(Continued)*

Fifth, refine strategies and seek breakthroughs to explore the surrounding markets.

Sixth, change mentality and prioritize customers to improve service levels.

Seventh, strengthen management and emphasize efficiency to lay a more solid foundation.

Eighth, advance reforms and transform institutions to stimulate sound operation of the Company.

(IV) Potential risks

1. Industry-related risk: In 2016, the steel industry will continue its rough time. With the price of steel keeping its downward trend as a result of material overcapacity and oversupply, the steel industry is confronted with extreme difficulties.

Countermeasures: The Company will seek for breakthroughs in eight aspects, namely: maintaining appropriate scale, making innovation as its driving force and adjusting structure, improving quality, exploring markets and strengthening management, reducing costs and enhancing efficiency and deepening reform, so as to promote the overall competitiveness of the Company.

2. Production and operation-related risk: Operating revenue of the Company witnessed yearly downward trend for the past three years as a result of the overall continuous slump of the steel industry characterised by overcapacity and continuously low steel price and insufficient utilization of capacity. Meanwhile, due to the fact that the gearing ratio stay high and the Company recorded relatively huge amount of financial expenses, the Company is exposed to relatively great stress in its operating results arising from depreciation of fixed assets after the completion of relocation of new plant. Moreover, increase in the possibility of litigation risks caused by liabilities may probably interrupt the production and operation on a normal and stable manner.

Management Discussion and Analysis (Continued)

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

(IV) Potential risks *(Continued)*

2. *(Continued)*

Countermeasures: (1) Constructing a system guaranteed by technological innovation to promote scientific and technological progress and offer support to address difficult problems and achieve breakthroughs, boosting development vitality and speeding up the forming of advantages for market competition. (2) Taking the market as its guidance and focusing on accelerating the adjustment of product profiles, the Company will carry forward all-round structure adjustment to capital factors, resources management, human resources and others alike under overall planning, effectively enhancing market competitiveness. Adhering to the strategy of “making the enterprise with excellence and high quality as lead by regional policies”, the Company can thoroughly improve the pattern of “putting both ends of the production process (the supply of raw materials and the marketing of products) on the world market” to seize regional markets. (3) Insisting on the principles of giving top priority to efficiency and precision production to reduce its cost and enhance efficiency. The Company will modify the structure of production lines and optimize the balance among different systems, implementing the key reconstruction projects and advancing the upgrade of industrial structure. (4) Providing customized and fine services. Aiming to realize the transformation from a steel manufacturer to service provider in real sense, the Company will strive to build up create a service system with entire process featured by personalization and customization through innovating service ideas, attaching importance to service connotation and improving service quality. (5) Inheriting the reputable brand with first-class quality. The Company will persist in the quality strategy of pursuing survival and development through high quality and diversified varieties, strengthening brand positioning and enhancing brand value to achieve quality improvement and efficiency increment. (6) Carrying out law-based corporate governance with strict control and management. The Company will practicably implement law-based management, optimize process re-engineering and consolidate the basis of management to accelerate the perfection of modern corporate mechanism, promote the executive ability, so as to build up a modern management system that is adept to the transformation and development of the Company. (7) Deepening reform and transform the system. The Company will boost the reorganization of its system and mechanism and inspire internal impetus, enhance the vigor for competition and optimize the distribution of resources, tapping into the benefits of reform and focusing on the definite objectives to make progress in the implementation of the overall plan. (8) Pursuing actual efficiency and sharing development. The Company will take care of its employees and further strengthen the guarantee of their interests, increase their benefits and salaries step by step, with a hope to let the Company, its employees and the society can share the fruit of development together.

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

Applicable Not applicable

Significant Events

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

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

The Medium- and Long-Term Dividend Distribution Plan of the Chongqing Iron & Steel Company Limited was considered and approved by the Company in 2012 and amendments to the corresponding articles of the “Articles of Association of Chongqing Iron & Steel Company Limited” (the “Articles of Association”) made in 2014 laid out specific requirements on the basic principles, forms and conditions for profit distribution, the consideration and deliberation procedures and decision-making mechanism in respect of the profit distribution plan and adjustment to profit distribution policies. In view of the facts that the Company suffered losses in 2015 a, the Board proposed neither to distribute profit for 2015 nor to transfer the capital reserve to share capital.

THE FORMULATION OF THE DIVIDEND DISTRIBUTION PLAN FOR THE SHAREHOLDERS FOR THE NEXT THREE YEARS (2015–2017):

1. *Forms and basic principles s of profit distribution*

The Company may distribute the profits by cash, shares, or a combination of cash and shares. The profit distribution policy of the Company shall maintain its continuity and stability. Profit distribution shall highly value the reasonable investment returns to investors and shall simultaneously take into account the Company’s long-term interests, sustainable development and the interests of all shareholders as a whole. The Company’s profit distribution shall be based on the parent company’s profit available for distribution realized in the current year. Dividend shall be distributed to shareholders according to the lawful order and the proportion. Each share in the same class must be entitled to the same rights and to receive the same interests, except where it is provided in the Articles of Association that distribution may be made not pursuant to the shareholding proportion. When the Company fulfils the conditions for cash dividend, it shall give priority to the distribution of profit in form of cash dividend. The Company’s shares held by the Company itself will not be involved in profit distribution.

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

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

2. Conditions for and proportion of cash dividend

The Company may distribute profits by cash if it can at least simultaneously satisfy the following conditions:

- (1) The distributable profits (that is the after-tax profits remaining after the Company has recovered the loss and has withdrawn the public accumulation fund) realized by the Company for the year is positive and the cash flow is adequate, such that the implementation of cash dividend distribution will not affect the Company's sustainable operation subsequently;
- (2) The auditing institution issues a standard unqualified audit report regarding the Company's financial report for the current year;
- (3) The Company had no substantial investment plan or substantial cash expenditure (except for such investment projects for fund raising). The foregoing substantial investment plan or substantial cash expenditure refers to the accumulated expenditure regarding any intended external investment, acquisition of assets or purchase of assets that would reach or exceed 30% of the latest audited total assets of the Company within the next twelve months.

When the foregoing conditions for cash dividend can be simultaneously satisfied, the profit distributed by cash shall not be less than 10% of such profits available for distribution realized in the current year, and the accumulated profits distributed by cash for any three consecutive years shall not, in principle, be less than 30% of the average distributable profits over such three years. As for the specific proportion of each year's dividend, the board of directors shall submit a proposal in line with the Company's annual profitability and the future plan for the use of funds.

Significant Events (Continued)

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

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

3. *Different cash dividend policy*

Taken into account comprehensively of the factors including the characteristics of the industry in which the Company operates, stage of development, its own operating mode, profits level and whether there is arrangement for substantial capital expenditure, the Company has put forward the different profit distribution proposal:

- (1) If the Company is at the mature stage of development and has no arrangement for significant capital expenditure, the proportion of cash dividends shall be at least 80% in the profit distribution;
- (2) If the Company is at the mature stage of development and has arrangement for significant capital expenditure, the proportion of cash dividends shall be at least 40% in the profit distribution;
- (3) If the Company is at the growing stage of development and has some arrangement for significant capital expenditure, the proportion of cash dividends shall be at least 20% in the profit distribution.

If it is difficult to determine the Company's stage of development while it has some arrangement for significant capital expenditure, the profit distribution may be handled pursuant to the foregoing provision.

4. *Specific conditions for release of stock dividends*

Based on the actual situation including the Company's accumulated profit available for distribution and cash flow and subject to the guarantee of sufficient cash dividend and the Company's reasonable scale of share capital, the Company may simultaneously adopt the release of stock dividend for profit distribution. The specific proportion of dividend shall be proposed by the board of directors. When the Company's board of directors determines the specific amount of stock dividend to be released, it shall take full account of whether the total share capital after the release of stock dividends will accommodate the Company's current operating scale and speed of the growth of profit, and it shall also take into consideration of the impact produced on the cost of future debt financing, for purposes of ensuring the profit distribution policy being in the best interest of the shareholders as a whole and for long-term interests.

Significant Events (Continued)

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

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

5. Time interval for profit distribution

Subject to both the Company's profit for the current year and the accumulated undistributed profits for the current year being positive, the Company is required to implement at least one profit distribution per annum. The Company may implement interim profit distribution. The Company's board of directors may propose for interim dividend based on the scale of profit, cash flow, stage of development and the capital need for the current period.

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

Unit: RMB'000

Year	Number of bonus shares for every 10 shares <i>(Share)</i>	Dividends for every 10 shares <i>(RMB)</i> <i>(tax inclusive)</i>	Number of shares transferred for every 10 shares <i>(Share)</i>	Amount of cash dividends <i>(tax inclusive)</i>	Net profit attributable to shareholders of the Company in the consolidated statements for the year with dividend distribution	As a percentage of net profit attributable to shareholders of the Company in the consolidated statements <i>(%)</i>
2015	0	0	0	0	-5,987,248	0
2014	0	0	0	0	51,431	0
2013	0	0	0	0	-2,499,018	0

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

Unit: RMB'000

	Cash dividends	Ratio <i>(%)</i>
2015	0	0

Significant Events (Continued)

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

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

Applicable Not applicable

II. FULFILLMENT OF COMMITMENTS

Applicable Not applicable

(I) Commitment of the Company, Shareholders, de facto controller, acquirer, directors, supervisors, senior management and other related parties during or sustained to the Reporting period

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment in relation to material assets reorganisation	To solve the horizontal Competition	Parent Company	<p>(1) The Parent Company and enterprises controlled or invested by the Parent Company do not have, and will not be engaged in by any means (including but not limited to investment, acquisition, joint venture, joint operation, contracting, operation under lease arrangement or any other way of having stakes or interests) at any place in or outside China after the Reorganisation, any business that competes or may compete, directly or indirectly, with the principal activities of the Company;</p> <p>(2) If the Parent Company and enterprises controlled or invested by the Parent Company are engaged in, involved in or invest in any business or projects that compete or may compete, directly or indirectly, with the principal activities of the Company, the Company is entitled to require the Parent Company to terminate the competing business and stop investing in related enterprises or projects, and has the right of first refusal over the related business assets, investment return or project assets;</p> <p>(3) The above undertaking is effective as long as the Parent Company remains the controlling shareholder or de facto controller of the Company. The Parent Company will be willing to take responsibility for the damages should the Company suffer any loss of interests due to the Parent Company's violation of the aforesaid undertakings.</p>	3 May 2012	No	Yes

Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS *(Continued)*

(I) Commitment of the Company, Shareholders, de facto controller, acquirer, directors, supervisors, senior management and other related parties during or sustained to the Reporting period *(Continued)*

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment in relation to material assets reorganisation	To solve the related party transactions	Parent Company	<p>(1) To ensure that the Company shall have independent business, complete assets, independent and complete production, supply and sales, and other auxiliary systems, to prevent and reduce unnecessary connected transactions;</p> <p>(2) To determine the transaction price and sign connected transaction contracts according to law and in strict accordance with the principle of openness, fairness and impartiality and by reference to common prevailing market standards with respect to the unavoidable connected transactions;</p> <p>(3) To follow procedures of having the connected shareholders and connected directors to abstain from voting and the independent directors to express opinions on connected transactions in strict accordance with the Articles of Association and relevant regulations of regulatory authorities, and to ensure that the procedures for connected transactions are legal and the results of connected transactions are fair and reasonable;</p> <p>(4) To strictly comply with the rules on information disclosure regarding connected transactions.</p>	3 May 2012	No	Yes

Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS *(Continued)*

(I) Commitment of the Company, Shareholders, de facto controller, acquirer, directors, supervisors, senior management and other related parties during or sustained to the Reporting period *(Continued)*

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment in relation to material assets reorganisation	Release of liabilities	Parent Company	<p>(1) If creditors who have not returned their reply slips agreeing the relevant creditors' rights and liabilities to be generally assumed by the Company before the completion of the Material Assets Reorganisation and would claim their rights against the Parent Company after the completion of the Material Assets Reorganisation, the Parent Company will send the written notices to the Company within 2 days after receiving the notices from the creditors claiming their rights, and will refer the aforesaid claims to the Company. If the above creditors do not agree to transfer their rights and liabilities to the Company, the Parent Company will inform the Company by written notice and assist in handling the transfer. Under this premise, the Company can choose to settle its debts directly with creditors or through the Parent Company. If the above creditors request the Parent Company's guarantee, the Parent Company would provide guarantee to them;</p> <p>(2) If the Company faces any liabilities or loss in the course of generally assuming creditors' rights and liabilities during the Material Assets Reorganisation, the Parent Company will make full compensation to the Company within 5 working days after receiving the Company's written notice and the proof for relevant liabilities.</p>	From 22 October 2012 to the date on which relevant creditors claim their rights	Yes	Yes
Commitment in relation to material assets reorganisation	Sales restriction of shares	Parent Company	The acquisition of A shares issued by the Company in the reorganisation: (including A shares of the Company arising from further allotment due to above shares) shall not be transferred or entrusted others to management within 36 months since the issuance date of shares, and shall not be purchased back by the Company. Otherwise shall be executed pursuant to requirements of the law and regulations or supervise institutions in securities.	25 November 2013 to 24 November 2016	Yes	Yes

Significant Events (Continued)

II. FULFILLMENT OF COMMITMENTS *(Continued)*

(I) Commitment of the Company, Shareholders, de facto controller, acquirer, directors, supervisors, senior management and other related parties during or sustained to the Reporting period *(Continued)*

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not
Commitment regarding the initial public issuance	To solve the related party transactions	Parent Company	As long as the Company's shares remained listed on any stock exchange in PRC or Hong Kong, and the Parent Company held 30% or more in issued shares or be deemed to be a controlling shareholder under the requirements on relevant stock exchanges or laws, the Parent Company and its subsidiaries or companies directly or indirectly invested or controlled by the Parent Company will not participate in any business or activity that constituted or may constitute competition with reorganised business in PRC or overseas, or in any other ways (including but not limited to separate operation, joint venture or held shares or other interests in another company or corporate).	2 September 1997	No	Yes
Other commitment	Dividend	The Company	<ol style="list-style-type: none"> 1. The Company shall implement a proactive profit distribution mechanism to ensure that investors receive reasonable returns; 2. The Company shall distribute dividends in cash or a combination of cash and shares, and may pay interim dividends based on the Company's capital needs. If there are no significant investment plan, large cash outlay or other events, the Company shall distribute no less than 10% of the distributable profit realised for the year in cash and the total profit distributed in cash in any given consecutive three years shall be no less than 30% of the average annual distributable profit realised in the recent three years provided that the capital needs of the Company for normal production and operation are satisfied; 3. The Board of the Company shall put forth an annual profit distribution plan at the end of each financial year and submit the same to the general meeting for approval. If the Board of the Company does not propose a cash dividends distribution plan although profit is recorded, it shall explain in details in the annual report the specific reasons therefore and the purpose for the retained profit. Independent directors shall express and publicly disclose their independent opinions thereon; 4. Upon occurrence of any illegal appropriation of the Company's funds by shareholders, the Company shall deduct the cash dividend to be paid to such shareholders to make up for the appropriated funds. 	30 August 2012	No	Yes

Significant Events (Continued)

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Significant Events (Continued)

V. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

Unit: RMB'000

	Former	Current
Name of the domestic accounting firm	KPMG Huazhen Certified Public Accountants (Special General Partnership)	Pan-China Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	3,700	3,600
Term of service of the domestic accounting firm	8	1
Name of the international accounting firm	KPMG Huazhen Certified Public Accountants (Special General Partnership)	Pan-China Certified Public Accountants (Special General Partnership)
Remuneration of the international accounting firm	3,700	3,600
Term of service of the international accounting firm	8	1
	Name	Remuneration
Accounting firm for audit of internal control	Pan-China Certified Public Accountants (Special General Partnership)	1,000

Explanations for appointment and removal of accounting firms

Applicable Not applicable

KPMG Huazhen Certified Public Accountants (Special General Partnership) (hereinafter referred to as "the KPMG") had been engaged by the Company as its auditor annual report since 2007 and as internal control auditor since 2012. KPMG audit team had provided auditing service for the Company for 8 consecutive years and both sides failed to reach agreement on the 2015 annual audit fee. In order to fully ensure the independence and objectivity of the audit work undertaken by the external auditors, and as agreed by the Company and KPMG, and as considered by the Board of Directors and Audit Committee of the Company, it was proposed to change the auditor for 2015 annual report and internal control auditor of the Company, and appoint Pan-China Certified Public Accountants (Special General Partnership) (hereinafter referred to as "Pan-China") as the auditor for 2015 Annual Report and internal control auditor of the Company.

KPMG had confirmed that there was no matter relating to the proposed change of the auditor for annual report and internal control that shall be brought attention of the shareholders of the Company.

Significant Events (Continued)

V. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS *(Continued)*

Explanations for appointment and removal of accounting firms *(Continued)*

KPMG expressed understanding of change of the auditor for annual report and internal control by the Company. While providing the audit service for the Company, KPMG adhered to the audit principles, effectively performed its duty as auditor, played an active and important role for the Company's standardized operation and improvement of management, and secured the legitimate rights and interests of the Company and its shareholders from a professional perspective. The Company expressed its sincere gratitude to KPMG team for their quality service and efforts in the past eight years.

Explanations for change of the accounting firm during the auditing period

KPMG audit team had provided auditing service for the Company for 8 consecutive years and both sides failed to reach agreement on the 2015 annual audit fee. In order to fully ensure the independence and objectivity of the audit work undertaken by the external auditors, and as agreed by the Company and KPMG, and as considered by the Board of Directors and Audit Committee of the Company, it was proposed to change the auditor for 2015 annual report and internal control auditor of the Company, and appoint Pan-China Certified Public Accountants (Special General Partnership) as the auditor for 2015 Annual Report and internal control auditor of the Company.

Information of Pan-China Certified Public Accountants (Special General Partnership)

Pan-China Certified Public Accountants (Special General Partnership) was a large-scale professional accounting firm. It was established by a number of senior certified public accounts in December 1983 through merger of Zhejiang Pan-China East Certified Public Accountant (浙江天健東方會計師事務所) and Elite Partners Certified Public Accountant. Headquartered in Hangzhou, Zhejiang, Pan-China possesses more than 20 qualifications for audit relating to securities, futures, finance and etc. It is also one of the 12 accounting firm that is qualified to carry out audit for enterprises with H shares.

Managing Partner: Hu Shaoxian (胡少先). Registration ID: 330000000058762. Registered capital: 74,000,000. Registered Address: No. 128 Xixi Road Hangzhou. No. of practising certificate as a accounting firm: 33000001. Securities and Futures Business Permit No: 44. Main business scope: auditing of enterprise financial statements and issue of audit report.

VI. RISK OF SUSPENSION OF LISTING

(I) Reason for suspension of listing and measures taken by the Company to cancel the suspension of listing

None

Significant Events (Continued)

VII. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable Not applicable

VIII. MATERIAL LITIGATION AND ARBITRATION

Applicable Not applicable

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

Nil

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

Applicable Not applicable

Unit: Yuan Currency: RMB

During the reporting period:

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration) (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)
China Coal and Coke Holdings Limited (中煤焦化控股有限责任公司)	Chongqing Iron & Steel Company Limited	None	Litigation	Dispute over purchase and sale contract with a amount of RMB17,695,656.64	17,695,656.6	0	The settlement agreement has been satisfied	No implication	The judgment is being satisfied
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	None	Litigation	Dispute over purchase and sale contract with a amount of RMB43,233,185.85	43,233,185.85	0	The settlement agreement has been satisfied	No implication	The judgment is being satisfied

Significant Events (Continued)

VIII. MATERIAL LITIGATION AND ARBITRATION (Continued)

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

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration) (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)
Chongqing Juan Industry™ Co., LTD (重慶市胡安工貿有限公司)	Chongqing Iron & Steel Company Limited	None	Litigation	Dispute over purchase and sale contract with a amount of RMB12,963,145.39	12,963,145.39	0	The settlement agreement has been satisfied	No implication	The judgment is being satisfied
Chongqing Tonghao Trading Co., Ltd. (重慶市同浩貿易有限公司)	Chongqing Iron & Steel Company Limited	None	Litigation	Dispute over purchase and sale contract with a amount of RMB2,853,283.7	28,532,837	Interest: RMB392,769; costs of litigation, maintenance and execution: RMB53,562.	The judgment has been satisfied	Property of the Company has been deducted	The judgment has been satisfied and settled
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	None	Litigation	Dispute over purchase and sale contract with a amount of RMB8,937,434	8,937,434	Interest is uncertain; cost of litigation and execution: RMB109,268	The judgment has been satisfied	Property of the Company has been deducted	The judgment has not been settled
C&D (Shanghai) Co., Ltd. (建發(上海)有限公司)	Chongqing Iron & Steel Company Limited	None	Litigation	Dispute over purchase and sale contract with a amount of RMB5,449,641.5	5,449,641.5	Interest: RMB992,434.61, costs of litigation and maintenance: RMB57,923.89	The settlement agreement has been satisfied	No implication	The judgment has been satisfied and settled
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	None	Litigation	Dispute over purchase and sale contract with a amount of RMB218,897,912.4	228,897,912.4	Interest and litigation costs are uncertain.	The judgment has been satisfied	Property of the Company has been deducted	The judgment has not been settled

Significant Events (Continued)

VIII. MATERIAL LAWSUIT AND ARBITRATION (Continued)

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

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration) (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)
Chongqing Qin Mou Technology Development Co., Ltd. (重慶秦謀科技開發有限公司)	Chongqing Iron & Steel Company Limited	None	Litigation	Dispute over purchase and sale contract with a amount of RMB10,726,964.86	10,726,964.86	Interest and litigation costs are uncertain.	The judgment has been satisfied	Property of the Company has been deducted	The judgment has not been settled
CITIC Metal Ningbo Energy Co., Ltd. (中信金屬寧波能源有限公司)	Chongqing Iron & Steel Company Limited	None	Litigation	Dispute over purchase and sale contract with a amount of RMB14,588,077.26	14,588,077.26	Interest and litigation costs are uncertain.	The judgment has been satisfied	The judgment has not been satisfied	The judgment has not been settled
Chongqing Minxin Construction (Group) Co., Ltd. (重慶民信建設(集團)有限公司)	Chongqing Iron & Steel Company Limited	None	/	Dispute over construction work contract with a defaulted amount of RMB11,852,218.9	11,852,218.9	Interest and litigation costs are uncertain.	The judgment has been satisfied	Properties of the Company may be frozen	The judgment has not been settled
Chongqing Changyun Commerce and Trade Co., Ltd. (重慶昌運商貿有限公司)	Chongqing Iron & Steel Company Limited	None	/	Dispute over purchase and sale contract with a amount of RMB13,259,490.93	13,259,490.93	Interest and litigation costs are uncertain.	The judgment has been effective is yet to be satisfied	No definitive implication	/

Significant Events (Continued)

VIII. MATERIAL LAWSUIT AND ARBITRATION (Continued)

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

Suitor (sue)	Defendant (being sued)	Jointly and severally liable parties	Category of the litigation and arbitration	Basic information of proceeding (arbitration)	Amount subject to the litigation (arbitration) (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)
Er Zhong Group (De Yang) Heavy Industries Co., Ltd. (二重集團(德陽)重型裝備股份有限公司)	Chongqing Iron & Steel Company Limited	None	/	Dispute over purchase and sale contract with a amount of RMB103,384,011.45	103,384,011.4	Interest and litigation costs are uncertain.	Pending for trial	No definitive implication	/
Chongqing Tong Hui Coal Washing Co., Ltd. (重慶通匯煤炭洗選有限責任公司)	Chongqing Iron & Steel Company Limited	None	/	Dispute over purchase and sale contract with a amount of RMB77,982,611.3	77,982,611.3	Interest and litigation costs are uncertain.	Pending for trial	No definitive implication	/
Huanggang Chuhe Metal Material Co., Ltd. (黃岡楚和金屬材料有限公司)	Chongqing Iron & Steel Company Limited	None	/	Dispute over purchase and sale contract with a amount of RMB28,000,000	28,000,000	Interest and litigation costs are uncertain.	Pending for trial	No definitive implication	/

(III) OTHER EXPLANATIONS

As at 31 December 2015, the Company was involved in a total of 68 litigations involving a total amount of approximately RMB970 million, of which: 10 cases had been satisfied/settled, involving an amount of approximately RMB350 million; 15 cases were being satisfied, involving an amount of approximately RMB230 million; 3 cases had been withdrawn, involving an amount of about RMB24 million; 40 cases have been judged or are in the process of trial, involving an amount of approximately RMB370 million.

IX. PENISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACUIRER AND RECTIFICATION MEASURES

Applicable Not applicable

X. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND FACTO CONTROLLER

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

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

Applicable Not applicable

XII. MATERIAL RELATED PARTY TRANSACTIONS

Applicable Not applicable

(I) Related party transaction related to day-to-day operation

1. Matters which were disclosed in extraordinary announcements but without developments or changes in subsequent implementation

Nil

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

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

Significant Events (Continued)

XII. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(I) Related party transaction related to day-to-day operation (Continued)

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

- 1) *Pursuant to the Service and Supply Agreement, the Company agreed to provide products and services to the Parent Group as summarized as follows:*
 - (1) production materials such as water, electricity, natural gas, steel billets, steel products and ancillary products (including cement, hardware, timber, etc);
 - (2) transportation, technical services (software development services) and other services.
- 2) *Pursuant to the Service and Supply Agreement, the Parent Group agreed to provide products and services to the Company in summary as follows:*
 - (1) raw materials such as pig iron, iron ore, coal, scrap steel, refractory materials and ancillary products (including dolomite and limestone);
 - (2) water and road transportation and technical services (including construction, design and supervision, and labour services etc);
 - (3) electricity, water, industrial gas, equipment and spare parts;
 - (4) social welfare services (including mainly medical insurance and pensions funds management services etc), the fees in respect of which were paid by the Company through Parent Company but no fees was charged by Parent Company for managing such social welfare services of the Company's employees.
- 3) *Pursuant to the Service and Supply Agreement, the Company and the Parent Group will allow each other to use and occupy their respective factory premises.*

XII. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(I) Related party transaction related to day-to-day operation *(Continued)*

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

4) *Pricing basis and of Service and Supply Agreement:*

- (1) according to the price set by the PRC Government (including the municipal government and other regulatory bodies which govern such transactions);
- (2) if no such price is set by the PRC Government, not lower than the guide prices set by the PRC Government for such transactions;
- (3) if there is no set price and no guide prices set by the PRC Government, choose the applicable methods as follows, subject to the condition:
 - a) for products and services provided by the Parent Company to the Company, not higher than such open market price between independent parties on normal commercial terms in the comparable market;
 - b) for products and services provided to the Parent Company by the Company, not lower than such open market price between independent parties on normal commercial terms in the comparable market.
- (4) if there are no comparable market prices, choose the applicable methods as follows, subject to the condition:
 - a) for products and services provided by the Parent Company to the Company, not higher than such open market price between independent parties on normal commercial terms in the PRC generally;
 - b) for products and services provided to the Parent Company by the Company, not lower than such open market price between independent parties on normal commercial terms in the PRC generally.

Significant Events (Continued)

XII. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(I) Related party transaction related to day-to-day operation (Continued)

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

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

6) the Company's independent non-executive directors reviewed the above related party transactions, and confirmed in the annual report, that the transactions were:

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

3. Matters not disclosed in extraordinary announcements

Applicable Not applicable

Unit: RMB'000

Party to related-party transaction	Connected relationship	Type of related-party transaction	Content of related-party transaction	Pricing principle of related-party transaction	Price of related-party transaction	Amount of related-party transaction	As a percentage of the total amount of similar transactions (%)	Payment method for related-party transaction	Reason for the big Difference between transaction price and reference market price
Chongqing Iron & Steel Group Mining Company Limited	Controlled subsidiary of the Parent Company	Purchase of products	Procurement of products	With reference to market price		997,714	15.52%		

Significant Events (Continued)

XII. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(I) Related party transaction related to day-to-day operation (Continued)

3. Matters not disclosed in extraordinary announcements (Continued)

Party to related-party transaction	Connected relationship	Type of related-party transaction	Content of related-party transaction	Pricing principle of related-party transaction	Price of related-party transaction	Amount of related-party transaction	As a percentage of the total amount of similar transactions (%)	Payment method for related-party transaction	Market price	Reason for the big Difference between transaction price and reference market price
Chongqing Iron & Steel (Hong Kong) Company Limited	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products	With reference to market price		859,667	13.37%			
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Controlled subsidiary of the Parent Company	Purchase of products	Procurement of products	With reference to market price		330,350	5.14%			
CECIC Chongqing Industry Co., Ltd	Controlled subsidiary of the Parent Company	Purchase of products	Procurement of products	With reference to market price		319,084	4.96%			
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price		120,112	1.73%			
Chongqing Iron & Steel Group Industrial Company Limited	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price		118,380	1.70%			
Chongqing Iron & Steel Group Electronics Company Limited	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price		108,487	1.56%			
Chongqing Iron & Steel Group Design and Research Institute	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price		99,825	1.44%			

Significant Events (Continued)

XII. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(I) Related party transaction related to day-to-day operation (Continued)

3. Matters not disclosed in extraordinary announcements (Continued)

Party to related-party transaction	Connected relationship	Type of related-party transaction	Content of related-party transaction	Pricing principle of related-party transaction	Price of related-party transaction	Amount of related-party transaction	As a	Payment method for related-party transaction	Market price	Reason for the big Difference between transaction price and reference market price	
							percentage of the total amount of similar transactions				
							(%)				
Chongqing Xin Gang Chang Long Logistics Company Limited	Controlled subsidiary of the Parent Company	Purchase of products	Acceptance of services	With reference to market price		83,402	15.83%				
Chongqing Iron & Steel (Group) Transportation Company Limited	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price		79,983	1.15%				
Chongqing Iron & Steel Group San Feng Industrial Company Limited	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products and acceptance of services	With reference to market price		61,068	0.88%				
Chongqing Iron & Steel Group Iron Company Limited	Wholly-owned subsidiaries of the Parent Company	Purchase of products	Procurement of products	With reference to market price		49,971	0.78%				
Others	Others	Purchase of products				79,220					
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Controlled subsidiary of the Parent Company	Sale of products	Sale of energy and render of service	With reference to market price		224,875	71.35%				
Chongqing Iron & Steel Group Industrial Company Limited	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of energy and etc	With reference to market price		103,023	32.73%				
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of steel and energy	With reference to market price		68,305	0.74%				

Significant Events (Continued)

XII. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(I) Related party transaction related to day-to-day operation (Continued)

3. Matters not disclosed in extraordinary announcements (Continued)

Party to related-party transaction	Connected relationship	Type of related-party transaction	Content of related-party transaction	Pricing principle of related-party transaction	Price of related-party transaction	Amount of related-party transaction	As a percentage of the total amount of similar transactions (%)	Payment method for related-party transaction	Market price	Reason for the big Difference between transaction price and reference market price
Chongqing Iron & Steel Group Mining Company Limited	Controlled subsidiary of the Parent Company	Sale of products	Sale of energy and etc	With reference to market price		44,844	14.25%			
CECIC Chongqing Industry Co., Ltd	Controlled subsidiary of the Parent Company	Sale of products	Sale of energy	With reference to market price		8,709	2.77%			
Chongqing Iron & Steel Group Steel Pipe Company Limited	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of steel	With reference to market price		7,308	0.08%			
Chongqing Iron & Steel Research Institute	Wholly-owned subsidiaries of the Parent Company	Sale of products	Sale of steel	With reference to market price		3,176	0.04%			
Others	Others	Sale of products		With reference to market price		9,750				
Total				/	/	3,777,253	186.02%	/	/ /	

Particulars of substantial sales return

Nil

Descriptions of the related party transactions

The related party transactions enabled the Company to obtain stable and reliable service supply at reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output

Significant Events (Continued)

XII. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(II) Related party transaction related to acquisition and disposal of assets and equity interests

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

Nil

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

Nil

3. ***Events not disclosed in extraordinary announcements***

Applicable Not applicable

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

Nil

(III) Material related party transactions related to joint external investment

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

Nil

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

Nil

3. ***Events not disclosed in extraordinary announcements***

Applicable Not applicable

XII. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(IV) Amounts due to or from related parties

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

Overview of events	Search index
<p>Receipt of RMB300 million of financial assistance from the Parent Company. In 2015, the Company had received RMB1.1 billion of financial assistance (including those provided this time) on accumulative basis from the Parent Company.</p>	<p>The Announcement on Receipt of Financial Assistance from the Controlling Shareholder 《關於接受控股股東財務資助的公告》(2015-022) published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 18 June 2015</p>
<p>Receipt of RMB300 million of financial assistance from the Parent Company. In 2015, the Company had received RMB1.4 billion of financial assistance (including those provided this time) on accumulative basis from the Parent Company.</p>	<p>The Announcement on Receipt of Financial Assistance from the Controlling Shareholder 《關於接受控股股東財務資助的公告》(2015-023) published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 19 June 2015</p>
<p>Receipt of RMB118 million of financial assistance from Chongqing Iron & Steel Group Steel Duoli Real Estate Company Limited. In 2015, the Company had received RMB1.518 billion of financial assistance (including those provided this time) on accumulative basis from the Parent Company.</p>	<p>The Announcement on Receipt of Financial Assistance from the Controlling Shareholder 《關於接受控股股東財務資助的公告》(2015-024) published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 30 June 2015</p>
<p>Receipt of RMB400 million of financial assistance from the Parent Company. In 2015, the Company had received RMB1.918 billion of financial assistance (including those provided this time) on accumulative basis from the Parent Company.</p>	<p>The Announcement on Receipt of Financial Assistance from the Controlling Shareholder 《關於接受控股股東財務資助的公告》(2015-027) published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 10 July 2015</p>

Significant Events (Continued)

XII. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

Overview of events	Search index
Receipt of RMB300 million of financial assistance from the Parent Company. In 2015, the Company had received RMB2.218 billion of financial assistance (including those provided this time) on accumulative basis from the Parent Company.	The Correction Announcement on Receipt of Financial Assistance from the Controlling Shareholder 《關於接受控股股東財務資助的更正公告》(2015-032) published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 24 July 2015
Receipt of RMB300 million of financial assistance from the Parent Company. In 2015, the Company had received RMB2.518 billion of financial assistance (including those provided this time) on accumulative basis from the Parent Company.	The Announcement on Receipt of Financial Assistance from the Controlling Shareholder 《關於接受控股股東財務資助的公告》(2015-039) published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 21 August 2015
Receipt of RMB22 million of financial assistance from the Chongqing Iron & Steel Group Steel Duoli Real Estate Company Limited. In 2015, the Company had received RMB2.540 billion of financial assistance (including those provided this time) on accumulative basis from the Parent Company.	The Correction Announcement 《更正公告》(2015-050) published on the website of Shanghai Stock Exchange at http://www.sse.com.cn as well as on the China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 30 October 2015

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

Nil

Significant Events (Continued)

XII. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

3. Events not disclosed in extraordinary announcements

Applicable Not applicable

Unit: RMB00'000'000

Connected parties	Connected relationship	Provision of funds to connected parties			Provision of funds to the Company by connected parties		
		Amount			Amount		
		Opening balance	of the transaction	Closing balance	Opening balance	of the transaction	Closing balance
Chongqing Iron & Steel Mine Development and Investment Company Limited (重慶重鋼礦產開發投資有限公司)	Controlled subsidiary of the parent Company	/	/	/	3	-3	0
Total		/	/	/	3	-3	0

Reason of creditor's rights and debts

Financial aid, the related parties funded RMB300 million at the beginning of the period and RMB800 million in the middle of the period, totaling RMB1.1 billion. The Company paid off RMB1.1 billion at the end of the period.

Influence of creditor's rights and debts on the Company

Supplement working capital for the Company and maintain capital turnover for normal production and operation.

XIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION

(I) Trust, contracted businesses and leasing affairs

Applicable Not applicable

1. Trust

Applicable Not applicable

2. Contracted businesses

Applicable Not applicable

Significant Events (Continued)

XIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION (Continued)

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

3. Leasing affairs

Applicable Not applicable

Unit: RMB'000

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Whether a related party transaction	Connected relations
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel (Group) Transportation Company Limited	Normal	801	1 January 2015	12 December 2015	62	Bank deposits records	Contributing to other business income	Yes	Wholly-owned subsidiaries of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group San Feng Industrial Company Limited	Normal	424	1 January 2015	12 December 2015	44	Bank deposits records	Contributing to other business income	Yes	Wholly-owned subsidiaries of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Xin Gang Chang Long Logistics Company Limited	Normal	679	1 January 2015	12 December 2015	70	Bank deposits records	Contributing to other business income	Yes	Controlled subsidiaries of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Mining Dabaopo Mine Company Limited (重鋼礦業大寶坡礦)	Normal	679	1 January 2015	12 December 2015	70	Bank deposits records	Contributing to other business income	Yes	Controlled subsidiaries of the Parent Company
Chongqing Iron & Steel Company Limited	Chaoyang Company Changshou Branch (朝陽公司長壽分公司)	Normal	1,357	1 January 2015	12 December 2015	141	Bank deposits records	Contributing to other business income	Yes	Controlled subsidiaries of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Industrial Company Limited	Normal	3,690	1 January 2015	12 December 2015	382	Bank deposits records	Contributing to other business income	Yes	Wholly-owned subsidiaries of the Parent Company
Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Group Construction and Engineering Company Limited	Normal	70	1 January 2015	12 December 2015	20	Bank deposits records	Contributing to other business income	No	Wholly-owned subsidiaries of the Parent Company

Significant Events (Continued)

XIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION (Continued)

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

3. Leasing affairs (Continued)

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Whether a related party transaction	Connected relations
Chongqing Iron & Steel Company Limited	Chengdu Chuangmeijia Decoration Engineering Co., Ltd. (成都創美家裝飾工程有限公司)	Normal	4,508	1 January 2015	12 December 2015	637	Bank deposits records	Contributing to other business income	No	Other
Chongqing Iron & Steel Company Limited	CECIC Chongqing Industry Co., Ltd	Normal	763	1 January 2015	12 December 2015	59	Bank deposits records	Contributing to other business income	No	Other
Chongqing Iron & Steel Company Limited	Chongqing Zhanqin Machinery Co., Ltd. (重慶展欽機械有限公司)	Normal	130	1 January 2015	12 December 2015	10	Bank deposits records	Contributing to other business income	No	Other

Explanation on lease

Nil

Significant Events (Continued)

XIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION (Continued)

(II) Guarantee

Applicable Not applicable

Unit: RMB'000

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

Guarantor	Relationship with the Company	Guaranteed Party	Amount of Guarantee	Date of occurrence of guarantee			Guarantee type	Completed or not	Overdue or not	Amount over due	Anti-guarantee or not	Connected parties guarantee or not	Connected relations
				(signature date of agreement)	Date of commencement of guarantee	Expiry date of guarantee							
The Company	Head office	San Feng Jingjiang Port Logistics Company Limited	900,000	2012-4-17	2012-4-17	2024-8-30	Credit guarantee	No	No	/	Yes	Yes	Controlled subsidiary of the Parent Company

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

Total guarantee balance at the end of Reporting Period (A) (excluding those for subsidiaries) 811,042

Guarantees provided by the Company and its subsidiaries for subsidiaries

Total guarantees for subsidiaries during the Reporting Period

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

Significant Events (Continued)

XIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION (Continued)

(II) Guarantee (Continued)

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

Total amount of guarantees (A+B)	811,042
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)	811,042
Amount of debt guarantees directly or indirectly provided for guaranteed parties with the gearing ratio exceeding 70% (D)	
Amount of the total guarantees exceeding 50% of net assets (E)	
Total amount of above three guarantees (C+D+E)	811,042
Explanations on outstanding guarantee which may undertake joint liability for satisfaction	Nil
Explanations on guarantee	In 2015, the Company did not offer external guarantees but provided guarantee for San Feng Jingjiang Port Logistics Company Limited, a former associated company of the Company. The aforesaid guarantee had been approved at the Board meeting of the Company (some of them were approved at the general meeting). The Company performed its information disclosure obligation. As at the end of the Reporting Period, the Company had a balance of such guarantee of RMB811 million.

(III) Entrusted cash assets management

1. Entrusted wealth management

Applicable Not applicable

2. Entrusted loan

Applicable Not applicable

3. Other investment and wealth management and derivative investment

Applicable Not applicable

(IV) Other significant contracts

Nil

Significant Events (Continued)

XIV. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable Not applicable

Debt restructuring

According to the debt relief agreement entered into by the Company and Chongqing Changshou Urban and Rural Overall Development (Group) Company Limited (重慶市長壽區城鄉統籌開發(集團)有限公司), upon negotiation by both parties, Chongqing Changshou urban and rural overall development (Group) Company Limited (重慶市長壽區城鄉統籌開發(集團)有限公司) agreed to relieve the Company's debt of RMB2.35 billion. The Company promised to pay off the remaining debt in 2016. In 2015, the relevant debt restructuring revenue as recognized by the Company was RMB2.35 billion.

XV. FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) Social Responsibility efforts

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

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

In this year, the Company strictly implemented the environmental laws and regulations and deeply carried out the publicity and implementation of the Environmental Protection Law and the Atmospheric Pollution Law through lectures, panels and other forms, to further improve all staff's environmental awareness. In April 2015, the 6 million tonnes technological transformation project in Changshou District passed the EIA acceptance by the Ministry of Environmental Protection. In October 2015, the Company obtained the formal discharge permit issued by the Municipal Environmental Protection Bureau, all major pollutants of the Company reached the discharge standards, and indicators of the plant's ambient air quality, amount of dust etc. continued to improve, basically realising the target of clean production. In the year, the Company ranked the 10th in the green rating of iron & steel enterprises in the PRC (中國鋼鐵企業綠色評級).

XVI. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

Applicable Not applicable

Movement of Ordinary Shares and the Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Statements of movement of ordinary shares

1. Statements of movement of ordinary Shares

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

2. Explanation on movement of ordinary shares

Nil

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

Nil

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

Nil

(II) Changes in Shares subject to trading moratorium

Applicable Not applicable

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the reporting period

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

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

Nil

(III) Shareholdings held by employees

Nil

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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period	181,020
Total number of ordinary shareholders on the close of the end of month before the disclosure of the Annual Report	188,126
Total number of holders of preference shares with restored voting rights as at the end of the Reporting Period	0
Total number of holders of preference shares with restored voting rights on the close of the end of month before the disclosure of annual report	0

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

Unit: share

Shareholdings of the top ten shareholders

Name of shareholder (Full name)	Increase/ Decrease in the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of Shares held subject to trading moratorium	Number of shares pledged or frozen		Type of shareholder
					Status of shares	Number	
Chongqing Iron & Steel (Group) Co., Ltd.	-700,000,000	2,096,981,600	47.27	1,996,181,600	Pledged	982,700,000	State-owned corporation
HKSCC NOMINEES LIMITED	1,674,300	530,123,970	11.95	0	Unknown		Foreign legal persons
Central Huijin Asset Management Co., Ltd.	93,284,800	93,284,800	2.1	0	Unknown		Unknown
China Securities Finance Corporation Limited	39,352,886	39,352,886	0.89	0	Unknown		Unknown
Bosera Funds – Agricultural Bank of China – Bosera China Securities Financial Asset Management Plan	23,900,800	23,900,800	0.54	0	Unknown		Unknown

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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(Continued)

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

Shareholdings of the top ten shareholders (Continued)

Name of shareholder (Full name)	Increase/ Decrease in the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares pledged or frozen		Type of shareholder
				Number of Shares held subject to trading moratorium	Status of shares	
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	23,900,800	23,900,800	0.54	0	Unknown	Unknown
ICBC Credit Suisse Asset – Agricultural Bank of China – ICBC Credit Suisse China Securities Financial Asset Management Plan	23,900,800	23,900,800	0.54	0	Unknown	Unknown
Guangdong Development Fund – Agricultural Bank of China – GF China Securities Financial Asset Management Plan	23,900,800	23,900,800	0.54	0	Unknown	Unknown
Huaxia Fund – Agricultural Bank of China – China Securities Financial Asset Management Plan	23,900,800	23,900,800	0.54	0	Unknown	Unknown
Harvest Fund – Agricultural Bank of China – Harvest China Securities Financial Asset Management Plan	23,900,800	23,900,800	0.54	0	Unknown	Unknown

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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(Continued)

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

Shareholdings of the top ten shareholders holding shares not subject to trading moratorium

Name of shareholder	Number of shares not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED	530,123,970	Overseas listed foreign shares	530,123,970
Chongqing Iron & Steel (Group) Co., Ltd.	100,800,000	RMB-denominated ordinary shares	100,800,000
Central Huijin Asset Management Co., Ltd.	93,284,800	RMB-denominated ordinary shares	93,284,800
China Securities Finance Corporation Limited	39,352,886	RMB-denominated ordinary shares	39,352,886
Bosera Funds – Agricultural Bank of China – Bosera China Securities Financial Asset Management Plan	23,900,800	RMB-denominated ordinary shares	23,900,800
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	23,900,800	RMB-denominated ordinary shares	23,900,800
ICBC Credit Suisse Asset – Agricultural Bank of China – ICBC Credit Suisse China Securities Financial Asset Management Plan	23,900,800	RMB-denominated ordinary shares	23,900,800

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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(Continued)

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

Shareholdings of the top ten shareholders holding shares not subject to trading moratorium (Continued)

Name of shareholder	Type and number of shares		
	Number of shares not subject to trading moratorium	Type	Number
Guangdong Development Fund – Agricultural Bank of China – GF China Securities Financial Asset Management Plan	23,900,800	RMB-denominated ordinary shares	23,900,800
Huaxia Fund – Agricultural Bank of China – China Securities Financial Asset Management Plan	23,900,800	RMB-denominated ordinary shares	23,900,800
Harvest Fund – Agricultural Bank of China – Harvest China Securities Financial Asset Management Plan	23,900,800	RMB-denominated ordinary shares	23,900,800
The above shareholders' connected relationship or concerted action	There is no connection between the Parent Company and the other 9 shareholders, nor are they persons acting in concert regulated in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Companies' Shareholders. The Company is not aware of any connected relationship among the other 9 shareholders or whether they are acting in concert.		
Preferred shareholders with restored voting rights and their shareholding	No		

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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(Continued)

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

Shareholdings of the top ten shareholders holding shares subject to trading moratorium held by the top ten shareholders and trading moratorium

Unit: shares

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

- (III) Strategic investors or general legal persons becoming top 10 shareholders due to allotment and issue of new shares

Nil

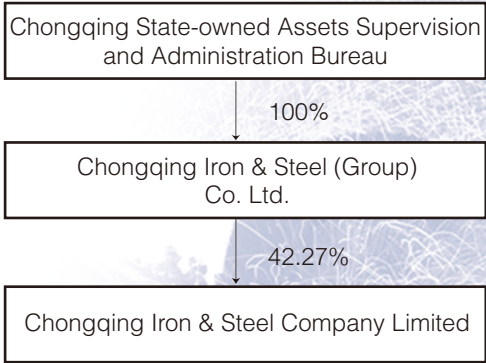
(IV) CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling Shareholder

1. Legal person

Name	Chongqing Iron & Steel (Group) Co., Ltd.
Principal or Legal representative	Liu Jiakai
Date of incorporation	19 January 1982
Principal operations	Assets operation, investment and property right trading within the authorized scope, manufacture and sale of metal materials, machinery products, casting and forging products and general spare parts, home appliances, computers and parts, electronic devices and components, instruments and meters, measuring instruments, textile products, apparels, timber products, refractory materials, chemical products (excluding dangerous chemicals).
Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period	Controlling shareholder did not control or invest in domestic and foreign listed companies during the Reporting Period.
Other explanation	Nil

2 The ownership and control relationship between the Company and its controlling shareholder



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

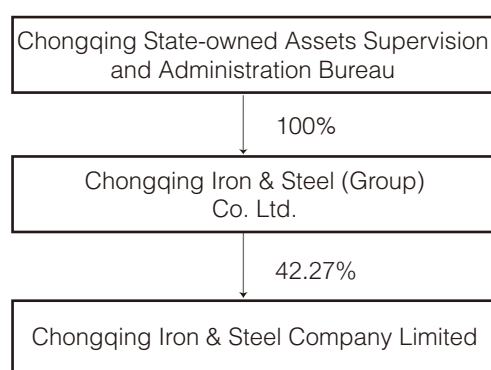
(IV) CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (Continued)

(II) De facto controller

1. Legal person

Name	Chongqing Iron & Steel (Group) Co., Ltd.
Principal or Legal representative	Liu Jiakai
Date of incorporation	19 January 1982
Principal operations	Assets operation, investment and property right trading within the authorized scope, manufacture and sale of metal materials, machinery products, casting and forging products and general spare parts, home appliances, computers and parts, electronic devices and components, instruments and meters, measuring instruments, textile products, apparels, timber products, refractory materials, chemical products (excluding dangerous chemicals).
Equity interests in other controlled and invested domestic and foreign listed companies during the Reporting Period	Controlling shareholder did not control or invest in domestic and foreign listed companies during the Reporting Period.
Other explanation	Nil

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



3. Control of the Company by de facto controllers by way of trust or other means of asset management

De facto controllers do not control the Company by way of trust or other means of asset management.

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

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

Nil

VI. EXPLANATION ON REDUCED SHAREHOLDING

Applicable Not applicable

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

(I) Interests or Short Positions

As at 31 December 2015 the Board was not aware of any person or its associates whose interests or short positions in the shares or underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (“SFO”).

(II) Pre-emptive Rights

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

(III) Purchase, Sale and Redemption of Listed Shares

During the year ended 31 December 2015 the Company did not redeem any of its issued securities, nor purchase or sell any of its listed securities.

(IV) Public float of H shares

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

(V) Circulating Market Capitalisation

Based on the publicly available information, as at 31 December 2015 the circulating market capitalisation of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$1.20)) was HK\$541 million and the circulating market capitalization of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB3.29)) was RMB12.824 billion.

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

(Continued)

(VI) FINAL DIVIDEND

As audited by Pan-China Certified Public Accountants LLP (special general partnership), the net profit attributable to shareholders of the Company recorded in the 2015 annual consolidated statements of the Company was RMB-5,987,248 million. In 2015, the Company suffered losses, and accumulated undistributed profit was not recorded, the Board proposed that the Company should not make any distribution of profits, or transfer capital reserve into equity for the year of 2015.

Related Information of Preferred Stock

Applicable

Not applicable



Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Applicable Not applicable

Unit: Share

Name	Title	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding at the beginning of the year	Shareholding at the end of the year	Increase/Decrease in shareholding during the year	Reason for change in shareholding	Total remuneration before tax received from the Company during the Reporting Period	Whether received remuneration from the related parties of the Company
(Note)										(RMB'000)	
Liu Da Wei	Chairman	M	53	23 December 2015	/	0	0	0	/	0	Yes
Zhou Hong	Director	M	54	16 May 2014	/	0	0	0	/	0	Yes
Tu De Ling	Vice Chairman, Financial Controller	M	53	23 December 2015	/	0	0	0	/	0	No
Li Ren Sheng	Director, General Manager	M	51	1 June 2009	/	0	0	0	/	24.73	No
Zhang Li Quan	Director, Deputy General Manager	M	53	16 May 2014	/	0	0	0	/	23.05	No
Yao Xiao Hu	Director, Deputy General Manager	M	50	4 December 2014	/	0	0	0	/	23.11	No
Xu Yi Xiang	Director (Independent)	M	42	4 December 2014	/	0	0	0	/	7.36	No
Xin Qing Quan	Director (Independent)	M	41	4 December 2014	/	0	0	0	/	7.36	No
Wong Chun Wa	Director (Independent)	M	42	4 June 2015	/	0	0	0	/	3.68	No
Xia Tong	Supervisor	M	50	13 June 2013	/	0	0	0	/	25.37	No
Li Zheng	Supervisor	M	53	18 August 2010	/	0	0	0	/	0	Yes
Xie Chuan Xin	Supervisor	M	46	13 December 2015	/	0	0	0	/	0	Yes
Chen Hong (陳紅)	Supervisor Representing staff	F	51	1 June 2009	/	0	0	0	/	19.17	No
Dou Hui	Supervisor Representing staff	M	52	25 July 2011	/	0	0	0	/	19.74	No

Directors, Supervisors, Senior Management and Staff (Continued)

I. CHANGES IN SHAREHOLDING AND REMUNERATION (Continued)

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

Name	Title	Gender	Age	Starting date of the tenure	Ending date of the tenure	Shareholding at the beginning of the year	Shareholding at the end of the year	Increase/Decrease in shareholding during the year	Reason for change in shareholding	Total remuneration before tax received from the Company during the Reporting Period	Whether received remuneration from the related parties of the Company
	(Note)									(RMB'000)	
Zeng Jing	Deputy General Manager	M	53	19 March 2014	/	0	0	0 /	/	23.23	No
You Xiao An	Secretary to the Board	M	51	23 January 2001	/	0	0	0 /	/	19.02	No
Zhu Jian Pai	Former Chairman	M	58	16 May 2014	28 July 2015	0	0	0 /	/	0	Yes
Liu Tian Ni	Former Director (Independent)	M	51	1 June 2009	4 June 2015	0	0	0 /	/	3.68	No
Li Mei Jun	Former Supervisor	M	49	18 August 2009	20 October 2015	0	0	0 /	/	0	Yes
Zhang Zong Ming	Former Financial Controller	M	39	4 April 2014	15 December 2015	0	0	0 /	/	19.07	No
Total	/	/	/	/	/	0	0	0 /	/	218.57	/

Directors, Supervisors, Senior Management and Staff (Continued)

I. CHANGES IN SHAREHOLDING AND REMUNERATION (Continued)

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

Name	Major Working Experience
Liu Da Wei	<p>Is the Chairman of the Company and the general manager, deputy secretary to the party committee and a director of Chongqing Iron & Steel Group Company Limited (the "Parent Company" or "Chongqing Iron & Steel Group"). Mr. Liu graduated from Southwestern University of Finance and Economics, majoring in political economy, with a PhD in economics. Mr. Liu joined the Parent Company in 1987 and served as the leader of restructuring office of the Company, director assistant of the general manager office of Chongqing Iron & Steel Group, deputy head of the financial division of Chongqing Iron & Steel Group Industrial Company Limited (重鋼集團產業公司), director of Beijing Office of Chongqing Iron & Steel Group, secretary to the Board of the Company. Since 2000, Mr. Liu acted as the head of the enterprise guidance division of Chongqing Economic and Information Commission (重慶市經濟委員會企業指導處), leader of the restructuring team of Chongqing State-owned Enterprises Reform Office (重慶市國企辦改制組), head of the enterprise reform division of Chongqing State-owned Assets Supervision and Administration Commission (重慶市國資委企業改革處), deputy mayor of Jiangjin Municipal Government, Chongqing, member of the standing committee of district party committee and deputy head of Jiangjin District, Chongqing, and deputy director and a member of the party committee of Chongqing Finance Bureau. Mr. Liu was elected as a Director of the Company at the 2015 second extraordinary general meeting and concurrently appointed as the Chairman of the Company by the Board.</p>
Zhou Hong	<p>is a Director of the Company and the deputy general manager of the Parent Company, a member of the standing committee of the communist party committee, the chief engineer and the head of technology center of Chongqing Iron & Steel (Group) Co., Ltd. and the head of Chonggang Postdoctoral Research Station (重鋼博士後科研工作站). Mr. Zhou graduated from the University of Science and Technology Beijing with a master's degree in iron and steel metallurgy and is a senior engineer. Mr. Zhou joined the Parent Company in 1983, and has served as the manager of the smelting plant of the Company, the vice chief engineer of Chonggang Holding as well as the chairman of Chongqing Xingang Handling and Transportation Company Limited, Xin Gang Chang Long Logistics Company Limited and Chongqing Iron & Steel (Group) Transportation Company Limited. Mr. Zhou was elected as a Director of the Company at the 2014 annual general meeting.</p>

I. CHANGES IN SHAREHOLDING AND REMUNERATION (Continued)

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

Name	Major Working Experience
Tu De Ling	is the chairman and the financial controller of the Company. Mr. Tu graduated from the Department of Accounting of the Southwestern University of Finance and Economics in 1984 with a bachelor's degree in economics. Mr. Tu joined the Parent Company July 1988 and served as the deputy head of the financial division of Chongqing Iron & Steel Group, head of financial division and chief accountant of the Company, chairman of Chongqing Iron & Steel Electronic Company (重鋼電子公司), and the commander of the environmental relocation headquarters and director of the finance department of Chongqing Iron & Steel Group, the chairman of Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司). Mr. Tu was elected as the Director of the Company in the 2015 second extraordinary general meeting and concurrently elected as the vice chairman of the Company by the Board.
Li Ren Sheng	is a Director and the General Manager of the Company. Graduated in the Faculty of Chemical Metallurgy of Chongqing University, Mr. Li possesses a bachelor's degree and is a senior engineer. He joined the Parent Company in 1987, and had been the deputy head of No. 4 Blast Furnace Workshop, the assistant to plant director and deputy plant director of Smelting Plant of the Parent Company, deputy head of the smelting plant of the Company, the manager and Chairman of Chongqing Iron & Steel Group Iron Company Limited and head of the Raw Materials Department of the Company. Mr. Li was re-elected as a Director of the Company at the 2011 annual general meeting.
Zhang Li Quan	is a Director and the deputy general manager of the Company. Mr. Zhang graduated from Kunming Institute of Technology majoring in nonferrous metallurgy and Chongqing University majoring in non-ferrous metal metallurgy. He holds Master's Degree and is a senior engineer. Mr. Zhang joined the Parent Company in 1987 served from time to time as the Deputy head, Head and the director of the Production and Direction Center of the Sintering Plant of the Company. Mr. Zhang was elected as a Director of the Company at the 2014 annual general meeting.

Directors, Supervisors, Senior Management and Staff (Continued)

I. CHANGES IN SHAREHOLDING AND REMUNERATION (Continued)

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

Name	Major Working Experience
Yao Xiao Hu	is the director and the deputy general manager of the Company. Mr. Yao graduated from the School of Automation in Chongqing University, majored in control engineering and obtained a master's degree in engineering. He is a senior engineer. Mr. Yao joined the Parent Company in 1987, and has successively served as the head of mechanics division and the deputy manager of the coking plant, the deputy chief and chief of mechanics division of the Company. Mr. Yao was elected as a director of the Company at the 2014 general meeting.
Xu Yi Xiang	is an Independent Non-executive Director of the Company and a professor and doctorate tutor in the School of Economics of Southwest University of Political Science and Law and a doctoral tutor. He is the deputy director of the Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law, and concurrently served as a part-time lawyer in Chongqing Damei Law Firm (重慶達美律師事務所) as well as an arbitrator of Hainan Arbitration Commission. Mr. Xu graduated from The Eberhard Karls Universitat Tübingen of Germany, and obtained a PhD in Law. He is engaged in the research and practical works of the economic and environmental protection laws and policies for a long time, and has hosted various national and other level research projects. His academic papers have been published in several domestic and foreign renowned academic journals. Mr. Xu has extensive experience in corporation, security laws and practical operations. Mr. Xu was elected as an Independent Non-executive Director of the Company at the 2014 first extraordinary general meeting.
Xin Qing Quan	is an Independent Non-executive Director of the Company and a professor of accounting and a doctoral tutor in the School of Economics and Business Administration of Chongqing University, a special researcher of Chinese Government Auditing Research Center (中國政府審計研究中心), a senior assistant researcher in the Department of Finance and Insurance of Lingnan University in Hong Kong and an external director of Chongqing International Consultation Investment Group (重慶國際諮詢投資集團). Mr. Xin graduated from Zhongshan University with a doctoral degree in accounting. He is mainly engaged in the research of financial accounting and corporate management. Mr. Xin was elected as an Independent Non-executive Director of the Company at the 2014 first extraordinary general meeting.

Directors, Supervisors, Senior Management and Staff (Continued)

I. CHANGES IN SHAREHOLDING AND REMUNERATION (Continued)

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

Name	Major Working Experience
Wong Chun Wa	is an Independent Non-executive Director of the Company and a director of ACT Business Consultants Ltd. and RIW C.P.A. Limited, a supervisor of Maanshan Iron & Steel Company Limited (stock code of shares listed in Hong Kong: 323) and an independent non-executive director of China Zhongwang Holdings Limited (stock code of shares listed in Hong Kong: 1333). He received a bachelor's degree in accounting from the Hong Kong Polytechnic University, Hong Kong in 1996. Mr. Wong Chun Wa is a certified public accountant in Hong Kong and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He once worked at KPMG and Ernst & Young, and was an independent non-executive director of Maanshan Iron & Steel Company Limited. Mr. Wong was elected as an Independent Non-executive Director of the Company at the 2014 annual general meeting.
Xia Tong	is the Chairman of the supervisory committee, Party Secretary, Secretary of the disciplinary committee, and Chairman of the Labour Union of the Company. Mr. Xia graduated from Chongqing University and holds Master's Degree for Engineering. Mr. Xia is a senior engineer. Mr. Xia joined the Parent Company in July 1987, and served as director of the Party and Administration Office of the Parent Company's Medium Plate Plant, party secretary, secretary of the disciplinary committee, and chairman of the labour union of the Parent Company's Medium Plate Plant, secretary to the Board of Directors and head of the Managerial Office (Office of the Board of Directors) of the Parent Company, party secretary of the Environmental Relocation Headquarters of the Parent Company. Mr. Xia was re-elected as a Director of the Company at the 2011 annual general meeting held on 31 May 2012 and resigned as a Director of the Company due to work adjustment with effect from 2 April 2013. He was elected as a Shareholder Representative Supervisor of the Company at the 2012 annual general meeting.

I. CHANGES IN SHAREHOLDING AND REMUNERATION (Continued)

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

Name	Major Working Experience
Li Zheng	<p>is a Supervisor of the Company and the director of office of the supervisory committee and the head of audit department of the Parent Company. Mr. Li graduated from Sichuan Second Communist Party School by distance learning with a bachelor's degree in economics and trade (四川省二黨校函授經貿專業). He is a senior accountant. Mr. Li joined the Parent Company in 1980 and acted as the head of audit department of the Parent Company in May 2010, and served as the director of office of the supervisory committee at the Parent Company in November 2011. He held positions as the assistant to the head of the Finance Office of the Parent Company, the chief accountant of Chongqing Building Materials and Industry Co., Ltd. (重慶建材實業有限公司), the deputy head of the sales department and the secretary to the Chief Party Committee of the sales department of the Company as well as the deputy general manager of Chongqing Iron & Steel Mining Company (重慶集團礦業公司). Mr. Li was re-elected as a shareholder representative supervisor of the Company at the 2011 annual general meeting.</p>
Xie Chuan Xin	<p>is a Supervisor of the Company and the deputy secretary of the disciplinary committee and head of the supervision department of the Parent Company. Mr. Xie graduated from the Department of Urban Construction of Chongqing Construction School (重慶建築工程學院), majoring in urban gas engineering with a master's degree in engineering. Mr. Xie joined the Parent Company in 1992 and served as the deputy secretary to the party committee, secretary to the disciplinary committee and chairman of the labour union of the power plant and thermal plant of the Company; head of organization division and deputy secretary to the disciplinary committee of the Company; secretary to the party committee, secretary to the disciplinary committee and chairman of the labour union of Chongqing Iron & Steel Group San Gang (Zhongxing) Company (重鋼集團三鋼(中興)公司) and Steel Pipe Company (鋼管公司); and deputy secretary to the disciplinary committee and head of the supervision division of Chongqing Iron & Steel Group. He concurrently serves as the chairman of the supervisory committee of the Construction Company (建設公司) and Chaoyang Company (朝陽公司) and a supervisor of No.4 Steel Company (四鋼公司). Mr. Xie was elected as a shareholder representative supervisor of the Company at the 2015 second extraordinary general meeting.</p>

Directors, Supervisors, Senior Management and Staff (Continued)

I. CHANGES IN SHAREHOLDING AND REMUNERATION (Continued)

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

Name	Major Working Experience
Chen Hong	is a Supervisor and the head of the Logistics Management Department of the Company. Ms. Chen obtained a university diploma from the Logistical Engineering University of the Chinese People's Liberation Army. Ms. Chen joined the Parent Company in 1984. Ms. Chen had been the deputy head and then the head of Design Office of the Design Institute, chief officer of Production and Operation Department of the Parent Company and deputy head of the managerial office of the Company. Ms. Chen was re-elected as a Staff Representative Supervisor of the sixth session of the Supervisory Committee of the Company at the 22nd meeting of the third staff representative meeting for its group leaders of the Company.
Dou Hui	is a Supervisor of the Company and the secretary to the Party Committee, secretary to the Discipline Inspection Committee and chairman of the Labor Union of the Steel Smelting Plant of the Company. He is holder of a bachelor's degree, and a senior political worker (高級政工師). Mr. Dou joined the Parent Company in August 1982. He served from time to time as the director of the office of the Labor Union, organization department chief of the Labor Union of the Parent Company, as well as secretary to the Party Committee, secretary to the Discipline Inspection Committee and chairman of the Labor Union of the Sintering Plant of the Company. Mr. Dou was re-elected as a Staff Representative Supervisor of the sixth session of the Supervisory Committee of the Company at the 22nd meeting of the third staff representative meeting for its group leaders of the Company.
Zeng Jing	is the Deputy General Manager of the Company and the deputy head of the technology center of the Parent Company., Ltd.. Mr. Zeng graduated from the Faculty of Metallic Materials of Chongqing University with a bachelor's degree. He is also a holder of master degree in engineering and a senior engineer. Mr. Zeng joined the Parent Company in 1985, and has served as the deputy director of the management division of the steel research institute under Chonggang Holding, the head of the technology and trade management department, the director assistant and the deputy director of the steel research institute under the Company. Mr. Zeng was appointed as the Deputy General Manager of the Company as resolved at the eighth meeting of the sixth session of the Board.

Directors, Supervisors, Senior Management and Staff (Continued)

I. CHANGES IN SHAREHOLDING AND REMUNERATION (Continued)

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

Name	Major Working Experience
You Xiao An	is the Secretary to the Board, and the head of manager's office of the Company. Mr. You graduated from the Metallurgy and Materials Engineering Faculty of Chongqing University with major in chemistry and metallurgy. He has a bachelor degree in engineering and is now attending postgraduate courses in business management in Chongqing University. He holds the title of engineer. Mr. You joined the Parent Company in 1985 and had worked as the head of the production section and the head of the General Office of Hengda and assistant to the head and the deputy head of the General Office of the Company.
Zhu Jian Pai	Is the Chairman of the Company and the general manager, the deputy secretary to the communist party committee and a director of the Chongqing Iron & Steel (Group) Co., Ltd. Mr. Zhu graduated from the Faculty of Metallurgy of Chongqing University with major in pressure processing. He obtained a bachelor's degree in engineering and a Master of Business Administration degree from Chongqing University, holds the title of senior engineer and the state's certificated metallurgical material engineer. Mr. Zhu joined Parent Company in 1982 and served as the head of the labour affairs office, the head of the personnel department, the secretary of the discipline committee, the deputy secretary to the communist party committee, a director and the chief supervisor. He had been the secretary to the communist party committee, the secretary of the discipline committee, the chairman of the labour's Union, a director and the chief supervisor of the Company. Mr. Zhu resigned from the Company on 28 July 2015 due to work adjustment.
Liu Tian Ni	is an former Independent Non-executive Director and a member of the Remuneration and Review Committee and the Audit Committee of the Company, the founder and chairman of Wonderful Sky Financial Group Limited, an executive director of Silver Grant International Industries Limited, a listed company in Hong Kong, the managing director of Sure Spread Company Limited, and an independent director of Qingling Motors Company Limited. Mr. Liu graduated from Beijing Normal University, with a master's degree in Science. Mr. Liu has extensive experience in fields including international capital market, post listing corporate financing, mergers & acquisitions and direct investment. Mr. Liu Tian Ni was awarded the World Outstanding Young Chinese Entrepreneur by Asia Weekly in October 2008 for his excellent corporate management and remarkable business strategy. Mr. Liu resigned as an Independent Non-executive Director of the Company on 4 June 2015 due to expiry of his term.

Directors, Supervisors, Senior Management and Staff (Continued)

I. CHANGES IN SHAREHOLDING AND REMUNERATION (Continued)

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

Name	Major Working Experience
Li Mei Jun	is a former supervisor of the Company and the director of the legal affairs office of the Parent Company. Mr. Li graduated from the law department of Nankai University with a master's degree in law. He is an assistant economist. Mr. Li joined the Parent Company in 1988 and acted as the director of the legal affairs office of the Parent Company in July 2011. He held positions as the deputy manager of the sales department of Zhanjiang Industry and Trade Dong Hua (湛江工貿東華) of the Parent Company, the manager of Nanning Business Department (南寧經營部) of Zhanjiang Industry and Trade Group (湛江工貿集團) of Parent Company and the department head, deputy director of the legal department of the legal affairs office of the Parent Company. Mr. Li resigned from the Company on 20 October 2015 due to work adjustment.
Zhang Zongming	is the Financial Controller and the Head of the Financial and Accounting Division of the Company. He joined the work force since July 1999 and joined the communist party of China since June 1998. He has a bachelor's degree and is a senior accountant. He worked as the head of division of accounting and management of financial division, the deputy head of financial division and the head of financial division of Chongqing Iron and Steel (Group) Company Limited. Mr. Zhang resigned as the financial controller of the Company on 15 December 2015 due to work adjustment.

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

Applicable Not applicable

Directors, Supervisors, Senior Management and Staff (Continued)

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

(I) Positions held at shareholders

Applicable Not applicable

Name	Name of shareholders	Position held at the shareholders	Starting date of the tenure	Ending date of the tenure
Liu Da Wei	Chongqing Iron & Steel (Group) Co., Ltd.	Director, General manager, Deputy Secretary to the Communist Party Committee	July 2015	/
Zhou Hong	Chongqing Iron & Steel (Group) Co., Ltd.	Deputy general manager, Chief Engineer	September 2011	/
Li Zheng	Chongqing Iron & Steel (Group) Co., Ltd.	Office Director of the Supervisory Committee and the Head of Audit Department	May 2010	/
Xie Chuan Xin	Chongqing Iron & Steel (Group) Co., Ltd.	Deputy Secretary to the Disciplinary Committee and the Head of Supervisory Department	July 2012	/
Zhu Jian Pai	Chongqing Iron & Steel (Group) Co., Ltd.	Former Director, former General manager, former Deputy Secretary to the Communist Party Committee	February 2013	July 2015
Li Mei Jun	Chongqing Iron & Steel (Group) Co., Ltd.	Former head of the legal affairs department	July 2011	October 2015
Explanation of positions held at shareholders	Nil			

Directors, Supervisors, Senior Management and Staff (Continued)

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

(II) Positions held at other entities

Applicable Not applicable

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Xu Yi Xiang	Southwest University of Political Science and Law, Chongqing Damei Law Firm (重慶達美律師事務所) and Hainan Arbitration Commission	Professor and doctorate tutor in the School of Economics of Southwest University of Political Science and Law, deputy director of the Research Centre of the Law of Mineral and Resources (礦產資源法研究中心) of Southwest University of Political Science and Law, part-time lawyer in Chongqing Damei Law Firm (重慶達美律師事務所) and arbitrator of Hainan Arbitration Commission	/	/
Xin Qing Quan	Chongqing University, Lingnan University in Hong Kong and Chongqing International Consultation Investment Group (重慶國際諮詢投資集團)	Professor of accounting and doctoral tutor in the School of Economics and Business Administration of Chongqing University, special researcher of Chinese Government Auditing Research Center (中國政府審計研究中心), senior assistant researcher in the Department of Finance and Insurance of Lingnan University in Hong Kong and external director of Chongqing International Consultation Investment Group (重慶國際諮詢投資集團)	/	/

Directors, Supervisors, Senior Management and Staff (Continued)

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

(II) Positions held at other entities *(Continued)*

Name	Name of other entities	Positions held at other entities	Starting date of the tenure	Ending date of the tenure
Wong Chun Wa	ACT Business Consultants Ltd., RIW C.P.A. Limited, Maanshan Iron & Steel Company Limited and China Zhongwang Holdings Limited	Director of ACT Business Consultants Ltd. and RIW C.P.A. Limited, supervisor of Maanshan Iron & Steel Company Limited and independent non-executive director of China Zhongwang Holdings Limited	/	/
Liu Tian Ni	Wonderful Sky Financial Group Limited, Silver Grant International Industries Limited, a listed company in Hong Kong, Sure Spread Company Limited	Chairman of Wonderful Sky Financial Group Limited, executive director of Silver Grant International Industries Limited and Managing Director of Sure Spread Company Limited	/	/
Explanation of positions held in other entities	Nil			

Directors, Supervisors, Senior Management and Staff (Continued)

III. REMUNERATIONS OF DIRECTORS, SUPERVISOR AND SENIOR MANAGEMENT

Procedure for determining remunerations of Directors, Supervisors and Senior Management	The Remuneration Committee decides the remuneration plan for Directors, Supervisors and Senior Management for the next year.
Basis for determining remunerations of Directors, Supervisors and Senior Management	Remuneration for the Company's executive Directors, the management and other senior management members is designed to be 4 to 10 times of average salary of the employees, which have 0.8 to 1.2 times of difference for different persons. Remuneration for Supervisors is 3 to 8 times of average salary of the employees, which have 0.8 to 1.2 times of difference for different persons. The remuneration of the above persons is distributed into basic wage, monthly bonus, quarterly bonus and annual bonus involved, each represented approximately 15%, 40%, 20% and 25% of their total remuneration, respectively.
Remunerations payable to Directors, Supervisors and Senior Management	RMB2,185,700
Total remunerations actually received by all Directors, Supervisors and Senior Management at the end of the Reporting Period	RMB2,185,700

Directors, Supervisors, Senior Management and Staff (Continued)

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Liu Da Wei	Chairman	Election	Election
Tu De Ling	Vice Chairman, Financial controller	Election	Election
Wong Chun Wa	Independent Director	Election	Election
Xie Chuan Xin	Supervisor	Election	Election
Zhu Jian Pai	Former Chairman	Resigned	Work adjustment
Liu Tian Ni	Former Independent Director	Resigned	Expiry of service
Li Mei Jun	Former Supervisor	Resigned	Work adjustment
Zhang Zong Ming	Former financial controller	Resigned	Work adjustment

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

Applicable Not applicable

VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the Parent Company	9,687
Number of in-service employees of major subsidiaries	0
Total number of in-service employees	9,687
Number of retired employees for whom the Parent Company and major subsidiaries need to bear certain expenses	0

Structure of profession

Type of profession	Number of people
Production staff	7,833
Sales staff	152
Technical staff	646
Finance staff	74
Administrative staff	982
Total	9,687

Directors, Supervisors, Senior Management and Staff (Continued)

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

(I) Employees (Continued)

Structure of profession (Continued)

Education background

Education level	Number of people
Doctor's degree	3
Master's degree	195
Undergraduate	1,284
Associate degree	2,941
Secondary vocational graduates	727
Secondary technical graduates and below	4,537
Total	9,687

(II) Remuneration policy

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

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

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

Efficiency. The growth of salary is controlled based on the principle that "the growth of total salary should be slower than the growth of the Company's economic benefit and the growth of employees' average salary should be slower than the growth of the Company's productivity".

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

(II) Remuneration policy *(Continued)*

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

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

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

(III) Training program

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

(IV) Outsourcing

Total working hours outsourced	/
Total cost of working hours outsourced	/

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE

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

1. Shareholders and shareholders’ general meeting: The Company convenes, gives notices of and holds general meetings in strict compliance with relevant requirements of the Company Law, the Articles of Association and the Rules of Procedure for General Meetings. The Company retains lawyers to witness the meetings and issue legal opinion, listen to shareholders’ opinions and suggestions to ensure that shareholders, minority shareholders in particular, have equal status and that shareholders have and exercise lawful rights conferred by laws, regulations and the Articles of Association. During the Reporting Period, the Company held the 2012 annual general meeting and the first extraordinary general meeting for 2013. On-site and online voting was adopted for the both general meeting. The 2012 annual report, re-election of the Board, the Material Assets Reorganisation and other matters were considered and approved at the general meetings with a view to protecting the lawful rights and interests of all shareholders.
2. Controlling Shareholder and the Company: The Company is completely separate from the Controlling Shareholder in terms of business, staff, organization and finance. The Company is a self-sustaining entity operating independently. The Company’s Controlling Shareholder exercises a shareholder’s rights in strict compliance with relevant requirement of the Company Law and the Articles of Association without overriding the general meeting or directly intervening in the Company’s production and operation and important decision. At the end of the Reporting Period, none of the Company’s capital and assets was appropriated by its substantial shareholders.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE

(Continued)

3. **Directors and the Board:** The Company has established systems including the Rules of Procedure for the Board and the Working Rules for Special Committees of the Board according to relevant laws, regulations and the Articles of Association. The Board of the Company strictly follows the review process for significant events within its authority pursuant to relevant requirements and earnestly executes the resolution of general meetings. Special committees separately convened meetings in light of their respective responsibilities, putting forward advice and recommendations regarding the Company's development strategy, material capital operation, remuneration and appraisal of senior management, which effectively promoted the Board's standardized operation and scientific decision-making. During the Reporting Period, the Board of the Company consists of no less than eight members, including three independent directors, one professional accountant. The Board has four special committees, namely the Strategy Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee. The composition of the Board and special committees is in keeping with the requirement of the Guidance on Establishment of the Independent Director System in Listed Companies.
4. **Supervisors and the Supervisory Committee:** Presently, the Supervisory Committee comprises five members including two supervisors representing staff. The composition of the Supervisory Committee is in keeping with relevant requirement of the Company Law and other laws and regulations. The Supervisory Committee earnestly performs its prescribed duties according to the Articles of Association and the Rules of Procedure of the Supervisory Committee and monitors the Company's standardized operation, the Company's financial system and operation, the legitimacy and compliance of duty performance by the Company's directors and senior management.
5. **Information disclosure and transparency:** The Company strictly implements the Rules for Information Disclosure Management, specifies the person responsible for information disclosure to ensure the truthfulness, accuracy, timeliness and completeness, and treats all shareholders fairly to ensure equal right to know.

I. EXPLANATION FOR ISSUES RELATED TO CORPORATE GOVERNANCE

(Continued)

6. Establishment of internal control system: The Board authorizes the internal control (audit) office to take charge of the implementation of internal control assessment and to assess the high-risk areas and units within the scope of the assessment. The internal control (audit) office carries out comprehensive evaluation of the implementation of internal control against indicators including internal environment, risk assessment, control measures, information and communication and internal oversight according to the basic standards and supporting guidelines issued by the five national ministries and commissions as well as relevant laws and regulations and the Articles of Association, based on the actual situation of the Company. In carrying out internal control measures, the Company built an internal control leading group with the Chairman of the Board as the group leader and an internal control working group with the vice chairman of the Board as the group leader. All relevant management department of the Company designated internal control commissioners to enhance internal control efforts. Meanwhile, the Company engaged KPMG Huazhen Certified Public Accountants (Special General Partnership) to conduct independent audit of the effectiveness of the Company's internal control. During the Reporting Period, the Company also strove to establish an effective risk assessment procedure, specifying the working process and methods for collecting, identifying, analyzing and evaluating risk information. The Company set the standards for risk rating, which requires analysis and sorting of identified risks according to the possibility and magnitude of influence of risks by using both qualitative and quantitative approaches. The Company determined risks worthy of high attention and prioritized control and made clear corresponding reporting process and reporting requirement to enhance risk prevention abilities and assure the achievement of strategic development goals. The Company came up with and improved corresponding control measures based on the risk assessment results through manual and automatic control as well as preventive and after-detection control to maintain risk control within tolerable bounds. Control measures usually include control on separation of incompatible posts, authorization approval, accounting system, property protection, budget, operation analysis and performance appraisal, etc.
7. Insider registration management: In accordance with the Notice on Furtherance of Relevant Work Regarding Information Insider Registration and Management (Yu Zheng Jian Fa [2011] No. 279) (the "Notice") issued by Chongqing Securities Regulatory Bureau on 8 November 2011, the Company amended and improved the Information Insider Management System formulated in April 2010. During the Reporting Period, the Company did well in the management of regular reporting and confidentiality, registration, disclosure, filing of insider information such as the Material Assets Reorganisation and insiders in strict accordance with the above requirement, effectively guarding the principle of fairness in information disclosure. During the Reporting Period, the Company had no inside information leakage or insider transactions.

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

Corporate governance complies with relevant provisions.

Corporate Governance (Continued)

II. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions
2014 Annual General Meeting	4 June 2015	Announcement of Resolutions passed at the 2014 Annual General Meeting (2015-017) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) and in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 5 June 2015	5 June 2015
2015 First Extraordinary Meeting, 2015 First A share Class Meeting and 2015 First H share Class Meeting	3 November 2015	Announcement of Results of 2015 First Extraordinary Meeting, 2015 First A share Class Meeting and 2015 First H share Class Meeting (2015-051) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) and in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 4 November 2015	4 November 2015
2015 Second Extraordinary Meeting	23 December 2015	Announcement of Results of 2015 Second Extraordinary Meeting (2015-066) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) and in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 24 December 2015	24 December 2015

Explanations on general meetings

None

III. DUTY PERFORMANCE OF DIRECTORS

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

Name of director	Independent director or not	Number of Board meetings	Attendance of Board meetings				Whether failed to attend 2 consecutive meetings in person	Attendance of general meetings
			Attendance in person	Attendance via communication	Attendance by proxy	Absence		Attendance of general meetings
Liu Da Wei	No	1	1	0	0	0	No	0
Zhou Hong	No	5	4	0	0	1	No	3
Tu De Ling	No	1	1	0	0	0	No	0
Li Rensheng	No	5	5	0	0	0	No	3
Zhang Liqun	No	5	5	0	0	0	No	3
Yao Xiaohu	No	5	5	0	0	0	No	3
Xu Yixiang	Yes	5	5	0	0	0	No	3
Xin Qingquan	Yes	5	5	0	0	0	No	3
Wong Chun Wa	Yes	4	4	0	0	0	No	2
Zhu Jianpai	Yes	1	1	0	0	0	No	1
Liu Tianni	No	1	0	0	0	1	No	0

Explanations on failure to attend 2 consecutive meetings in person

None

Number of Board meetings during the year	5
Including: number of physical meetings	0
number of virtual meetings	0
number of meetings by both physical and virtual means	5

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

Name of independent directors	Objections raised by independent directors	Contents of objections	Whether be adopted	Note
Note	None	None	None	None

Explanations on objections raised by independent directors in respect of relevant matters of the Company

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

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

(I) Work of the Nomination Committee

In 2015, the Nomination Committee of the Company duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Association and Rules of Procedure for the Nomination Committee.

The first meeting of the second session of the Nomination Committee was convened at the No. 1 Conference Room, 4/F, the Management Building of the Company, by way of communication at 10:00 a.m. on 28 December 2015. All of the 3 members attended the meeting. The meeting was convened by Mr. Liu Da Wei. The notice for the meeting was dispatched on 23 December 2015, and relevant information to be considered at the meeting was submitted to all members. The following resolutions were formed upon the earnest consideration by the members attending the meeting:

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

On 4 June 2015, the Company conducted re-election and Mr. Zhu Jian Pai, Mr. Zhou Hong, Mr. Li Ren Sheng, Mr. Zhang Li Quan, Mr. Yao Xiao Hu, Mr. Wong Chun Wa, Mr. Xin Qing Quan and Mr. Xu Yi Xiang were elected as members of the seventh session of the Board. Due to work adjustment, Mr. Zhu Jian Pai resigned as the chairman of the Board on 28 July, then the 2015 second extraordinary general meeting was convened by the Company on 23 December, Mr. Liu Da Wei and Mr. Tu De Ling were elected as members of the Board, there is no more vacancy left in the Board of the Company.

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

2. Identifying, vetting and recommending the candidates for directors and senior management: In 2015, having adequately vetted the education, professional title, detailed work experience and all part-time jobs of Mr. Zhu Jian Pai, Mr. Zhou Hong, Mr. Li Ren Sheng, Mr. Zhang Liquan, Mr. Yao Xiaohu, and Mr. Liu Da Wei as well as Mr. Tu De Ling,, the Nomination Committee is of the opinion that, the above candidates are qualified for the position of directors under the requirements of the Company Law, the Articles of Association and relevant laws and regulations.

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

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

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

Having adequately vetted the education, professional title, detailed work experience and all part-time jobs of Mr. Tu De Ling, the Nomination Committee is of the opinion that, Mr. Tu De Ling is qualified for the position of Chief Financial Officer (Financial Controller) under the requirements of the Company Law, the Articles of Association and relevant laws and regulations.

(II) **Work of the Remuneration and Evaluation Committee**

In 2015, the Remuneration and Evaluation Committee duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Associations and Rules of Procedure for the Remuneration and Evaluation Committee.

On 30 December 2015, the Company held the first meeting of the fifth session of the Remuneration and Evaluation Committee, at which the follow resolutions were formed:

1. Remuneration for the Company's executive Directors, the management and other senior management members in 2015 was designed to be 4 to 10 times of average salary of the employees, which have 0.8 to 1.2 times of difference for different persons; remuneration for Supervisors is 3 to 8 times of average salary of the employees, which have 0.8 to 1.2 times of difference for different persons. The above persons' remunerations were paid based on an established package including basic salary, monthly bonus, performance-based quarterly award and year-end bonus in line with the Company's economic benefits and in light of the performance appraisal results. The actual payment accorded with the remuneration scheme for 2015.
2. Approving the remuneration scheme for directors, supervisor and senior management of the Company for 2016.
3. Recommendation that the remuneration of directors, supervisor and senior management should continue to be linked with the Company's performance and the internal incentive and constraint mechanism should be further improved and refined.

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

(III) Work of the Strategy Committee

In 2015, the Strategy Committee duly performed its duties with diligence in accordance with relevant laws, regulations, Articles of Associations and Rules of Procedure for the Strategy Committee.

During the Reporting Period, the Strategic Committee focused on the Company's material development strategy and strictly implemented relevant decision-making procedures. On 2 September 2015, the Company convened the first meeting of the fifth session of the Strategic Committee, at which the resolutions in relation to the non-public issuance of shares by the Company to specific target investors was considered and approved, and was submitted to the Board of the Company for decision.

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

According to the relevant provisions of CSRC and Shanghai Stock Exchange, Work Rules for Audit Committee under the Board, the Rules of Procedure on Annual Report for Independent Directors, Work Procedures on Annual Report for Audit Committee under the Board, the Audit Committee has duly and proactively performed its duties with diligence in 2015. The performance of relevant work by the Audit Committee is reported as follows:

1. General status of Audit Committee of the Board

The Audit Committee of the Board of the Company comprises of three Independent Directors, among which, the convener was performed by an Independent Director who have professional accounting qualification.

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

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

2. Meetings convened by the Audit Committee of the Board

During 2015, a total of three meetings were convened by the Audit Committee of the Board of the Company:

The sixth meeting of the fifth session of the Audit Committee of the Board was held by the Company on 30 March 2015, and the following resolutions were considered: (1) the 2014 audited financial report was approved; (2) the connected transactions conducted by the Company in 2014 were confirmed; (3) the 2014 self-evaluation report on internal control was approved. Upon carefully vetting on the self-evaluation report on internal control, the Audit Committee is in the view that, there was no material or significant defect with the Company's internal control; (4) the Scheme on Implementation of Standard for Internal Control in 2015 was approved; (5) the work report on the internal audit in 2014 and work scheme on the internal audit in 2015 was approved; (6) the 2014 internal control audit report was approved, The Audit committee reviewed the internal audit report on internal control presented by the external audit institute and considered that, the report basically reflected the Company's internal control; (7) the report of the Audit Committee for the year ended 31 December 2015 provided by auditor was discussed by the Audit Committee and was brought into the keen attention of the Board; (8) the 2014 annual consolidated audit work report by KPMG Huazhen was approved and submitted to the Board for consideration; (10) the re-appointment of KPMG Huazhen Certified Public Accountants (Special General Partnership) as the Company's annual auditors for 2015 was proposed and submitted to the Board for consideration.

The first meeting of the sixth session of the Audit Committee of the Board was held by the Company on 27 August 2015, at which the Company's unaudited interim financial report for 2015, the 2015 Interim Report and its summary were considered and approved, related matters were submitted to the Board for consideration.

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

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

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

(1) Communication with external auditor

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

Upon the commencement of audit by CPAs for annual audit, the Audit Committee communicated and exchanged opinions with the CPAs for annual audit about the problems found out during the auditing and consulted with them for the submitting time of the auditors’ report. After the auditor issued the preliminary audit opinion and before the Company convenes a Board meeting to consider the annual report, the Audit Committee, based on its communication with the auditor in respect of such preliminary opinion, issued a written review opinion thereon.

(2) Reviewing the Company’s financial statements

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

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

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

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

(3) *Supervising and evaluating the work of external auditor*

Upon the issue of Auditors' Report for 2014 by KPMG Huazhen Certified Public Accountants, the Audit Committee held a meeting in March 2015, at which it made a summary of the audit work by KPMG Huazhen Certified Public Accountants; and recommended the Board to re-appoint KPMG Huazhen Certified Public Accountants (Special General Partnership) as the audit and internal control auditor of the Company for 2015. In January 2016, as the audit team of KPMG has been providing audit services to the Company for 8 consecutive years and the parties could not reach an agreement in relation to the audit fee for 2015, upon approval by the second meeting of the sixth session of audit committee of the Board, the Company agreed not to appoint KPMG as its 2015 annual report auditor and internal control auditor and recommended to engage Pan-China Certified Public Accountants LLP (Special General Partnership) as its 2015 annual report auditor and internal control auditor.

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

During the Reporting Period, the Audit Committee under the Board of the Company earnestly reviewed the Company's internal audit for 2014 and the internal audit plan for 2015, promptly supervised and urged the smooth implementation of the internal audit plan for 2015, and provide instructive opinions on the problems occurred in the Company's internal audit to improve the Company's efficiency of internal audit.

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

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

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

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

During the Reporting Period, the Audit Committee under the Board gave full play to the role of professional committee to proactively propel the construction of the Company's internal control system and supervise and urge the construction of the Company's standard internal control system. During the Reporting Period, the Audit Committee under the Board of the Company reviewed the Company's self-assessment report on internal control in 2015 and considered that its preparation is in line with the requirements of applicable laws, regulations and regulatory documents, and has truly, accurately reflected the current internal control of the Company; the judgment standard of defect in respect of the Company's internal control is scientific, clear and effective, and comply with the operation and risk management requirements of the Company. The Audit Committee also noted that, during the Reporting Period, there was no material defect with the Company's internal control except 1 significant defect and 3 general defects, arrangement has been made by the Board of the Company and the management to implement rectification regarding the aforesaid issues.

The Supervisory Committee agreed on the 2015 self-evaluation report on internal control of the Company.

4. Overall evaluation

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

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

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

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

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

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

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

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

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

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

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

Applicable Not applicable

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

According to the identification of material deficiency of internal control in the non-financial reporting of the Company, as at the basis date of internal control evaluation report, material deficiency of internal control in non-financial reporting did not exist.

There was no factor affecting conclusion to the evaluation of efficiency of internal control from the basis date of internal control evaluation report to its issue date.

For details, please refer to the Audit Report on Internal Control of Chongqing Iron & Steel Company Limited in 2015 published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 30 March 2016.

VIII. WHETHER TO DISCLOSE THE SELF-EVALUATION REPORT ON INTERNAL CONTROL *(Continued)*

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

Applicable Not applicable

IX. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

Pan-China Certified Public Accountants LLP (Special General Partnership) conduct an audit on the effectiveness of the Company's internal control over financial reporting as at 31 December 2015 in accordance with Enterprise Internal Control Audit Guidance and relevant requirements from the practising guidances of the China Institute of Certified Public Accountants and in view of that, the Company maintained effective internal control on financial reporting in all material aspects as at 31 December 2015 according to the Basic Standards for Enterprise Internal Control and relevant requirements. No discrepancy as between the audit report and self-evaluation opinion of the Company was found. User of the audit report on the internal control please noted: the Company failed to give reasonable evaluation on the issues that have material impact on the financial report, such as the provision for impairment of inventories during its disclosure of Estimated Loss in Results for 2015 on 31 January 2016, the Company has disclosed correction notice on 26 March 2016. There are deficiencies in accuracy and timeliness in the information disclosure of Chongqing Iron & Steel Company Limited.

This paragraph does not affect the audit opinion on internal control on financial reporting published.

Whether to disclose the audit report on internal control: Yes

Internal Control Report

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

The Board of the Company is responsible for setting up and maintaining an effective internal control system related to financial reporting. The Company prepared the 2015 Internal Control Evaluation Report of Chongqing Iron & Steel Company Limited according to the internal control functioning in 2015 (for details, please refer to the announcement published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and in China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times on 30 March 2016).

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

Pan-China Certified Public Accountants Co. Ltd (LLP) conducted an audit on the effectiveness of the Company's internal control of financial reporting as at 31 December 2015, in accordance with relevant requirements of the Guidelines for Audit on Enterprise Internal Control and the professional standards for China's Certified Public Accountants, and came to the conclusion that the Company maintained effective internal control on financial reporting in all material aspects as at 31 December 2015 according to the Basic Standards for Enterprise Internal Control and relevant requirements. There was no difference between the audit report and the self-assessment of the company. Such reminder is given to the users of internal control on financial reporting that on 31 January 2016, when the Company disclosed the announcement in relation to the expected loss in the results of 2015, the Company failed to conduct reasonable estimate on matters such as provision for impairment of inventories that could have material impact on the financial report. The Company disclosed a clarification announcement on the expected loss in the results on 26 March 2016. There are deficiencies in accuracy and timeliness in the information disclosure of Chongqing Iron & Steel Company Limited.

This paragraph does not affect the audit opinion on internal control on financial reporting published.

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

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

Corporate Governance Report

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

I. CORPORATE GOVERNANCE PRACTICES

The Company has always been committed to improving corporate governance and deems corporate governance as part of value creation with the aim to demonstrate the fulfillment of commitments made by the Board and senior management, maintain transparency and accountability to shareholders and create maximum value for shareholders.

The Company complied with the corporate governance principles and all the code provisions (if applicable, including most recommended best practices) (Corporate Governance Code) set out in Appendix 14 to the Listing Rules as at 31 December 2015.

a) Securities transactions by Directors and Supervisors

(I) *Directors' and Supervisors' Interests in the Shares of the Company or any Associated Corporation*

As at 31 December 2011, the interests and short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the SFO) of the Directors, Supervisors and senior management members in the shares or underlying shares or debentures of the Group and its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules of the Stock Exchange") and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in Chongqing Iron & Steel Group Doorlead Realty Co., Ltd. (originally named Hengda):

Name	Interest type	Number of shares (share)
Liu Da Wei	Individual	800
Tu De Ling	Individual	800
Xie Chuan Xin	Individual	5,600
Chen Hong	Individual	1,600

Note: the above information indicates that the interests of the Directors and Supervisors in Hengda were transferred from the Company to the Parent Company in December 2002.

Corporate Governance Report (Continued)

I. CORPORATE GOVERNANCE PRACTICES *(Continued)*

a) **Securities transactions by Directors and Supervisors** *(Continued)*

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

Save as disclosed above, as at 31 December 2015 none of the Directors, Supervisors or their respective associates had any interest in the shares of the Company or its associated corporations.

During the year 2015, none of the Directors or Supervisors or their spouses or children under 18 years of age has been granted by the Company the rights to subscribe for the Company's shares.

At no time during the year 2015 was the Company, its fellow subsidiaries or its Parent Company a party to any contract of significance in relation to the Company's business in which a Director or Supervisor of the Company had material interest, either directly or indirectly.

At no time during the year 2015 was the Company, its fellow subsidiaries or its Parent Company a party to any arrangements to enable the Directors or Supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

(II) Service Contracts of Directors and Supervisors

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

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

The Company did not enter into any contract of significance (except service contracts) in which a Director or Supervisor of the Company was enabled to have a material interest or is substantially interested, whether directly or indirectly, and there was no such contract subsisting at the end of the reporting period or at any time during the reporting period.

I. CORPORATE GOVERNANCE PRACTICES *(Continued)*

a) Securities transactions by Directors and Supervisors *(Continued)*

(IV) Model Code for Securities Transactions by Directors and Supervisors

The Company takes the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to Listing Rules of the Stock Exchange and the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof (Zheng Jian Gong Si Zi [2007] No. 56 by CSRC) as the code for securities transactions by its Directors, Supervisors, and Senior Management. After making specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the requirements of the above code and rules concerning the securities transactions by Directors as at the date hereof.

b) The Board

(I) Composition of the Board

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

(II) Number of Board meetings during the financial year

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

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

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

(IV) Division of responsibilities between the Board and the management

The Board is collectively responsible for the Company’s management and operation under the leadership of its chairman. The Board formulates the Company’s overall strategy, sets the Company’s business direction and financial performance target, ensure the establishment and implementation of a good corporate governance structure and procedure. The Board reports the Company’s performance and business to shareholders. The Board is the Company’s final decision-making organ other than matters which are required by the Company’s Articles of Association, the Listing Rules and other applicable laws and regulations to be subject to approval by shareholders.

The management takes charge of the Company’s business operation and implements policies formulated by the Board. The management is accountable to the Board and is required to make decisions for matters prescribed by the executive committee or seek prior approval of the executive committee before making commitments on behalf of the Company. The executive committee monitors the management’s performance according to the Company’s corporate goals, missions and business plan which are determined and approved by the Board from time to time.

Corporate Governance Report (Continued)

I. CORPORATE GOVERNANCE PRACTICES *(Continued)*

b) **The Board** *(Continued)*

(V) The Company strictly complied with provisions under Rule 3.10(1) and (2) and Rule 3.10(a) of the Listing Rules released by Hong Kong Stock Exchange during the Reporting Period.

(VI) The Company strictly complied with provisions under Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange during the Reporting Period.

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

(VIII) Directors and senior management training

During the year, all directors received training required by applicable laws and regulatory regulations. In addition, some directors also attended training related to their profession or business to enhance their management capability. All new directors had proper understanding of the laws and rules which they should know for carrying out their duties before taking office.

c) **Chairman and general manager**

The chairman is elected and removed by a majority vote of all directors, serves for a term of 3 years and is eligible for re-election. The chairman is responsible for the day-to-day work of the Board.

The general manager takes charge of the day-to-day production and operation. The general manager is appointed by the Board for a term of 3 years and is eligible for re-election.

The roles of chairman and general manager of the Company were performed by different individuals.

d) **Non-executive Director**

Non-executive directors serve for a term of 3 years and are eligible for re-election. For detailed information about current members of the Board, please refer to Section VIII.I.(I) of this report.

I. CORPORATE GOVERNANCE PRACTICES *(Continued)*

e) Committees under the Board

(I) *Functions of special committees*

1. *Primary responsibilities of the Strategy Committee*

- (1) to study the strategic plan for long-term development of the Company and give suggestions;
- (2) to study the major investment and financing plans which are required by the Articles of Association to be approved by the Board and give suggestions;
- (3) to study the major capital operation and assets operation project which are required by the Articles of Association to be approved by the Board and give suggestions;
- (4) to study other significant events which may influence the Company's development and give suggestions;
- (5) to inspect the execution of the above matters;
- (6) Other matters authorized by the Board.

2. *Primary responsibilities of the Audit Committee*

- (1) to make recommendation on the appointment or removal of the external auditor;
- (2) to monitor the Company's internal audit system and the implementation thereof;
- (3) to coordinate the communication between the internal and external auditors;
- (4) to review the financial information and disclosure of the Company;
- (5) to review the internal control system of the Company and audit major connected transactions;
- (6) other matters authorized by the Board.

Corporate Governance Report (Continued)

I. CORPORATE GOVERNANCE PRACTICES *(Continued)*

e) Committees under the Board *(Continued)*

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

3. *Primary responsibilities of the Remuneration and Evaluation Committee*

- (1) to formulate the remuneration scheme or plan according to the main scopes, duties and importance of the positions of directors and senior management as well as the remuneration levels of similar positions of other similar enterprises;
- (2) the remuneration scheme or plan includes but is not limited to the criteria and procedure for performance appraisal as well as the main plan and system for awards and punishment;
- (3) to inspect duty performance of directors (non-independent director) and senior management and conduct annual performance evaluation;
- (4) to monitor the implementation of the remuneration system;
- (5) other matters authorized by the Board.

4. *Primary responsibilities of the Nomination Committee*

- (1) to make recommendations to the Board regarding the size and composition of the Board based on the Company's business operation, asset size and shareholding structure;
- (2) to study the criteria and procedure for electing directors and managers and make recommendation to the board;
- (3) to identify individuals suitably qualified to become directors and managers;
- (4) to vet the candidates for directors and managers and make recommendation and make recommendation;
- (5) To vet other senior management to be appointed by the Board and make recommendation;
- (6) other matters authorized by the Board.

Corporate Governance Report (Continued)

I. CORPORATE GOVERNANCE PRACTICES (Continued)

e) Committees under the Board (Continued)

(II) Composition of all special committees (as at 31 December 2015)

Strategy Committee	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee
Liu Da Wei*	<i>Xin Qingquan*</i>	<i>Xu Yixiang*</i>	<i>Liu Da Wei*</i>
Li Rensheng	<i>Xu Yixiang</i>	Tu De Ling	<i>Xin Qingquan</i>
Zhou Hong	<i>Wong Chun Wa</i>	<i>Xin Qingquan</i>	<i>Wong Chun Wa</i>
Zhang Liquan		<i>Wong Chun Wa</i>	
Yao Xiaohu			
<i>Xu Yixiang</i>			

Note: * Chairman of special committees

Names in italic letters are independent non-executive directors

(III) Work of special committees

For details, please refer to “Section IX.IV” of this report.

f) Remuneration of auditors

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

g) Company secretary

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

I. CORPORATE GOVERNANCE PRACTICES *(Continued)*

h) Shareholders' rights

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

According to the Company law, the Articles of Association of the Company stipulates that: shareholders individually or collectively holding more than 10% of the Company's shares are entitled to request, which should be in written form, the Board to hold an extraordinary general meeting. The Board shall, in accordance with laws, regulations and the Articles of Association, give a written feedback indicating its agreement or objection to convening an extraordinary general meeting within 10 days of receipt of the requisition. If the Board agrees to the proposal, it shall issue a note convening the general meeting within 5 days of its decision and shall obtain relevant shareholders' consent in case of any changes to the original requisition. If the Board disagrees or does not give any feedback within 10 days of receipt of the requisition, shareholders individually or collectively holding more than 10% of the Company's shares have the right to propose, which should be in written form, the convening of an extraordinary general meeting to the Supervisory Committee.

(II) *Enquiry procedure and available information*

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

1. the Articles of Association after paying the cost;
2. Inspecting and copying, after paying reasonable fees:
 - (1) all parts of the register of shareholders;
 - (2) personal information of the Company's directors, supervisors, general manager and other senior management, including: (a) current and previous name and alias; (b) principal address (domicile); (c) nationality; (d) full-time and all other part-time jobs and titles; (e) identity document and number.
 - (3) counterfoil of corporate bonds;
 - (4) resolutions of the Board meetings;
 - (5) resolutions of the Supervisory Committee meetings;
 - (6) information about the share capital of the Company;
 - (7) reports showing the total nominal value and number of each class of securities repurchased by the Company since the end of the last financial year, the maximum and minimum prices as well as the aggregate amount paid by the Company;
 - (8) minutes of general meetings.

I. CORPORATE GOVERNANCE PRACTICES *(Continued)*

h) Shareholders' rights *(Continued)*

(III) Procedure for proposing a resolution

Shareholders individually or collectively holding more than 3% of the Company's shares may put forward a temporary proposal and submit the same to the convener 10 days prior to a general meeting.



Relevant Information on Corporate Bond

Applicable Not applicable

I. OVERVIEW OF CORPORATE BONDS

Unit: RMB 100 million

Bonds Name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate	repayment method of the principal and the interest thereon	Place of transaction
Corporate bonds of Chongqing Iron & Steel Company limited of 2010	10 CISL Bond	122059	9 December 2010	9 December 2017	20.00	6.20%	Interest is payable annually in arrears, and principal will be repaid upon maturity	Shanghai Stock Exchange

Other information about corporate bonds

The coupon rate of the bonds is 6.20% and remains unchanged for the first five years during the existence period (from 9 December 2010 to 8 December 2015); the Company chooses not to raise the coupon rate at the end of the fifth year within the existence period, and the coupon rate remains 6.20%, which will be unchanged for the last two years (from 9 December 2015 to 8 December 2017).

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

Bonds trustee manager	Name	China Merchants Securities Co., Ltd.
	Address	Level 38–45, Tower A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, China
	Contact person	Li Jian
	Tel	0755-82943256

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

Others

None

Relevant Information on Corporate Bond (Continued)

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

The amount of 10 CISL Bond for this tranche was RMB2 billion and was fully utilized as scheduled in accordance with the use of proceeds as set out in the prospectus in 2011.

IV. INFORMATION OF THE CREDIT RATING AGENCY OF THE CORPORATE BONDS

China Chengxin Securities Ratings Co., Ltd. conducted a credit rating at the beginning of the issue of this tranche of bonds and came to the conclusion that the main long-term credit rating of the Company was at AA and the bonds credit rating of the Company was AA+ with a stable outlook; on 24 April 2015, China Chengxin Securities Ratings Co., Ltd. conducted a follow-up credit rating and came to the conclusion that the main long-term credit rating of the Company was at AA- and the bonds credit rating of the Company was AAA with a stable outlook.

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

During the reporting period, the enhancement mechanism, solvency plan and other solvency guarantee measures of aforementioned corporate bonds remained the same and were in line with the relevant commitment as set out in the prospectus. On 9 December 2015, the company paid the interest payable arising from the “10 Chong Gang Bonds” on time.

VI. MEETING OF CORPORATE BONDHOLDERS

As at end of the reporting period, no meeting of corporate bondholders had been convened.

VII. DUTY FULFILLMENT OF CORPORATE BONDS TRUSTEE MANAGER

During the reporting period, the bonds trustee manager performed its duty in accordance with the agreement.

Relevant Information on Corporate Bond (Continued)

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

Unit: RMB 0'000

Major indicator	2015	2014	Increase or decrease over the same period of the previous year (%)	Reason for changes
Earnings before interest, tax, depreciation and amortization	-348,187.30	243,925.30	-242.74	Large reduction of profit
Net cash flows from investing activities	61,320.10	-155,947.70	139.32	
Net cash flows from financing activities	94,654.50	-161,190.80	158.72	Financial aid
Balance of cash and cash equivalents at the end of the period	3,237.60	14,614.80	-77.85	Reduction of Operating Cash flow
Current ratio	0.19	0.47	-60.47	
Quick Ratio	0.07	0.17	-61.63	
Gearing Ratio	89.78	78.81	10.98	
Total debt to EBITDA ratio	-59.71	85.54	-169.80	large reduction of profit
Interest Coverage Ratio	-3.75	0.93	-502.02	large reduction of profit
Cash interest coverage ratio	-13.30	18.79	-170.78	large reduction of profit
EBITDA Interest Coverage Ratio	-2.76	1.64	-268.37	large reduction of profit
Loan Repayment Ratio	100%	100%	0	
Interest coverage	100%	100%	0	

IX. COMPANY'S ASSETS AS AT END OF REPORTING PERIOD

As at 31 December 2015, total assets of the company amounted to RMB39.228 billion out of which net assets worth of RMB3.989 billion was attributable to the parent company representing a gearing ratio of 89.78%. Out of the total assets, assets for mortgage and pledge totaled RMB13.09 billion. The mortgaged or pledged assets aforementioned are matters that took place in the normal business operation and thus won't have any adverse impact on the solvency of the company.

Relevant Information on Corporate Bond (Continued)

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

None

XI. BANK CREDIT BUSINESS WITHIN THE REPORTING PERIOD

During the reporting period, the lines of credit of the Company from the bank totaled RMB16.82 billion and the credit utilized was RMB16.03 billion. During the reporting period, there was no delay in the solvency of capital and interest.

XII. FULFILLMENT OF COMMITMENT IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

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

XIII. IMPACT OF MAJOR EVENTS TO OPERATING STATUS AND SOLVENCY OF THE COMPANY

Since the industry of iron and steel remained in the extended downturn, the company's audited net profit vested in the shareholders of listed company was still RMB -5.987 billion. The loss-making net profit and tight cash flow both had adverse impact on the capital and interest of corporate bonds due and payable.



To the shareholders of Chongqing Iron & Steel Company Limited:

We have audited the accompanying financial statements of Chongqing Iron & Steel Company Limited (hereafter referred to as “the Company”), including the consolidated and the Company’s balance sheet as at 31 December 2015, the consolidated and the Company’s income statement, the consolidated and the Company’s cash flow statement and the consolidated and the Company’s statement of the changes in equity for 2015, and notes to the financial statements.

I. MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company’s management is responsible for the preparation and fair presentation of the financial statements. The responsibility includes: (1) preparation of the financial statements in accordance with the Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal controls which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

II. AUDITORS’ RESPONSIBILITY

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

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

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

III. AUDIT OPINION

In our opinion, the financial statements present fairly, in all material aspects, the consolidated and company's financial position of Chongqing Iron & Steel Company Limited as at 31 December 2015 and its consolidated and company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Pan-China Certified Public Accountants LLP
(special general partnership)

Hangzhou, China

30 March 2016

Chinese Certified Public Accountant:

Zhang Kai
Huang Qiaomei

Consolidated Balance Sheet

as at 31 December 2015

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Assets	Notes	As at 31 December 2015	As at 31 December 2014
Current assets:			
Cash and bank deposits	1	925,471	1,246,578
Notes receivable	2	45,863	224,614
Accounts receivable	3	503,202	469,025
Prepayments	4	39,924	267,484
Other receivables	5	40,376	922,295
Inventories	6	2,775,858	7,990,476
Other current assets	7	501	1,561,800
Total current assets		4,331,195	12,682,272
Non-current assets:			
Available-for-sale financial assets	8	5,000	5,000
Fixed assets	9	30,306,394	29,731,154
Construction in progress	10	128,949	1,913,873
Construction materials	11	10,651	12,047
Intangible assets	12	2,712,264	2,682,651
Deferred tax assets	13		17,116
Other non-current assets	14	1,733,626	108,320
Total non-current assets		34,896,884	34,470,161
Total assets		39,228,079	47,152,433

Consolidated Balance Sheet (Continued)

as at 31 December 2015

Liabilities and owners' equities	Notes	As at 31 December 2015	As at 31 December 2014
Current liabilities:			
Short-term borrowings	15	3,492,152	2,883,600
Notes payable	16	3,663,417	4,427,532
Accounts payable	17	10,532,063	12,422,435
Receipts in advance	18	653,721	987,979
Employee benefits payable	19	311,835	184,805
Tax payable	20	8,679	11,151
Interests payable	21	30,900	32,332
Other payables	22	2,702,833	2,255,707
Non-current liabilities due within one year	23	1,796,250	3,643,690
Other current liabilities	24	15,054	9,508
Total current liabilities		23,206,904	26,858,739
Non-current liabilities:			
Long-term borrowings	25	9,849,988	9,909,613
Debentures payable	26	1,987,882	
Long-term payables	27		222,407
Deferred income	28	175,158	168,548
Total non-current liabilities		12,013,028	10,300,568
Total liabilities		35,219,932	37,159,307

Consolidated Balance Sheet (Continued)

as at 31 December 2015

Liabilities and owners' equities	Notes	As at 31 December 2015	As at 31 December 2014
Owners' equity:			
Share Capital	29	4,436,023	4,436,023
Capital reserve	30	6,657,614	6,655,407
Other comprehensive income			
Special reserve	31		
Surplus reserve	32	606,991	606,991
Retained earnings	33	-7,711,755	-1,724,507
Total equity attributable to owners of the company		3,988,873	9,973,914
Non-controlling interest		19,274	19,212
Total shareholder's equity		4,008,147	9,993,126
Total liabilities and owners' equities		39,228,079	47,152,433

Legal Representative:
Liu Dawei

The person in charge of
accounting body:
Tu Deling

The head of
the accounting department:
Zhang Zongming

Balance Sheet of the Company

as at 31 December 2015

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Assets	Notes	As at 31 December 2015	As at 31 December 2014
Current assets:			
Cash and bank deposits		921,703	1,238,597
Notes receivable		45,165	223,914
Accounts receivable	1	485,739	440,162
Prepayments		27,440	260,849
Other receivables	2	40,228	922,272
Inventories		2,775,485	7,990,476
Other current assets			1,560,798
Total current assets		4,295,760	12,637,068
Non-current assets:			
Available-for-sale financial assets		5,000	5,000
Long-term equity investments	3	101,000	101,000
Fixed assets		30,296,557	29,720,783
Construction in progress		128,949	1,913,873
Construction materials		10,651	12,047
Intangible assets		2,712,264	2,682,651
Deferred tax assets			17,116
Other non-current assets		1,672,227	49,300
Total non-current assets		34,926,648	34,501,770
Total assets		39,222,408	47,138,838

Balance Sheet of the Company (Continued)

as at 31 December 2015

Liabilities and owners' equities	Notes	As at 31 December 2015	As at 31 December 2014
Current liabilities:			
Short-term borrowings		3,492,152	2,883,600
Notes payable		3,663,417	4,427,532
Accounts payable		10,565,822	12,463,091
Receipts in advance		638,035	957,526
Employee benefits payable		311,776	184,766
Tax payable		7,902	10,231
Interests payable		30,900	32,332
Other payables		2,700,097	2,254,531
Non-current liabilities due within one year		1,796,250	3,643,690
Other current liabilities		15,054	9,508
Total current liabilities		23,221,405	26,866,807
Non-current liabilities:			
Long-term borrowings		9,849,988	9,909,613
Debentures payable		1,987,882	
Long-term payables			222,407
Deferred income		175,158	168,548
Total non-current liabilities		12,013,028	10,300,568
Total liabilities		35,234,433	37,167,375
Owners' equity:			
Share Capital		4,436,023	4,436,023
Capital reserve		6,688,557	6,686,350
Other comprehensive income			
Special reserve			
Surplus reserve		577,012	577,012
Retained earnings		-7,713,617	-1,727,922
Total shareholder's equity		3,987,975	9,971,463
Total liabilities and owners' equities		39,222,408	47,138,838

Legal Representative:

Liu Dawei

The person in charge of
accounting body:

Tu Deling

The head of
the accounting department:

Zhang Zongming

Consolidated Income Statement

for the year ended 31 December 2015

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Item	Notes	Year ended 31 December 2015	Year ended 31 December 2014
I. Total operating income		8,350,022	12,245,057
Including: Operating income	1	8,350,022	12,245,057
II. Total operating costs		17,634,915	15,190,293
Including: Operating costs	1	10,509,209	12,673,573
Business taxes and surcharges	2	1,108	2,608
Selling expenses	3	248,554	263,506
Administrative expenses	4	1,266,607	712,157
Finance expenses	5	1,264,709	1,341,579
Impairment loss of assets	6	4,344,728	196,870
Add: Gains from changes in fair value (losses are represented by “-”)			
Investment income (losses are represented by “-”)	7		101,926
Including: Gains from investment in associates and joint ventures	7		41
III. Operating profit (losses are represented by “-”)		-9,284,893	-2,843,310
Add: Non-operating income	8	3,319,790	2,909,115
Including: Gains on disposal of non-current assets	8	419	1,132,661
Less: Non-operating expenses	9	4,110	11,265
Including: Losses from disposal of non-current assets	9	3,909	42
IV. Profit before income tax (losses are represented by “-”)		-5,969,213	54,540
Less: Income tax expenses	10	17,973	2,897
V. Net profit for the year (net losses are represented by “-”)		-5,987,186	51,643
Net profit attributable to the owners of the company		-5,987,248	51,431
Non-controlling interests		62	212

Consolidated Income Statement (Continued)

for the year ended 31 December 2015

Item	Notes	Year ended 31 December 2015	Year ended 31 December 2014
VI. Other comprehensive income after tax			
Other comprehensive income after tax attributable to owners of the company			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Remeasurement of defined benefit plan liability/asset			
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method			
2. Gain or losses arising from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets			
4. Effective hedging portion of gains or losses arising from cash flow hedging instruments			
5. Translation difference arising on translation of foreign currency financial statements			
6. Others			
Other comprehensive income after tax attributable to non-controlling interests			
VII. Total comprehensive income		-5,987,186	51,643
Total comprehensive income attributable to owners of the company		-5,987,248	51,431
Total comprehensive income attributable to non-controlling interests		62	212
VIII. Earnings per share:			
(1) Basic earnings per share (<i>RMB/share</i>)		-1.35	0.01
(2) Diluted earnings per share (<i>RMB/share</i>)		-1.35	0.01

Legal Representative:
Liu Dawei

The person in charge of
accounting body:
Tu Deling

The head of
the accounting department:
Zhang Zongming

Income Statement of the Company

for the year ended 31 December 2015

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Item	Notes	Year ended 31 December 2015	Year ended 31 December 2014
I. Operating income	1	7,998,479	12,117,812
Less: Operating costs	1	10,172,654	12,595,101
Business taxes and surcharges		844	915
Selling expenses		237,140	260,233
Administrative expenses		1,263,944	670,409
Finance expenses		1,264,719	1,341,564
Impairment loss of assets		4,344,727	196,388
Add: Gains from changes in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	2	1,279	176,723
Including: Gains from investment in associates and joint ventures			41
II. Operating profit (losses are represented by "-")		-9,284,270	-2,770,075
Add: Non-operating income		3,319,785	2,905,714
Including: Gains on disposal of non-current assets		419	1,131,914
Less: Non-operating expenses		4,094	11,165
Including: Losses from disposal of non-current assets		3,909	11
III. Profit before income tax (losses are represented by "-")		-5,968,579	124,474
Less: income tax expenses		17,116	
IV. Net profit for the year (net losses are represented by "-")		-5,985,695	124,474

Income Statement of the Company (Continued)

for the year ended 31 December 2015

Item	Notes	Year ended 31 December 2015	Year ended 31 December 2014
V. Other comprehensive income after tax			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Remeasurement of defined benefit plan liability/asset			
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method			
2. Gain or losses arising from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets			
4. Effective hedging portion of gains or losses arising from cash flow hedging instruments			
5. Translation difference arising on translation of foreign currency financial statements			
6. Others			
VI. Total comprehensive income		-5,985,695	124,474
VII. Earnings per share:			
(1) Basic earnings per share (RMB/share)			
(2) Diluted earnings per share (RMB/share)			

Legal Representative:

Liu Dawei

The person in charge of
accounting body:

Tu Deling

The head of
the accounting department:

Zhang Zongming

Consolidated Cash Flow Statement

for the year ended 31 December 2015

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Item	Notes	Year ended 31 December 2015	Year ended 31 December 2014
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		5,832,136	13,656,749
Refund of taxes		18	2,282
Other cash receipts related to operating activities	1	12,576,840	1,746,378
Sub-total of cash inflow from operating activities		18,408,994	15,405,409
<hr style="border-top: 1px dashed #004a87;"/>			
Cash payment for goods purchased and services rendered		7,594,159	11,597,130
Cash payment to and on behalf of employees		886,311	893,295
Payments of various types of taxes		97,527	104,672
Other cash payments related to operating activities	2	11,509,176	13,529
Sub-total of cash outflow from operating activities		20,087,173	12,608,626
Net cash flow from operating activities		-1,678,179	2,796,783
<hr style="border-top: 1px dashed #004a87;"/>			
II. Cash flows from investing activities:			
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		875,076	967,852
Net cash receipts from disposal of subsidiaries and other operating entities			4,819
Other cash receipts related to investing activities			20,696
Sub-total of cash inflows from investment activities		875,076	993,367
<hr style="border-top: 1px dashed #004a87;"/>			
Cash payment for acquisition and construction of fixed assets, intangible assets and other long-term assets		261,875	2,552,844
Sub-total of cash outflows from investment activities		261,875	2,552,844
Cash flows from investing activities		613,201	-1,559,477

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2015

Item	Notes	Year ended 31 December 2015	Year ended 31 December 2014
III. Cash flows from financing activities:			
Cash received from borrowings		7,547,985	8,251,711
Other cash receipts related to financing activities	3	2,739,741	
Sub-total of cash inflows from financing activities		10,287,726	8,251,711
<hr/>			
Repayment of borrowings		6,231,745	7,033,135
Cash payment for dividends, profit distribution, or interest		1,024,756	1,369,407
Including: Dividend and profit paid by subsidiaries to non-controlling shareholders of subsidiaries			
Other cash payments related to financing activities	4	2,084,680	1,461,077
Sub-total of cash outflows from financing activities		9,341,181	9,863,619
Cash flows from financing activities		946,545	-1,611,908
<hr/>			
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		4,661	1,689
<hr/>			
V. Net increase in cash and cash equivalents		-113,772	-372,913
Add: Balance of cash and cash equivalents at the beginning of the period		146,148	519,061
<hr/>			
VI. Balance of cash and cash equivalents at the end of the period		32,376	146,148

Legal Representative:
Liu Dawei

The person in charge of
accounting body:
Tu Deling

The head of
the accounting department:
Zhang Zongming

Cash Flow Statement of the Company

for the year ended 31 December 2015

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Item	Notes	Year ended 31 December 2015	Year ended 31 December 2014
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		5,342,465	13,469,138
Refund of taxes			519
Other cash receipts related to operating activities		12,554,107	1,745,396
Sub-total of cash inflow from operating activities		17,896,572	15,215,053
<hr style="border-top: 1px dashed #000;"/>			
Cash payment for goods purchased and services rendered		7,120,532	11,542,071
Cash payment to and on behalf of employees		882,029	777,912
Payments of various types of taxes		92,737	95,586
Other cash payments related to operating activities		11,478,904	13,426
Sub-total of cash outflow from operating activities		19,574,202	12,428,995
Net cash flow from operating activities		-1,677,630	2,786,058
<hr style="border-top: 1px dashed #000;"/>			
II. Cash flows from investing activities:			
Cash received from return of investments		1,279	4,174
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		875,076	967,335
Net cash receipts from disposal of subsidiaries and other operating entities			5,070
Other cash receipts related to investing activities			20,632
Sub-total of cash inflows from investment activities		876,355	997,211
<hr style="border-top: 1px dashed #000;"/>			
Cash payment for acquisition and construction of fixed assets, intangible assets and other long-term assets		259,491	2,537,248
Sub-total of cash outflows from investment activities		259,491	2,537,248
Cash flows from investing activities		616,864	-1,540,037

Cash Flow Statement of the Company (Continued)

for the year ended 31 December 2015

Item	Notes	Year ended 31 December 2015	Year ended 31 December 2014
III. Cash flows from financing activities:			
Cash received from borrowings		7,547,985	8,251,711
Other cash receipts related to financing activities		2,739,741	
Sub-total of cash inflows from financing activities		10,287,726	8,251,711
<hr/>			
Repayment of borrowings		6,231,745	7,033,135
Cash payment for dividends, profit distribution, or interest		1,024,756	1,369,407
Other cash payments related to financing activities		2,084,680	1,461,077
Sub-total of cash outflows from financing activities		9,341,181	9,863,619
Cash flows from financing activities		946,545	-1,611,908
<hr/>			
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		4,661	1,689
<hr/>			
V. Net increase in cash and cash equivalents		-109,560	-364,198
Add: Balance of cash and cash equivalents at the beginning of the period		138,168	502,366
<hr/>			
VI. Balance of cash and cash equivalents at the end of the period		28,608	138,168

Legal Representative:

Liu Dawei

The person in charge of
accounting body:

Tu Deling

The head of
the accounting department:

Zhang Zongming

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2015

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Item	Year ended 31 December 2015							Year ended 31 December 2014								
	Total equity attributable to owners of the company							Total equity attributable to owners of the company								
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Non-controlling interest	Total shareholder's equity	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Non-controlling interest	Total shareholder's equity
I. Closing balance of the preceding year	4,436,023	6,655,407			606,991	-1,724,507	19,212	9,993,126	4,436,023	6,648,883		1,344	606,991	-1,775,938	19,000	9,936,303
II. Opening balance of the current year	4,436,023	6,655,407			606,991	-1,724,507	19,212	9,993,126	4,436,023	6,648,883		1,344	606,991	-1,775,938	19,000	9,936,303
III. Changes in the current year ("(-)" denotes decrease)		2,207			-5,987,248	62	-5,984,979		6,524		-1,344		51,431	212		56,823
(I) Total comprehensive income					-5,987,248	62	-5,987,186						51,431	212		51,643
(II) Shareholders' contribution and decrease in share capital		2,207					2,207		6,019							6,019
4. Others		2,207					2,207		6,019							6,019
(III) Profit distribution																
(IV) Transfers within shareholders' equity																
(V) Special reserve									505		-1,344					-839
1. Amount withdrawn in the year				22,179			22,179				23,022					23,022
2. Amount utilized in the year				22,179			22,179				22,976					22,976
3. Others									505		-1,390					-885
(VI) Others																
IV. Closing balance for the current year	4,436,023	6,657,614			606,991	-7,711,755	19,274	4,008,147	4,436,023	6,655,407			606,991	-1,724,507	19,212	9,993,126

Legal Representative:
Liu Dawei

The person in charge of
accounting body:
Tu Deling

The head of
the accounting department:
Zhang Zongming

Statement of Changes in Shareholders' Equity of the Company

for the year ended 31 December 2015

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Item	Year ended 31 December 2015						Year ended 31 December 2014						
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	
I. Closing balance of the preceding year	4,436,023	6,686,350			577,012	-1,727,922	4,436,023	6,680,331			577,012	-1,852,396	9,840,970
II. Opening balance of the current year	4,436,023	6,686,350			577,012	-1,727,922	4,436,023	6,680,331			577,012	-1,852,396	9,840,970
III. Changes in the current year													
("(-)" denotes decrease)		2,207				-5,985,695		6,019				124,474	130,493
(I) Total comprehensive income						-5,985,695						124,474	124,474
(II) Shareholders' contribution and decrease in share capital		2,207					2,207	6,019					6,019
4. Others		2,207						6,019					6,019
(III) Profit distribution													
(IV) Transfers within shareholders' equity													
(V) Special reserve													
1. Amount withdrawn in the year				22,179			22,179			22,830			22,830
2. Amount utilized in the year				22,179			22,179			22,830			22,830
(VI) Others													
IV. Closing balance for the current year	4,436,023	6,688,557			577,012	-7,713,617	4,436,023	6,686,350			577,012	-1,727,922	9,971,463

Legal Representative:
Liu Dawei

The person in charge of
accounting body:
Tu Deling

The head of
the accounting department:
Zhang Zongming

Notes to the Financial Statements

For the year ended 31 December 2015 (Unit: RMB'000)

I. BASIC INFORMATION ON THE COMPANY

According to The Approval for the Establishment of Chongqing Iron & Steel Company Limited (Ti Gai Sheng Zi [1997] No. 127) issued by the State Commission for Restructuring Economic Systems and the Approval for the Management of State-owned Equity of Chongqing Iron & Steel Company Limited (in preparation) (Guo Zi Qi Fa [1997] No. 156) issued by the State-owned Assets Administration Bureau, the Company was established as a limited liability company by Chongqing Iron & Steel (Group) Co., Ltd (hereafter referred to as "CISG") as the sole promoter. The Company was incorporated and registered with Chongqing Municipal Administration of Industry and Commerce on 11 August 1997, Headquarters is located in Changshou Economic Development Zone of Chongqing. The Company holds the business license (unified social credit code: 91500000202852965T), with the registered capital of RMB4,436,022,600 and the sum of shares of RMB4,436,022,600 (RMB1 for each share in face value), including 1,996,181,600 A shares with restricted conditions, 1,901,713,800 A shares without any restricted condition, and 538,127,200 H shares. The Company's shares were listed in the Stock Exchange of Hong Kong Ltd. on 17 October 1997, and listed in Shanghai Stock Exchange on 28 February 2007.

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

The financial statements were approved and authorized for issue by the 5th Session of the Seventh Board Meeting at 30 March 2016.

The Company incorporated the following five subsidiaries into the scope of the consolidated financial statement in the current period: Guizhou CIS Iron and Steel Sales Co., Ltd.; Jingjiang Sanfeng Steel Processing & Distribution Co., Ltd.; Jingjiang CIS Huadong Trading Co., Ltd.; Xi'an CIS Sales Co., Ltd.; and Chongqing CIS Building Materials Sales Co., Ltd.. Refer to "Notes to the Financial Statements – Change of the consolidation scope and Interest in their entities for details" for details.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

(II) Assessment of the ability to continue as a going concern

As at 31 December 2015, the Company's current liabilities exceed current assets by RMB18,875,709,000 (2014: current liabilities exceeded current assets by RMB14,176,467,000). As stated in Note VIII. (2), taking into consideration the credit facility obtained from banks as at 31 December 2015, the financing records subsequent to the balance sheet date, and oral agreements with several financial institutions that short-term loans can be renewed or extended, plus that CISG has promised to provide sufficient financing support for the Company for at least 12 months from 31 December 2015 in order to ensure the Company to operate as a going concern, the management of the Company believes that it is appropriate for the financial statements to be prepared on a going concern basis. The Board of Directors of the Company conducted a detailed assessment with regard to the Company's ability to continue as a going concern, including review of the Company's working capital forecast for 12 months as to 31 December 2016 prepared by the management of the Company. The Board of Directors concludes that the Company has sufficient sources of financing, so as to ensure the abundance of working capital, and satisfy the need of repaying due debt and capital expenditures. Therefore, the Board of Directors agrees with management that it is appropriate for the financial statements to be prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Important notes: Based on the withdrawal of bad debt provision for accounts receivable, provision for inventory write-down, depreciation of fixed assets, amortization of intangible assets, revenue recognition and other deals or matters, the Company formulated specific accounting policies and accounting estimates.

(I) Declaration on compliance with Accounting Standards for Business Enterprises

These financial statements complied with the requirements of the ASBE, and gives a true and complete view on the Company's financial position, operating results and consolidated cash flows.

(II) Accounting period

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

(III) Operating cycle

It is relatively short for the Company's operating cycle. A cycle of 12 months is taken as the liquidity classification standard for its assets and liabilities.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(IV) Functional currency

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

(V) Accounting method for business combinations under the common control and not under the common control

1. *Accounting method of business combinations under common control*

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 Company shall adjust its capital reserves based on the balance between a) the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controlling party and b) the book value of the consolidation consideration paid or the total face value of the shares issued. If the capital reserves are insufficient for offset, retained earnings shall be adjusted.

2. *Accounting method of business combinations not under the common control*

On the date of acquisition, the part of combined costs greater than the fair value of the acquiree's net identifiable assets obtained in the consolidation process shall be recognized as goodwill by the Company. If the combined costs are less than the fair value of the acquiree's net identifiable assets obtained in the consolidation process, the measured fair value and combined costs of identifiable assets, liabilities or contingent liabilities obtained from the acquiree shall be rechecked first. If the combined costs are still less than the fair value shares of net identifiable assets obtained from the acquiree in the consolidation process, the balance shall be recorded into current profit and loss.

(VI) Preparation method of consolidated financial statements

The parent company shall incorporate all subsidiaries under its control into the consolidation scope of its financial statements. On the basis of its financial statements and those of its subsidiaries, the parent company shall prepare for consolidated financial statements according to other related data and ASBE No. 33 – Consolidated Financial Statements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(VII) 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.

(VIII) Foreign exchange translation for financial statements

1. Translation of foreign currency transactions

Foreign-currency transactions of the Company are translated into RMB at the spot exchange rate on the date that transaction occurs. On the date of Statement of Financial Position, foreign-currency monetary items are converted into RMB at the spot exchange rate on the date of Statement of Financial Position. The difference arising out of such conversion shall be directly recorded into profit & loss in the current term excluding the exchange differences arising out of special foreign-currency borrowings borrowed in for purchase, construction or production of assets eligible for capitalization, which will be handled on the principle of capitalization. Foreign-currency non-monetary items measured in historical costs still are translated at the spot exchange rate on the date of transaction with their amount in RMB remaining unchanged. Foreign-currency non-monetary items measured in fair value shall be converted into RMB at the spot exchange rate on the date that the fair value is determined, the difference arising out of which shall be directly recorded into profit & loss or other comprehensive income in the current term as fluctuation of fair value.

2. Translation of financial statements denominated in foreign currency

The asset and liability items in the foreign-currency Statement of Financial Position should be translated at the spot exchange rate on the date of Statement of Financial Position; the item of "owners' equities" (excluding "undistributed profits") will be converted at the spot exchange rate on the date of occurrence of businesses; the items of income and expenses in the Profit Statement are translated at the spot exchange rate on the date of transaction/the approximate exchange rate similar to the systematically and rationally determined spot exchange rate. The difference in foreign-currency statements arising out of the above mentioned conversion shall be presented under other comprehensive income.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(IX) Financial instruments

1. **Categories of financial assets and liabilities**

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

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

2. **Recognition criteria, measuring method and derecognition conditions of financial assets and liabilities**

A financial asset or a financial liability is recognized when the Company becomes a contractual party of a financial instrument. The financial assets and financial liabilities initially recognized by the Company are measured at fair value. 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 shall be subject to subsequent measurement on the basis of fair value, but probable transaction expenses for the disposal of these financial assets in the future shall not be deducted, excluding (1) the measurement of held-to-maturity investments, loans and receivables with the effective interest method according to amortized costs; and (2) the measurement of i) equity instrument investments without any quotation in the active market and whose fair value cannot be reliably measured and ii) derivative financial assets correlated with these equity instruments and that must be settled by the delivery of such equity instruments according to the cost method.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(IX) Financial instruments *(Continued)*

2. **Recognition basis, measuring method and Derecognition conditions of financial assets and liabilities** *(Continued)*

Financial liabilities shall be subject to subsequent measurement with the effective interest method according to amortized costs, excluding (1) the measurement of financial liabilities measured by the fair value and with its variation recorded into current profit and loss according to the fair value, but probable transaction expenses for the payment of financial liabilities in the future shall not be deducted; (2) the measurement of derivative financial liabilities correlated with equity instruments without any quotation in the active market and with the fair value unable to be reliably measured and that must be settled by the delivery of such equity instruments according to the cost method; and (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to "CASBE13 – Contingencies"; 2) the surplus after accumulative amortization as determined according to "CASBE14 – Revenues".

Unless otherwise correlated with hedging, profits or losses generated by the fair value variation of financial assets or financial liabilities shall be measured according to the following methods: (1) profits or losses generated by the fair value variation of financial assets or financial liabilities measured by the fair value and with the variation recorded into current profit and loss shall be recorded into gains or losses on changes in fair value. Interests or cash dividends obtained in the holding period of assets shall be recognized as investment income. During the disposal, the balance between the amount actually received and the initial amount shall be recognized as investment income. At the same time, gain or losses on changes in fair value shall be adjusted; and (2) the fair value variation of available-for-sale financial assets shall be recorded into other comprehensive income. Interests calculated according to the effective interest method in the holding period shall be recorded into investment income. Cash dividends from the investment in available-for-sale equity instruments shall be recorded into investment income when the investee declares to distribute dividends. During the disposal, investment income is recognized at the difference between the actual amount received and the book value deducting the accumulative amount of changes in fair value originally included in other comprehensive.

When it is terminated for the contractual right to collect the cash flow of certain financial assets or almost all risks and remunerations related to the ownership of these financial assets have already been transferred, such financial assets shall be derecognized. When part or all current obligations are relieved for financial liabilities, part or all financial liabilities shall be derecognized accordingly.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(IX) Financial instruments *(Continued)*

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

If the Company already transferred almost all risks and remunerations related to the ownership of financial assets to the transfer-in party, these financial assets shall be derecognized. If the said risks and remunerations are retained, transferred financial assets shall be continuously recognized. At the same time, the received consideration shall be recognized as one financial liability. If the Company neither transfers nor retains almost all risks and remunerations related to the ownership of financial assets, the following circumstances shall be adopted for deal: (1) If the control right of financial assets is given up, these financial assets shall be derecognized; and (2) If the control right of financial assets is not given up, related financial assets shall be recognized according to the degree of financial assets transferred by continuous involvement. Meanwhile, related liabilities shall be recognized accordingly.

If the transfer of financial assets meets relevant derecognition conditions, the balance between the following two amounts shall be recorded into current profit and loss: (1) the book value of financial assets transferred; and (2) the sum of the consideration received by such transfer and the accumulated amount of changes of the fair value originally recorded into the owner's equity. If part transfer of financial assets meets relevant derecognition conditions, the book value of transferred financial assets shall be amortized between the derecognized part and the non-derecognized part according to relative fair value respectively. Moreover, the balance between the following two amounts shall be recorded into current profit and loss: (1) the book value of the derecognized part; and (2) the sum of the consideration of the derecognized part and the amount of the accumulated amount of the fair value variation originally recorded into owner's equity corresponding to the derecognized part.

4. **Determination method for the fair value of financial assets and financial liabilities**

The Company shall adopt valuation techniques adaptive to the current situation and supported by enough available data and other information to determine the fair value of related financial assets and financial liabilities. The Company divided the input values used for such valuation techniques into the following levels, and will use them in sequence:

- (1) The input value in the first level refers to unadjusted quotation of the same assets or liabilities that can be obtained in the active market on the date of measurement.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(IX) Financial instruments *(Continued)*

4. **Determination method for the fair value of financial assets and financial liabilities** *(Continued)*

- (2) The input value in the second level refers to the input value (excluding the input value in the first level) of related assets or liabilities that can be directly or indirectly observed, including the quotation of similar assets or liabilities in the active market; the quotation of the same or similar assets or liabilities in the non-active market; other observable input values excluding such quotation, such as observable interest rate and yield curve during the normal quotation interval; the input value verified by the market, etc.
- (3) The input value in the third level refers to unobservable input values of related assets or liabilities, including the interest rates that cannot be directly observed or unable to be verified by observable market data, stock fluctuation ratio, future cash flow of retirement obligations undertaken in the process of business combination, and financial forecasting made based on self data.

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

- (1) 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.
- (2) For held-to-maturity investments, loans and receivables, those assets with a significant single amount shall be distinguished first, and then subject to a separate impairment test. Financial assets without a significant single amount shall be subject to a separate impairment test, or included in the financial asset combinations with similar credit risk features for impairment test. Those financial assets (including those ones with and/or without a significant single amount) without any impairment in the separate test shall be included in the financial asset combinations with similar credit risk features for a secondary impairment test. Where a financial asset is impaired, impairment loss shall be recognized according to the balance of the book value of these financial assets higher than the present value of the future cash flow estimated.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(IX) Financial instruments (Continued)

5. Impairment test for financial assets and withdrawal method for depreciation reserves (Continued)

(3) Available-for-sale financial assets

- 1) Objective evidence that indicating available-for-sale debt instruments is impaired includes, but is not limited to:
 - ① significant financial difficulty of the obligor;
 - ② breach of contract terms by the obligor, such as default or delinquency in interest or principal payments;
 - ③ because of the consideration of economic, legal or other factors, the Company shall make a concession to the debtor with financial difficulty;
 - ④ it becomes probable that the obligor will close down or enter into other financial reorganisations;
 - ⑤ due to a major financial difficulty of the debtor, it is unable for the debt instrument to be continuously transacted in the active market;
 - ⑥ other circumstances indicating the occurrence of impairment for available-for-sale debt instruments.
- 2) Objective evidence indicating any impairment of available-for-sale equity instrument investment includes serious or non-transient drop of the fair value of the equity instrument investment as well as significantly unfavorable changes in the technical, market, economic or legal environment of the investee's operation that may make the Company unable to take back its investment costs.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(IX) Financial instruments (Continued)

5. Impairment test for financial assets and withdrawal method for depreciation reserves (Continued)

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

In the event of any impairment of available-for-sale financial assets measured by the fair value, aggregate losses generated by the fair value drop originally recorded into other comprehensive income shall be transferred and recorded into impairment loss. For the available-for-sale investment on debt instruments which impairment losses have been recognised, if in subsequent period, its fair value increases and the increase is objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previous recognised impairment loss is reversed into profit or loss for the period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in other comprehensive income.

In the event of any impairment of available-for-sale equity instrument investment measured by cost, the balance between the book value of equity instrument investment and the present value of discounted future cash flow determined according to the current market return of similar financial assets shall be recognized as impairment loss, and recorded into current profit and loss. Once any impairment loss occurred is recognized, it shall not be reversed.

(X) Receivables

1. Receivables individually significant and with provision for bad debts on an individual basis:

Judgement basis or amount criteria of individually significant amount	Individually significant accounts receivable refers to an individual overdue amount of RMB20,000,000 or above. Individually significant other receivables refers to an individual overdue amount of RMB5,000,000.
Provision method for receivables of individually significant amount and with provision made on an individual basis	Provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(X) Receivables (Continued)

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

- (1) Specific portfolios and provision method

Provision method of provision being made on collective basis using portfolios with similar credit risk features:

Basis for group determination	Provision methods for bad debts in group
Portfolio grouped with age	Aging analysis method
Related party receivables	Do not accrue for bad debts

- (2) Aging analysis method

Aging	Provision rate for accounts receivable (%)
Within 3 months (third month inclusive)	0%
4-12 months (with 1 year)	5%
1-2 years (with 2 years)	25%
2-3 years (with 3 years)	50%
Over 3 years	100%

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(X) Receivables (Continued)

4. **Individually insignificant receivables with provision for bad debts on an individual basis**

Reason for accruing bad debts individually

Significant difference exists between the present value of the future cash flow of accounts receivable and the present value of the future cash flow of the account receivable combination with aging as the credit risk feature.

Method for provision of bad debts

The impairment test shall be separately made. Bad debt provision shall be withdrawn according to the balance of the present value of its future cash flow lower than its book value.

For other accounts receivable (such as notes receivable, interest receivable, and long-term receivables), bad debt provision shall be withdrawn according to the balance of the present value of its future cash flow lower than its book value.

(XI) Inventories

1. **Classification of inventories**

Inventories include finished goods or merchandise held for sale in the ordinary course of business, work in progress in the process of production, materials or supplies used in the process of production or rendering of services.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XI) Inventories (Continued)

2. Accounting method for dispatching inventories

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

3. Basis for determination of the net realizable value of inventories

On the balance sheet date, inventories shall be measured by the lower one between the cost and the net realizable value. Inventory write-down shall be withdrawn according to the balance of single inventory cost higher than the net realizable value. In the process of normal production and operation, the net realizable value of the inventories for direct sale shall be recognized on the basis of the amount of the estimated sale price of these inventories after estimated selling expenses and related taxes and dues are deducted. In the process of normal production and operation, the net realizable value of the inventories necessary for processing shall be recognized according to the amount of the estimated sale price of the products after estimated costs by the completion, estimated selling expenses and related taxes and dues are deducted. On the balance sheet date, the net realizable value shall be separately recognized for the part with the contract price agreement and other parts without any contract price agreed for a certain inventory. Then, a comparison shall be made for corresponding costs, and the withdrawal or reversal amount of inventory write-down shall be recognized respectively.

4. Inventory system

The perpetual inventory system is adopted for the inventories.

5. Amortization of low-value consumables and packaging materials

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XII) Long-term equity investment

1. Determining the existence of joint control or significant influence

Joint control refers to the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing 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.

2. Investment cost

- (1) If it is formed by the business combination under the common control, and that the combining party takes cash payment, transfer of non-cash assets, assumption of debts or issuance of equity securities as the consolidation consideration, the shares of the book value of the owner's equity obtained from the combined party on the date of combination in the ultimate controlling party's consolidated financial statements shall be recognized as its initial investment cost. Capital reserves shall be adjusted according to the balance between the initial investment cost for long-term equity investment and the book value of paid consolidation consideration or the total face value of issued shares. If capital reserves are insufficient for offset, retain earnings shall be adjusted.

"Package transaction" shall be judged according to long-term equity investment formed by business combination under the common control realized by the Company through several transactions. If it belongs to "package transaction", various transactions shall be subject to accounting treatment as one transaction with the control right. If it does not belong to package transaction, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements, and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust capital reserve. If the balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XII) Long-term equity investment *(Continued)*

2. **Investment cost** *(Continued)*

- (2) If it is formed by the business combination not under the common control, the fair value of the consolidation consideration paid on the date of acquisition shall be taken as its initial investment cost.

Long-term equity investment formed by the business combination not under the common control realized by the Company in several transactions shall be subject to related accounting treatment by distinguishing individual financial statements from consolidated financial statements:

- 1) In the individual financial statements, the sum of the book value of the originally held equity investment and the new investment cost shall be taken as the initial investment cost checked by the cost method.
- 2) "Package transaction" shall be judged in the consolidated financial statements. If it belongs to "package transaction", various transactions shall be subject to accounting treatment as one transaction with the control right. If it does not belong to "package transaction", the acquiree's equity held before the date of acquisition shall be remeasured according to the fair value of such equity on the date of acquisition. The balance between the fair value and the book value shall be recorded into current investment income. If the acquiree's equity held before the date of acquisition involves other comprehensive income or others checked by the equity method, relevant other comprehensive income shall be turned into current yield on the date of acquisition, excluding other comprehensive income generated by the investee's remeasurement and setting of the net liability or net asset variation in its benefit plan.
- (3) Except those ones formed by the business combination, for all items obtained by means of cash payment, actually paid acquisition costs shall be taken as the initial investment cost. For those ones obtained by the issuance of equity securities, the fair value of the issued equity securities shall be taken as the initial investment cost. For those ones obtained by the mode of debt restructuring, the initial investment cost shall be determined according to ASBE No. 12 – Debt Restructuring. For those ones obtained by the mode of non-monetary assets exchange, the initial investment cost shall be determined according to ASBE No. 7 – Non-monetary Assets Exchange.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XII) Long-term equity investment (Continued)

3. Subsequent measurement and profit or loss recognition

Where the investor has a control over the investee, long-term equity investments are measured using cost method. Long-term equity investments in associates and joint ventures are measured using equity method.

4. Method for disposal of the subsidiaries' investment by several transactions till the loss of the control right

(1) Individual financial statements

The balance between the book value and the actually acquired sum of the disposed equity shall be recorded into current profit and loss. If the surplus equity is still of significant influence on the investee or under the joint control of other parties, such equity shall be checked by the equity method. If it is unable to exert the control, joint control or significant influence over the investee, it shall be recognized as available-for-sale financial asset, and checked according to relevant provisions in ASBE No. 22 – Recognition and Measurement of Financial Instruments.

(2) Scope of consolidated financial statements

1) Disposal of the subsidiaries' investment by several transactions till the loss of the control right, and not belonging to "package transaction"

Before the loss of the control right, capital reserve (capital premium) shall be adjusted according to the balance between the disposal costs and the shares of the net asset of the subsidiaries continuously calculated since the date of acquisition or the date of combination corresponding to the disposal of long-term equity investment. If the capital premium is insufficient for offset, retained earnings shall be offset.

When the control right of the original subsidiary is lost, the surplus equity shall be remeasured according to the fair value on the date of such loss. The sum of consideration for disposal of equity interests and the fair value of the remaining equity interests less the share of net assets entitled to in the subsidiary according to the original shareholding prior to disposal, for which continuous calculation has been conducted since the date of acquisition, will be recognised as investment income for current period upon losing control. Other comprehensive income in relation to the equity investments of the original subsidiary will be recognized as investment income for current period of losing control.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XII) Long-term equity investment (Continued)

4. Method for disposal of the subsidiaries' investment by several transactions till the loss of the control right (Continued)

(2) Scope of consolidated financial statements (Continued)

2) Disposal of the subsidiaries' investment by several transactions till the loss of the control right, and belonging to "package transaction"

For transactions that form "a series of transactions", each transaction is accounted for as a disposal of interest in a subsidiary and losing control. Before the loss of the control right, however, the balance between the disposal costs and the costs for the disposal of the subsidiary's net asset shares corresponding to such investment shall be recognized as other comprehensive income in the consolidated financial statements, and turned into the current profit and loss while the loss of the control right.

(XIII) Fixed assets

1. Recognition of fixed assets

Fixed assets are tangible assets that are held for production, provision of services, leasing or administrative purposes, and have useful life more than one financial year. Fixed assets shall be recognized when it is probable for the inflow of economic benefit and when relevant costs can be reliably measured.

2. Depreciation methods of fixed assets

Categories	Depreciation method	Useful life (years)	The rate of estimated residual value	Annual Depreciation rate
Buildings and structures	Straight-line method	30-50	3%	1.94%-3.23%
Machinery, and other equipment	Straight-line method	8-22	3%-5%	4.32%-12.13%
Motor vehicles	Straight-line method	8	3%	12.13%

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XIII) Fixed assets (Continued)

3. Recognition and measurement of fixed assets under finance lease

Any item complying with any one or several of the following circumstances shall be recognized as finance lease: (1) at the expiration of the lease period, the ownership of leased assets is transferred to the lessee; (2) the lessee has the right to choose whether to acquire or lease the leased assets. As predicted, the concluded acquisition costs will be much lower than the fair value of the leased assets while executing the option. Therefore, it can be reasonably determined on the commencement date of lease that the lessee will execute such option; (3) even if the ownership of the assets is not transferred, the lease period accounts for a large proportion (more than 75% (75% included) of the service life of the leased assets) of the service life of such leased assets; (4) the present value of the lessee's minimum lease payment on the commencement date of lease is nearly equal to the fair value of the leased assets on the commencement date of lease (more than 90% (90% included)); the present value of the lessor's minimum receivable payment on the commencement date of lease is nearly equal to the fair value of the leased assets on the commencement date of lease (more than 90% (90% included)); and (5) it is special for the nature of the leased assets. If without any significant change, only the lessee has the right to use.

Fixed assets of finance lease shall be recorded according to the lower one between the fair value of the leased assets on the commencement date of lease and the present value of the minimum lease payment. Depreciation shall be withdrawn according to the depreciation policy for self-owned fixed assets.

(XIV) Construction in progress

1. Construction in progress shall be recognized when it is probable for the inflow of economic benefit, and when relevant costs can be reliably measured. Construction in progress shall be measured according to the actual costs for the construction of such asset before reaching of the defined available status.
2. When construction in progress reaches the defined available status, it shall be turned into fixed assets according to the actual cost. If it already reaches the defined available status, but fails to transact the final settlement of account, it shall be turned into fixed assets according to the estimated value. After the transaction of the final settlement of account, the original estimated value shall be adjusted according to the actual cost. However, the originally withdraw depreciation shall not be adjusted.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XV) Borrowing costs

1. **Basis for capitalization of borrowing costs**

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in profit and loss when incurred.

2. **Capitalization period of borrowing costs**

- (1) Borrowing costs meeting the following conditions at the same time shall be capitalized:
1) asset expenses occurred already; 2) borrowing costs occurred already; 3) acquisition or construction and production activities for the purpose of making the assets reach the defined available or marketable status start already.
- (2) If the assets meeting relevant capitalization conditions are abnormally suspended in the acquisition or construction and production process, and the suspension time is continuously longer than three months, capitalization of borrowing costs shall be suspended. Borrowing costs occurred in the suspension period shall be recognized as current expenses till the acquisition or construction and production activities of the assets start again.
- (3) Capitalization of borrowing costs ceases when the qualifying asset being acquired and constructed is ready for intended use.

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

If special loans are raised for acquire, construct or produce the assets meeting relevant capitalization conditions, the capitalized interest amount shall be determined according to the actual interest costs (including the amortization of discount or premium determined based on the effective interest method) for the special loans in the current period after interest incomes from unused loans or investment incomes from transient investment are deducted. If ordinary loans are occupied to acquire, construct or produce the assets meeting relevant capitalization conditions, the interest amount for capitalized ordinary loans shall be calculated and determined by multiplying the weighted average of the asset expenses for accumulated asset expenses exceeding special loans by the capitalization rate of ordinary loans occupied.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XVI) Intangible assets

1. Intangible assets include the land use right, trademark use right, etc., which shall be subject to the initial measurement according to the cost method.
2. Within the service life, intangible assets with a limited service life shall be reasonably amortized according to the expected realization mode of economic benefits related to such intangible assets. If the expected realization mode cannot be reliably determined, the straight line method shall be adopted for amortization. Specific period is shown as follows:

Item	Amortization period (years)
Land use	50
Trademark	10

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XVII) Impairment of some long-term assets

If any sign indicates any impairment of long-term assets (e.g. long-term equity investment, fixed assets, construction in progress, and intangible assets with a limited service life) on the balance sheet date, the recoverable amount of such long-term assets shall be estimated. Whether there is any impairment sign for the goodwill formed by the business combination and intangible assets with an uncertain service life, impairment test shall be made in every year. The goodwill shall be subject to an impairment test in combination with related asset groups or asset group combinations.

If the recoverable amount of above long-term assets is lower than its book value, the asset impairment provision shall be recognized according to the balance between the two items, and then recorded into current profit and loss.

(XVIII) Employee benefits

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

2. *Accounting method for short-term remuneration*

In the accounting period when the employees provide relevant services for the Company, the actually occurred short-term remuneration shall be recognized as a liability, and recorded into current profit and loss or related asset cost.

3. *Accounting method for post employment benefits*

Post employment benefits includes the defined contribution plan and the defined benefit plan.

(1) During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognized as a liability and recorded in profit and loss of the current period or in assets.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XVIII) Employee benefits *(Continued)*

3. **Accounting method for post employment benefits** *(Continued)*

- (2) Accounting treatment of the defined benefit plan usually includes the following steps:
 - 1) According to the expected accumulative welfare unit method, unbiased and consistent actuarial assumption shall be used to estimate related population statistic variables and financial variables, measure the obligation generated by the defined benefit plan, and determine the period of relevant obligations. At the same time, the obligation generated by the defined benefit plan shall be discounted, so as to determine the present value of the defined benefit plan obligation and the current service cost;
 - 2) If the defined benefit plan involves any assets, the present value of the defined benefit plan obligation shall be recognized as net assets or net liabilities of a defined benefit plan after the deficit or surplus formed by the fair value of the defined benefit plan assets is deducted. If the surplus exists in the defined benefit plan, net assets of the defined benefit plan shall be measured according to the lower one between the surplus of the defined benefit plan and the upper limit of the assets;
 - 3) At the end of the period, the employee remuneration cost generated by the defined benefit plan shall be recognized as the following three parts: service cost, the net interest amount of net assets or net liabilities generated by the defined benefit plan, and the variation generated by the remeasurement of net assets or net liabilities of the defined benefit plan. The service cost and the net interest amount of net assets or net liabilities generated by the defined benefit plan shall be recorded into current profit and loss or related asset cost; while the variation generated by the remeasurement of net assets or net liabilities of the defined benefit plan shall be recorded into other comprehensive income, and shall not be transferred to the profit and loss in the subsequent accounting period. However, the amount recognized as other comprehensive income may be transferred within the equity range.

4. **Accounting method for termination benefits**

The Company recognizes a liability and expenses in the current profit or loss for termination benefits at the earlier of the following dates: (1) when the Company can no longer withdraw the offer of those benefits; and (2) when the Company recognizes costs for restructuring involving the payment of termination costs.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XVIII) Employee benefits (Continued)

5. Accounting method for other long-term employment benefit

Other long-term employment benefits meeting the defined contribution plan conditions shall be subject to accounting treatment according to related provisions of the defined contribution plan. Other long-term benefits shall be subject to accounting treatment according to related provisions of the defined benefit plan. To simplify relevant accounting treatment, the employee remuneration cost shall be recognized as service cost, the net interest amount of net assets or net liabilities of other long-term employment benefits and the remeasurement of other long-term employee benefits and other changes in net assets or net liabilities arising from the composition of the project through profit or loss or costs associated with assets.

(XIX) Provisions

1. When the obligation formed by such contingencies as the provision of guarantee, contentious matters, product quality guarantee and loss contract becomes the Company's current obligation, the performance of such obligation may lead economic benefits to flow out of the Company, and the amount of the obligation can be reliably measured, the Company shall recognize the obligation as an accrued liability.
2. Accrued liabilities shall be subject to the initial measurement by the Company according to the best estimate of the related current obligation. At the same time, the book value of such accrued liabilities shall be rechecked on the balance sheet date.

(XX) Revenue recognition

1. Revenue recognition principle

- (1) Sales of goods

Sales revenue meeting the following conditions at the same time shall be recognized: 1) transfer of major risks and remuneration related to the ownership of goods to the acquirer; 2) the Company will no longer retain the continuous management right usually correlated with the ownership or exert effective control over sold goods; 3) the revenue amount can be reliably measured; 4) relevant economic benefits may flow into the Company; and 5) relevant costs that occurs or will occur can be reliably measured.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XX) Revenue recognition *(Continued)*

1. Revenue recognition principle *(Continued)*

(2) Rendering of service

If the service transaction result can be reliably estimated on the balance sheet date (and meet the following conditions at the same time: i) the revenue amount can be reliably measured; ii) relevant economic benefits may flow into the Company; iii) the transaction completion progress can be reliably determined; and iv) the transaction costs that occurs or will occur can be reliably measured), the provided service revenue shall be recognized with the completion percentage method. Moreover, the proportion of incurred costs in the estimated costs shall be recognized as the completion progress of labor transaction. Where the outcome cannot be estimated reliably, revenues from rendering of services are recognised to the extent of the costs of services incurred of a transaction involving the rendering of 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 services incurred are included in profit or loss for the current period and no revenue from rendering of services is recognised.

(3) Abalienating the right to use an asset

If the transfer of the asset use right meets the following two conditions: (i) relevant economic benefits may flow into the Company; and ii) the revenue amount can be reliably measured) at the same time, the revenue of such transfer of the asset use right shall be recognized. Interest revenue shall be calculated and recognized according to the time of using the Company's monetary capital and the actual interest rate. Royalty revenue shall be calculated and recognized according to the charging time and method stipulated in the contract or agreement.

2. Specific method for revenue recognition

Main products of the Company include steel plates, steel sections, wire rods and bar materials. Recognition of product sales revenue shall meet the following conditions: i) the Company has already delivered the products to the acquirer according to the contract agreement; ii) the revenue amount has been recognized; iii) the payment for goods has been received, or the receipt voucher has been obtained, and relevant economic benefits may flow into the Company; and iv) relevant product costs can be reliably measured.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XXI) Government grants

1. **Judgment criteria and accounting treatment method for asset-related government grants**

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 classifies government subsidies as grants pertinent to assets and grants pertinent to incomes. The government grants pertinent to assets are recognized as deferred revenue, and equally accounted into current profit or loss within the useful life. However, according to the nominal amount of government grants, directly presents under profit or loss of the period.

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

The government grants other than the government grants related to assets are recognized as government grants related to income. The government grants pertinent to incomes and used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profit and loss during the period when the related expenses are recognized; the government grants used to compensate the related expenses or losses are directly recognized in profit or loss.

(XXII) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets and liabilities are recognized based on the temporary difference between the carrying amount and the tax base amount of an asset or liability (asset or liability not recognized in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference), and the expected applicable tax rate at the time of recovering the relevant asset or discharge of relevant liability.
2. Deferred tax asset is recognized to the extent that there is enough future profit for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the deferred asset not previously recognized is recognized in current period.
3. 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)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XXII) Deferred tax assets and deferred tax liabilities *(Continued)*

4. The Company's current income taxes and deferred income taxes shall be recorded into current profit and loss as income tax expense or revenue, excluding income taxes incurred due to the following circumstances: (1) business combinations; and (2) transactions or matters directly recognized in the owner's equity.

(XXIII) Leases

1. Accounting treatment method for operating lease

When the Company is the lessee, rentals shall be recorded into related asset cost or recognized as current profit and loss with the straight line method in the lease period. The initial expenses incurred shall be directly recorded into current profit and loss. At the actual occurrence, contingent rentals shall be recorded into current profit and loss.

When the Company is the lessor, rentals shall be recognized as current profit and loss with the straight line method in the lease period. Except that the initial expenses incurred with a significant amount shall be capitalized and recorded into profit and loss by stages, the others shall be directly recorded into current profit and loss. At the actual occurrence, contingent rentals shall be recorded into current profit and loss.

2. Accounting treatment method for finance lease

When the Company is the lessee, the Company will take the lower one between the fair value of the leased assets on the commencement date of lease and the present value of the minimum lease payment as the entry value of the rented assets, the minimum lease payment as the entry value of long-term account payable, and the difference as unrecognized finance fees. The initial expenses incurred shall be recorded into the leased asset value. In various stages of the lease period, the effective interest method shall be used to calculate and recognize the current financial expenses.

When the Company is the lessor, the Company will take the sum of the minimum lease receipt on the commencement date of lease and the initial expenses as the entry value, record the unguaranteed balance, and recognize the difference between the sum of the minimum lease receipt and the initial costs and the unguaranteed balance as unrealized financing income. In various stages in the lease period, the effective interest method shall be used to calculate and recognize the current financial incomes.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XXIV) Significant accounting judgment and estimate

While preparing for the financial statements, the Company needs to use estimates and assumptions, which will influence the application of accounting policies as well as the amount of assets, liabilities, income and expenses. Actual conditions are different from these estimates. The Company will continuously evaluate the judgment on key assumptions and uncertain factors related to such estimates. The influence of accounting estimate change shall be recognized in the current period and the future period of such change.

Uncertain factors of the major estimated amount are shown as follows:

1. Recognition of deferred income tax assets

As stated in Section III (XXIII) "Deferred tax assets and deferred tax liabilities" of the Notes to Financial Statement, the Company will calculate and recognize deferred tax assets according to the deductible temporary difference (if the tax base may be determined for the items unrecognized as assets or liabilities according to relevant provisions of the tax law, the balance between such tax base and its book value) between the book value of its assets and liabilities and its tax base as well as the applicable tax rate for the period of taking back such assets or paying off such liabilities. The amount of income taxes payable probably obtained to offset the deductible temporary difference shall be taken as the limit for recognition of deferred income tax assets.

2. Bad debt provision

As stated in Section III (X) "Receivables" of Notes to the Financial Statement, the Company will make a separate impairment test for those receivables with a significant single amount and with bad debt provisions individually withdrawn, and withdraw bad debt provisions according to the balance of the present value of the future cash flow lower than its book value. For receivables under the combination of similar credit risk features, bad debt provisions shall be withdrawn according to its aging, but bad debt provisions shall not be withdrawn for receivables of related parties. A separate impairment test shall be made for those accounts receivable without a significant single amount and with bad debt provisions individually withdrawn. Bad debt provisions shall be withdrawn according to the balance of the present value of the future cash flow lower than its book value.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(XXIV) Significant accounting judgment and estimate *(Continued)*

3. **Provision for inventory write-down**

As stated in Section III (XI) "Inventories" of Notes to the Financial Statement, the Company will measure the inventories on the balance sheet date according to the lower one between the cost and the net realizable value, and withdraw provision for inventory write-down according to the balance of single inventory cost higher than the net realizable value. For the inventories for direct sales in the process of normal production and operation, the net realizable value shall be recognized according to the amount of the estimated sale price of these inventories after estimated selling expenses and relevant taxes and dues are deducted. For the inventories necessary for processing, the net realizable value shall be determined according to the amount of the estimated sale price of finished products in the process of normal production and operation after the estimated costs till the completion, estimated selling expenses and relevant taxes and dues are deducted. If an agreement on the contract price is available for some inventories and unavailable for the others on the balance sheet date, the net realizable value shall be determined respectively. Moreover, a comparison shall be made with corresponding costs. The withdrawn or reversed amount of provision for inventory write-down shall be determined respectively.

4. **Impairment of long-term assets**

As stated in Section III (XVII) "Impairment of long-term assets" of Notes to the Financial Statement, the Company will estimate the recoverable amount of long-term assets (e.g. long-term equity investment, fixed assets and construction in progress) for which any sign indicates any impairment of such long-term assets on the balance sheet date. Whether there is any impairment sign for the goodwill formed by the business combination and intangible assets with an uncertain service life, impairment test shall be made in every year. The goodwill shall be subject to an impairment test in combination with related asset groups or asset group combinations. If the measured result of the recoverable amount indicates that the recoverable amount of these long-term assets is lower than its book value, the book value of these assets shall be reduced to the recoverable amount. The reduced amount shall be recognized as asset impairment loss, and recorded into current profit and loss. At the same time, corresponding asset impairment provision shall be withdrawn.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IV. TAXATION

(I) Major categories of taxes and tax rates

Tax type	Tax calculation basis	Tax rate
Value-added Tax (VAT)	The taxable revenue from sales of goods or rendering of services	3%, 6%, 13%, 17%
Business tax	The taxable business turnover	5%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue	1.2%, 12%
City maintenance and construction tax AX	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharges	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%, 25%

Different enterprise income tax rates applicable to different taxpayers

Name of subject of taxation	Income tax rate
The Company	15%
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd. (靖江三峰鋼材加工配送有限公司)	25%
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	25%
Guizhou CIS Iron and Steel Sales Co., Ltd. (貴州重鋼鋼鐵銷售有限責任公司)	25%
Xi'an CIS Sales Co., Ltd. (西安重鋼銷售有限責任公司)	25%
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司)	25%

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IV. TAXATION (Continued)

(II) Preferential tax treatment

The preferential tax treatment pertaining to China's western development entitled by the Company had been expired on 31 December 2010. By the approval date of the Financial Statement, issued by the State Administration of Taxation ("SAT") in respect of the extension of preferential tax policies pertaining to China's western development, "companies located in the western region that fall into the catalogue of encouraged industries are subject to a reduced Corporate Income Tax rate of 15% from 1 January 2011 to 31 December 2020". The Company anticipates that it is most likely that such preferential policy will continue in the future, thus in this year, the Company's tax rates and preferential tax policies remain unchanged as compared to last year.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(I) Notes to items in consolidated balance sheets

1. Cash and bank deposits

(1) Details

Item	Closing balance	Opening balance
Cash on hand	1,419	531
Bank deposits	91,149	187,579
Other monetary funds	832,903	1,058,468
Total	925,471	1,246,578

(2) Other descriptions

At the end of the period, there are funds with use restriction, refer to Note V (V) of the Financial Statement for details.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

2. Notes receivable

(1) Details

Item	Closing balance			Opening balance		
	Book balance	Amount of bad debts	Carrying amount	Book balance	Amount of bad debts	Carrying amount
Bank acceptance	45,863		45,863	224,614		224,614
Total	45,863		45,863	224,614		224,614

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

Item	Amount derecognized at the end of the period	Amount remained recognized at the end of the period
Bank acceptance	3,004,386	
Sub-total	3,004,386	

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

3. Accounts receivable

(1) Details

1) Details of different categories of accounts receivable

Categories	Book balance		Closing balance		Carrying amount
	Amounts	Proportion (%)	Amounts	Percentage (%)	
Receivables of individually significant amount and with provision made on an individual basis	153,935	24	7,923	5	146,012
Receivables that are provided for bad debts on similar credit risk portfolio basis	492,763	76	135,573	28	357,190
Receivable of individually insignificant amount but with provision made on an individual basis	2,756		2,756	100	
Total	649,454	100	146,252	23	503,202

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

3. Accounts receivable (Continued)

(1) Details (Continued)

1) Details of different categories of accounts receivable (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amounts	Proportion (%)	Amounts	Percentage (%)	
Receivables of individually significant amount and with provision made on an individual basis	153,935	25	7,923	5	146,012
Receivables that are provided for bad debts on similar credit risk portfolio basis	458,698	75	135,685	30	323,013
Receivable of individually insignificant amount but with provision made on an individual basis	2,756		2,756	100	
Total	615,389	100	146,364	24	469,025

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

3. Accounts receivable (Continued)

(1) Details (Continued)

2) Receivables of individually significant amount and with provision made on an individual basis at the end of the period

Name of debtor	Book balance	Amount of bad debts	Percentage (%)	Proportion Note
Customer 1	153,935	7,923	5	(Note)
Sub-total	153,935	7,923	5	

Note: A provision of RMB7,923,000 was made by the Company on the basis of the estimated present value of expected future cash flows of the accounts receivable.

3) In portfolio, accounts receivable that are provided for bad debts by aging analysis:

Aging	Closing balance		
	Book balance	Amount of bad debts	Percentage (%)
Within 3 months (third month inclusive)	308,198		
4-12 months (first year inclusive)	21,190	1,060	5
1-2 years	3,832	958	25
2-3 years	7,360	3,680	50
Over 3 years	129,875	129,875	100
Sub-total	470,455	135,573	29

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

3. Accounts receivable (Continued)

(1) Details (Continued)

4) In portfolio, accounts receivable that are provided for bad debts by other method:

Name of combination	Closing balance		Percentage (%)
	Book balance	Amount of bad debts	
Accounts receivable of related parties	22,308		
Sub-total	22,308		

(2) Aging Analysis

Aging	Closing balance		Percentage (%)
	Book balance	Amount of bad debts	
Within 3 months (third month inclusive)	311,382		
4-12 months (first year inclusive)	24,600	1,059	4
1-2 years	13,147	958	7
2-3 years	7,433	3,680	50
Over 3 years	292,892	140,555	48
Total	649,454	146,252	23

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

3. Accounts receivable (Continued)

- (3) Accounts receivable provided for bad debts, received or reversed for the period

An amount of RMB-112,000 was withdrawn as bad debt provision in the current period.

- (4) Five largest accounts receivable by debtor

The subtotal of five largest accounts receivable of the company at the end of the year is RMB396,811,000, representing 61% of the total accounts receivable, and the provision of bad debts is RMB7,923,000.

4. Prepayments

- (1) Aging Analysis

Aging	Closing balance			Opening balance				
	Book balance	Proportion (%)	Amount of bad debts	Carrying amount	Book balance	Proportion (%)	Amount of bad debts	Carrying amount
Within 1 year	33,641	84		33,641	251,446	94		251,446
1-2 years	2,167	5		2,167	7,686	3		7,686
2-3 years	1,095	3		1,095	3,039	1		3,039
Above 3 years	3,021	8		3,021	5,313	2		5,313
Total	39,924	100		39,924	267,484	100		267,484

- (2) Five largest prepayments by debtor

The subtotal of five largest prepayments of the company at the end of the year is RMB30,255,000, representing 76% of the total prepayments.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

5. Other receivables

(1) Details

1) Details of different categories of accounts receivable

Categories	Book balance		Closing balance		Carrying amount
	Amounts	Proportion (%)	Amount of bad debts		
			Amounts	Percentage (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	28	15,827	100	
Other receivables that were not impaired upon separate impairment test	40,376	70			40,376
Receivable of individually insignificant amount but with provision made on an individual basis	1,131	2	1,131	100	
Total	57,334	100	16,958	30	40,376

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

5. Other receivables (Continued)

(1) Details (Continued)

1) Details of different categories of accounts receivable (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amounts	Proportion (%)	Amounts	Percentage (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	2	15,827	100	
Other receivables that were not impaired upon separate impairment test	922,295	98			922,295
Receivable of individually insignificant amount but with provision made on an individual basis	1,131		1,131	100	
Total	939,253	100	16,958	2	922,295

2) Receivables of individually significant amount and with provision made on an individual basis as at 31 December 2015

Name of debtor	Book balance	Amount of bad debts	Percentage (%)	Proportion Note
Chongqing Special Steel Company Limited (重慶特殊鋼股份有限公司)	5,587	5,587	100	Low probability to recover
Chongqing Iron and Steel Industry and Trade (Zhanjiang) Company (湛江重鋼工貿公司)	10,240	10,240	100	Low probability to recover
Sub-total	15,827	15,827	100	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

5. Other receivables (Continued)

(2) Other receivables categorised by nature

Nature of amount	Closing balance	Opening balance
Receivables of non-current assets disposal		875,076
Payment on account	26,270	24,846
Guarantee deposits and petty cash	19,084	19,396
Others	11,980	19,935
Total	57,334	939,253

(3) Five largest other receivables by debtor

The subtotal of five largest other receivables of the company at the end of the year is RMB18,708,000, representing 33% of the total other receivable, and the provision of bad debts is RMB16,958,000.

6. Inventories

(1) Details

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Raw material	1,531,485	158,027	1,373,458	6,138,214	122,446	6,015,768
Work-in-progress	1,059,771	309,994	749,777	1,103,362	33,476	1,069,886
Finished goods	183,791	36,619	147,172	362,116	23,830	338,286
Consumables	545,566	40,115	505,451	606,651	40,115	566,536
Total	3,320,613	544,755	2,775,858	8,210,343	219,867	7,990,476

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

6. Inventories (Continued)

(2) Provision for impairment of inventories

1) Details

Item	Opening balance	Increase in the period		Reductions for the period		Closing balance
		Provision	Miscellaneous	Write down or write-off	Miscellaneous	
Raw material	122,446	4,012,390		3,976,809		158,027
Work-in-progress	33,476	306,330		29,812		309,994
Finished goods	23,830	26,120		13,331		36,619
Consumables	40,115					40,115
Sub-total	219,867	4,344,840		4,019,952		544,755

2) Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventory write-down

Item	Determination basis for provision for decline in value	Reasons for the reserval in the current period or the write-off for inventory write-down
Raw material	The net realizable value lower than the Carrying amount	Relevant inventories consumed or disposed already
Work-in-progress	The net realizable value lower than the Carrying amount	Relevant inventories consumed already
Finished goods	The net realizable value lower than the Carrying amount	Relevant inventories sold already
Consumables	The net realizable value lower than the Carrying amount	Relevant inventories consumed already

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

7. Other current assets

Item	Closing balance	Opening balance
VAT to be deducted	501	1,561,800
Total	501	1,561,800

8. Available-for-sale financial assets

(1) Details

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments	5,000		5,000	5,000		5,000
Wherein: measured by cost	5,000		5,000	5,000		5,000
Total	5,000		5,000	5,000		5,000

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

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

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

Investees	Book balance			Closing balance
	Opening balance	Increase in the period	Reductions for the period	
Xiamen Shipbuilding Industry Co., Ltd (廈門船舶重工股份有限公司)	5,000			5,000
Sub-total	5,000			5,000

Investees	Provision for impairment				Percentage of shareholding in investees (%)	Current period Cash Dividend
	Opening balance	Increase in the period	Reductions for the period	Closing balance		
Xiamen Shipbuilding Industry Co., Ltd (廈門船舶重工股份有限公司)					2	
Sub-total						

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

9. Fixed assets

(1) Details

Item	Buildings and structures	Machinery, and other equipment	Motor vehicles	Total
Cost				
Opening balance	12,567,572	20,212,329	28,872	32,808,773
Additions during for the period	630,189	1,141,595	327	1,772,111
1) Purchase	727	22	327	1,076
2) Transfer from construction in progress	629,462	1,141,573		1,771,035
Reduction for the period		4,023	7,475	11,498
1) Disposal or write off		4,023	7,475	11,498
Closing balance	13,197,761	21,349,901	21,724	34,569,386
Accumulated depreciation				
Opening balance	784,845	2,271,765	20,953	3,077,564
Additions during for the period	291,696	899,278	1,734	1,192,708
1) Provision	291,696	899,278	1,734	1,192,708
Reduction for the period		1,346	5,989	7,335
1) Disposal or write off		1,346	5,989	7,335
Closing balance	1,076,541	3,169,697	16,698	4,262,936
Provision for impairment				
Opening balance			56	56
Additions during for the period				
1) Provision				
Reduction for the period				
1) Disposal or write off				
Closing balance			56	56
Carrying amount				
Closing balance	12,121,220	18,180,204	4,970	30,306,394
Opening balance	11,782,727	17,940,564	7,863	29,731,154

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

9. Fixed assets (Continued)

(2) Temporarily idle fixed assets

Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Motor vehicles	153	115	31	7
Sub-total	153	115	31	7

(3) Fixed assets acquired under finance leases

Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment				
Direct lease	1,921,546	148,115		1,773,431
Sub-total	1,921,546	148,115		1,773,431

(4) Fixed assets leased out for operation

Item	Carrying amount at the end of the period
Buildings and structures	13,031
Machinery and equipment	70
Sub-total	13,101

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

9. Fixed assets (Continued)

(5) Fixed assets with certificate of titles being unsettled

Item	Carrying amount	Reason for not obtaining
Workshop in Changshou district	1,320,977	Data in preparation
Sub-total	1,320,977	

10. Construction in progress

(1) Details

Item	Closing balance			Opening balance		
	Cost	Provision for impairment	Carrying amount	Cost	Provision for impairment	Carrying amount
Product restructuring project	46,557		46,557	1,094,298		1,094,298
Equipment upgrade project	20,438		20,438	127,013		127,013
Railway project				438,766		438,766
Others	61,954		61,954	253,796		253,796
Total	128,949		128,949	1,913,873		1,913,873

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

10. Construction in progress (Continued)

(2) Changes in major constructions in progress for the period

Name of project	Budget	Opening balance	Increase in the period Decrease in	Temporarily estimated amount before adjustment	Transferred to fixed assets	Closing balance
Product restructuring project	6,771,591	1,094,298	43,947	-81,548	1,010,140	46,557
Equipment upgrade project	742,474	127,013	4,295	-18,665	92,205	20,438
Railway project	401,734	438,766	1,000		439,766	
Others		253,796	37,082		228,924	61,954
Sub-total		1,913,873	86,324	-100,213	1,771,035	128,949

Name of project	Proportion of accumulated construction costs in the estimate (%)	Construction progress (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period (Note)	Capitalization rate in current period (%)	Sources of funds
Product restructuring project	100	99		13,644	5.73	Loans from financial institutions and self-owned funds
Equipment upgrade project	106	99	3,790	2,026	5.73	Loans from financial institutions and self-owned funds
Railway project	109	100				Loans from financial institutions and self-owned funds
Others			2,061	10,874	5.73	Loans from financial institutions and self-owned funds
Sub-total			5,851	26,544		

Note: The total capitalized interest amount is RMB26,544,000 for the construction in progress in the current period, including RMB24,872,000 transferred to fixed assets already.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

11. Construction materials

Item	Closing balance	Opening balance
Equipment and engineering materials	10,651	12,047
Total	10,651	12,047

12. Intangible assets

(1) Details

Item	Land use	Trademark	Total
Cost			
Opening balance	2,850,460	6,478	2,856,938
Additions for the period	91,773		91,773
1) Purchase	91,773		91,773
Reduction for the period		6,478	6,478
1) Disposal		6,478	6,478
Closing balance	2,942,233		2,942,233
Accumulated depreciation			
Opening balance	167,809	6,478	174,287
Additions for the period	62,160		62,160
1) Provision	62,160		62,160
Reduction for the period		6,478	6,478
1) Disposal		6,478	6,478
Closing balance	229,969		229,969
Provision for impairment			
Opening balance			
Additions for the period			
Reduction for the period			
Closing balance			
Carrying amount			
Closing balance	2,712,264		2,712,264
Opening balance	2,682,651		2,682,651

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

12. Intangible assets (Continued)

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

Item	Closing balance	Opening balance
Except Hong Kong	2,712,264	2,682,651
Wherein: mid-term lease	2,712,264	2,682,651
Sub-total	2,712,264	2,682,651

13. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets not offset

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deductible tax losses			2,119,147	317,873
Total			2,119,147	317,873

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

13. Deferred tax assets and deferred tax liabilities (Continued)

(2) Deferred tax liabilities not offset

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Capitalized realized gain or loss arising from trail production			1,375,828	300,757
Total			1,375,828	300,757

(3) Deferred tax assets or liabilities after offset

Item	Closing balance		Opening balance	
	Offsetting amount of deferred tax assets and liabilities	Balance of neutralized deferred tax assets or liabilities	Offsetting amount of deferred tax assets and liabilities	Balance of neutralized deferred tax assets
Deferred tax assets			300,757	17,116

(4) Details of deferred tax assets not recognized

Item	Closing balance	Opening balance
Deductible temporary difference	708,021	808,545
Deductible tax losses	10,165,107	2,607,018
Sub-total	10,873,128	3,415,563

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

13. Deferred tax assets and deferred tax liabilities (Continued)

- (5) Deductible tax losses not yet recognized as deferred tax assets will expire in the following years indicated:

Years	Closing balance	Opening balance
2015		150,133
2016	946,945	946,945
2017	363,526	
2018	2,799,585	1,509,940
2019	465,978	
2020	5,589,073	
Sub-total	10,165,107	2,607,018

14. Other non-current assets

Item	Closing balance	Opening balance
Prepayments for constructions	61,399	59,020
Guarantee for finance lease	25,300	40,300
VAT to be deducted	1,637,927	
Others	9,000	9,000
Total	1,733,626	108,320

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

15. Short-term borrowings

Item	Closing balance	Opening balance
Pledged loans (Note)	255,622	
Mortgage loans (Note)	400,000	244,760
Guaranteed loans	2,581,530	2,313,840
Unsecured loans	255,000	325,000
Total	3,492,152	2,883,600

Note: Pledged loans and mortgage loans at the end of year are all guaranteed by Chongqing Iron & Steel Group (CISG), refer to Notes to the Financial Statement IX.2.(3) for details.

16. Notes payable

Item	Closing balance	Opening balance
Commercial acceptance bills	1,770,207	2,072,252
Bank acceptance bills (Note)	1,893,210	2,355,280
Total	3,663,417	4,427,532

Note: Bank acceptance bills at the end of year are all guaranteed by Chongqing Iron & Steel Group (CISG), refer to Notes to the Financial Statement IX.2.(3) for details.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

17. Accounts payable

(1) Details

Item	Closing balance	Opening balance
Accounts payable for goods and services	7,520,467	6,344,912
Accounts payable for construction and equipment	3,011,596	6,077,523
Total	10,532,063	12,422,435

(2) Aging analysis

Aging	Closing balance
1 year or within 1 year	5,727,688
1-2 years	2,046,147
2-3 years	2,520,579
Over 3 years	237,649
Total	10,532,063

(3) Significant accounts payable with the aging over one year

Item	Closing balance	Reasons for not yet settled
Accounts payable for goods and services	2,215,224	The payment not paid off
Accounts payable for construction and equipment	2,589,151	The settlement procedures unfinished, and the final settlement unfinished according to the payment schedule
Sub-total	4,804,375	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

18. Receipts in advance

Item	Closing balance	Opening balance
Payment for goods	653,721	987,979
Total	653,721	987,979

19. Employee benefits payable

(1) Details

Item	Opening balance	Increase in the period	Reductions for the period	Closing balance
Short-term employee benefits	101,423	821,018	828,880	93,561
Post-employment benefits – defined contribution plans	73,926	137,111	51,411	159,626
Termination benefits	9,456	67,575	18,383	58,648
Total	184,805	1,025,704	898,674	311,835

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

19. Employee benefits payable (Continued)

(2) Details of short-term employee benefits

Item	Opening balance	Increase in the period	Reductions for the period	Closing balance
Salaries, bonuses, allowances and subsidies	55,991	585,018	633,328	7,681
Staff welfare	18,000	8,904	26,904	
Social security contributions		107,492	104,168	3,324
Including: medical insurance premium		67,254	67,237	17
Supplementary medical insurance premium		18,384	18,379	5
Large amount medical Insurance premium		11,409	11,407	2
Work-related injury insurance premium		4,902	4,368	534
Maternity insurance premium		5,543	2,777	2,766
Housing fund	27,342	89,725	45,705	71,362
Labour union fee, staff and workers' education fee	39	23,258	12,511	10,786
Others	51	6,621	6,264	408
Sub-total	101,423	821,018	828,880	93,561

(3) Details of defined contribution plans

Item	Opening balance	Increase in the period	Reductions for the period	Closing balance
Basic pension insurance premium	70,133	109,699	28,860	150,972
Supplementary pension insurance premium		16,371	16,371	
Unemployment insurance premium	3,793	11,041	6,180	8,654
Sub-total	73,926	137,111	51,411	159,626

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

19. Employee benefits payable (Continued)

(3) Details of defined contribution plans (Continued)

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

20. Tax payable

Item	Closing balance	Opening balance
Value-added Tax (VAT)	219	955
Business tax	5,897	5,900
Others	2,563	4,296
Total	8,679	11,151

21. Interests payable

Item	Closing balance	Opening balance
Interest of borrowings	20,567	21,999
Interest of corporate bonds	10,333	10,333
Total	30,900	32,332

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

22. Other payables

Item	Closing balance	Opening balance
Current accounts and interest	2,616,804	2,120,761
Guarantee deposits	34,982	37,772
Others	51,047	97,174
Total	2,702,833	2,255,707

23. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term loans due within one year	1,568,945	749,224
The debentures payable due within one year		1,982,113
Long term payables due within one year	227,305	912,353
Total	1,796,250	3,643,690

24. Other current liabilities

Item	Closing balance	Opening balance
Deferred income – government grants	4,986	3,477
Deferred income – unrealized income of sale-and-leaseback transactions	10,068	6,031
Total	15,054	9,508

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

25. Long-term borrowings

(1) Details

Item	Closing balance	Opening balance
Pledged and guaranteed loans	7,968,500	8,429,895
Guaranteed loans	1,881,488	1,384,718
Unsecured loans		95,000
Total	9,849,988	9,909,613

(2) Analysis by due date

Item	Closing balance	Opening balance
1-2 years	1,568,945	1,250,718
2 to 5 years	5,137,000	3,968,895
Over 5 years	3,240,000	4,690,000
Sub-total	11,418,933	10,658,837
Wherein: Long-term loans due within one year	1,568,945	749,224
Long-term loans due over one year	9,849,988	9,909,613

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

26. Debentures payable

(1) Details

Item	Closing balance	Opening balance
Chongqing Iron & Steel Company Limited 2010 Company Debentures	1,987,882	
Total	1,987,882	

(2) Variation of debentures payable (excluding preferred shares, perpetual securities and other financial instruments classified into financial liabilities)

Debentures name of entity	Per value	Date of issuance	Debentures period	Issuance Amounts	Opening balance	Current period issuance	Withdrawal	Premiums	Current period repayment	Closing balance
							of interest according to the face value	and discounts Amortization		
Chongqing Iron & Steel Company Limited 2010 Company Debentures (Note)	2,000,000	2010.12.9	5+2years	2,000,000	1,982,113			5,769		1,987,882
Sub-total	2,000,000			2,000,000	1,982,113			5,769		1,987,882

Note: Refer to Section XIII (II) of Notes to the Financial Statement for details.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

27. Long-term payables

Item	Closing balance	Opening balance
Finance leases payables		222,407
Total		222,407

28. Deferred income

(1) Details

Item	Opening balance	Increase in the period	Reductions for the period	Closing balance	Reason
Government grants	75,147	23,559	4,539	94,167	Government grants
Unrealised income of sale-and-leaseback transactions	102,909		6,864	96,045	Sale-and-leaseback transactions
Sub-total	178,056	23,559	11,403	190,212	
Less: Deferred income expected to realized in one year	9,508	15,054	9,508	15,054	
Total	168,548	8,505	1,895	175,158	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

28. Deferred income (Continued)

(2) Details of government grants

Item	Opening balance	Additions for the period	Recognition during the period as non-operating income	other changes	Closing balance	Related to assets/Related to earnings
Grants for construction of environmental protection equipment and facilities	31,459	23,559	2,289		52,729	Related to assets
Grants for recycle heat power station	43,688		2,250		41,438	Related to assets
Sub-total	75,147	23,559	4,539		94,167	

29 Share capital

Item	Opening balance	New shares issued	Variation in the current period (decrease represented with "-")			Sub-total	Closing balance
			Bonus shares	Reserve transferred to shares	Others		
Restricted shares	1,996,182						1,996,182
Shares held by domestic legal persons	1,996,182						1,996,182
Shares held by domestic natural persons							
Unrestricted shares	2,439,841						2,439,841
A share	1,901,714						1,901,714
H share	538,127						538,127
Total	4,436,023						4,436,023

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

30. Capital reserve

(1) Details

Item	Opening balance	Increase in the period	Reductions for the period	Closing balance
Share premium	6,341,095			6,341,095
Other capital reserves	314,312	2,207		316,519
Total	6,655,407	2,207		6,657,614

(2) Other descriptions

In the current period, an amount of RMB2,207,000 is received as other capital reserves increased, which is resulted from the input VAT to be deducted that is correlated with major assets restructuring and exceed the part agreed by and between the Company and Chongqing Iron & Steel Group (CISG). The Company will regard it as the donation by CISG and record it into capital reserve.

31. Special reserve

Item	Opening balance	Increase in the period	Reductions for the period	Closing balance
Safety fund		22,179	22,179	
Total		22,179	22,179	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(I) Notes to items in consolidated balance sheets (Continued)

32. Surplus reserve

Item	Opening balance	Increase in the period	Reductions for the period	Closing balance
Statutor surplus	606,991			606,991
Total	606,991			606,991

33. Retained earnings

Item	Current period cumulative	Preceding period comparative
Retained earnings at the end of the last period before adjustment	-1,724,507	-1,775,938
Add: Increase due to adjustment (or less: decrease)		
Retained earnings at the beginning of the year after adjustment	-1,724,507	-1,775,938
Add: Net profit attributable to the owners of the company	-5,987,248	51,431
Less: Appropriation to Statutory surplus reserve Dividend on ordinary shares payable		
Retained earnings at the end of the period	-7,711,755	-1,724,507

As at 31 December 2015, the company's undistributed deficit amounted to RMB7,711,755,000, which shall be shared on a pro-rata basis among all shareholders after the issuance of A share in 2007. H shares and A shares rank pari passu in all aspects with each other.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(II) Notes to items in consolidated income statement

1. Operating income and operating costs

Item	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from principal activities	8,322,292	10,504,616	12,205,022	12,660,531
Revenue from other operations	27,730	4,593	40,035	13,042
Total	8,350,022	10,509,209	12,245,057	12,673,573

2. Business taxes and surcharges

Item	Current period cumulative	Preceding period comparative
Business tax	223	611
City maintenance and construction tax	509	1,160
Education surcharges	376	837
Total	1,108	2,608

3. Selling expenses

Item	Current period cumulative	Preceding period comparative
Labor cost	20,560	21,104
Transportation expenses	119,443	128,437
Ship inspection fees	61,946	67,146
Others	46,605	46,819
Total	248,554	263,506

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(II) Notes to items in consolidated income statement (Continued)

4. Administrative expenses

Item	Current period cumulative	Preceding period comparative
Labor costs	154,904	112,608
Repair costs	475,618	359,068
Losses of stop production	402,064	
Amortization of intangible assets	62,160	66,258
Auditing and consulting expenses	25,373	14,116
Taxes	77,286	77,904
Others	69,202	82,203
Total	1,266,607	712,157

5. Finance expenses

Item	Current period cumulative	Preceding period comparative
Interest on:	1,232,534	1,335,458
Wherein: Interest of bank loans, overdrafts and other loans that must be paid off within five years	1,027,468	945,519
Interest of other loans may not be paid off within five years	205,066	389,939
Interest income	21,560	20,650
Others	53,735	26,771
Wherein: net exchange losses	41,608	13,659
Total	1,264,709	1,341,579

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(II) Notes to items in consolidated income statement (Continued)

6. Impairment loss of assets

Item	Current period cumulative	Preceding period comparative
Bad debt losses	-112	9,075
Inventory write-down loss	4,344,840	187,795
Total	4,344,728	196,870

7. Investment income

(1) Details

Item	Current period cumulative	Preceding period comparative
Investment income of long-term equity investments under equity method		41
Income from disposal of long-term equity investment		101,885
Total		101,926

(2) Description on investment incomes from the investment in listed companies and non-listed companies

Item	Current period cumulative	Preceding period comparative
Investment incomes from the investment in non-listed companies		101,926
Sub-total		101,926

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(II) Notes to items in consolidated income statement (Continued)

8. Non-operating income

Item	Current period cumulative	Preceding period comparative	Amount recognized as current non-recurring gain or loss
Gains from the disposal of non-current assets	419	1,132,661	419
Wherein: Gains from the disposal of fixed assets	419	286,551	419
Gains from the disposal of intangible assets		846,110	
Gains from debt restructuring (Note)	2,350,000	49,228	2,350,000
Government grants	969,206	923,283	969,206
Relocation compensation		800,000	
Tax refunds, exemptions and reductions		2,282	
Others	165	1,661	165
Total	3,319,790	2,909,115	3,319,790

Note: Refer to Notes to the financial statements XIII (VI) for details.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(II) Notes to items in consolidated income statement (Continued)

8. Non-operating income (Continued)

(2) Details of government grants

Item of grants	Current period cumulative	Preceding period comparative	Related to assets/ Related to income
Special grants for financial cost	831,160	133,000	Related to income
Government grants for environmental relocation	51,800	506,983	Related to income
Grants for environmental protection, energy-saving emission reduction and development of new products	38,790	280,000	Related to income
Amortization of special funds for environmental governance	2,289	1,527	Related to assets
Amortization of grants for recycle heat power station	2,250	1,312	Related to assets
Grants for continuous employment	6,917		Related to income
Industrial development funds	36,000		Related to income
Others		461	Related to income
Sub-total	969,206	923,283	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(II) Notes to items in consolidated income statement (Continued)

9. Non-operating expenses

Item	Current period cumulative	Preceding period comparative	Amount recognized as current non-recurring gain or loss
Losses on the disposal of non-current assets	3,909	42	3,909
Wherein: losses on the disposal of fixed assets	3,909	42	3,909
External donation		200	
Others	201	11,023	201
Total	4,110	11,265	4,110

10. Income tax expenses

(1) Details

Item	Current period cumulative	Preceding period comparative
Current income tax expenses	857	2,943
Deferred income tax expenses	17,116	-46
Total	17,973	2,897

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(II) Notes to items in consolidated income statement (Continued)

10. Income tax expenses (Continued)

(2) Reconciliation between accounting profit and income tax expenses

Item	Current period cumulative	Preceding period comparative
Profit before tax	-5,969,213	54,540
Tax rate		
Income tax expenses calculated at statutory/applicable tax rates	-895,382	8,181
Effect of different tax rates applicable to subsidiaries	64	321
Effect of non-deductible costs, expenses and losses	8,990	2,177
Effect of deductible temporary differences or deductible losses not recognized	887,185	-61,400
Effect of reversal of deductible temporary differences or deductible losses not recognized	17,116	
Tax rate difference of temporary difference at the reversal in the future		53,618
Total	17,973	2,897

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Notes to items in consolidated cash flow statements

1. Other cash receipts related to operating activities

Item	Current period cumulative	Preceding period comparative
Relocation compensation from Yu Fu		800,000
Intercourse funds received	11,334,402	
Government grants received	988,226	936,474
Guarantee deposits of notes and letter of credit received	215,662	
Others	38,550	9,904
Total	12,576,840	1,746,378

2. Other cash payments related to operating activities

Item	Current period cumulative	Preceding period comparative
Payment of intercourse funds	10,849,718	
Payment of bank charges	12,112	13,112
Others	647,346	417
Total	11,509,176	13,529

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Notes to items in consolidated cash flow statements

3. Other cash receipts related to financing activities

Item	Current period cumulative	Preceding period comparative
Financial funds received from notes and letter of credit	2,739,741	
Total	2,739,741	

4. Other cash payments related to financing activities

Item	Current period cumulative	Preceding period comparative
Financial funds paid to notes and letter of credit	1,082,982	
Rentals of finance lease	952,401	1,461,077
Others	49,297	
Total	2,084,680	1,461,077

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Notes to items in consolidated cash flow statements

5. Supplementary information of cash flow statement

Supplementary Information	Current period cumulative	Preceding period comparative
1. Net profit adjusted to cash flow of operating activities:		
Net profit	-5,987,186	51,643
Add: Impairment provisions for assets	4,344,728	196,870
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	1,192,708	983,209
Amortization of intangible assets	62,160	66,258
Amortization of long-term prepayments		
Losses on the disposal of fixed assets, intangible assets and other long-term assets (incomes represented with "-")	3,490	-1,132,619
Losses on retirement of fixed assets (incomes represented with "-")		
Losses on changes in fair value (incomes represented with "-")		
Financial costs (incomes represented with "-")	1,212,157	1,310,086
Investment losses (incomes represented with "-")		-101,926
Decrease in deferred tax assets (increase represented with "-")	17,116	-46
Increase in deferred tax liabilities (decrease represented with "-")		
Decrease in inventories (increase represented with "-")	869,778	597,978
Decrease in operating receivables (increase represented with "-")	-917,062	164,782
Increase in operating payables (decrease represented with "-")	-2,476,068	726,689
Others		-66,141
Net cash flow from operating activities	-1,678,179	2,796,783

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Notes to items in consolidated cash flow statements (Continued)

5. Supplementary information of cash flow statement (Continued)

Supplementary Information	Current period cumulative	Preceding period comparative
2. Significant non-cash investing and financing activities:		
Conversion of debt into capital		
Convertible bonds mature in one year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Cash balance at the end of the period	32,376	146,148
Less: cash balance at the beginning of the period	146,148	519,061
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-113,772	-372,913

(2) Components of cash and cash equivalents

Item	Closing balance	Opening balance
1) Cash	32,376	146,148
Wherein: Cash on hand	1,419	531
Bank deposit available on demand	30,957	145,059
Other monetary funds available on demand		558
2) Cash equivalents		
Wherein: Bond investment due in three months		
3) Balance of cash and cash equivalents at the end of the period	32,376	146,148
Wherein: cash and cash equivalents under the limited use for the parent company or subsidiaries		

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(III) Notes to items in consolidated cash flow statements

5. Supplementary information of cash flow statement

(3) Endorsement amount of trade bill irrelevant to cash deposit and withdrawal

Item	Current period cumulative
Endorsement amount of trade bill	3,820,303
Wherein: Payment for goods	2,585,221
Payment for acquisition of fixed assets and other long-term assets	1,235,082

(V) Others

1. Assets with restricted ownership or right of use

Item	Carrying amount at the end of the period	Reasons for restriction
Cash and bank deposits	893,095	Frozen bank savings, guarantee deposit for notes and letter of credit
Fixed assets	9,206,074	Pledge of bank loan
Fixed assets	1,773,431	Fixed assets acquired under finance leases
Intangible assets	2,589,907	Pledge of bank loan
Total	14,462,507	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(V) Others

2. Foreign currency monetary items

(1) Details

Item	Balance of foreign currency at the end of the period	Exchange rate	RMB equivalent
Cash and bank deposits			
Wherein: USD	930	6.4936	6,039
HKD	70	0.8378	59
Short-term borrowings			
Wherein: USD	39,365	6.4936	255,621
Non-current liabilities due within one year			
Wherein: USD	32,639	6.4936	211,945
Long-term borrowings			
Wherein: USD	80,000	6.4936	519,488

VI. CHANGE OF CONSOLIDATION SCOPE

Entities brought into the consolidation scope

Entities	Equity acquisition method	Equity acquisition date	Subscribed amount	Subscribed proportion
Xi'an CIS Sales Co., Ltd (西安重鋼銷售有限責任公司)	New established	23 January 2015	10,000	100%
Chongqing CIS Building Materials Sales Co., Ltd (重慶市重鋼建材銷售有限責任公司)	New established	20 January 2015	10,000	100%

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

VII. INTERESTS IN OTHER ENTITIES

1. Composition of important subsidiaries

Name of the subsidiary	Principal place of business	Place of registration	Business nature	Shareholding percentage		Acquisition method
				Direct	Indirect	
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd (靖江三峰鋼材加工配送有限公司)	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Steel machining and distribution industry	72.86%		Contribution of capital for setup
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Trade industry	100%		Contribution of capital for setup
Guizhou CIS Iron and Steel Sales Co., Ltd. (貴州重鋼鋼鐵銷售有限責任公司)	Guiyang, Guizhou Province	Guiyang, Guizhou Province	Trade industry	100%		Contribution of capital for setup
Xi'an CIS Sales Co., Ltd (西安重鋼銷售有限責任公司)	Beilin District, Xi'an	Beilin District, Xi'an	Trade industry	100%		Contribution of capital for setup
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司)	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Trade industry	100%		Contribution of capital for setup

(2) Significant non-wholly-owned subsidiaries

Name of the subsidiary	Shareholding percentage of non-controlling interest	Profit or loss attributable to non-controlling interest	Dividend declared to non-controlling interest	Closing balance of non-controlling interest
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd (靖江三峰鋼材加工配送有限公司)	27.14%	62	19,274	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

VII. INTERESTS IN OTHER ENTITIES (Continued)

3. Main financial information of significant non-wholly-owned subsidiaries

(1) Information about assets and liabilities

Name of the subsidiary	Current assets	Non-current Assets	Closing balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd (靖江三峰鋼材加工配送有限公司)	5,248	71,236	76,484	5,474		5,474

Subsidiary Name of entity	Current assets	Non-current Assets	Opening balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd (靖江三峰鋼材加工配送有限公司)	9,617	69,391	79,008	8,228		8,228

(2) Information about profit and loss and cash flow

Name of the subsidiary	Operating Income	Net profit	Current period cumulative		Net cash flows from operating activities
			Total comprehensive income	Total comprehensive income	
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd (靖江三峰鋼材加工配送有限公司)	59,010	230	230		-1,414

Name of the subsidiary	Operating Income	Net profit	Preceding period comparative		Net cash flows from operating activities
			Total comprehensive income	Total comprehensive income	
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd (靖江三峰鋼材加工配送有限公司)	65,159	780	780		4,604

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management objective is to obtain a balance between risks and incomes, minimize adverse impacts of relevant risks on the Company, and maximize the interest of its shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Company, to set appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

The Company is faced with a variety of risks related to financial instruments in the daily activities, mainly including credit risk, liquidity risk and market risk. The management deliberated and approved the management policy for these risks.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instruments suffers from financial losses due to the other party's failure to perform relevant obligations.

The Company's credit risk mainly comes from bank deposits and receivables. To control above risks, the Company took the following measures:

1. Bank deposits

The Company placed its bank deposits in the financial institutions with a relatively high credit grade. Therefore, its credit risk is relatively low.

2. Receivables

The Company will execute continuous credit assessment for the clients who uses credit settlement on a continuous basis. Based on the credit assessment results, the Company will choose to transact with those clients authorized and with good credit ratings, and monitor the balance of their receivables, so as to make sure that the Company will not face any major bad debt risk.

As the Company only transacts with those third parties authorized and with good credit ratings, it is unnecessary for any guaranty. Credit risk shall be subject to centralized management according to different clients. As at 31 December 2015, 61% of the Company's accounts receivable (49% on 31 December 2014) are due from the five largest customers of the Company. The Company does not hold any guaranty or other credit enhancements for the balance of accounts receivable.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(I) Credit risk (Continued)

2. Receivables (Continued)

- (1) Analysis of receivables neither past due nor impaired and receivables past due but not impaired are as follows:

Item	Neither past due nor impaired	Closing balance			Total
		Past due but not impaired 1 year or within 1 year	1-2 years	Over 2 years	
Notes receivable	45,863				45,863
Accounts receivable	311,382	3,409	9,315	6,400	330,506
Other receivable	40,376				40,376
Sub-total	397,621	3,409	9,315	6,400	416,745

- (2) Please refer to notes to receivables for receivables in the consolidated financial statement for impairment made on individual basis.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(II) Liquidity risk (Continued)

The Company and its subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Company's liquidity management method is to make sure enough liquidity for the performance of matured debts, so as not to cause any unacceptable losses or any damage to its reputation. The Company will analyze its liability structure and limit of period on a regular basis, so as to make sure enough funds. At the same time, the Company will negotiate with financial institutions for enough banking facilities to reduce the liquidity risk. The Company obtains banking facilities from several financial institutions in China. As at 31 December 2015, the Company's current liabilities already exceeded current assets by RMB18,875,709,000 (2014: its current liabilities exceeded current assets by RMB14,176,467,000). As at 31 December 2015, an amount of RMB788,961,000 credit facility is not used by the Company. From 31 December 2015 to the approval date of the Financial Statement, the Company accumulatively obtained an amount of RMB1,408,100,000 as renewed or delayed short-term mature borrowings. At the same time, the Company already reached a verbal agreement with several financial institutions, when the Company's short-term loans are mature in 2016, renewal or delay is agreed according to the Company's fund demands. Moreover, CISG made a promise to provide enough financial assistance to the Company at least within 12 months since 31 December 2015, so as to make sure the Company's going concern.

The Board of Directors of the Company checked and approved in detail the cash flow prospects in 12 months (by the end of 31 December 2016). According to the Board of Directors of the Company, it is reasonable for assumptions and the degree of sensitivity included in the cash flow prospects. Considering the company's operation conditions, obtained bank credit facilities, finance obtainment records, long-term good cooperation relations with various banks and other financial institutions and suppliers, and financial supports from CISG, the Board of Directors of the Company thinks that the Company may continuously obtain enough operating cash flow and financing sources to make sure relevant needs for working capital, payment of matured debts and capital expenditures.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(II) Liquidity risk (Continued)

Classification of financial liabilities based on the rest maturity date

Item	Carrying amount	Undiscounted contract amount	Closing balance			
			1 year or within 1 year	1-2 years	2 to 5 years	Over 5 years
Short-term borrowings	3,492,152	3,595,974	3,595,974			
Notes payable	3,663,417	3,663,417	3,663,417			
Interests payable	30,900	30,900	30,900			
Accounts payable	10,532,063	10,532,063	10,532,063			
Other payables	2,702,833	2,713,978	2,713,978			
Non-current liabilities due						
within one year	1,796,250	1,810,849	1,810,849			
Long-term borrowings	9,849,988	11,785,278	464,613	2,068,812	5,979,532	3,272,321
Debentures payable	1,987,882	2,000,000		2,000,000		
Sub-total	34,055,485	36,132,459	22,811,794	4,068,812	5,979,532	3,272,321

Item	Carrying amount	Undiscounted contract amount	Opening balance			
			1 year or within 1 year	1-2 years	2 to 5 years	Over 5 years
Bank Borrowings	2,883,600	2,976,775	2,976,775			
Notes payable	4,427,532	4,427,532	4,427,532			
Accounts payable	12,422,435	12,422,435	12,422,435			
Other payables	2,255,707	2,255,707	2,255,707			
Interests payable	32,332	32,332	32,332			
Non-current liabilities due						
within one year	3,643,690	3,951,944	3,951,944			
Long-term borrowings	9,909,613	12,845,543	591,709	1,930,412	5,151,515	5,171,907
Long-term payables	222,407	235,930		235,930		
Sub-total	35,797,316	39,148,198	26,658,434	2,166,342	5,151,515	5,171,907

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risk

Market risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market price variation. Market risk mainly includes interest risk and foreign exchange risk.

1. Interest risk

Interest risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market interest variation. The market interest rate variation risk facing the Company is mainly correlated with its loans with the interest measured by the floating interest rate.

As at 31 December 2015, balance of borrowings with interest accrued at floating interest rate totaled RMB11,715,462,000 (RMB13,227,618,000 on 31 December 2014). If interest rates had been 50 basis points higher/lower and all other variables were held constant, financial effect on the Company would be a/an decrease/increase of RMB58,577,000 (31 December 2014: a/an decrease/increase of RMB66,138,000) in equity, a/an decrease/increase of RMB58,577,000 (In 2014: a/an decrease/increase of RMB66,138,000) in net profit.

2. Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the variation in the foreign exchange rate. Foreign exchange risk facing the Company is mainly correlated with its monetary assets and liabilities in foreign currency. In the event of short-term imbalance of foreign currency assets and liabilities, the Company shall buy and sell foreign currencies according to the market price, if necessary, so as to maintain the net risk exposure at an acceptable level.

Please refer to notes to foreign currency monetary items in the consolidated financial statement for details in foreign currency financial assets and liabilities at the end of the period.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS

(I) Information about related parties

(1) Information on the parent company of the Company

Name of parent company	Place of registration	Business nature	Registered capital	Shareholding percentage company (%)	Shareholding percentage company (%)
Chongqing Iron & Steel (Group) Co., Ltd	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

Chongqing SASAC is the ultimate controlling party of the Company.

(2) Please to refer notes to interest in other entities for details on the Company's subsidiaries.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(I) Information about related parties (Continued)

(3) Information about other related parties of the Company

(1) Other related parties of the Company

Name	Relationship between the Company and other related parties
Chongqing saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	40% of shares held by the parent company
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Yingsite Mould Company Limited (重慶鋼鐵集團英斯特模具有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Subsidiaries under the control of the parent company
Chongqing Donghua Special Steel Company Limited (重慶東華特殊鋼有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel (Group) Co Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel (Group) Co Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Hongfa Real Estate Development Company (重慶宏發房地產開發公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Subsidiaries under the control of the parent company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(I) Information about related parties (Continued)

(3) Information about other related parties of the Company (Continued)

(1) Other related parties of the Company (Continued)

Name	Relationship between the Company and other related parties
Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Export and Import Company Limited (重鋼進出口公司)	Subsidiaries under the control of the parent company
Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	Subsidiaries under the control of the parent company
Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	Subsidiaries under the control of the parent company
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Chonggang Mining Exploitation and Investment Company Limited (重慶重鋼礦產開發投資有限公司)	Subsidiaries under the control of the parent company
Chongqing Wuxia Mining Industry Incorporated Company (重慶巫峽礦業股份公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Xingang Loading and Transportation Company Limited (重慶新港裝卸運輸有限公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Iron Company Limited (重慶鋼鐵集團鐵業有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited (重慶鋼鐵集團中興實業有限責任公司)	Subsidiaries under the control of the parent company
Chongqing Iron & Steel Group TV (重慶鋼鐵集團電視台)	Subsidiaries under the control of the parent company
Chongqing Si Gang Steel Co., Ltd (重慶四鋼鋼業有限責任公司)	Subsidiaries under the control of the parent company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions

1. Purchase and sales of goods and rendering and receiving of services

(1) Details

1) Purchase of goods and receiving of services (excluding tax)

Related party	Substance of related-party transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Purchase of goods	997,714	
Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	Purchase of goods	859,667	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Purchase of goods	330,350	
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Purchase of goods	319,084	
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Purchase of goods and receiving of services	120,112	
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Purchase of goods and receiving of services	118,380	5,266,126
Chongqing Iron Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	Purchase of goods and receiving of services	108,487	
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	Purchase of goods and receiving of services	99,825	
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Receiving of services	83,402	
Chongqing Iron Steel (Group) Co Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Purchase of goods and receiving of services	79,983	
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Purchase of goods and receiving of services	61,068	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

1. Purchase and sales of goods and rendering and receiving of services (Continued)

(1) Details (Continued)

1) Purchase of goods and receiving of services (excluding tax) (Continued)

Related party	Substance of related-party transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel Group Iron Company Limited (重慶鋼鐵集團鐵業有限責任公司)	Purchase of goods	49,971	
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	Purchase of goods and receiving of services	28,565	
Chongqing Wuxia Mining Industry Incorporated Company (重慶巫峽礦業股份有限公司)	Purchase of goods	28,321	
Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	Purchase of goods and receiving of services	9,594	
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Purchase of goods and receiving of services	2,497	
Chongqing Iron & Steel Group Xingang Loading and Transportation Company Limited (重慶新港裝卸運輸有限公司)	Receiving of services	2,799	
Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	Receiving of services	2,299	
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited (重慶鋼鐵集團中興實業有限責任公司)	Purchase of goods and receiving of services	1,794	
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Purchase of goods	1,420	
Chongqing Iron & Steel Group TV (重慶鋼鐵集團電視台)	Receiving of services	877	
Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	Purchase of goods	500	
Chongqing Iron & Steel (Group) Co., Ltd	Receiving of services	284	
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	Purchase of goods	270	
Total		3,307,263	5,266,126

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

1. Purchase and sales of goods and rendering and receiving of services (Continued)

(1) Details (Continued)

2) Sale of goods and rendering of services (Excluding tax)

Related party	Substance of related-party transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Sale of energy and rendering of services	224,875	443,671
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Sale of energy, etc	103,023	
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Sale of steels, energy	68,305	
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Sale of energy, etc	44,844	
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Sale of energy	8,709	
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限公司)	Sale of steels	7,308	
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Sale of steels	3,176	
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Sale of steels, energy, etc	3,157	
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Sale of steels	3,147	
Chongqing Iron & Steel (Group) Co., Ltd	Sale of energy, etc	1,941	
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限公司)	Sale of energy and rendering of services	906	
Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限公司)	Sale of energy	448	
Chongqing Iron & Steel Group Transportation Company limited (重慶鋼鐵集團運輸有限公司)	Sale of energy and rendering of services	151	
Total		469,990	443,671

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

1. Purchase and sales of goods and rendering and receiving of services (Continued)

(2) Other descriptions

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

For the purchase price of commodities of the related party, refer to the price or cost plus profit premium for similar transactions between the related party and other third parties, or the supplier's bid price. 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.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

2. Lease of related party

(1) The Company as the lessor (tax excluded)

Name of Lessee	Type of leased assets	Rental income recognized in the current period	Rental income recognized in the preceding period
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Buildings and structures	382	938
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Buildings and structures	141	
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Buildings and structures	70	
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Buildings and structures	70	
Chongqing Iron & Steel (Group) Co Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Buildings and structures	62	
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Buildings and structures	59	
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Buildings and structures	44	
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Machinery and equipment	17	
Total		845	938

(2) The Company as the lessee

Name of lessor	Type of leased assets	Rentals recognized in the current period	Rentals recognized in the preceding period
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Buildings and structures	572	349
Total		572	349

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

3. Related party guarantees

(1) The Company and its subsidiaries as the guarantor

Guaranteed party	Amount of guarantee	Guarantee Inception date	Guarantee Maturity date	Performance completed or not
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	811,042	2012/4/17	2024/8/3	No
Total	811,042			

(2) The Company and its subsidiaries as the guaranteee

Guarantor	Amount of guarantee	Guarantee Inception date	Guarantee Maturity date	Performance completed or not
Chongqing Iron & Steel (Group) Co., Ltd	86,700	2015/6/19	2018/5/13	No
Chongqing Iron & Steel (Group) Co., Ltd	8,000	2015/8/7	2018/2/21	No
Chongqing Iron & Steel (Group) Co., Ltd	30,000	2015/8/7	2018/4/6	No
Chongqing Iron & Steel (Group) Co., Ltd	25,000	2015/9/25	2018/4/6	No
Chongqing Iron & Steel (Group) Co., Ltd	7,000	2015/9/25	2018/5/13	No
Chongqing Iron & Steel (Group) Co., Ltd	67,000	2015/2/13	2018/1/30	No
Chongqing Iron & Steel (Group) Co., Ltd	39,000	2015/5/29	2018/2/21	No
Chongqing Iron & Steel (Group) Co., Ltd	39,200	2015/5/29	2018/5/27	No
Chongqing Iron & Steel (Group) Co., Ltd	46,000	2015/9/23	2018/8/15	No
Chongqing Iron & Steel (Group) Co., Ltd	60,000	2015/10/30	2018/10/21	No
Chongqing Iron & Steel (Group) Co., Ltd	79,000	2015/11/13	2018/11/10	No
Chongqing Iron & Steel (Group) Co., Ltd	43,990	2015/12/31	2018/11/17	No
Chongqing Iron & Steel (Group) Co., Ltd	10,000	2015/6/2	2018/6/1	No
Chongqing Iron & Steel (Group) Co., Ltd	40,000	2015/8/18	2018/8/17	No
Chongqing Iron & Steel (Group) Co., Ltd	100,000	2015/10/23	2018/10/22	No
Chongqing Iron & Steel (Group) Co., Ltd	40,000	2015/11/16	2018/11/15	No
Chongqing Iron & Steel (Group) Co., Ltd	50,000	2015/9/30	2018/9/30	No
Chongqing Iron & Steel (Group) Co., Ltd	100,000	2015/10/29	2018/10/29	No
Chongqing Iron & Steel (Group) Co., Ltd	151,840	2015/11/26	2018/11/26	No
Chongqing Iron & Steel (Group) Co., Ltd	200,000	2015/12/15	2018/12/15	No
Chongqing Iron & Steel (Group) Co., Ltd	200,000	2015/12/28	2018/12/28	No
Chongqing Iron & Steel (Group) Co., Ltd	58,000	2015/3/31	2018/3/31	No
Chongqing Iron & Steel (Group) Co., Ltd	49,000	2015/10/16	2018/10/16	No
Chongqing Iron & Steel (Group) Co., Ltd	37,500	2015/2/13	2018/2/11	No

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

3. Related party guarantees (Continued)

(2) The Company and its subsidiaries as the guarantee (Continued)

Guarantor	Amount of guarantee	Guarantee Inception date	Guarantee Maturity date	Performance completed or not
Chongqing Iron & Steel (Group) Co., Ltd	95,000	2015/2/16	2018/2/14	No
Chongqing Iron & Steel (Group) Co., Ltd	45,000	2015/3/20	2018/3/19	No
Chongqing Iron & Steel (Group) Co., Ltd	24,000	2015/7/31	2018/7/28	No
Chongqing Iron & Steel (Group) Co., Ltd	73,000	2015/9/18	2018/9/17	No
Chongqing Iron & Steel (Group) Co., Ltd	60,000	2015/9/25	2018/9/24	No
Chongqing Iron & Steel (Group) Co., Ltd	87,300	2015/11/30	2018/12/29	No
Chongqing Iron & Steel (Group) Co., Ltd	110,000	2015/7/6	2018/7/6	No
Chongqing Iron & Steel (Group) Co., Ltd	20,000	2015/1/28	2018/1/8	No
Chongqing Iron & Steel (Group) Co., Ltd	96,000	2015/1/6	2018/1/4	No
Chongqing Iron & Steel (Group) Co., Ltd	144,000	2015/1/7	2018/1/4	No
Chongqing Iron & Steel (Group) Co., Ltd	150,000	2014/2/21	2018/2/19	No
Chongqing Iron & Steel (Group) Co., Ltd	60,000	2015/2/26	2018/2/24	No
Chongqing Iron & Steel (Group) Co., Ltd	63,797	2015/10/28	2018/4/25	No
Chongqing Iron & Steel (Group) Co., Ltd	66,241	2015/11/13	2018/5/11	No
Chongqing Iron & Steel (Group) Co., Ltd	200,000	2015/5/22	2018/5/21	No
Chongqing Iron & Steel (Group) Co., Ltd	115,190	2014/5/23	2018/5/20	No
Chongqing Iron & Steel (Group) Co., Ltd	96,755	2014/6/6	2018/6/3	No
Chongqing Iron & Steel (Group) Co., Ltd	60,452	2015/12/24	2018/6/21	No
Chongqing Iron & Steel (Group) Co., Ltd	65,131	2015/12/28	2018/6/25	No
Chongqing Iron & Steel (Group) Co., Ltd	120,000	2015/9/2	2018/9/2	No
Chongqing Iron & Steel (Group) Co., Ltd	180,000	2015/9/18	2018/9/18	No
Chongqing Iron & Steel (Group) Co., Ltd	100,000	2015/9/28	2018/9/28	No
Chongqing Iron & Steel (Group) Co., Ltd	50,000	2014/7/28	2019/7/27	No
Chongqing Iron & Steel (Group) Co., Ltd	232,500	2014/9/30	2019/9/30	No
Chongqing Iron & Steel (Group) Co., Ltd	50,000	2014/12/2	2019/12/1	No
Chongqing Iron & Steel (Group) Co., Ltd	620,000	2014/2/27	2018/2/23	No
Chongqing Iron & Steel (Group) Co., Ltd	5,000	2015/4/27	2018/4/27	No
Chongqing Iron & Steel (Group) Co., Ltd	5,000	2015/4/27	2018/10/27	No
Chongqing Iron & Steel (Group) Co., Ltd	5,000	2015/4/27	2019/4/27	No
Chongqing Iron & Steel (Group) Co., Ltd	5,000	2015/4/27	2019/10/27	No
Chongqing Iron & Steel (Group) Co., Ltd	75,000	2015/4/27	2020/4/25	No
Chongqing Iron & Steel (Group) Co., Ltd	100,000	2015/5/6	2020/4/25	No
Chongqing Iron & Steel (Group) Co., Ltd	100,000	2015/6/2	2020/4/25	No
Chongqing Iron & Steel (Group) Co., Ltd	324,680	2015/6/30	2019/6/22	No
Chongqing Iron & Steel (Group) Co., Ltd	194,808	2015/9/10	2019/8/10	No
Chongqing Iron & Steel (Group) Co., Ltd	62,123	2013/7/12	2018/7/10	No
Chongqing Iron & Steel (Group) Co., Ltd	15,181	2012/8/11	2018/8/10	No
Chongqing Iron & Steel (Group) Co., Ltd	1,000	2015/8/25	2018/2/28	No
Chongqing Iron & Steel (Group) Co., Ltd	1,000	2015/8/25	2018/8/31	No

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

3. Related party guarantees (Continued)

(2) The Company and its subsidiaries as the guarantee (Continued)

Guarantor	Amount of guarantee	Guarantee Inception date	Guarantee Maturity date	Performance completed or not
Chongqing Iron & Steel (Group) Co., Ltd	1,000	2015/8/25	2019/2/28	No
Chongqing Iron & Steel (Group) Co., Ltd	257,000	2015/8/25	2019/8/31	No
Chongqing Iron & Steel (Group) Co., Ltd	240,000	2015/8/25	2020/2/23	No
Chongqing Iron & Steel (Group) Co., Ltd	8,210,000	2012/9/20	2024/9/19	No
Chongqing Iron & Steel (Group) Co., Ltd	10,000	2015/7/20	2018/1/20	No
Chongqing Iron & Steel (Group) Co., Ltd	51,000	2015/7/2	2018/1/2	No
Chongqing Iron & Steel (Group) Co., Ltd	39,000	2015/9/16	2018/3/16	No
Chongqing Iron & Steel (Group) Co., Ltd	42,000	2015/10/8	2018/4/8	No
Chongqing Iron & Steel (Group) Co., Ltd	21,000	2015/10/28	2018/4/28	No
Chongqing Iron & Steel (Group) Co., Ltd	14,000	2015/11/3	2018/5/3	No
Chongqing Iron & Steel (Group) Co., Ltd	56,000	2015/12/4	2018/6/4	No
Chongqing Iron & Steel (Group) Co., Ltd	27,865	2015/10/9	2018/4/9	No
Chongqing Iron & Steel (Group) Co., Ltd	89,600	2015/7/28	2018/1/28	No
Chongqing Iron & Steel (Group) Co., Ltd	60,000	2015/7/23	2018/1/23	No
Chongqing Iron & Steel (Group) Co., Ltd	60,000	2015/7/15	2018/1/15	No
Chongqing Iron & Steel (Group) Co., Ltd	77,000	2015/9/8	2018/3/8	No
Chongqing Iron & Steel (Group) Co., Ltd	69,160	2015/9/16	2018/3/16	No
Chongqing Iron & Steel (Group) Co., Ltd	31,360	2015/9/21	2018/3/21	No
Chongqing Iron & Steel (Group) Co., Ltd	3,640	2015/9/28	2018/3/28	No
Chongqing Iron & Steel (Group) Co., Ltd	10,136	2015/10/9	2018/4/9	No
Chongqing Iron & Steel (Group) Co., Ltd	66,500	2015/11/18	2018/5/18	No
Chongqing Iron & Steel (Group) Co., Ltd	3,500	2015/11/20	2018/5/20	No
Chongqing Iron & Steel (Group) Co., Ltd	14,000	2015/11/27	2018/5/27	No
Chongqing Iron & Steel (Group) Co., Ltd	14,000	2015/12/1	2018/6/1	No
Chongqing Iron & Steel (Group) Co., Ltd	108,500	2015/11/24	2018/5/24	No
Chongqing Iron & Steel (Group) Co., Ltd	126,000	2015/12/3	2018/6/3	No
Chongqing Iron & Steel (Group) Co., Ltd	68,250	2015/12/11	2018/6/11	No
Chongqing Iron & Steel (Group) Co., Ltd	14,000	2015/7/1	2018/1/1	No
Chongqing Iron & Steel (Group) Co., Ltd	27,650	2015/9/8	2018/3/8	No
Chongqing Iron & Steel (Group) Co., Ltd	70,350	2015/9/11	2018/3/11	No
Chongqing Iron & Steel (Group) Co., Ltd	70,000	2015/10/21	2018/4/21	No
Chongqing Iron & Steel (Group) Co., Ltd	42,000	2015/11/3	2018/5/3	No
Chongqing Iron & Steel (Group) Co., Ltd	4,550	2015/11/5	2018/5/5	No

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

3. Related party guarantees (Continued)

(3) Other Descriptions

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

4. Other cash flows between related parties

Related party	Amount borrowed	Amount returned	Interest in the current period
Chongqing Iron & Steel (Group) Co., Ltd (Note 1)	2,891,152	3,639,597	33,136
Wherein: Borrowings	1,600,000	1,309,054	33,136
Chongqing Chonggang Mining Exploitation and Investment Company Limited (重慶重鋼礦產開發投資有限公司)	800,000	1,100,000	50,201
Wherein: Borrowings	800,000	1,100,000	50,201
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	147,226	147,226	2,965
Wherein: Borrowings	147,226	147,226	2,965
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	1,751,689	887,502	
Chongqing Wuxia Mining Industry Incorporated Company (重慶巫峽礦業股份有限公司)	43,510		
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	77,220		
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	(Note 2)		

Note 1: The amount returned from the company including the settlement of Chongqing Iron & Steel (Group) Co., Ltd's debts by the method of the debt transfer.

Note 2: The other cash flows between the Company and Chongqing Iron & Steel Group Chaoyang Gas Company Limited mainly temporarily borrowed to repay the bank loans, the monthly average balance of funds occupied is RMB558,602,000.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

4. Other cash flows between related parties (Continued)

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

5. Remuneration of Key Management Personnel

Item	Current period cumulative	Preceding period comparative
Remuneration of Key Management Personnel	2,191	2,222

6. Directors' and Supervisors' Remuneration

Item	Fees	Current period cumulative		Total
		Wages, bonuses, subsidies and grants	Social insurance charges	
Director				
Li Rensheng		172	76	248
Zhang Liquan		155	76	231
Yao Xiaohu		155	76	231
Liu Tianni (Note 1)	37			37
Xu Yixiang	74			74
Xin Qingquan	74			74
Zhu Jianpai (Note 2, 17)				
Zhou Hong (Note 16, 17)				
Tu Deling (Note 3)				
Liu Dawei (Note 4, 17)				
Wang Zhenhua (Note 5)	37			37

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

6. Directors' and Supervisors' Remuneration (Continued)

Item	Fees	Current period cumulative		Total
		Wages, bonuses, subsidies and grants	Social insurance charges	
Supervisors				
Xia Tong		178	76	254
Dou Hui		122	76	198
Chen Hong		116	76	192
Xie Chuanxin (Note 6, 17)				
Li Zheng (Note 17)				
Li Meijun (Note 7)				
Senior management				
You Xiao'an		115	76	191
Zhang Zongming (Note 8)		115	76	191
Zeng Jing		157	76	233
Total	222	1,285	684	2,191

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

6. Directors' and Supervisors' Remuneration (Continued)

Item	Fees	Preceding period comparative		Total
		Wages, bonuses, subsidies and grants	Social insurance charges	
Director				
Li Rensheng		181	58	239
Zhang Liquan		172	58	230
Yao Xiaohu		15	15	30
Yuan Jinfu (Note 9, 16)				
Deng Qiang (Note 10, 16)				
Zhu Jianpai (Note 16)				
Liu Tianni	71			71
Zhang Guolin (Note 11)	71			71
Ran Maosheng (Note 12)	71			71
Guan Zhaohui (Note 13)		164	44	208
Chen Hong (Note 14)		140	10	150
Zhou Hong (Note 16)				
Xu Yixiang				
Xin Qingquan				
Supervisors				
Xia Tong		200	58	258
Dou Hui		145	58	203
Chen Hong		136	58	194
Li Zheng (Note 16)				
Li Meijun (Note 16)				
Senior management				
Zeng Jing		51	49	100
Zhang Zongming		60	44	104
You Xiao'an		136	58	194
Gong Jun (Note 15)		84	15	99
Total	213	1,484	525	2,222

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

6. Directors' and Supervisors' Remuneration (Continued)

Note 1: On 4 June 2015, Mr. Liu Tianni resigned from the duties of independent director of the Company upon the expire of his term of office.

Note 2: On 28 July 2015, Mr. Zhu Jianpai resigned of the duties of the Director, Chairman, chairman of the Strategic Committee, chairman of the Nomination Committee and member of the Remuneration and Review Committee.

Note 3: On 23 December 2015, Mr. Tu Deling was appointed as Executive Director of the 7th Board of Directors, Deputy Chairman, member of the Remuneration and Review Committee and the head of accounting department.

Note 4: On 23 December 2015, Mr. Liu Dawei was appointed as Non-executive Director of the 7th Board of Directors, Chairman, member and Chairman of the Strategic Committee, and member and Chairman of the Nomination Committee.

Note 5: On 4 June 2015, Mr. Wang Zhenhua was appointed as Director of the 7th Board of Directors of the Company.

Note 6: On 23 December 2015, Mr. Xie Chuanxin was appointed as Supervisor of shareholders' representative of the Supervisory Committee of the Company.

Note 7: On 20 October 2015, Mr. Li Meijun resigned the duties of Supervisor of shareholders' representative of the Company due to personal reasons.

Note 8: On 16 December 2015, Mr. Zhang Zongming resigned the duties of the head of accounting department due to personal reasons.

Note 9: On 17 March 2014, Mr. Yuan Jinfu resigned as Director of the Board of Directors and member of the Remuneration and Review Committee due to the work accommodation.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

6. Directors' and Supervisors' Remuneration (Continued)

Note 10: On 24 January 2014, Mr. Deng Qiang resigned the duties of Director of the Board of Directors, Chairman, Chairman of the Strategic Committee and Chairman of the Nominations Committee due to the work accommodation.

Note 11: On 8 July 2014, Mr. Zhang Guolin resigned the duties of Independent Director of the Company.

Note 12: On 8 July 2014, Mr. Ran Maosheng resigned the duties of Independent Director of the Company.

Note 13: On 22 September 2014, Mr. Guan Chaohui resigned the duties of Director of the Board of Directors, member of the Strategic Committee and Vice General Manager due to the work accommodation.

Note 14: On 24 January 2014, Mr. Chen Hong resigned the duties of Director of the Board of Directors, General Manager and member of the Strategic Committee due to his age.

Note 15: On 3 April 2014, Ms. Gong Jun resigned as the head of accounting department.

Note 16: According to the service agreement signed with the Company in 2012 and 2014, Mr. Deng Qiang, Mr. Yuan Jinfu, Mr. Li Zheng, Mr. Li Meijun, Mr. Zhu Jianpai and Mr. Zhou Hong will no longer receive any wages from the Company.

Note 17: According to the service agreement signed with the Company in 2015, Mr. Zhu Jianpai, Mr. Li Zheng, Mr. Zhou Hong, Mr. Liu Dawei and Mr. Xie Chuanxin will no longer receive any wages from the Company.

7. Five highest paid employees

The five employees whose emoluments were the highest for the year include three directors (three in 2014), one supervisor (two in 2014) and one senior management. Refer to Section IX (II) 6 of Notes to the Financial Statement for detailed remunerations.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

8. Other related-party transactions

(1) Non-planned and unified social insurance management

The Company has joined the supplementary pension insurance plan implemented by Chongqing Iron & Steel Group and paid 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 benefits. Supplementary pension paid by Chongqing Iron & Steel Group to the retired personnel of the Company include: food subsidy, subsidy for utilities, seniority payments, birthday expenses, living expenses for dependents of deceased retired employees, Chinese new year bonuses. The above expenses are funded by the supplementary pension insurance premium paid by the Company to Chongqing Iron & Steel Group, with shortfalls borne by Chongqing Iron & Steel Group.

Pursuant to the relevant requirements, the Company makes contributions to the supplementary medical insurance premium centrally managed by Chongqing Iron & Steel Group. Such contributions are used for the payment of medical expenses of the Company's employees with heavy individual financial burdens and retired personnel.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related transactions (Continued)

8. Other related-party transactions (Continued)

(1) Non-planned and unified social insurance management (Continued)

Pursuant to the relevant requirements, the Company pays for the labor union fee centrally managed by Chongqing Iron & Group. Such contributions are used for the payment of the operation expenses of the labor union of the Company.

During 2015, the above supplementary pension insurance premium, supplementary medical insurance premium and part of the labor union fee contributed by the Company to Chongqing Iron & Steel Group for centralized administration amounted to RMB43,289,000 in aggregate (2014: RMB34,513,000).

Pursuant to the “Reply to the Request of Chongqing Iron & Steel (Group) Co., Ltd. Regarding the Split Medical Insurance Premium” issued by the Chongqing Medical Insurance Management Center in October 2008, the split administration of medical insurance premium of the Company and Chongqing Iron & Steel Group is not advisable for the time being. According to the “Agreement on Withholding and Remitting Basic Medical Insurance” and the “Agreement on Withholding and Remitting Large Amount 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 contributed to Chongqing Iron & Steel Group on the basic salary accrued 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. In 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 RMB78,604,000 (2014: RMB84,358,000). Chongqing Iron & Steel Group has not charged any handling fee for the above transactions.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Accounts receivables/payables of related parties

1. Accounts receivables from related parties

Items	Related party	Closing balance		Opening balance	
		Book balance	Amount of bad debts	Book balance	Amount of bad debts
Accounts receivable					
	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	11,833		10,442	
	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	5,869		4,801	
	Chongqing Iron & Steel Group Yingsite Mould Company Limited (重慶鋼鐵集團英斯特模具有限公司)	2,756	2,756	2,756	2,756
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	2,046			
	Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	1,268		1,871	
	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	1,162			
	Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	76			
	Chongqing Iron & Steel (Group) Co (Group) Co Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	45			
	Chongqing Hongfa Real Estate Development Company (重慶宏發房地產開發公司)	5		5	
	Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	4		4	
	Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)			137	
Sub-total		25,064	2,756	20,016	2,756

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Accounts receivables/payables of related parties (Continued)

1. Accounts receivables from related parties (Continued)

Items	Related party	Closing balance		Opening balance	
		Book balance	Amount of bad debts	Book balance	Amount of bad debts
Prepayments					
	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	1,700		6,609	
	Chongqing Iron & Steel Group Export and Import Company Limited (重鋼進出口公司)			8	
Sub-total		1,700		6,617	
Other non-current assets					
	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	61,399		59,020	
Sub-total		61,399		59,020	

2. Payables to related parties

Items	Related party	Closing balance	Opening balance
Notes payable			
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	679,180	
	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	523,500	247,000
	Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	500,000	
	Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	77,220	
	Chongqing Wuxia Mining Industry Incorporated Company (重慶巫峽礦業股份有限公司)	43,510	
	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)		2,000
Sub-total		1,823,410	249,000

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Accounts receivables/payables of related parties (Continued)

2. Payables to related parties (Continued)

Items	Related party	Closing balance	Opening balance
Accounts payable			
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	642,722	516,561
	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	357,049	471,408
	Chongqing Iron & Steel (Group) Co., Ltd.	159,966	959,975
	Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	148,083	142,344
	Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	130,304	
	Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	39,770	47,827
	Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	35,670	352,760
	Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	17,389	10,888
	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	6,343	2,492
	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	3,445	
	Others	1	643
Sub-total		1,540,742	2,504,898
Receipts in advance			
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	1,099	
	Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	1,050	
	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	662	
	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	4	
	Chongqing Iron & Steel Group Export and Import Company Limited (重慶進出口公司)	3	
Sub-total		2,818	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Accounts receivables/payables of related parties (Continued)

2. Payables to related parties

Items	Related party	Closing balance	Opening balance
Other payables			
	Chongqing Iron & Steel (Group) Co., Ltd.	891,781	1,606,660
	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	555,205	166,463
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	198,782	
	Chongqing Donghua Special Steel Company Limited (重慶東華特殊鋼有限責任公司)	20,865	20,658
	Chongqing Iron & Steel (Group) Co (Group) Co Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	5,357	6,686
	Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	4,713	4,713
	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	3,814	3,734
	Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	2,965	
	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	1,916	6,123
	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	479	
	Chongqing Chonggang Mining Exploitation and Investment Company Limited (重慶重鋼礦產開發投資有限公司)		300,000
	Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)		5,071
	Others		653
Sub-total		1,685,877	2,120,761
Interests payable			
	Chongqing Chonggang Mining Exploitation and Investment Company Limited (重慶重鋼礦產開發投資有限公司)		16,987
Sub-total			16,987

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

X. CAPITAL MANAGEMENT

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

The Company's capital structure is regularly reviewed and managed to achieve an optimal structure and returns to shareholders. The factors considered by the Company include: the Company's fund demands in the future, capital efficiency, realistic and expected profitability, expected cash flow, and estimated capital expenditures. If any change of the economic status influences the Company, the Company will adjust its capital structure.

The Company supervises its capital structure through adjusted net debt-to-capital rate. For this purpose, adjusted net debt is defined as total debt (which includes short-term borrowings and long-term borrowings, debentures payable, and finance lease payables) plus unrecognized proposed dividends distributions, less related-party loans with no fixed repayment terms and cash and cash equivalents.

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

Item	Closing balance	Opening balance
Current liabilities		
Short-term borrowings	3,492,152	2,883,600
Long-term loans due within one year	1,568,945	749,224
Finance lease payable to be mature within one year	227,305	912,353
The debentures payable due within one year		1,982,113
Sub-total	5,288,402	6,527,290
Non-current liabilities		
Long-term borrowings	9,849,988	9,909,613
Debentures payable	1,987,882	
Long-term payables – finance lease payable		222,407
Sub-total	11,837,870	10,132,020
Total debt	17,126,272	16,659,310

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

X. CAPITAL MANAGEMENT (Continued)

Item	Closing balance	Opening balance
Add: dividends proposed for distribution		
Less: Cash and cash equivalents	32,376	146,148
Adjusted net debt	17,093,896	16,513,162
Shareholders' equity	4,008,147	9,993,126
Less: dividends proposed for distribution		
Adjusted capital	4,008,147	9,993,126
Adjusted net debt-to-capital ratio	4.26	1.65

The Board of Directors made a sufficient and detailed assessment for the sustainable operation ability of the Company, including the review for the working capital prospects formulated by the management in 12 months by the end of 31 December 2016, so as to make sure the needs of working capital, payment of matured debts and capital expenditures. At the same time, the Company also negotiated with financial institutions, so as to make sure a certain credit facilities and reduce the debt payment risk.

XI. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

1. Outsourcing contract with significant amount that was signed and performing or commencing to perform

Item	Current period cumulative	Preceding period comparative
Outsourcing contract with significant amount that was signed and performing or commencing to perform	3,367,637	4,300,495
Large amount outsourcing contracts authorized but not contracted		275,108
Total	3,367,637	4,575,603

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XI. COMMITMENTS AND CONTINGENCIES (Continued)

(I) Significant commitments

2. Signed lease contract under the performance or to be performed and its financial impacts

Item	Current period cumulative	Preceding period comparative
Signed lease contract under the performance or to be performed	230,493	1,508,367
Total	230,493	1,508,367

3. As at 31 December 2015, the letters of credit issued by the company are as follows

Item	Transaction amount	Balance of guarantee deposited
International letter of credit	USD54,909	USD9,571
Domestic letter of credit	RMB471,600	RMB94,320

As at the date of balance sheet, in addition to the above matters, the Company has no other significant commitments need to be disclosed.

(II) Contingencies

1. Contingent liabilities formed by pending action arbitration and its financial impacts

- (1) In October 2015, China Erzhong Group (Deyang) Heavy Industries Co., Ltd (二重集團(德陽)重型裝備股份有限公司) submitted a case to Deyang intermediate people's court for the Company's default of the contract payment, and requested the court to judge the Company to pay off an amount of RMB103.38401 million as the debt as well as liquidated damages to the actual implementation date. As at 31 December 2015, the case is under investigation.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XI. COMMITMENTS AND CONTINGENCIES (Continued)

(II) Contingencies (Continued)

1. Contingent liabilities formed by pending action arbitration and its financial impacts (Continued)

(2) In November 2015, Chongqing Tonghui Coal Washing Co., Ltd (重慶通匯煤炭洗選有限責任公司) submitted a case to Chongqing Municipal First Intermediate People's Court for the Company's default of the contract payment, and requested the court to judge the Company to pay off an amount of RMB77.98261 million as the debt and to pay liquidated damages for overdue payment calculated by 4 times of the same loan interest rate of the People's Bank of China in the same period from the date of late payment to the date of payment cleared. As at 31 December 2015, the case is under investigation.

(3) In December 2015, Huanggang Chuhe Metal Materials Co., Ltd (黃岡楚和金屬材料有限公司) submitted a case to Huanggang Intermediate People's Court for the Company's default of the contract payment, and requested the court to judge the Company to pay off an amount of RMB28 million as the debt. As at 31 December 2015, the case is under investigation.

2. Contingent liabilities formed by the provision of debt guarantee for other entities and its financial impacts

For relevant matters about the guarantee provided for related parties, refer to the description on "Note IX (II) 3 of the Financial Statement – related parties and related-party transactions".

As at the date of balance sheet, in addition to the above matters, the Company has no other significant contingencies need to be disclosed.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XII. EVENTS AFTER BALANCE SHEET DATE

In February 2016, Liaoning Qinghua Refractory Materials Co., Ltd (遼寧青花耐火材料股份有限公司) submitted a case to Liaoning Dashiqiao People's Court for the Company's default of the contract payment, and requested the court to judge the Company to pay off an amount of RMB53.796 million as the debt and the related interest.

By the end of the date of approved report of the Financial Statement, the Company has no other non-adjusted matters in other disclosed events after the balance sheet date.

XIII. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. *Determination basis and accounting policy for report segments*

The Company will determine different segments based on the internal organizational structure, management requirements and internal report system. The Company's operation segments refer to those components meeting the following conditions at the same time:

- (1) the segment may generate revenue and incur expenses in daily activities;
- (2) the segment's operating results are regularly assessed by the Group's management to allocate its resources and assess its performance;
- (3) the segment's financial position, operation result, cash flow and other accounting information can be obtained by analysis.

The Company will determine its report segments on the basis of its product segments. The assets and liabilities used with various segments shall be distributed among different segments according to different proportions.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIII. OTHER SIGNIFICANT EVENTS (Continued)

(I) Segment information (Continued)

2. Financial information about report segments

Item	Iron and steel segment	Steel processing segment	Intra-segmental eliminations	Total
Revenue from principal activities	8,316,591	59,010	-53,309	8,322,292
Cost of principal operations	10,501,520	56,405	-53,309	10,504,616
Total assets	39,203,160	76,484	-51,565	39,228,079
Total liabilities	35,215,023	5,474	-565	35,219,932

3. Information of major customers

The company has two customers (2014: one) from which the operating income is over 10% of the company's total operating income. The operating income from the customers represents 28% (2014: 21%) of the Company's total operating income.

The customer which the operating income is over 10% of the Company's total operating income stated below:

Name of Customer	Operating Income	Proportion of total operating income of the company (%)
Customer 1	1,461,700	18
Customer 2	850,401	10
Total	2,312,101	28

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIII. OTHER SIGNIFICANT EVENTS (Continued)

(II) Matters about reselling of “10 CISL bond”

According to Specification for CISL's Public Issuance of Corporation Bonds disclosed on 7 December 2010, the holders of “10 CISL bond” (bond code: 122059) may declare for reselling of some or all “10 CISL bond” bonds on the reporting date of reselling (2 December 2015). The reselling price is equal to the face value of such bond (RMB100/piece). The Company has the right to decide whether to up-regulate the nominal interest rate of “10 CISL bond” (bond code: 122059) in the last two years at the end of the 5th year of its duration. In November 2015, according to the actual conditions and the market environment, the Company decided not to up-regulate the nominal interest rate of “10 CISL bond” in the last two years. In other words, in the last two years of the duration, the nominal interest rate still maintains unchanged (6.20%) for the non-resold part of “10 CISL bond”. According to relevant statistics of Shanghai Branch of China Securities Depository and Clearing Company Limited for the reselling declaration of “10 CISL bond”, the number of valid reselling declaration is 0, and the reselling amount is RMB0 (interest excluded).

(III) Non-public issuance of shares

The Company and Chongqing Yu Fu Assets Management Group Co., Ltd (重慶渝富資產經營管理集團有限公司), Chongqing Energy Investment Group Co., Ltd (重慶市能源投資集團有限公司), Shenzhen Xin Yu Investment Partnership (Limited Partnership) (深圳鑫昱投資管理合夥企業(有限合夥)), Energy Conservation Capital Holdings Limited (中節能資本控股有限公司), Sichuan Coal Industry Group Co., Ltd. (四川省煤炭產業集團有限責任公司), CISDI Engineering Technology Co., Ltd. (中冶賽迪工程技術股份有限公司), Chongqing Wei Jin Environmental Protection Technology Co., Ltd (重慶偉晉環保科技有限公司) and Chongqing Yu Kun Long Metallurgical Materials Co., Ltd. (重慶煜琨瓏冶金材料有限公司) signed the subscription agreement on effective shares with additional conditions, and proposed to issue 1,285,388,601 A shares by the mode of cash under a non-public issuance, with the raised capital not exceeding RMB4,961,600,000. The funds raised by non-public issuance of A shares will be used by CISL for POSCO cold rolled plate project, special proposal for POSCO galvanized plate and payment of bank loans. Relevant matters about the non-public issuance of A shares already passed the deliberation on the 3rd meeting of the 7th Session of Board Meeting and the first extraordinary General Meeting in 2015 as well as the approval by Chongqing State-owned Assets Supervision and Administration Commission, and obtain the Notice of China Securities Regulatory Commission (CSRC) for Acceptable of Application for Administrative License (No. 153386) issued by CSRC.

For the non-public issuance of shares, the Company still need to obtain the approval by CSRC.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIII. OTHER SIGNIFICANT EVENTS (Continued)

(IV) Significant investment matters

On 6 August 2015, the Company reached a primary consensus, and signed a cooperation framework agreement with POSCO Korea Co., Ltd. (韓國株式會社POSCO) (POSCO) for the joint development of special joint venture proposals for cold rolling projects (special cold rolling proposals) and special joint venture proposals for galvanized projects (special galvanized proposals) in Chongqing. According to the agreement, both parties will utilize respective advantages to develop close cooperation in various fields of cold rolling and galvanization. The total investment of the cooperative project is temporarily determined as RMB6.2 billion. The Company will contribute by cash and its land use right, and POSCO will contribute by RMB or equivalent in USD. The Company will hold special cold rolling proposals, with the ratio of POSCO's contributions as approximately 10-25%. POSCO will hold special galvanized proposals, with the Company's ratio of contributions as 49%.

The agreement needs to be approved by relevant authorities of China and South Korea. Specific implementation conditions shall be submitted to the Board of Directors and the General Meeting of the Company for deliberation.

(V) Matters about the reduction to controlling shareholders and stock pledge

According to the notice of the controlling shareholder Chongqing Iron & Steel Group (CISG), CISG reduced the Company's shares according to relevant management provisions for the transfer of listed companies' shares by state-owned shareholders. In April-May 2015, CISG accumulatively reduced 700,000,000 A shares of the Company through the centralized auction price transaction system of Shanghai Stock Exchange, accounting for 15.78% of the total shares of the Company. By the end of the reporting date, CISG totally hold 2,096,981,600 A shares of the Company, accounting for 47.27% of the total shares of the Company, including 952,000,000 shares accumulatively pledged (for 45.40% of the total shares held by CISG and 21.46% of the general capital of the Company).

(VI) Debt restructuring

According to the debt exemption agreement signed by the Company and Changshou Chongqing urban and rural development (Group) Co., Ltd. (重慶市長壽區城鄉統籌開發(集團)有限公司), after negotiation between two parties, Changshou Chongqing urban and rural development (Group) Co., Ltd. agreed to exempt the company's debt of 2.35 billion, the company promise repay the remaining debt in 2016. The company recognized the relevant debt restructuring proceeds of 2.35 billion in 2015.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

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

(I) Notes to items in the Parent Company's balance sheets

1. Accounts receivable

(1) Details

1) Details of different categories of accounts receivable

Categories	Closing balance				Carrying amount
	Book balance Amounts	Proportion (%)	Amount of bad debts Amounts	Percentage (%)	
Receivables of individually significant amount and with provision made on an individual basis	153,935	25	7,923	5	146,012
Receivables that are provided for bad debts on similar credit risk portfolio basis	475,300	75	135,573	28	339,727
Receivable of individually insignificant amount but with provision made on an individual basis	2,756		2,756	100	
Total	631,991	100	146,252	23	485,739

Categories	Opening balance				Carrying amount
	Book balance Amounts	Proportion (%)	Amount of bad debts Amounts	Percentage (%)	
Receivables of individually significant amount and with provision made on an individual basis	153,935	27	7,923	5	146,012
Receivables that are provided for bad debts on similar credit risk portfolio basis	429,835	73	135,685	32	294,150
Reason for making individual Receivable of individually insignificant amount but with provision made on an individual basis	2,756		2,756	100	
Total	586,526	100	146,364	25	440,162

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the Parent Company's balance sheets (Continued)

1. Accounts receivable (Continued)

(1) Details (Continued)

- 2) Receivables of individually significant amount and with provision made on an individual basis

Name of debtor	Book balance	Amount of bad debts	Percentage (%)	Proportion Note
Customer 1	153,935	7,923	5	Note
Sub-total	153,935	7,923	5	

Note: A provision of RMB7,923,000 was made by the Company on the basis of the estimated present value of expected future cash flows of the accounts receivable.

- 3) In portfolio, accounts receivable that are provided for bad debts by aging analysis

Aging	Closing balance		
	Book balance	Amount of bad debts	Percentage (%)
Less than 3 months	288,977		
4-12 months (first year inclusive)	21,191	1,060	5
1-2 years	3,832	958	25
2-3 years	7,359	3,680	50
Over 3 years	129,875	129,875	100
Sub-total	451,234	135,573	30

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the Parent Company's balance sheets (Continued)

1. Accounts receivable (Continued)

(1) Details (Continued)

- 4) In portfolio, accounts receivables that are provided for bad debts by other method:

Name of combination	Closing balance		Percentage (%)
	Book balance	Amount of bad debts	
Related parties	24,066		
Sub-total	24,066		

(2) Aging Analysis

Aging	Closing balance		Percentage (%)
	Book balance	Amount of bad debts	
Less than 3 months	293,919		
4-12 months (first year inclusive)	24,600	1,060	4
1-2 years	13,147	958	7
2-3 years	7,433	3,680	50
Over 3 years	292,892	140,554	48
Total	631,991	146,252	23

(3) Accounts receivable provided for bad debts, received or reversed for the period

An amount of RMB-112,000 was withdrawn as bad debt provision in the current period.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the Parent Company's balance sheets (Continued)

1. Accounts receivable (Continued)

(4) Five largest accounts receivable by debtor

The subtotal of five largest accounts receivable of the parent company at the end of the year is RMB396,811,000, representing 63% of the total accounts receivable of the parent company, and the provision of bad debts is RMB7,923,000.

2. Other receivables

(1) Details

1) Details of different categories

Categories	Closing balance				Carrying amount
	Book balance		Amount of bad debts		
	Amounts	Proportion (%)	Amounts	Percentage (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	28	15,827	100	
Other receivables that were not impaired upon separate impairment test	40,228	70			40,228
Receivable of individually insignificant amount but with provision made on an individual basis	1,131	2	1,131	100	
Total	57,186	100	16,958	30	40,228

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the Parent Company's balance sheets (Continued)

2. Other receivables (Continued)

(1) Details (Continued)

1) Details of different categories (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amounts	Proportion (%)	Amounts	Percentage (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	2	15,827	100	
Other receivables that were not impaired upon separate impairment test	922,272	98			922,272
Receivable of individually insignificant amount but with provision made on an individual basis	1,131		1,131	100	
Total	939,230	100	16,958	2	922,272

2) Receivables of individually significant amount and with provision made on an individual basis at the end of the period

Name of debtor	Book balance	Amount of bad debts	Percentage (%)	Proportion Note
Chongqing Special Steel Company Limited (重慶特殊鋼股份有限公司)	5,587	5,587	100	Low probability to recover
Chongqing Iron and Steel Industry and Trade (Zhanjiang) Company (湛江重鋼工貿公司)	10,240	10,240	100	Low probability to recover
Sub-total	15,827	15,827	100	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the Parent Company's balance sheets (Continued)

2. Other receivables (Continued)

(2) Other receivables categorised by nature (Continued)

Nature of amount	Closing balance	Opening balance
Receivables of non-current assets disposal		875,076
Payment on account	26,270	24,846
Guarantee deposits and petty cash	18,936	19,396
Others	11,980	19,912
Total	57,186	939,230

(3) Five largest prepayments other receivables by debtor

The subtotal of five largest other receivables of the parent company at the end of the year is RMB18,708,000, representing 33% of the total other receivable of the parent company, and the provision of bad debts is RMB16,958,000.

3. Long-term equity investment

(1) Details

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	101,000		101,000	101,000		101,000
Investment in associates and joint ventures						
Total	101,000		101,000	101,000		101,000

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the Parent Company's balance sheets (Continued)

3. Long-term equity investment (Continued)

(2) Investments in subsidiaries

Investees	Opening balance	Increase in the period	Reductions for the period	Closing balance	Additions Provision for impairment	Additions Provision for impairment Amount at the end of the Period
Jingjiang Sanfeng Steel Processing Distribution Co., Ltd. (靖江三峰鋼材加工配送有限公司)	51,000			51,000		
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	50,000			50,000		
Guizhou CIS Iron and Steel Sales Co., Ltd. (貴州重鋼鐵銷售有限責任公司) (Note)						
Xi'an CIS Sales Co., Ltd. (西安重鋼銷售有限責任公司) (Note)						
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司) (Note)						
Sub-total	101,000			101,000		

(3) Investments in unlisted and listed companies

Items	Closing balance	Opening balance
Investments in unlisted companies	101,000	101,000
Total	101,000	101,000

Note: The Company contributed to establish Guizhou CIS Iron and Steel Sales Co., Ltd., Xi'an CIS Sales Co., Ltd. and Chongqing CIS Building Materials Sales Co., Ltd., the subscription amount is 10 million respectively, as at the date of the balance sheet, the Company has not yet paid the subscription amount.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(II) Notes to items in the Parent Company's income statements

1. Operating income/operating costs

Item	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from principal activities	7,970,749	10,168,062	12,078,075	12,582,029
Revenue from other operations	27,730	4,592	39,737	13,072
Total	7,998,479	10,172,654	12,117,812	12,595,101

2. Investment income

Item	Current period cumulative	Preceding period comparative
Long-term equity investment income measured by cost method	1,279	10,366
Investment income of long-term equity investments under equity method		41
Income from disposal of long-term equity investment		166,316
Total	1,279	176,723

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XV. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit and loss

1. Details of non-recurring profit or loss

Item	Amounts	Remarks
1. Profit/loss on disposal of non-current assets, including write-off of provision for asset impairment	-3,490	
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax 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)	969,206	
Capital occupancy fee from non-financial enterprises recognized through profit or loss		
Profits and losses arising from business combination when the combination cost is less than the recognized fair value of net assets of the combined company		
Profit or loss of non-monetary asset exchange		
Profit or loss from entrusting others to invest or manage the assets		
Provision of impairment of assets due to force majeure such as suffering from natural disaster		
Profit/loss from debt restructuring	2,350,000	
Costs of corporate reorganisation, i.e. expenses for staff settlement, integration costs, etc		
Profit or loss from transactions with obvious unfair transaction price		
Net profit or loss for the current period from the beginning of the period to consolidation date of subsidiaries acquired through business combinations under common control		
Profits or losses arising from contingencies which are not related to company's main business		

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XV. OTHER SUPPLEMENTARY INFORMATION (Continued)

(I) Non-recurring profit and loss (Continued)

1. Schedule of non-recurring profit or loss of current period (Continued)

Item	Amounts	Remarks
Except effective hedging businesses related to the Company's normal operation business, financial assets measured by the fair value and with the variation recorded into current profit and loss, fair value variation incomes generated by financial liabilities, and investment incomes obtained by the disposal of financial assets, financial liabilities and available-for-sale financial assets measured by the fair value and with the variation recorded into current profit and loss		
Reversal of impairment provision for receivables tested for impairment on individual basis		
Profit and loss obtained by externally entrusted loans		
Profits or losses from change in fair value of investment real estate adopting the fair value mode to do the follow-up measurement		
Profits or losses on reconciliation of current period profit or loss following legal and regulative requirements		
Fee and commission incomes arising from trusted customer asset management business		
Other non-operating income and expenses other than the aforesaid items	-36	
Other profit or loss item that satisfied the definition of non- recurring profit or loss		
Sub-total	3,315,680	
Less: the influence number of corporate income tax (decrease in corporate income tax represented with "-")	-4	
Effects on non-controlling interests (after tax)	-3	
Non-recurring profit and loss belonging to the parent company's owners	3,315,687	

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XV. OTHER SUPPLEMENTARY INFORMATION (Continued)

(II) Return on net assets and earnings per share

1. Details

Profit for the Reporting Period	Weighted average RONA (%)	Earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	-85.76	-1.35	-1.35
Net profit attributable to ordinary shareholders of the Company after non-recurring profit and loss are deducted	-133.25	-2.10	-2.10

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XV. OTHER SUPPLEMENTARY INFORMATION (Continued)

(II) Return on net assets and earnings per share (Continued)

2. Calculation process of weighted average RONA

Item	Symbols	Current period cumulative
Net profit attributable to ordinary shareholders of the Company	A	-5,987,248
Non-recurring profit and loss	B	3,315,687
Net profit attributable to ordinary shareholders of the Company after non-recurring profit and loss are deducted	C=A-B	-9,302,935
Opening balance of net assets attributable to ordinary shareholders of the Company	D	9,973,914
Net assets attributable to ordinary shareholders of the Company increased by the issuance of new shares or conversion of debts into shares	E	
The accumulative number of months from the next month of the increased net assets to the end of the reporting period	F	
Net assets attributable to ordinary shareholders of the Company decreased by share repurchase or cash dividends appropriation	G	
The accumulative number of months from the next month of the decreased net assets to the end of the reporting period	H	
Others: Donation of CISG to the Company	I1	2,207
The accumulative number of months from the next month of the increased/decreased net assets to the end of the reporting period	J1	6
The number of months in the reporting period	K	12
Weighted average net assets	$L = D + A/2 + E \times F / K - G \times H / K \pm I \times J / K$	6,981,394
Weighted average RONA	$M = A/L$	-85.76%
Weighted average RONA after deducting non-recurring profit or loss	$N = C/L$	-133.25%

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015 (Unit: RMB'000)

XV. OTHER SUPPLEMENTARY INFORMATION (Continued)

(II) Return on net assets and earnings per share (Continued)

3. Basic earnings per share and diluted earnings per share

(1) Calculation process of basic earnings per share

Item	Symbols	Current period cumulative
Net profit attributable to ordinary shareholders of the Company	A	-5,987,248
Non-recurring profit and loss	B	3,315,687
Net profit attributable to ordinary shareholders of the Company after non-recurring profit and loss are deducted	C=A-B	-9,302,935
Opening balance of total shares	D	4,436,023
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased by the issuance of new shares or conversion of debt into equity	F	
The accumulative number of months from the next month of the increased shares to the end of the reporting period	G	
Number of the shares decreased by repurchase, etc.	H	
The accumulative number of months from the next month of the decreased shares to the end of the reporting period	I	
Number of reduced shares in the reporting period	J	
The number of months in the reporting period	K	12
Weighted average of outstanding ordinary shares	$L=D+E+F \times G / (K-H \times I / K-J)$	4,436,023
Basic earnings per share	$M=A/L$	-1.35
Basic earnings per share after non-recurring profit and loss are deducted	$N=C/L$	-2.10

(2) The calculation process of diluted earnings per share

The calculation process of diluted EPS is basically the same as that of basic EPS.

Chongqing Iron & Steel Company Limited

March 30, 2016